17 October 2018

ASOS plc
Global Online Fashion Destination

Final Results for the year to 31 August 2018

Summary financial results

£m[1]	Year to 31 August 2018	Year to 31 August 2017	Change	CCY[2] Change
Group revenues[3]	**2,417.3**	1,923.6	*26%*	*24%*
Retail sales	**2,355.2**	1,876.5	*26%*	*24%*
UK retail sales	***861.3***	*698.2*	*23%*	*23%*
International retail sales	***1,493.9***	*1,178.3*	*27%*	*24%*
Gross profit	**1,237.1**	958.3	*29%*	
Retail gross margin	***49.9%***	*48.6%*	*130bps*	
Gross margin	***51.2%***	*49.8%*	*140bps*	
Profit before tax	**102.0**	80.0	*28%*	
Diluted earnings per share	**98.0p**	76.6p	*28%*	
Cash and cash equivalents	**42.7**	160.3	*(73%)*	

[1]All numbers subject to rounding throughout this document, [2]Constant currency is calculated to take account of hedged rate movements on hedged sales and spot rate movements on unhedged sales, [3]Includes retail sales, delivery receipts and third party revenues

Results summary

- Retail sales grew at +26% on a reported basis and +24% on a constant currency basis
- Strong growth across both UK, +23%, and international territories, +27% (constant currency +24%)
- Retail gross margin up 130bps
- PBT up 28% at £102m (EBIT margin 4.2%), after taking account of substantial transition costs
- Continued strong customer engagement: active customers[4] +19%, average basket value +1%, order frequency[5] +7%
- Total orders placed 63.2m, +27% year on year
- US hub phase one operational, Euro hub phase two progressing well
- Cash balance of £43m reflecting working capital and capex investment, new £150m 3-year facility agreed

Guidance and medium term outlook

- No change to FY19 reported sales and EBIT guidance; c.20-25% and c.4% EBIT margin respectively
- Medium term reported sales growth guidance also unchanged at c.20-25% p.a. with a c.4% EBIT margin and capex of £230-£250m p.a.

Nick Beighton, CEO, commented:

"This has been another year of substantial progress for ASOS. We delivered 26% sales growth and 28% profit growth whilst investing heavily in the long term potential of the business. Our reported profit increase was achieved despite bearing material transition costs due to our investment programme. All our financial and customer key metrics have shown positive growth.

Our guidance remains unchanged both for the current year and the medium term, despite our record levels of investment.

ASOS is moving fast and is as differentiated as ever. The potential for our business is huge and we remain focussed on building ASOS into the world's number one destination for fashion loving twentysomethings".

[4] Defined as having shopped in the last twelve months as at 31 August
[5] Calculated as last twelve months' total orders divided by active customers

Investor and analyst meeting:

There will be a meeting for analysts that will take place at 9.30am today, 17 October 2018, at Numis Securities, 10 Paternoster Row, London EC4M 7LT. Photo ID and security checks will be required so please ensure prompt arrival. A webcast of the meeting will be available both live and following the meeting at www.asosplc.com. Please register your attendance in advance with Tom Berger at Instinctif Partners on either 020 7457 2834 or tom.berger@instinctif.com.

For further information:

ASOS plc Nick Beighton, Chief Executive Officer Greg Feehely, Director of Investor Relations Alison Lygo, Investor Relations Manager Website: www.asosplc.com/investors	Tel: 020 7756 1000
Instinctif Partners Matthew Smallwood / Justine Warren / Tom Berger	Tel: 020 7457 2020
JPMorgan Cazenove Michael Wentworth-Stanley / Caroline Thomlinson / Bill Hutchings	Tel: 020 7742 4000
Numis Securities Alex Ham / Luke Bordewich / Tom Ballard	Tel: 020 7260 1000

Forward looking statements:

This announcement may include statements that are, or may be deemed to be, "forward-looking statements" (including words such as "believe", "expect", "estimate", "intend", "anticipate" and words of similar meaning). By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances, and actual results may, and often do, differ materially from any forward-looking statements. Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Save as required by applicable law, the Company undertakes no obligation to publicly revise any forward-looking statements in this announcement, whether following any change in its expectations or to reflect events or circumstances after the date of this announcement.

Background note

ASOS is a global fashion destination for 20-somethings, selling all the freshest styles complemented by exclusive content, making ASOS.com the hub of a thriving fashion community and giving our audience the confidence to be whoever they want to be. ASOS sells over 87,000 branded and ASOS Brand products through localised app and mobile/desktop web experiences, delivering from fulfilment centres in the UK, US and Europe. ASOS curates a mix of our in-house designed labels, ASOS DESIGN, ASOS EDITION, ASOS WHITE and ASOS 4505, with global and local brands sold through our own channels to deliver a locally relevant offer. Our ground-breaking propositions help bring our amazing products to almost every country in the world and we serve customers globally with increasingly tailored local experiences: relevant languages, payment methods and delivery and return options. You can currently shop ASOS in over 200 markets, in eight languages, using an ever greater number of different payment methods, with hundreds of local deliveries and returns options from pick up and drop off networks to Next-Day Delivery. We aim to give all our global customers a truly frictionless experience.

ASOS's websites attracted 157.2m visits during August 2018 (August 2017: 135.7m) and as at 31 August 2018 had 18.4m active customers[1] (31 August 2017: 15.4m), of which 6.0m were located in the UK and 12.4m were located in international territories (31 August 2017: 5.2m in the UK and 10.2m internationally).

[1] Defined as having shopped in the last twelve months as at 31 August

ASOS plc ("the Group")
Global Online Fashion Destination
Final Results for the year to 31 August 2018

Overview

ASOS again reports a strong trading performance for the twelve months to 31 August 2018 during a record year of investment for us. The Group delivered retail sales growth of 26% to £2,355.2m (2017: £1,876.5m), following acceleration in the final period to +29%. Reported profit before tax grew by 28% to £102.0m (2017: £80.0m). Retail gross margin increased by 130bps to 49.9% (2017: 48.6%).

This is our third consecutive year of sales growth comfortably in excess of 20%, with revenues having more than doubled over the same period. In October 2014 we set an ambition to grow to £2.5bn of annual revenues by FY20 and we will achieve this level nearly two years early. At the same time EBIT margins have remained stable despite significant investment across both our platforms and logistical infrastructure, the benefits of which have yet to be fully realised; a financial discipline that has served us well and that we will continue to follow.

To enable better understanding of the financial dynamics at play during this period of high investment we highlight that Group reported PBT of £102.0m is after (i) our ongoing non-cash share based payment charge of £8.9m (2017: £7.6m), (ii) an impairment of our recently closed A-List loyalty scheme of £2.7m (2017: £nil) and (iii) our best estimate of facilities transition costs of c.£25m (2017: c.£11m) largely relating to our new Euro and US distribution hubs.

In terms of our geographical retail sales performance, the UK had an outstanding year, all the more pleasing given the widely reported difficult trading backdrop; delivering full year sales growth of 23%, accelerating as the year progressed, and representing a further demonstrable market share gain in our 18^{th} year of operation. UK active customers grew by 15% accompanied by an impressive 10% increase in average purchase frequency. Post year-end, and after careful consideration, we decided to close our UK loyalty programme, A-List. Through A-List we learnt much about what customers love about ASOS and how we deliver it. We now believe the time is right to evolve our loyalty offering to be more global and give focus to our Premier Delivery option, which customers have told us they really value.

EU retail sales grew 28% in constant currency, another strong performance notwithstanding the fact that we managed the sales growth in this territory in H2 to both protect profitability and short term capacity against the backdrop of continuing investment in our Euro hub distribution centre to improve its efficiency levels closer to our UK Hub in Barnsley. The efficiency of this facility will improve significantly as we exit the current financial year. Within the EU region we saw a further growth in active customers of 25% to 7m, 1m more than in our home market.

Within the US, constant currency sales growth was 25% alongside a 19% increase in active customers. Our main focus in this region during the financial period was the successful completion of phase 1 of our new US hub in Atlanta which will enable us to improve our US customer proposition at the same time as accessing future delivery cost savings.

Finally, ROW sales grew 18% in constant currency as active customers grew to 2.8m, up 17% with particularly pleasing performances in Russia and Israel and a slightly more challenging backdrop in Australia.

As noted earlier, our substantial multi-year investment programme continues at pace; these investments, chiefly across warehousing and technology, will facilitate our growth as we now focus on the substantial further opportunity ahead. We have maintained capex guidance at £230-250m and, as previously guided, capex as a percentage of sales will fall steadily going forward.

As previously guided, the group was free cash flow negative in FY18 and we anticipate this continuing into the current financial year as we invest a similar amount of capital expenditure. Year end cash balance was £42.7m. During the period we successfully renegotiated our banking facilities and have finalised a 3 year £150m revolving credit facility providing more than sufficient financial flexibility during this period of heavy investment.

On 1 October we launched our new venture brand, Collusion. This brand has been over 12 months in the making and represents something new for ASOS, rethinking fashion categorisation and targeting a Gen Z customer with this gender-fluid, affordable label. The collection has initially been designed in collaboration with six young influencers, each with their own online voice and diverse followings, resulting in a collection with roots in inclusivity and experimentation. The initial customer response has been very encouraging.

In addition to Collusion, we saw further restless evolution of our product as we refreshed and strengthened our retail offer during the year. Highlights included the successful launch of ASOS 4505, relaunch of Face + Body, including strategic partnerships with Estee Lauder and L'Oreal, simplification of the brand architecture, further exclusive collaborations and the addition of 300 new brands to site, whilst editing out a similar number.

Our tech capability continues to go from strength to strength with its improving velocity, demonstrated by the 2,900 tech releases during the year vs 1,300 in the prior year. Improvements across tech included new sites, new languages, improved recommendations algorithms and our first meaningful move into AI-driven conversational interfaces.

Overall it was another successful year for us, the pace at which we operate continues to accelerate and our increasing agility is allowing us to navigate well a rapidly evolving global retail environment. Both our strategy and our financial guidance remain unchanged, the balance between sales growth and profitability remains optimal and we continue to look to the future with confidence.

Our Global Opportunity

We continue to see considerable opportunity across our key markets. The global apparel market continues to undergo significant channel shift, with growth in the online apparel market outstripping growth in the overall market. Over this time ASOS has continued to grow faster than this rate of channel shift and consequently grow market share. Online penetration will continue to increase, stepping on 8-10% globally[1] by 2023, and we believe ASOS is well placed to capitalise on this secular shift in customer behaviour.

	UK	**EU[2]**	**US**	**RoW[3]**
Apparel market size 2018	£48.1bn	£287.9bn	£303.7bn	£668.7bn
Apparel market CAGR 2014-18	2%	5%	9%	9%
Online apparel market size 2018	£11.6bn	£46.0bn	£63.2bn	£101.3bn
Online apparel market CAGR 2014-18	12%	19%	19%	27%
ASOS retail sales	£861m	£724m	£312m	£369m
ASOS 4 year CAGR	23%	38%	36%	29%
ASOS market share	7.4%	1.6%	0.5%	0.4%
Forecast apparel market CAGR 2018-23	2%	4%	4%	8%
Forecast online apparel market CAGR 2018-23	8%	13%	11%	19%
Online penetration 2018	24%	16%	21%	15%
Online penetration forecast 2023	32%	25%	29%	25%

[1] Source: Global Data and ASOS estimates [2] Data for 22 European countries as available through Global Data [3]Data for 25 RoW countries as available through Global Data

Outside our home market where we continue to grow market share, our current market share offers substantial future growth opportunities.

In pursuing our mission to be the favourite destination for the world's fashion conscious 20-somethings, we continue to focus on our four defendable pillars through which we differentiate our brand: Our Purpose, Our Product, Our Proposition and Our People.

Our Purpose

The ASOS Purpose is to 'give you the confidence to be whoever you want to be'. This underpins the product and proposition we present, the way we do business, as well as the way we interact and engage with our customers.

Continued investments are enabling strong engagement levels across our customer base. Site visits increased by 19% year-on-year; average order frequency improved by 7%; average basket value continued to increase by 1%, for the fifth consecutive year, alongside a strong 20bps improvement in conversion. Active customers are now at 18.4m, representing a 19% increase year on year. We continued to drive engagement with the global student community; as a result student customers increased by 31% year on year.

We continued with our brand building efforts with a focus on our ASOS Design products, as well as joint marketing with our strategic brand partners to support key categories such as Face + Body and Activewear. Additionally, we saw further collaborations with causes like GLAAD and the Help Refugees charity, with intention to support meaningful change.

Engagement through the most relevant social channels remains a key part of our customer-led content strategy. ASOS were early adopters of Instagram Stories and have seen fantastic engagement through this content format. Our stories were viewed 244 million times during the year, whilst social media followers were up 13% globally to 22.7million. We progressed with Instagram shopping, working in collaboration with Instagram to launch a geo-targeted shopping feed. ASOS were the first brand to have successfully launched in multiple currencies having worked alongside Instagram to overcome the currency restriction for shopping.

Sustainability remains a key focus and an integral part of the ASOS Purpose. We are therefore firmly committed to achieving ambitious improvement targets. ASOS has publicly committed to training 100% of relevant design and product teams on circular design best practice by 2020. Progress has started already, as June saw the training on circular design commence in collaboration with London College of Fashion's Centre of Sustainable Fashion.

This year also saw ASOS co-host an assembly with Baroness Lola Young on Modern Slavery, at the House of Lords. This event was attended by many of our third-party brands and industry colleagues and focused on identifying shared risks before building action plans to combat them.

ASOS views its commitment to 'Fashion with Integrity' as a critical investment in the future of our business.

Our Product

ASOS offers customers the greatest, most relevant edit of great value fashion to an inclusive 20-something audience.

Our commitment to inclusive fashion runs through the business, from our 'playful' approach to Face + Body, celebrating diversity, to our growth in inclusive sizing and most recently the launch of our newest label, Collusion. Inclusive fits were up 37% during the second half as our offering across womenswear and menswear continued to expand into new product categories and fits.

This year saw the introduction of c.300 new brands as we continue to focus on newness and the most exciting brands for our fashion loving 20-something customers. Within this were many key launches to enhance our Face + Body offer, most notably MAC, Clinique and Too Faced and more recently our first launch of fragrance with DKNY.

Each week saw c.5,000 new items launch with around 87,000 products in stock at any one point in time. The ASOS Design brand continues to account for almost 40% of sales which, combined with exclusive collaborations with third party brands, leads to c.50% of product being exclusive to ASOS.

ASOS continued to be at the forefront with design and capture of key trends. Last season ASOS Design were first to market with one of the year's key pieces, the button through dress. Over half a million ASOS Design dresses were designed and sold in varying fabrics and prints, including linen and florals. Animal print was also a standout trend ASOS captured, with around 2,000 options merchandised and selling 1.3 million units across both menswear and womenswear.

August saw the launch of The Simpsons x ASOS DESIGN collaboration, customer feedback was great and the range attracted media coverage globally. The range included 50 options across menswear and womenswear and over a third of the collection sold out in the first week.

SS18 saw the first launch for Made in Kenya on menswear, this range achieved record sell through and was well received by the media, with Vogue describing it as 'the definition of Cultural Appreciation'. This was the first Made in Kenya range designed with collaborators: Kenyan Bloggers and Streetstyle duo Too Many Siblings, Beats 1 DJ Julie Adenuda and Model & Designer Leomie Anderson, which marked another step-on in the evolution of this collection.

The second year of our Fashion Discovery competition saw over 1,000 entries competing for a £50,000 investment, one-to-one mentoring and stocking on ASOS. This year saw three winners: LYPH with a focus on playful, unisex cuts; Wesley Harriott showing striking silhouettes and multifunctional fashion; and the People's choice winner, Desree Akorahson, a bold and fun 60s inspired brand. Collections from the winners will be stocked on ASOS in 2019.

Our Proposition

ASOS continue to invest in improvements to our 'best in class proposition', aiming for a friction free experience at every stage of the customer journey.

We had another very successful year driving technology change and innovation. In total we made over 2,900 releases (FY17: 1,300) to our digital platforms demonstrating the flexibility and pace of change being delivered. Many of these releases were delivering new customer features and changes to the shopping experience.

Alongside ongoing design improvements to our apps and a full refresh of navigation, we extended visual search (Style match) to international customers and made major changes to our recommendations algorithms. This significantly improved the rich product recommendations we serve to customers, and improved personalisation on homepages. We also further improved page download speeds and will continue to enhance these into the new year.

One of the most significant developments this year has been to our global platform to enable localisation as part of our international growth strategy. The first half saw the release of our 'Rest of World' and 'Rest of Europe' sites providing the next step in localising in 200 markets for those customers outside our largest markets. During the second half, new foreign language sites were released for the Netherlands and Sweden. These four new localised sites allow us to increasingly tailor the experience for these specific markets, giving different content, visual merchandising and price zones.

Further to this, we tailored the currencies available to each country site, and several new currencies will be released early in the new financial year. This year saw the launch of a number of new payment methods including Googlepay, Apple Pay international extensions and 'Try Before You Buy' for the UK. We have also made significant development progress on the next few locally relevant payment options for release early in the new year (including Afterpay and Yandex).

Finally, within localisation, we have improved our push notifications and on-site contextual messaging software which is used to talk to customers. This included the ability to target specific onsite messages at different states within the US, Russia and Australia.

Significant investment in our data science and analytics platforms continued during the year. These platforms have powered the new recommendations algorithms and our conversational interface platform. The conversational interface platform enables understanding of and response to customer voice or text commands for both product discovery and customer care queries. Our initial exploration into the world of 'Conversational Interfaces' saw the launch of Enki, a new, one on one way to interact with ASOS that is designed to help customers find products they love in a fast, intuitive and fun way. Enki currently provides customers with personalised recommendations; the next phase will allow customers to use an assistive search experience within Enki, for example to help them find the perfect pair of jeans. The investment in new data capabilities and optimisation algorithms will continue in the next year.

Following a successful pilot in the first half, a new returns experience was rolled out to 18 countries globally in the second half of the year. This feature is integrated within 'My Account' and improves the returns experience by allowing sight and status tracking of returned orders as well as early payment of refunds.

From a global supply chain perspective, good progress was made with the technology to enhance our global supply chain including: facilitating the opening of the new US fulfilment centre, improvements in our carrier management options and improvement in the software we use to manage our customer contacts.

Within warehousing, the Euro hub phase two extension is progressing to plan. Within the year, handover of the site was completed along with delivery and commencement of installation for the automated storage system. This automated storage system is now over 95% complete with testing and commissioning well underway. Good progress is also being made on the new warehouse management system which will be installed this year.

FY18 also saw the build and commission of our new 1 million square foot warehouse in Atlanta. The facility is now live for both inbound and outbound despatch, with plans to ramp towards 100% local fulfilment for the US market over the coming year. This facility opened with a greater level of mechanisation than we saw in either of our other warehouses, notably conveyers for transporting product to pickers. Nevertheless, this facility will operate as a manual operation during the coming financial year before automation benefits begin to accrue from FY20 onwards.

The capacity increase project at Barnsley completed on schedule, which added an additional 2 million units of stockholding capability to our UK hub. This capacity has also been supplemented with the opening of a multi-use facility at Doncaster. In addition to providing 3 million units of incremental stockholding capacity, this facility will also undertake returns processing, giving increased capacity and greater flexibility through peak trading and enhancing our returns processing capability longer term.

ASOS made further improvements to the delivery proposition globally, with the launch of new delivery methods, promise improvements, extended cut-off times and improved coverage across the world. Highlights include the launch of same day delivery into two more European cities, Birmingham and Berlin, and the extension of next day cut-off times for EU orders to 4pm. Click & Collect was launched into Russia, with over 3,000 locations, and extended in Finland, Sweden and Poland.

Progress continued at pace on our space and facilities transformation within GLH, our London based head office. In December our people team were the first to experience the 'new GLH' as they moved into their finished space. The remainder of the year saw further teams follow in addition to the launch of our new learning and development 'Academy' space and 'ASOS Underground', our new gym and wellbeing facilities. FY18 was the peak year of investment for our space transformation project, with the majority of the work due to complete by the end of FY19.

Our People

At the end of August 2018, ASOS employed 4,386 people, year on year growth of 23%, with the majority based at our headquarters in Camden, North London and our Customer Care site in Leavesden, with smaller teams in Paris, Birmingham, Barnsley, Berlin, New York and Atlanta.

We are passionate about supporting the wellbeing of our ASOS family and ensuring that we have the right strategies, initiatives and policies in place. Our big focus for the year was mental health and we launched our "Get Stuck In" campaign which was all about raising awareness around mental health issues.

Amongst our biggest stand out achievements in the last year is the fact that we officially became the No.1 company to work for in the UK according to the LinkedIn Top Companies 2018 List.

This year also saw the successful launch of Workday, our new HR system, giving ASOS leading edge, fully mobile-enabled technology to manage all people-related activity.

On 3 July ASOS was delighted to announce that Adam Crozier would be joining the Board as Chairman at the AGM on 29 November 2018 as existing Chair, Brian McBride, announced his intention to step down after six years with the company.

The search for a new CFO is progressing well and we would hope to make an announcement shortly. The strength and depth of our finance team has enabled the business to operate seamlessly in the interim.

Investment

ASOS's investment across technology and logistics continues to deliver great results and is key to sustaining the strong growth momentum within the business.

We invested £242m of capex in the year, across technology and transformation programmes (c.50% of total capex) and the balance in physical infrastructure across supply chain infrastructure as well as the ongoing investment in our head office.

Investment in infrastructure included ongoing automation of Euro Hub, the development of the US Hub Phase 1 in Atlanta, as well as improvements to the head office in Camden and our customer care site in Leavesden. Within Tech we deployed over 2,900 releases and our transformational programmes continued at pace with the new Finance and People Experience systems going live in the year. This investment is key in enabling the strong growth momentum in the business. Our investment in TGR (our new retail planning merchandising system) continues, which will allow us to plan and range product by fulfilment centre, improve our ability to differentially price across global markets, and help us optimise product clearance costs.

Since the majority of capex spend mainly comprised of multi-year programme investments, at year end we held a high level of assets under construction of £190m, as many of our planned investments go live in FY19.

As we discussed at the half year, FY19 and FY20 capital expenditures will be at a broadly similar level to this year. This spend will include the completion of TGR, further Euro Hub automation, the automation of the US Hub, the remaining spend on our head office as well as ongoing spend on digital platforms.

Despite the significant investment above, we were free cash flow positive for the second half as cash increased to £42.7m from £37.7m at the end of February. Overall, we currently expect FY19 to be the last year of negative free cash flow before we return to being free cash flow positive in FY20. Our new three year £150m revolving credit facility provides more than sufficient financial flexibility during this period of heavy investment.

Outlook

We remain in a period of high investment, confidently pursuing the considerable opportunity we see ahead of us. We also remain equally focussed on our core financial disciplines, reflected in our unchanged sales and EBIT margin guidance both for the current year and into the medium-term, after incorporating significant ongoing warehouse transition costs and the phased transition to US import duty.

By concentrating on successfully executing our investments whilst retaining our unwavering focus on continuing to deliver the great product and customer experience that defines and differentiates us, we are building ASOS into the world's number one destination for fashion loving 20-somethings.

Nick Beighton
Chief Executive Officer

Financial review

Revenue

Year to 31 August 2018 £m	**Group total**	**UK**	**EU**	**US**	**RoW**	**International total**
Retail sales	**2,355.2**	861.3	739.1	311.6	443.2	1,493.9
Growth	***26%***	*23%*	*36%*	*19%*	*19%*	*27%*
Growth at constant exchange rate	***24%***	*23%*	*28%*	*25%*	*18%*	*24%*
Delivery receipts	**54.4**	22.3	15.3	9.0	7.8	32.1
Growth	***33%***	*39%*	*42%*	*43%*	*3%*	*30%*
Third party revenues	**7.7**	7.4	0.1	0.2	–	0.3
Growth	***22%***	*23%*	–	–	–	–
Total revenues	**2,417.3**	**891.0**	**754.5**	**320.8**	**451.0**	**1,526.3**
Growth	*26%*	***24%***	***36%***	***20%***	***19%***	***27%***
Growth at constant exchange rate	*24%*	***24%***	***28%***	***26%***	***18%***	***24%***

The Group generated retail sales growth of 26% during the year, with UK growth of 23% and international growth of 27% (24% constant currency). International retail sales accounted for 63% (2017: 63%) of total retail sales.

UK retail sales grew by 23% despite a challenging market, aided by an increase in order frequency from the existing customer base. ASOS retained its first place position for unique visitors to apparel retailers in the 15-34 age range (Comscore, August 2018).

EU retail sales grew by 36% (28% in constant currency) aided by further proposition improvements; ASOS Premier launching in new countries (Austria, Ireland, the Netherlands, Belgium, Denmark and Sweden); local websites launching in Sweden and the Netherlands; and a new Rest of Europe website.

US retail sales grew by 19% (25% in constant currency) driven by average basket value and conversion improvements. The USD became a headwind during the year from a sales perspective as the pound strengthened against the dollar. As our USD sales are largely naturally hedged across the Group, movements in the exchange rate will impact reported sales growth in the US territory.

RoW retail sales grew by 19% (18% constant currency), augmented by an enhanced customer proposition in certain territories. Exceptional retail growth last year has led to 71% growth over the last two years (60% constant currency).

Delivery receipts increased by 33%, more than retail sales growth, as customers took advantage of paid faster shipping options such as next day delivery. The number of premier customers increased by 53% to 1.3m.

Customer engagement

ASOS has seen a significant increase in active customers[1], finishing the financial year with 18.4m, up 19% compared to last year. Engaging content and investments in the technology platform have helped drive this growth as well as a 19% increase in the number of visits. The compelling nature of the ASOS proposition drove increases in orders by 27%, average order frequency[2] by 7% and average basket value by 1%; marking the fifth consecutive year of growth in average basket value.

	Year to 31 August 2018	Year to 31 August 2017	Change
Active customers[1] (m)	**18.4**	15.4	*19%*
Average basket value (including VAT)	**£73.00**	£72.24	*1%*
Average units per basket	**3.01**	2.87	*5%*
Average selling price per unit (including VAT)	**£24.29**	£25.16	*(4%)*
Average order frequency[2]	**3.43**	3.22	*7%*
Total orders (m)	**63.2**	49.6	*27%*
Total visits (m)	**1,992.8**	1,669.0	*19%*
Conversion[3]	**3.2%**	3.0%	*+20bps*
Mobile device visits	**77.0%**	70.3%	*+670bps*
Net Promoter Score[4]	**-3**	+2	

[1]Defined as having shopped during the last twelve months as at 31 August
[2]Calculated as last twelve months' total orders divided by active customers
[3]Calculated as total orders divided by total visits
[4]Net Promoter Score is based on a customer pulse survey and this represents the movement in the average score in the twelve-month period ended 31 August

Gross profitability

Year to 31 August 2018	Group total	UK	EU	US	RoW	International Total
Gross profit (£m)	**1,237.1**	411.1	390.9	192.9	242.2	826.0
Growth	***29%***	*24%*	*49%*	*17%*	*21%*	*32%*
Retail gross margin	**49.9%**	44.3%	50.8%	59.0%	52.9%	53.1%
Growth	***130bps***	*10bps*	*450bps*	*(140bps)*	*110bps*	*200bps*
Gross margin	**51.2%**	46.1%	51.8%	60.1%	53.7%	54.1%
Growth	***140bps***	*20bps*	*450bps*	*(130bps)*	*100bps*	190bps

Group retail gross margin increased by 130bps to 49.9% compared to last year (2017: 48.6%) due to a positive net FX position and improved buying margin. Gross margin (including delivery receipts and third-party revenues) increased by 140bps to 51.2% (2017: 49.8%) as paid faster shipping options became more appealing to customers.

Operating expenses

The Group increased its investment in operating resources by 29% to £1,135.2m, with the total operating costs to revenue ratio increasing by 130bps to 47.0% (2017: 45.7%).

£m	**Year to 31 August 2018**	**% of sales**	Year to 31 August 2017	% of sales	*Change*
Distribution costs	**(380.8)**	***15.8%***	(299.2)	*15.6%*	*(27%)*
Payroll and staff costs[1]	**(193.7)**	***8.0%***	(162.8)	*8.5%*	*(19%)*
Warehousing	**(241.1)**	***10.0%***	(168.5)	*8.8%*	*(43%)*
Marketing	**(106.7)**	***4.4%***	(86.8)	*4.5%*	*(23%)*
Production	**(7.0)**	***0.3%***	(6.8)	*0.3%*	*(3%)*
Technology costs	**(43.8)**	***1.8%***	(35.1)	*1.8%*	*(25%)*
Other operating costs	**(107.5)**	***4.4%***	(77.2)	*4.0%*	*(39%)*
Depreciation and amortisation	**(54.6)**	***2.3%***	(42.3)	*2.2%*	*(29%)*
Total operating costs	**(1,135.2)**	***47.0%***	(878.7)	*45.7%*	*(29%)*

[1] *Inclusive of non-cash share-based payment charges*

Distribution costs increased by 20bps to 15.8% of revenue, driven by increased mix into more expensive delivery propositions and territories, partly offset by improved standard delivery rates.

Payroll and staff costs decreased by 50bps to 8.0% of sales as a result of costs growing at a lower rate than sales. Headcount has increased 23% (2018: 4,386; 2017: 3,579). Non-cash share-based payment charges amounted to £8.9m (2017: £7.6m), relating to a new grant under our new Long-Term Incentive Scheme during the year and a higher uptake in our Save As You Earn scheme.

Warehousing costs increased by 120bps to 10.0% of revenue due to higher transitional costs as we build out our supply chain capacity, with increased fulfilment mix from Euro hub which is still a manual operation and one-off set-up costs for the new US Atlanta fulfilment centre.

Marketing costs decreased by 10bps to 4.4% of sales as a result of digital marketing efficiencies.

Technology costs remained flat at 1.8% of revenue.

Other operating costs increased by 40bps to 4.4% of revenue as we expanded our London base and incurred transitional costs during the refurbishment. We also opened a new customer care centre at the start of the year.

Depreciation and amortisation increased by 10bps to 2.3% of revenue as key transformational projects which we invested in this year such as US Atlanta hub, Euro hub automation, and our new buying and merchandising system (TGR) did not significantly impact depreciation in year.

Income statement

The Group generated profit before tax of £102.0m, up 28% compared to last year, higher than sales growth due to gross margin improvement of 140bps, offset by a 130bps investment in operating costs.

£m	**Year to 31 August 2018**	Year to 31 August 2017
Revenue	**2,417.3**	1,923.6
Cost of sales	**(1,180.2)**	(965.3)
Gross profit	**1,237.1**	958.3
Distribution expenses	**(380.8)**	(299.2)
Administrative expenses	**(754.4)**	(579.5)
Operating profit	**101.9**	79.6
Net finance income	**0.1**	0.4
Profit before tax	**102.0**	80.0
Income tax expense	**(19.6)**	(15.9)
Profit after tax	**82.4**	64.1
Effective tax rate	***19.2%***	*19.9%*

Taxation

The effective tax rate decreased by 70bps to 19.2% (2017: 19.9%). This arose mainly from the effect of the substantively enacted corporation tax rate being reduced to 17% after 1 April 2020 on the deferred tax on accelerated capital allowances and on assets qualifying for Research and Development expenditure credits.

Going forward, ASOS expects the effective tax rate to be approximately 100bps higher than the prevailing rate of UK corporation tax due to permanently disallowable items.

Earnings per share

Basic and diluted earnings per share increased by 28% to 98.9p and 98.0p respectively (2017: 77.2p and 76.6p). This was driven by the increase in profit before tax during the year.

Statement of financial position

The Group's financial position remains strong with movements reflecting the current accelerated level of investment underway. The increase in net assets of £151.7m to £438.8m during the year (31 August 2017: £287.1m) was largely seen in higher capital expenditure and an increase in inventory. As capital expenditure and inventory spend exceeded EBITDA during the year, the cash balance decreased to £42.7m (detailed more fully on page 13).

There was an improvement of £70.4m in the fair value of the net position of outstanding forward contracts since 31 August 2017 as hedges, which were entered into at adverse pre-Brexit rates, settled during the period and exchange rates relating to the remaining forward contracts have improved. The deferred tax movement of £17.4m is a result of moving from a net derivative financial liability as at 31 August 2017 to a net derivative financial asset position as at 31 August 2018. The summary statement of financial position is shown below:

£m	**At 31 August 2018**	At 31 August 2017
Goodwill and other intangible assets	**258.0**	178.0
Property, plant and equipment	**241.6**	137.4
Derivative financial assets	**3.8**	1.3
Deferred tax asset	**-**	9.2
Non-current assets	**503.4**	325.9
Inventories	**407.6**	323.3
Net current payables	**(507.1)**	(452.1)
Cash and cash equivalents	**42.7**	160.3
Derivative financial assets/(liabilities)	**3.4**	(64.5)
Current tax liability	**(3.0)**	(5.8)
Deferred tax liability	**(8.2)**	-
Net assets	**438.8**	287.1

Statement of cash flows

The Group's cash balance decreased by £117.6m to £42.7m during the year (31 August 2017: £160.3m) as a result of capital expenditure cash outflow of £213.0m and a movement in working capital of £62.4m, partly offset by EBITDA of £156.5m. The year on year rise in working capital of £62.4m is mainly driven by inventory which has grown in line with sales to ensure we have availability to meet demand.

£m	Year to 31 August 2018	Year to 31 August 2017
Operating profit	**101.9**	79.6
Depreciation and amortisation	**54.6**	42.3
Losses on disposal of assets	**0.8**	0.5
Fixed asset impairment	**2.7**	-
Working capital	**(62.4)**	24.1
Share-based payments charge	**8.9**	7.6
Other non-cash items	**0.5**	(0.6)
Tax paid	**(13.1)**	(7.6)
Cash inflow from operating activities	**93.9**	145.9
Capital expenditure	**(213.0)**	(161.5)
Net finance income received	**0.1**	0.5
Net cash inflow relating to Employee Benefit Trust[1]	**1.7**	1.8
Total cash outflow	**(117.3)**	(13.3)
Opening cash and cash equivalents	**160.3**	173.3
Effect of exchange rates on cash and cash equivalents	**(0.3)**	0.3
Closing cash and cash equivalents	**42.7**	160.3

[1]*Employee Benefit Trust and Link Trust*

Fixed asset additions

£m	Year to 31 August 2018	Year to 31 August 2017
Technology	**127.9**	104.8
Warehouse	**87.9**	49.5
Office fixtures and fit out	**26.6**	13.2
Total	**242.4**	167.5

ASOS continues to invest in warehousing and technology infrastructure to support future growth ambitions. The majority of technology spend is related to development of new and existing platforms, and the TGR programme. Our warehouse spend relates to the development of our US Hub in Atlanta, Euro hub automation and some further automation in Barnsley. The office fixtures and fit out spend related to the new customer care site at Leavesden and the continued extension and fit out of the Head Office in Camden.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
For the year to 31 August 2018

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Revenue	**2,417.3**	1,923.6
Cost of sales	**(1,180.2)**	(965.3)
Gross profit	**1,237.1**	958.3
Distribution expenses	**(380.8)**	(299.2)
Administrative expenses	**(754.4)**	(579.5)
Operating profit	**101.9**	79.6
Finance income	**0.3**	0.4
Finance expense	**(0.2)**	-
Profit before tax	**102.0**	80.0
Income tax expense	**(19.6)**	(15.9)
Profit for the year	**82.4**	64.1
Profit for the year attributable to owners of the parent company	**82.4**	64.1
Net translation movements offset in reserves	**0.3**	(0.3)
Net fair value gains on derivative financial assets	**67.7**	15.8
Income tax relating to these items	**(12.8)**	(3.3)
Other comprehensive income for the year[1]	**55.2**	12.2
Total comprehensive income for the year attributable to owners of the parent company	**137.6**	76.3
Earnings per share		
Basic	**98.9p**	77.2p
Diluted	**98.0p**	76.6p

[1] *All items of other comprehensive income will subsequently be reclassified to profit or loss*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year to 31 August 2018

	Called up share capital £m	**Share premium £m**	**Retained earnings[1] £m**	**Employee Benefit Trust reserve[2] £m**	**Hedging reserve £m**	**Translation reserve £m**	**Total equity £m**
At 1 September 2017	**2.9**	**6.9**	**327.2**	**(0.6)**	**(47.5)**	**(1.8)**	**287.1**
Profit for the year	**–**	**–**	**82.4**	**–**	**–**	**–**	**82.4**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**55.0**	**0.2**	**55.2**
Total comprehensive income for the year	**–**	**–**	**82.4**	**–**	**55.0**	**0.2**	**137.6**
Net cash received on exercise of shares from EBT[2]	**–**	**–**	**–**	**1.7**	**–**	**–**	**1.7**
Transfer of shares from EBT[2] on exercise	**–**	**–**	**0.1**	**(0.1)**	**–**	**–**	**–**
Share-based payments charge	**–**	**–**	**10.4**	**–**	**–**	**–**	**10.4**
Tax relating to share option scheme	**–**	**–**	**2.0**	**–**	**–**	**–**	**2.0**
Balance as at 31 August 2018	**2.9**	**6.9**	**422.1**	**1.0**	**7.5**	**(1.6)**	**438.8**

	Called up share capital £m	Share premium £m	Retained earnings[1] £m	Employee Benefit Trust reserve[2] £m	Hedging reserve £m	Translation reserve £m	Total equity £m
At 1 September 2016	2.9	6.9	254.7	(2.6)	(60.0)	(1.5)	200.4
Profit for the year	–	–	64.1	–	–	–	64.1
Other comprehensive income/(loss) for the year	–	–	–	–	12.5	(0.3)	12.2
Total comprehensive income/(loss) for the year	–	–	64.1	–	12.5	(0.3)	76.3
Net cash received on exercise of shares from EBT[2]	–	–	–	1.8	–	–	1.8
Transfer of shares from EBT[2] on exercise	–	–	(0.2)	0.2	–	–	–
Share-based payments charge	–	–	7.6	–	–	–	7.6
Tax relating to share option scheme	–	–	1.0	–	–	–	1.0
Balance as at 31 August 2017	2.9	6.9	327.2	(0.6)	(47.5)	(1.8)	287.1

[1]Retained earnings includes the share-based payments reserve
[2]Employee Benefit Trust and Link Trust

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 August 2018

	At 31 August 2018 £m	At 31 August 2017 £m
Non-current assets		
Goodwill	**1.1**	1.1
Other intangible assets	**256.9**	176.9
Property, plant and equipment	**241.6**	137.4
Derivative financial assets	**3.8**	1.3
Deferred tax asset	**-**	9.2
	503.4	325.9
Current assets		
Inventories	**407.6**	323.3
Trade and other receivables	**42.6**	28.6
Derivative financial assets	**10.7**	2.3
Cash and cash equivalents	**42.7**	160.3
	503.6	514.5
Current liabilities		
Trade and other payables	**(549.7)**	(480.7)
Derivative financial liabilities	**(5.3)**	(57.7)
Current tax liability	**(3.0)**	(5.8)
	(558.0)	(544.2)
Net current liabilities	**(54.4)**	(29.7)
Non-current liabilities		
Deferred tax liability	**(8.2)**	-
Derivative financial liabilities	**(2.0)**	(9.1)
	(10.2)	(9.1)
Net assets	**438.8**	287.1
Equity attributable to owners of the parent		
Called up share capital	**2.9**	2.9
Share premium	**6.9**	6.9
Employee Benefit Trust reserve	**1.0**	(0.6)
Hedging reserve	**7.5**	(47.5)
Translation reserve	**(1.6)**	(1.8)
Retained earnings	**422.1**	327.2
Total equity	**438.8**	287.1

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year to 31 August 2018

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Operating profit	**101.9**	79.6
Adjusted for:		
Depreciation of property, plant and equipment	**17.0**	13.7
Amortisation of intangible assets	**37.6**	28.6
Loss on disposal of non-current assets	**0.8**	0.5
Fixed asset impairment	**2.7**	-
Increase in inventories	**(84.3)**	(65.6)
Increase in trade and other receivables	**(14.0)**	(13.6)
Increase in trade and other payables	**35.9**	103.3
Share based payments charge	**8.9**	7.6
Other non-cash items	**0.5**	(0.6)
Income tax paid	**(13.1)**	(7.6)
Net cash generated from operating activities	**93.9**	145.9
Investing activities		
Payments to acquire intangible assets	**(107.4)**	(89.5)
Payments to acquire property, plant and equipment	**(105.6)**	(72.0)
Finance income	**0.3**	0.5
Net cash used in investing activities	**(212.7)**	(161.0)
Financing activities		
Net cash inflow relating to EBT[1]	**1.7**	1.8
Finance expense	**(0.2)**	–
Net cash generated in financing activities	**1.5**	1.8
Net decrease in cash and cash equivalents	**(117.3)**	(13.3)
Opening cash and cash equivalents	**160.3**	173.3
Effect of exchange rates on cash and cash equivalents	**(0.3)**	0.3
Closing cash and cash equivalents	**42.7**	160.3

[1]*Employee Benefit Trust and Link Trust*

1. Preparation of the consolidated financial information

a) General information

ASOS Plc ('the Company') and its subsidiaries (together, 'the Group') is a global fashion retailer. The Group sells products across the world and has websites targeting the UK, US, Australia, France, Germany, Spain, Italy, the Netherlands, Russia, and Sweden. The Company is a public limited company which is listed on the Alternative Investment Market (AIM) and is incorporated and domiciled in the UK. The address of its registered office is Greater London House, Hampstead Road, London, NW1 7FB.

b) Basis of preparation

The condensed consolidated financial information for the year to 31 August 2018 has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies adopted for the year to 31 August 2018 are consistent with those adopted and disclosed in the Group financial statements for the year to 31 August 2017.

The financial information contained within this preliminary announcement for the years to 31 August 2018 and 31 August 2017 does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year to 31 August 2017 have been filed with the Registrar of Companies and those for the year to 31 August 2018 will be filed following the Company's annual general meeting. The auditors' report on the statutory accounts for each of the years to 31 August 2018 and 31 August 2017 is unqualified, does not draw attention to any matters by way of emphasis, and does not contain any statement under section 498 of the Companies Act 2006.

Going concern and viability
The Directors have reviewed current performance and cash flow forecasts, and are satisfied that the Group's forecasts and projections, taking account of potential changes in trading performance, show that the Group will be able to operate within the level of its current facilities for the foreseeable future. The Directors have therefore continued to adopt the going concern basis in preparing the Group's financial statements.

The Directors have also assessed the Group's prospects and viability over a three-year period to 31 August 2021. This three-year assessment period was selected as it corresponds with the Board's strategic planning horizon as well as the time period over which senior management are remunerated via long-term incentive plans.

In making this assessment, the Directors took account of the Group's current financial position, annual budget, three-year plan forecasts and sensitivity testing. The Directors also considered a number of other factors, including the Group business model, its strategy, risks and uncertainties and internal control effectiveness. Whilst the principal risks and uncertainties could impact future performance, none of them are considered likely, individually or collectively, to affect the viability of the business during the three-year assessment period. The Group is operationally strong with a robust balance sheet and cash position, and has a track record of delivering profitable and sustainable growth, which is expected to continue.

Based on this assessment, there is a reasonable expectation that the Group will continue in operation and meet all its liabilities as they fall due during the period up to 31 August 2021.

Changes to accounting standards

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year to 31 August 2017. Various new accounting standards and amendments were issued during the year, none of which have an impact on the current year.

The following accounting standards are in issue but not yet effective and have not been adopted by the Group:

- IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments Recognition and Measurement'. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group has completed an assessment of IFRS 9 and it is expected that adoption will not have a material impact on the results or financial position of the Group. The Group will adopt the new accounting standard during the financial year starting 1 September 2018.

- IFRS 15 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue'. This standard is effective for accounting periods beginning on or after 1 January 2018. The Group has completed an assessment of IFRS 15 and it is expected that adoption will not have a material impact on the results or financial position of the Group. The Group will adopt the new accounting standard during the financial year starting 1 September 2018.

- IFRS 16 'Leases' is effective for periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 has also been adopted. The standard will require lease liabilities and the right of use assets for leases to be recognised in the Statement of Financial Position. The Group has completed an assessment of the impact on the Group of applying IFRS 16. This assessment indicates that there will be a significant impact, increasing the value of non-current assets and lease liabilities as the leases for warehousing and office space are currently accounted for as operating leases (see Note 21 of the 2018 Annual Report for the current level of operating lease commitments). Our assessment indicates that IFRS 16 will have an immaterial impact on the profit and loss once adopted, however this standard, once implemented, will impact where certain costs are reported on the income statement as well as the classification within cash flow. The Group will adopt the new accounting standard during the financial year starting 1 September 2019.

2. Segmental analysis

IFRS 8 'Operating Segments' requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been determined to be the Executive Board who receive information on the basis of the Group's operations in key geographical territories, based on the Group's management and internal reporting structure. The Executive Board assesses the performance of each segment based on revenue and gross profit after distribution expenses, which excludes administrative expenses.

	Year to 31 August 2018				
	UK	**EU**	**US**	**RoW**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Retail sales	**861.3**	**739.1**	**311.6**	**443.2**	**2,355.2**
Delivery receipts	**22.3**	**15.3**	**9.0**	**7.8**	**54.4**
Third party revenues	**7.4**	**0.1**	**0.2**	**–**	**7.7**
Total revenue	**891.0**	**754.5**	**320.8**	**451.0**	**2,417.3**
Cost of sales	**(479.9)**	**(363.6)**	**(127.9)**	**(208.8)**	**(1,180.2)**
Gross profit	**411.1**	**390.9**	**192.9**	**242.2**	**1,237.1**
Distribution expenses	**(108.0)**	**(104.9)**	**(79.6)**	**(88.3)**	**(380.8)**
Segment result	**303.1**	**286.0**	**113.3**	**153.9**	**856.3**
Administrative expenses					**(754.4)**
Operating profit					**101.9**
Finance income					**0.3**
Finance expense					**(0.2)**
Profit before tax					**102.0**

	Year to 31 August 2017				
	UK	EU	US	RoW	Total
	£m	£m	£m	£m	£m
Retail sales	698.2	544.1	261.6	372.6	1,876.5
Delivery receipts	16.1	10.8	6.3	7.6	40.8
Third party revenues	6.0	0.1	0.2	–	6.3
Total revenue	720.3	555.0	268.1	380.2	1,923.6
Cost of sales	(389.7)	(292.4)	(103.5)	(179.7)	(965.3)
Gross profit	330.6	262.6	164.6	200.5	958.3
Distribution expenses	(81.9)	(89.8)	(69.2)	(58.3)	(299.2)
Segment result	248.7	172.8	95.4	142.2	659.1
Administrative expenses					(579.5)
Operating profit					79.6
Finance income					0.4
Profit before tax					80.0

Due to the nature of its activities, the Group is not reliant on any individual major customers. No analysis of the assets and liabilities of each operating segment is provided to the Chief Operating Decision Maker in the monthly management accounts. Therefore no measure of segments assets or liabilities is disclosed in this note. The total amount of non-current assets located in the UK is £380.8m (2017: £267.7m), EU: £75.2m (2017: £46.1m), US: £42.5m (2017: £0.5m) and RoW: £nil (2017: £nil).

3. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the year. Own shares held by the Employee Benefit Trust and Link Trust are eliminated from the weighted average number of ordinary shares.

Diluted earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the year, adjusted for the effects of potentially dilutive share options.

	Year to 31 August 2018	Year to 31 August 2017
	No. of shares	No. of shares
Weighted average share capital		
Weighted average shares in issue for basic earnings per share	**83,290,514**	82,996,217
Weighted average effect of dilutive options	**781,491**	712,861
Weighted average shares in issue for diluted earnings per share	**84,072,005**	83,709,078
Earnings (£m)		
Earnings attributable to owners of the parent	**82.4**	64.1
Earnings per share:		
Basic earnings per share	**98.9p**	77.2p
Diluted earnings per share	**98.0p**	76.6p

4. Reconciliation of cash and cash equivalents

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Net movement in cash and cash equivalents	**(117.3)**	(13.3)
Opening cash and cash equivalents	**160.3**	173.3
Effect of exchange rates on cash and cash equivalents	**(0.3)**	0.3
Closing cash and cash equivalents	**42.7**	160.3

During the year the Group re-financed its existing £20m Revolving Credit Facility ("RCF"). The Group now has in place a £150m RCF available until May 2021, which was not drawn down at the year end.

5. Contingent liabilities

From time to time, the Group is subject to various legal proceedings and claims that arise in the ordinary course of business, which due to the fast-growing nature of the Group and its ecommerce base, may concern the Group's brand and trading name or its product designs. All such cases brought against the Group are robustly defended and a liability is recorded only when it is probable that the case will result in a future economic outflow which can be reliably measured.

At 31 August 2018, there were no pending claims or proceedings against the Group which were expected to have a material adverse effect on its liquidity or operations. The Group had contingent liabilities of £20.3m (2017: £19.1m) in relation to supplier standby letters of credit, rent deposit deeds and other bank guarantees. The likelihood of a cash outflow in relation to these contingent liabilities is considered to be low.

6. Financial instruments

There are no changes to the categories of financial instruments held by the Group.

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Financial assets		
Derivative assets used for hedging at fair value	**14.5**	3.6
Loans and receivables[1]	**70.8**	176.3
Financial liabilities		
Derivative liabilities used for hedging at fair value	**(7.3)**	(66.8)
Amortised cost[2]	**(537.5)**	(474.2)

[1]*Loans and receivables include trade and other receivables and cash and cash equivalents, and excludes prepayments*
[2]*Included in financial liabilities at amortised cost are trade payables, accruals and other payables*

The Group operates internationally and is therefore exposed to foreign currency transaction risk, primarily on sales denominated in US dollars and Euros. The Group's policy is to mitigate foreign currency transaction exposures where possible and the Group uses financial instruments in the form of forward foreign exchange contracts to hedge future highly probable foreign currency cash flows.

These forward foreign exchange contracts are classified above as derivative financial liabilities and are classified as Level 2 financial instruments under IFRS 13, "Fair Value Measurement." They have been fair valued at 31 August 2018 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value. All forward foreign exchange contracts were assessed to be highly effective during the period to 31 August 2018 and a net unrealised gain of £67.7m (2017: gain of £15.8m) was recognised in equity. All derivative financial liabilities at 31 August 2018 mature within two years based on the related contractual arrangements.

7. Related parties

The Group's related party transactions are with the Employee Benefit Trust, Link Trust, key management personnel and other related parties. There have been no material changes to the Group's related party transactions during the year to 31 August 2018.