**17 October 2017**

# ASOS plc
# Global Online Fashion Destination

## Final Results for the year to 31 August 2017

**Summary financial results**

| £m[1] | Year to 31 August 2017 | Year to 31 August 2016[2] | Change | CCY[3] Change |
|---|---|---|---|---|
| Group revenues[4] | **1,923.6** | 1,444.9 | *33%* | *27%* |
| Retail sales | **1,876.5** | 1,403.7 | *34%* | *27%* |
| *UK retail sales* | ***698.2*** | *603.8* | *16%* | *16%* |
| *International retail sales* | ***1,178.3*** | *799.9* | *47%* | *36%* |
| Gross profit | **958.3** | 722.2 | *33%* | |
| *Retail gross margin* | ***48.6%*** | *48.5%* | *10bps* | |
| *Gross margin* | ***49.8%*** | *50.0%* | *(20bps)* | |
| Continuing profit before tax and exceptional items[5] | **80.0** | 63.7 | *26%* | |
| Profit before tax | **80.0** | 32.7 | *145%* | |
| Diluted earnings per share from continuing operations only[5] | **76.6p** | 61.8p | *24%* | |
| Diluted earnings per share | **76.6p** | 29.3p | *161%* | |
| Cash and cash equivalents | **160.3** | 173.3 | *(8%)* | |

*[1]All numbers subject to rounding throughout this document, [2]Restated to remove the results of the discontinued operation in China, [3]Constant currency is calculated to take account of hedged rate movements on hedged sales and spot rate movements on unhedged sales, [4]Includes retail sales, delivery receipts and third party revenues, [5]For the year to 31 August 2016, figures exclude one-off legal settlement costs of £20.9m and losses from discontinued operations of £10.1m.*

**Results summary**
- Retail sales grew strongly at +34% on a reported basis and +27% on a constant currency basis
- Solid UK growth of +16% and a strong international performance at +47% (constant currency +36%) aided by the reinvestment of the FX tailwind
- Retail gross margin up 10bps on prior year despite material price investment
- Continued strong customer engagement with active customers[6] +24%, average basket value +2% and average order frequency[7] +5%
- Total orders shipped 49.6m, +30% year on year
- Transition to Eurohub 2 phase one is complete, US warehouse plans progressing well
- Strong cash position of £160.3m supporting growth and enabling business investment

**Guidance and medium term outlook**
- Increased FY18 reported sales guidance of c.25-30%
- FY18 EBIT margin stable at c.4%, in line with market consensus
- Accelerated capex expected to be £200-£220m in FY18 given strong business momentum
- Medium term reported sales growth guidance remains unchanged at c.20-25% p.a. with a c.4% EBIT margin

**Nick Beighton, CEO, commented:**
*"It's been a great year for ASOS, with continued growth in sales and profits. Our international performance was excellent, as we reinvested FX tailwinds and benefitted from our continually improving customer proposition. In a competitive UK market, we achieved strong full price performance whilst further increasing market share.*

*At the same time, we ramped up our investment in building the increasingly strong and differentiated ASOS proposition. Our new agile technology platform is allowing us to accelerate our pace of innovation with great benefits for our customers, including new payment methods and additional language sites to come. The investments we are making will see us add 1,000 new heads and will lay the foundations for a c.60% increase in unit capacity and c.£4 billion of net sales.*

*The new financial year shows continuing momentum in the business. The potential for our company remains huge. We are confident we are positioning ASOS to be the world's number one destination for fashion loving twentysomethings"*

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*[6]Defined as having shopped in the last twelve months as at 31 August 2017, [7]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 2017, 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 Guy Scarborough at Instinctif Partners on either 020 7457 2047 or guy.scarborough@instinctif.com.

***For further information:***

| | |
|---|---|
| **ASOS plc**<br>Nick Beighton, Chief Executive Officer<br>Helen Ashton, Chief Financial Officer<br>Greg Feehely, Director of Investor Relations<br>Website: www.asosplc.com/investors | Tel: 020 7756 1000 |
| **Instinctif Partners**<br>Matthew Smallwood / Guy Scarborough | Tel: 020 7457 2020 |
| **JPMorgan Cazenove**<br>Michael Wentworth-Stanley / Caroline Thomlinson/ Bill Hutchings | Tel: 020 7742 4000 |
| **Numis Securities**<br>Alex Ham / Luke Bordewich | 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 cutting-edge fashion and offering a wide variety of fashion-related content, making ASOS.com the hub of a thriving fashion community. ASOS sells over 85,000 branded and own-label products through localised mobile and web experiences, delivering from fulfilment centres in the UK, US and Europe to almost every country in the world.

ASOS tailors the mix of own-label, global and local brands sold through each of eight local language websites: UK, US, France, Germany, Spain, Italy, Australia and Russia.

ASOS's websites attracted 135.7m visits during August 2017 (August 2016: 117.5m) and as at 31 August 2017 had 15.4m active customers[1] (31 August 2016: 12.4m), of which 5.2m were located in the UK and 10.2m were located in international territories (31 August 2016: 4.7m in the UK and 7.7m internationally).

*[1] Defined as having shopped in the last twelve months as at 31 August 2017*

# ASOS plc ("the Group")
# Global Online Fashion Destination
## Final Results for the year to 31 August 2017

**Business review**

ASOS is delighted to report record sales and profit for the year to 31 August 2017 in line to marginally ahead of expectations. The Group retail sales growth of 34% to £1,876.5m (2016: £1,403.7m) was once again driven by strong product, proposition improvements and further price investments across major markets. As previously noted, the continuing FX tailwind enabled reinvestment at a faster rate than initially planned.

Retail gross margin increased by 10bps to 48.6% (2016: 48.5%) as price investments in the US, Europe and some RoW territories were offset by a higher full price mix. Delivery receipts grew 18% aided by higher next-day delivery usage and the expansion of Premier globally.

Continuing profit before tax and exceptional items grew by 26% to £80.0m (2016: £63.7m).

The successful rollout of ASOS's new technology platform delivers micro-service architecture with fully native mobile experience in android and iOS apps and a vastly improved all new checkout. The platform allows for significantly greater transaction volume at enhanced levels of stability. A critical benefit of the new platform is the increased ability to deliver technical change and innovation at pace; the number of technology releases this year surpassed expectations at 1,300 vs. 490 in the prior year. The coming year will see a further acceleration in velocity, delivering many more customer enhancements, new payment methods, new language sites and stronger customer engagement.

ASOS continued to increase capacity and efficiency at Barnsley, successfully transitioned to phase 1 of the new Eurohub 2 fulfilment centre with ongoing work to further double its capacity and automate its operations. In August, ASOS signed a lease for a new fulfilment centre in the US, which is expected to be operational by Autumn 2018. The investments ASOS is making across logistics will lay the foundations for a c.60% increase in unit capacity and c.£4 billion of net sales per annum.

**Our global potential**

ASOS continues to see considerable opportunity across key markets. The global apparel market continues to undergo significant channel shift, with growth online outstripping the overall market. Online penetration will continue to increase and ASOS is well placed to capitalise on this shift in customer behaviour.

In the UK, the online apparel market has grown at more than twice the rate of the overall apparel market across the last five years. ASOS's consistent double-digit sales growth has continued to surpass growth in the online apparel market in all of our key territories.

ASOS's market share of online sales remains modest particularly in international markets. ASOS will continue to invest to grow the business at pace to take advantage of the global opportunity.

**Our unique product**

*Creating and curating the most relevant product for fashion loving 20-somethings*

ASOS offers customers the greatest, most relevant choice of fashion at the right price whatever their shape, size or style. The ASOS Brand is positioned alongside a curated edit of the best third party brands, sourced from across the globe. Sales of ASOS Brand account for c.41% of sales. Newness is important to our customers and is a key differentiator of the ASOS offering. Each week c.5,000 new styles are launched with c.85,000 products in stock at any one point in time.

The brand portfolio continues to evolve. Almost 200 new brands were introduced during the year whilst a similar number were edited out. The combination of ASOS Brand and exclusive collaborations with brands leads to c.60% of ASOS product only being available to customers through the ASOS sites, an additional point of differentiation.

Building on last year's launch, ASOS is accelerating its activewear offering, with football and golf ranges now accompanying a greater choice of true sports performance wear including gym, run and yoga. The ASOS 4505 activewear range will launch in 2018 along with range extensions into snow and surf.

Last month ASOS relaunched 'Face + Body', which establishes ASOS as a destination for all things face, body, skin and hair. Initial reaction has been very positive in a market that is predicted to be worth £450bn p.a. globally by 2020.

ASOS's longstanding 'Fashion with Integrity' initiative encompasses nine principal aspects of ethical trading. This initiative is ambitious and is driving behaviour across the business. This covers fundamental human rights and ASOS has published a statement on modern slavery, become a signatory to the UN's Women's empowerment Principles and recently signed a global framework agreement with IndustriALL, the world's largest trade union organisation representing 50 million workers in the retail sector. Publication of ASOS's full factory list for the first time also improved transparency of the supply chain.

'Fashion with Integrity' ultimately aims to ensure that the production of our products causes no negative impact on the environment. ASOS joined the Sustainable Apparel Coalition, giving ASOS insights into environmental management systems across water and chemical management. The Group reached 70% full traceability across the viscose supply chain, allowing ASOS to identify risk hotspots associated with certain viscose producers. ASOS signed the Cotton Communique with the Clarence House International Sustainability Unit, committing to 100% sustainably sourced cotton by 2025 and are on track to hit a sustainable cotton target of 70% for 2017. ASOS also signed the Commitment to a Circular Fashion System (Global Fashion Agenda, Copenhagen) to support the transition to a 'circular business'.

ASOS views its commitment to 'Fashion with Integrity' as a critical investment in the future of the business. Our twenty something customers care deeply about ethical and environmental issues as does ASOS.

**Our best in class proposition**
*Offering a friction-free experience at every stage of the journey*

*Brand experience*

Significant investments during the year have driven strong engagement levels across ASOS's customer base. Site visits increased by 24% year-on-year; average order frequency improved by 5%; average basket value increased by 2% alongside a 20bps improvement in conversion. Active customers are now at 15.4m, representing a 24% increase since last year. ASOS continues to invest in and evolve its UK loyalty programme which is successfully driving increased purchase frequency and reduced rates of churn.

ASOS is continually striving for new ways to engage with its customer demographic, such as a focus on students with a calendar of acquisition and engagement activity aimed at growing penetration of this global population. ASOS's 'hero' campaign successfully reached students on campus and online in the UK, USA, France, Germany, Australia and Italy. The student discount proposition was extended into eight new markets with plans to further develop this programme during the current year.

ASOS maintained investment in relevant, emerging content formats like cross-channel video. Our videos were viewed more than 66 million times, a doubling on the prior year. ASOS continues to experiment with pioneering advertising trials across key international markets, on the platforms that matter most to fashion loving 20-somethings. This activity is already driving heightened engagement across multiple territories.

ASOS is continually finding fresh ways to engage with both new and existing audiences, including two initiatives, "Fashion Discovery" and "ASOS Supports Talent". "Fashion Discovery" is an annual competition to discover and nurture the freshest UK fashion talent. "ASOS Supports Talent" helps up-and-coming creatives to realise an important, culturally significant project by giving them funding, mentoring and a platform to showcase their skills.

*Delivery & returns*

ASOS continually enhances delivery and returns options, maintaining a best-in-class customer proposition with over 200 improvements implemented over the last twelve months.

ASOS's Click & Collect delivery proposition has now been expanded globally. UK total coverage increased to 9,000 locations with an improved Next Day order cut-off of 7pm, whilst Click & Collect launched into Italy and the United States in September, giving an additional 11,000 collection points across those two territories.

During the year, improvements were also made to Next Day and Standard Delivery propositions. Internationally, ASOS now offers tracked Standard Delivery services to a total of 61 countries across the world, and within the UK, Saturday was added as a Standard Delivery promise. Next Day Delivery weekend ordering cut-off has been extended to 8pm in the UK and a Saturday order cut off for Monday delivery has been introduced into a number of key European territories, giving the customer an extra 24 hours for Monday delivery.

For the year ahead, an Evening Next Day Delivery service will be launched into Germany's major cities whilst ASOS Instant, ASOS's same day delivery service, has just launched in London, with further UK cities to follow. Nominated Day Delivery will also be launched throughout the EU, allowing customers to select their preferred delivery date. There will be continued expansion of Click & Collect points globally, targeting the UK, France, Germany, Netherlands, Sweden and Australia.

*Customer care*

A key differentiator for ASOS is providing best in class service for customers throughout their entire ASOS experience. ASOS offers customer support 24/7 365 days a year across email, live chat, social media and telephony in nine languages. ASOS continues to maintain strong service levels, responding to all emails within one hour, all social media communications from customers within 15 minutes and all live chats or telephony calls within 30 seconds.

ASOS recently moved to a new 80,000 square feet Customer Care site in Leavesden, North Watford and are on track to complete the site during the first half of the new financial year. This investment in infrastructure and technical capability cost £11m and supports the ever growing customer base and allows in-sourcing of all Customer Care operations, improving the quality of the service and also reducing cost.

*Warehousing*

Investment in our site in Barnsley continues, with a fifth packing module currently being commissioned. Live testing is now underway and it will be fully operational for the start of the peak trading period. This will provide additional capacity for Black Friday volumes as well as supporting future growth. Planning permission for a small office extension has been granted and building works will commence in the next few weeks.

Eurohub 2, our warehouse in Berlin, was opened at the beginning of March and has quickly grown its volumes, now fulfilling c.95% of all EU orders. The local stockholding is now over 7.5m units and will grow to around 9m units in readiness for peak trading this year. The Phase 2 extension of Eurohub 2, which will double the square footage of the fulfilment centre, is on track with first deliveries of automation equipment expected shortly. The first phase of Automation is expected to go live by the end of 2018.

In addition to the existing US operation in Ohio, ASOS signed a lease for an existing 1 million square foot building located near Atlanta, Georgia. Fit out commences shortly and the facility is expected to be operational by Autumn 2018.

*Technology*

During the year, ASOS significantly ramped up the pace of both technology investment and implementation. At the start of the year ASOS completed the roll out of a new digital platform across all territories. This new platform is the backbone of the ASOS customer experience on both sites and apps. The new platform delivers micro-service architecture with fully native mobile experience in android and iOS apps and a vastly improved, all new checkout. The new platform handled record volumes of transactions during peak trading period, which at one point reached 33 orders per second.

A critical benefit of this new platform is the enhanced ability to deliver technological change and innovation at pace. During the year, ASOS developed and rolled out over 1,300 individual releases across the platform compared to 490 in the previous year. The pace of change has exceeded expectations, demonstrating the flexibility of the new platform and the power of ASOS's growing engineering teams. During the year, ASOS added 120 engineers and technologists and plans to add a further c.200 over the next 12 months as velocity and momentum continue to accelerate.

During the first half of the year, ASOS completed the development of the global fulfilment software changes and technology required to open the Eurohub 2 fulfilment centre. This new fulfilment software was a major change, controlling which country sites have access to which stock pools, enabling further improvement of the delivery proposition for each of these countries. During the second half of the year this fulfilment logic was used to point the German, French, Spanish and Italian sites at the Eurohub stock pool. Improved conversion aided by better local inventory availability was achieved as a result.

Throughout the year ASOS delivered new capabilities for customers. Within the last six months these have included rolling out ApplePay globally; a fully rebuilt and refreshed My Account section on sites and apps; extension of product recommendation algorithms to international sites; a size and fit recommendation tool, and a new image search capability

(Style Match) within the iOS app. The migration of content management to a cloud based solution has also delivered a richer and more efficient editorial experience as well as delivering content to customers quicker.

ASOS has just developed and rolled out fully refreshed site navigation and search as well as category and brand list pages. These will improve how customers search, browse and explore products to support conversion and will further improve page download speeds globally. Looking forward, ASOS is continuing to leverage machine learning and experiment with augmented reality, in addition to progressing with a 'Customer Privacy Programme', focussed on delivering an open and transparent way for customers to manage their privacy needs, ahead of regulation that comes into effect in 2018.

Good progress has been made with major transformation programmes including the new end-to-end merchandising and planning system, Truly Global Retail (TGR) and a new finance system, both of which will support the ability to buy, sell and account for stock in multiple locations and currencies. The first output from these programmes has already been seen, with a new clearance optimisation tool deployed to the first wave of categories, in readiness for summer sale period. The new people and finance systems are expected to go live in the first half of 2018.

ASOS will continue to evolve and innovate. Currently ASOS has 7 country specific websites. For the first time in 4 years, ASOS will add new local foreign sites, up to 13 by the end of FY18, ultimately giving the potential to cover all of ASOS's 200+ markets. Additionally ASOS will extend its premier proposition to new countries, further personalising customers' experience across sites and apps, improving the returns and refund experience, extending the student proposition to new countries and offering online gift vouchers to international customers.

Finally, to further drive global growth, ASOS will also launch additional payment methods, new language sites and delivery propositions.

**Power of our people**
*Supporting our customers, our team and our partners to realise their potential*

ASOS works hard to protect its special culture where colleagues feel valued, respected, enjoy their work, understand that they make a real difference each day and also have some fun along the way. ASOS aims to lead the way as a diverse, inclusive and inspiring place to work which attracts the very best talent. Being true to the ASOS values of being Authentic, Brave and Creative is at the heart of how the business works.

Everyone who works for ASOS is central to the Group's success. As at 31 August 2017, ASOS employed 3,579 people with the majority based at our headquarters in Camden, North London and the Customer Care site in Leavesden, with smaller teams in Paris, Birmingham, Berlin, New York and Sydney. In FY18 ASOS plans to add a further 1,000 people to its team to support its accelerating pace of growth.

*Attracting talent and investing in our people*

Attracting, developing and retaining the best talent that will thrive in ASOS's fast-paced environment remains a number one priority. Over the past twelve months, ASOS has strengthened the senior team in critical areas with key appointments and promotions in Technology, Finance, People Experience Team, Supply Chain, Content and Engagement, Brand Experience and Legal. More widely across the business, apprenticeships and internships remain important ways of attracting and developing talent and ASOS continues to build partnerships with a variety of universities and colleges.

Once the best talent has been brought on board, the focus is on developing and retaining people by offering opportunities that match both their professional and personal aspirations. ASOS has a robust learning offer to support its people through their journey at ASOS, offering them support to achieve professional qualifications, as well as role and departmental-specific training in a variety of coaching, classroom, psychometric, informal and social learning opportunities specific to the ASOS culture.

**Investment**

ASOS's investment in technology and logistics is delivering great results and is key to sustaining the strong growth momentum within the business. ASOS anticipates capital expenditure in FY18 to be between £200-£220m compared to the £168m invested during the year just ended, the second year of accelerated capex. As always, this investment will be funded from internally generated cash alongside existing robust cash balances. Whilst the group is likely to be free cash flow negative post capex in FY18, we expect the group to return to positive free cash flow post capex from FY19 onwards.

This accelerated spend will include substantial investments into the warehouse portfolio including further optimisation of Barnsley, automating and extending Eurohub 2 and fitting out the US site. These investments will lay the foundation for c.60% more unit capacity and c.£4 billion of net sales per annum.

Additionally ASOS will complete the implementation of a number of transformational technology programmes including the new retail and planning system, TGR along with the finance and people systems. The extension and refit of the head office in Camden will continue, increasing space from 180,000 $ft^2$ to 243,000 $ft^2$ which, when combined with the very latest technology, will provide sufficient flexibility to accommodate future headcount growth.

The rollout of ASOS's new technology platform has enabled deployment of enhancements to the customer experience at ever greater velocity. The number of technology releases this year and the positive customer impact it has generated has surpassed expectations and ASOS will continue to accelerate investment in this area over the coming year, delivering many more customer enhancements, new payment methods, new language sites and stronger customer engagement.

**Outlook**

The new financial year has started well. Our increased sales guidance is 25-30% for FY18 inclusive of a modest FX tailwind, with EBIT margins stable at c.4% in line with market consensus. Medium term reported sales guidance of c.20%-25% is unchanged. ASOS expects EBIT margins to remain at a similar level into the medium term, with operating leverage in payroll and distribution offset by ongoing investment in technology and warehousing infrastructure to support continued growth. We are confident we are positioning ASOS to be the world's number one destination for fashion loving twenty-somethings.

**Nick Beighton**
Chief Executive Officer

**Helen Ashton**
Chief Financial Officer

**Financial review**

***Revenue***

| Year to 31 August 2017<br>£m | Group total | UK | US | EU | RoW | International total |
|---|---|---|---|---|---|---|
| Retail sales | **1,876.5** | 698.2 | 261.6 | 544.1 | 372.6 | 1,178.3 |
| *Growth* | ***34%*** | *16%* | *46%* | *45%* | 52% | *47%* |
| *Growth at constant exchange rate* | ***27%*** | *16%* | *31%* | *34%* | *42%* | *36%* |
| Delivery receipts | **40.8** | 16.1 | 6.3 | 10.8 | 7.6 | 24.7 |
| *Growth* | ***18%*** | *5%* | *15%* | *48%* | *19%* | *29%* |
| Third party revenues | **6.3** | 6.0 | 0.2 | 0.1 | – | 0.3 |
| *Growth* | ***(6%)*** | *(6%)* | *100%* | – | *(100%)* | – |
| **Total revenues** | **1,923.6** | **720.3** | **268.1** | **555.0** | **380.2** | **1,203.3** |
| ***Growth*** | ***33%*** | ***15%*** | ***45%*** | ***45%*** | ***51%*** | ***47%*** |
| ***Growth at constant exchange rate*** | ***27%*** | ***15%*** | ***30%*** | ***34%*** | ***41%*** | ***36%*** |

The Group generated retail sales growth of 34% during the year, with UK growth of 16% and strong international growth of 47% (36% constant currency). This result was driven by investments in price and proposition. International retail sales accounted for 63% (2016: 57%) of total retail sales.

UK retail sales grew by 16% a solid performance in a more promotional market. The A-List loyalty scheme which annualised during the year, continued to aid increases in conversion and average order frequency. ASOS retained its first place position for unique visitors to apparel retailers in the 15-34 age range (Comscore, August 2017).

US retail sales grew by 46% (31% in constant currency) driven by price investments and the annualisation of improved delivery propositions coupled with key promotional events, which increased conversion and average basket value metrics.

EU retail sales grew by 45% (34% in constant currency) aided by the introduction of free returns across the whole of the EU, alongside prior year price investments annualising.

RoW retail sales grew significantly at 52% (42% constant currency), augmented by further price and proposition investments. Russia and Israel were the stand out performers, achieving triple digit sales growth of over 200% and 150% respectively.

Delivery receipts increased by 18% which lagged retail sales growth as customers increasingly took advantage of more extensive free shipping options. The number of premier customers increased by 55%.

***Customer engagement***

ASOS has seen a significant increase in active customers[1], finishing the financial year with 15.4m, up 24% compared to last year. Engaging content and investments in the technology platform have helped drive this growth as well as a 24% increase in the number of visits. The compelling nature of the ASOS proposition drove increases in average basket value of 2%, conversion[2] increased by 20bps and average order frequency[3] increased by 5%.

| | **Year to 31 August 2017** | Year to 31 August 2016 | Change |
|---|---|---|---|
| Active customers[1] (m) | **15.4** | 12.4 | *24%* |
| Average basket value (including VAT) | **£72.24** | £70.84 | *2%* |
| Average units per basket | **2.87** | 2.82 | *2%* |
| Average selling price per unit (including VAT) | **£25.16** | £25.09 | – |
| Average order frequency[3] | **3.22** | 3.08 | *5%* |
| Total orders (m) | **49.6** | 38.3 | *30%* |
| Total visits (m) | **1,669.0** | 1,348.7 | *24%* |
| Conversion[2] | **3.0%** | 2.8% | *+20bps* |
| Mobile device visits | **70.3%** | 65.5% | *+480bps* |
| Net Promoter Score as at 31 August 2017[4] | **66** | 63 | *5%* |

*[1]Defined as having shopped during the last twelve months as at 31 August 2017*
*[2]Calculated as total orders divided by total visits*
*[3]Calculated as last twelve months' total orders divided by active customers*
*[4]Net Promoter Score is based on a customer pulse survey*

***Gross profitability***

| Year to 31 August 2017 | Group total | UK | US | EU | RoW | International Total |
|---|---|---|---|---|---|---|
| Gross profit (£m) | **958.3** | 330.6 | 164.6 | 262.6 | 200.5 | 627.7 |
| *Growth* | ***33%*** | *12%* | *47%* | *46%* | *47%* | *47%* |
| Retail gross margin | **48.6%** | 44.2% | 60.4% | 46.3% | 51.8% | 51.1% |
| *Growth* | ***10bps*** | *(100bps)* | *110bps* | *30bps* | *(90bps)* | *10bps* |
| Gross margin | **49.8%** | 45.9% | 61.4% | 47.3% | 52.7% | 52.2% |
| *Growth* | ***(20bps)*** | *(120bps)* | *80bps* | *30bps* | *(120bps)* | – |

Group retail gross margin increased by 10bps to 48.6% compared to last year (2016: 48.5%) due to an improved markdown position through both increased full price mix and shallower depths on clearance activity. This benefit, coupled with the net FX tailwind, offset price investments and a continued shift into branded sales. Gross margin (including delivery receipts and third-party revenues) decreased by 20bps to 49.8% (2016: 50.0%) as faster free delivery options became more appealing to customers.

***Operating expenses***

The Group increased its investment in operating resources by 33% to £878.7m, with the total operating costs to revenue ratio increasing by 10bps to 45.7% (2016: 45.6%).

| **£m** | **Year to 31 August 2017** | **% of sales** | Year to 31 August 2016[1] | % of sales | ***Change*** |
|---|---|---|---|---|---|
| Distribution costs | **(299.2)** | ***15.6%*** | (216.0) | *14.9%* | *(39%)* |
| Payroll and staff costs[2] | **(162.8)** | ***8.5%*** | (132.6) | *9.2%* | *(23%)* |
| Warehousing | **(168.5)** | ***8.8%*** | (114.3) | *7.9%* | *(47%)* |
| Marketing | **(86.8)** | ***4.5%*** | (76.6) | *5.3%* | *(13%)* |
| Production | **(6.8)** | ***0.3%*** | (6.3) | *0.4%* | *(8%)* |
| Technology costs | **(35.1)** | ***1.8%*** | (24.5) | *1.7%* | *(43%)* |
| Other operating costs | **(77.2)** | ***4.0%*** | (57.3) | *4.0%* | *(35%)* |
| Depreciation and amortisation | **(42.3)** | ***2.2%*** | (31.6) | *2.2%* | *(34%)* |
| **Total operating costs** | **(878.7)** | ***45.7%*** | (659.2) | *45.6%* | *(33%)* |

[1]*All numbers have been restated to remove the results of the discontinued operation in China*
[2]*Inclusive of non-cash share-based payment charges*

Distribution costs increased by 70bps to 15.6% of revenue, driven by investment into free return propositions, particularly in the RoW and EU, along with an improved standard delivery service and premier launches.

Payroll and staff costs decreased by 70bps to 8.5% of sales as a result of cost leveraging. Headcount has increased 34% (2017: 3,579; 2016[3]: 2,664). Non-cash share-based payment charges amounted to £7.6m (2016: £4.5m) relating to a third grant to senior management under the Long-Term Incentive Scheme during the year and Save As You Earn scheme to all employees.

Warehousing costs increased by 90bps to 8.8% of revenue due to ramp up and increased fulfilment mix from Eurohub 2 which is currently a more manual operation, partly offset by efficiencies achieved at Barnsley from automation investments.

Marketing costs decreased by 80bps to 4.5% of sales as a result of digital marketing efficiencies and a higher return on advertising spend, alongside a redistribution of spend towards customer propositions such as A-List and student discounts.

Other operating costs remained flat at 4.0% of revenue.

Depreciation and amortisation remained flat at 2.2% of revenue as a consequence of the strong sales growth versus prior year together with a significant element of capital expenditure being in relation to projects, which go live in the next financial year.

***Exceptional items***

No exceptional items have been identified for the year to 31 August 2017.

[3]*Restated to remove the headcount relating to discontinued operations in China*

In the comparative period to 31 August 2016, the Group settled trademark infringement disputes with high-performance cycle wear manufacturer Assos of Switzerland GmbH, and German menswear retailer Anson's Herrenhaus KG. This resulted in a one-off exceptional legal settlement cost of £20.9m (including associated legal fees) representing full, final and global settlement of all outstanding litigation.

***Discontinued operations***
No discontinued operations have occurred for the year to 31 August 2017.

In the comparative period to 31 August 2016, the Group discontinued its in-country China operation, which incurred an operating loss before tax of £3.6m up to the point of closure and one-off exceptional closure costs before tax of £6.5m, of which £4.4m was non-cash relating principally to the impairment of fixed assets.

***Income statement***
The Group generated continuing profit before tax and exceptional items of £80.0m, up 26% compared to last year, lower than sales growth due to gross margin investment of 20bps and a 10bps investment in operating costs.

| | | Year to 31 August 2016 | | |
|---|---|---|---|---|
| **£m** | **Year to 31 August 2017** | Before exceptional items | Exceptional items | After exceptional items |
| **CONTINUING OPERATIONS** | | | | |
| Revenue | **1,923.6** | 1,444.9 | – | 1,444.9 |
| Cost of sales | **(965.3)** | (722.7) | – | (722.7) |
| Gross profit | **958.3** | 722.2 | – | 722.2 |
| Distribution expenses | **(299.2)** | (216.0) | – | (216.0) |
| Administrative expenses | **(579.5)** | (443.2) | (20.9) | (464.1) |
| **Operating profit** | **79.6** | 63.0 | (20.9) | 42.1 |
| Net finance income | **0.4** | 0.7 | – | 0.7 |
| **Profit before tax** | **80.0** | 63.7 | (20.9) | 42.8 |
| Income tax expense | **(15.9)** | (12.3) | 4.2 | (8.1) |
| **Profit after tax from continuing operations** | **64.1** | 51.4 | (16.7) | 34.7 |
| ***Effective tax rate*** | ***19.9%*** | *19.3%* | *(20.1%)* | *18.9%* |
| **DISCONTINUED OPERATIONS** | | | | |
| Loss before tax from discontinued operations | **–** | (3.6) | (6.5) | (10.1) |
| Tax from discontinued operations | **–** | 0.3 | (0.5) | (0.2) |
| **Loss after tax from discontinued operations** | **–** | (3.3) | (7.0) | (10.3) |
| **GROUP RESULTS** | | | | |
| **Group profit before tax** | **80.0** | 60.1 | (27.4) | 32.7 |
| Income tax expense | **(15.9)** | (12.0) | 3.7 | (8.3) |
| **Group profit after tax** | **64.1** | 48.1 | (23.7) | 24.4 |
| ***Effective tax rate*** | ***19.9%*** | *20.0%* | *(13.5%)* | *25.2%* |

*Taxation*

The effective tax rate from continuing operations before exceptional items increased by 60bps to 19.9% (2016: 19.3%). This arose mainly from the deferred tax prior year adjustment in respect of losses in China and to an increase in expenses not deductible for tax purposes. The effective tax rate from continuing operations after exceptional items increased by 100bps to 19.9% (2016: 18.9%).

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 from continuing operations before exceptional items increased by 25% and 24% to 77.2p and 76.6p respectively (2016: 61.9p and 61.8p). This was driven by the increase in continuing profit before tax during the year.

***Statement of financial position***

The Group continues to enjoy a healthy financial position including a closing cash balance of £160.3m (2016: £173.3m). The reduction in cash includes the payment of last year's £20.2m legal settlement (excluding legal fees) in relation to trademark infringement disputes with Assos of Switzerland GmbH and Anson's Herrenhaus KG.

Net assets increased by £86.7m to £287.1m during the year (2016: £200.4m) due to the increase in capital expenditure and inventory. The closing stock position was up 25% versus last year to ensure good stock availability to meet customer demand for the new season. In addition, there was a reduction of £12.8m in the fair value of the net liability position of outstanding forward contracts since 31 August 2016. This was due to hedges which were entered into pre-Brexit at adverse rates, settling during the period. The summary statement of financial position is shown below:

| **£m** | **At 31 August 2017** | At 31 August 2016 |
|---|---|---|
| Goodwill and other intangible assets | **178.0** | 113.5 |
| Property, plant and equipment | **137.4** | 77.2 |
| Derivative financial assets | **1.3** | – |
| Deferred tax asset | **9.2** | 13.3 |
| **Non-current assets** | **325.9** | 204.0 |
| Inventories | **323.3** | 257.7 |
| Net current payables | **(452.1)** | (355.7) |
| Cash and cash equivalents | **160.3** | 173.3 |
| Derivative financial liabilities | **(64.5)** | (76.0) |
| Current tax liability | **(5.8)** | (2.9) |
| **Net assets** | **287.1** | 200.4 |

***Statement of cash flows***

The Group's cash balance decreased by £13.0m to £160.3m during the year (2016: £173.3m) as capital expenditure of £161.5m was partly offset by a cash inflow from operating activities of £145.9m. The working capital inflow is predominately made up of higher stock, which reflects the higher level of sales expected for the new season compared to the prior year, offset by a movement in trade payables comprising higher trade payables caused by the timing of payments. The prior year balance includes the accrual for the trademark infringement legal settlement of £20.2m, which was settled after the year-end. The summary statement of cash flows is shown below.

| **£m** | **Year to 31 August 2017** | Year to 31 August 2016 |
|---|---|---|
| Operating profit from continuing operations | **79.6** | 42.1 |
| Loss before tax from discontinued operations | **–** | (10.1) |
| **Operating profit** | **79.6** | 32.0 |
| Depreciation and amortisation | **42.3** | 31.7 |
| Losses on disposal of assets - continuing | **0.5** | 0.8 |
| Losses on disposal of assets - discontinuing | **–** | 4.3 |
| Working capital | **24.1** | 69.1 |
| Share-based payments charge | **7.6** | 4.5 |
| Other non-cash items | **(0.6)** | (1.7) |
| Tax paid | **(7.6)** | (10.0) |
| **Cash inflow from operating activities** | **145.9** | 130.7 |
| Capital expenditure | **(161.5)** | (79.2) |
| Net finance income received | **0.5** | 0.7 |
| Net cash inflow relating to Employee Benefit Trust[1] | **1.8** | 0.7 |
| **Total cash (outflow)/inflow** | **(13.3)** | 52.9 |
| Opening cash and cash equivalents | **173.3** | 119.2 |
| Effect of exchange rates on cash and cash equivalents | **0.3** | 1.2 |
| **Closing cash and cash equivalents** | **160.3** | 173.3 |

*[1]Employee Benefit Trust and Capita Trust*

***Fixed asset additions***

| **£m** | **Year to 31 August 2017** | Year to 31 August 2016[2] |
|---|---|---|
| Technology | **104.8** | 60.1 |
| Warehouse | **49.5** | 24.4 |
| Office fixtures and fit out | **13.2** | 2.5 |
| **Total** | **167.5** | 87.0 |

*[2]All numbers have been restated to remove the results of the discontinued operations in China*

ASOS continues to invest in warehousing and technology infrastructure to support future growth ambitions. The majority of technology spend related to the replatforming programme, the new global fulfilment programme and TGR programme including an end-to-end retail merchandising system with supporting finance system, whilst warehousing spend related to the build-out of Eurohub 2 and 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 2017

| | | Year to 31 August 2016 | | |
|---|---|---|---|---|
| | **Year to 31 August 2017** | Before exceptional items | Exceptional items (Note 3) | After exceptional items |
| | **£m** | £m | £m | £m |
| **CONTINUING OPERATIONS** | | | | |
| Revenue | **1,923.6** | 1,444.9 | – | 1,444.9 |
| Cost of sales | **(965.3)** | (722.7) | – | (722.7) |
| Gross profit | **958.3** | 722.2 | – | 722.2 |
| Distribution expenses | **(299.2)** | (216.0) | – | (216.0) |
| Administrative expenses | **(579.5)** | (443.2) | (20.9) | (464.1) |
| **Operating profit** | **79.6** | 63.0 | (20.9) | 42.1 |
| Net finance income | **0.4** | 0.7 | – | 0.7 |
| **Profit before tax** | **80.0** | 63.7 | (20.9) | 42.8 |
| Income tax expense | **(15.9)** | (12.3) | 4.2 | (8.1) |
| **Profit from continuing operations** | **64.1** | 51.4 | (16.7) | 34.7 |
| | | | | |
| Loss before tax from discontinued operations | – | (3.6) | (6.5) | (10.1) |
| Tax from discontinued operations | – | 0.3 | (0.5) | (0.2) |
| **Loss after tax from discontinued operations** | – | (3.3) | (7.0) | (10.3) |
| **Profit for the year attributable to owners of the parent company** | **64.1** | 48.1 | (23.7) | 24.4 |
| | | | | |
| Net translation movements offset in reserves | **(0.3)** | (1.4) | – | (1.4) |
| Net fair value gains/(losses) on derivative financial assets | **15.8** | (82.3) | – | (82.3) |
| Income tax relating to these items | **(3.3)** | 16.2 | – | 16.2 |
| **Other comprehensive income/(loss) for the year**[1] | **12.2** | (67.5) | – | (67.5) |
| **Total comprehensive income/(loss) for the year attributable to owners of the parent company** | **76.3** | (19.4) | (23.7) | (43.1) |
| | | | | |
| **Basic earnings per share (Note 4)** | | | | |
| From continuing operations | **77.2p** | 61.9p | (20.1p) | 41.8p |
| From discontinued operations | – | (3.9p) | (8.5p) | (12.4p) |
| **Total** | **77.2p** | 58.0p | (28.6p) | 29.4p |
| | | | | |
| **Diluted earnings per share (Note 4)** | | | | |
| From continuing operations | **76.6p** | 61.8p | (20.1p) | 41.7p |
| From discontinued operations | – | (4.0p) | (8.4p) | (12.4p) |
| **Total** | **76.6p** | 57.8p | (28.5p) | 29.3p |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year to 31 August 2017

| | **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** |
| **Deferred tax on share options** | **–** | **–** | **1.0** | **–** | **–** | **–** | **1.0** |
| **Balance as at 31 August 2017** | **2.9** | **6.9** | **327.2** | **(0.6)** | **(47.5)** | **(1.8)** | **287.1** |

| | 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 2015 | 2.9 | 6.9 | 225.1 | (3.6) | 6.3 | (0.3) | 237.3 |
| Profit for the year | – | – | 24.4 | – | – | – | 24.4 |
| Other comprehensive (loss) for the year | – | – | – | – | (66.3) | (1.2) | (67.5) |
| Total comprehensive income/(loss) for the year | – | – | 24.4 | – | (66.3) | (1.2) | (43.1) |
| Net cash received on exercise of shares from EBT[2] | – | – | – | 0.7 | – | – | 0.7 |
| Transfer of shares from EBT[2] on exercise | – | – | (0.3) | 0.3 | – | – | – |
| Share-based payments charge | – | – | 5.0 | – | – | – | 5.0 |
| Deferred tax on share options | – | – | 0.5 | – | – | – | 0.5 |
| Balance as at 31 August 2016 | 2.9 | 6.9 | 254.7 | (2.6) | (60.0) | (1.5) | 200.4 |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 August 2017

| | **At 31 August 2017** | At 31 August 2016 |
|---|---|---|
| | **£m** | £m |
| **Non-current assets** | | |
| Goodwill | **1.1** | 1.1 |
| Other intangible assets | **176.9** | 112.4 |
| Property, plant and equipment | **137.4** | 77.2 |
| Derivative financial assets | **1.3** | – |
| Deferred tax asset | **9.2** | 13.3 |
| | **325.9** | 204.0 |
| **Current assets** | | |
| Inventories | **323.3** | 257.7 |
| Trade and other receivables | **28.6** | 15.0 |
| Derivative financial assets | **2.3** | – |
| Cash and cash equivalents | **160.3** | 173.3 |
| | **514.5** | 446.0 |
| **Current liabilities** | | |
| Trade and other payables | **(480.7)** | (370.7) |
| Derivative financial liabilities | **(57.7)** | (55.0) |
| Current tax liability | **(5.8)** | (2.9) |
| | **(544.2)** | (428.6) |
| **Net current (liabilities)/assets** | **(29.7)** | 17.4 |
| **Non-current liabilities** | | |
| Derivative financial liabilities | **(9.1)** | (21.0) |
| | **(9.1)** | (21.0) |
| **Net assets** | **287.1** | 200.4 |
| **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 | **(0.6)** | (2.6) |
| Hedging reserve | **(47.5)** | (60.0) |
| Translation reserve | **(1.8)** | (1.5) |
| Retained earnings | **327.2** | 254.7 |
| **Total equity** | **287.1** | 200.4 |

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year to 31 August 2017

| | **Year to 31 August 2017 £m** | Year to 31 August 2016 £m |
|---|---|---|
| Operating profit from continuing operations | **79.6** | 42.1 |
| Loss before tax from discontinued operations | **–** | (10.1) |
| **Operating profit** | **79.6** | 32.0 |
| | | |
| Adjusted for: | | |
| Depreciation of property, plant and equipment | **13.7** | 10.5 |
| Amortisation of other intangible assets | **28.6** | 21.2 |
| Loss on disposal of non-current assets from continuing operations | **0.5** | 0.8 |
| Loss on disposal of non-current assets from discontinued operations | **–** | 4.3 |
| Increase in inventories | **(65.6)** | (63.8) |
| (Increase)/decrease in trade and other receivables | **(13.6)** | 4.2 |
| Increase in trade and other payables | **103.3** | 128.7 |
| Share based payments charge | **7.6** | 4.5 |
| Other non-cash items | **(0.6)** | (1.7) |
| Income tax paid | **(7.6)** | (10.0) |
| **Net cash generated from operating activities** | **145.9** | 130.7 |
| | | |
| **Investing activities** | | |
| Payments to acquire other intangible assets | **(89.5)** | (55.7) |
| Payments to acquire property, plant and equipment | **(72.0)** | (23.5) |
| Finance income | **0.5** | 0.8 |
| **Net cash used in investing activities** | **(161.0)** | (78.4) |
| | | |
| **Financing activities** | | |
| Net cash inflow relating to EBT[1] | **1.8** | 0.7 |
| Finance expense | **–** | (0.1) |
| **Net cash generated in financing activities** | **1.8** | 0.6 |
| | | |
| **Net (decrease)/increase in cash and cash equivalents** | **(13.3)** | 52.9 |
| | | |
| Opening cash and cash equivalents | **173.3** | 119.2 |
| Effect of exchange rates on cash and cash equivalents | **0.3** | 1.2 |
| **Closing cash and cash equivalents** | **160.3** | 173.3 |

*[1]Employee Benefit Trust and Capita 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 and Russia. 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 2017 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 2017 are consistent with those adopted and disclosed in the Group financial statements for the year to 31 August 2016.

The financial information contained within this preliminary announcement for the years to 31 August 2017 and 31 August 2016 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 2016 have been filed with the Registrar of Companies and those for the year to 31 August 2017 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 2017 and 31 August 2016 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 2020. 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 2020.

*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 2016. 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.

- 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.

- 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 on the Statement of Financial Position. The Group has completed an assessment of IFRS 16. The net impact on the income statement between the old and the new leasing standards is immaterial, and a recognition of leased assets and liabilities will be presented on the balance sheet.

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

| | Year to 31 August 2016 | | | | |
|---|---|---|---|---|---|
| | UK | US | EU | RoW | Total |
| | £m[1] | £m[1] | £m[1] | £m[1] | £m[1] |
| Retail sales | 603.8 | 179.2 | 374.9 | 245.8 | 1,403.7 |
| Delivery receipts | 15.3 | 5.5 | 7.3 | 6.4 | 34.5 |
| Third party revenues | 6.4 | 0.1 | 0.1 | 0.1 | 6.7 |
| Internal revenues | – | – | – | 3.0 | 3.0 |
| Total segment revenue | 625.5 | 184.8 | 382.3 | 255.3 | 1,447.9 |
| Eliminations | – | – | – | (3.0) | (3.0) |
| Total revenue | 625.5 | 184.8 | 382.3 | 252.3 | 1,444.9 |
| Cost of sales | (331.0) | (72.9) | (202.5) | (116.3) | (722.7) |
| Gross profit | 294.5 | 111.9 | 179.8 | 136.0 | 722.2 |
| Distribution expenses | (72.8) | (46.8) | (54.2) | (42.2) | (216.0) |
| Segment result | 221.7 | 65.1 | 125.6 | 93.8 | 506.2 |
| Administrative expenses | | | | | (443.2) |
| Exceptional items (Note 3) | | | | | (20.9) |
| Operating profit from continuing operations | | | | | 42.1 |
| Finance income | | | | | 0.7 |
| Profit before tax from continuing operations | | | | | 42.8 |
| Loss before tax from discontinued operations | | | | | (10.1) |
| Profit before tax | | | | | 32.7 |

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 EU is £46.1m (2016: £9.1m).

[1] *All numbers have been restated to remove the results of the discontinued operation in China*

## 3. Exceptional items

| | Year to 31 August 2017 £m | Year to 31 August 2016 £m |
|---|---|---|
| Legal settlement | – | 20.9 |
| **Exceptional items** | **–** | 20.9 |

No exceptional items have been identified for the year to 31 August 2017.

In the comparative period to 31 August 2016, the Group settled its trademark infringement disputes with high-performance cycle wear manufacturer Assos of Switzerland GmbH, and German menswear retailer Anson's Herrenhaus KG. This resulted in a one-off exceptional legal settlement cost of £20.9m (including associated legal fees) representing full, final and global settlement of all outstanding litigation.

## 4. 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 Capita 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 period, adjusted for the effects of potentially dilutive share options.

| | Year to 31 August 2017 No. of shares | Year to 31 August 2016 No. of shares |
|---|---|---|
| **Weighted average share capital** | | |
| Weighted average shares in issue for basic earnings per share | **82,996,217** | 82,972,285 |
| Weighted average effect of dilutive options | **712,861** | 224,372 |
| Weighted average shares in issue for diluted earnings per share | **83,709,078** | 83,196,657 |
| | | |
| **Earnings attributable to owners of the parent company (£m)** | | |
| From continuing operations | **64.1** | 34.7 |
| From discontinued operations | **–** | (10.3) |
| | **64.1** | 24.4 |
| | | |
| **Basic earnings per share:** | | |
| From continued operations | **77.2p** | 41.8p |
| From discontinued operations | **–** | (12.4p) |
| **Basic earnings per share from all operations:** | **77.2p** | 29.4p |
| | | |
| **Diluted earnings per share:** | | |
| From continued operations | **76.6p** | 41.7p |
| From discontinued operations | **–** | (12.4p) |
| **Diluted earnings per share from all operations:** | **76.6p** | 29.3p |

## 5. Reconciliation of cash and cash equivalents

| | **Year to 31 August 2017 £m** | Year to 31 August 2016 £m |
|---|---|---|
| Net movement in cash and cash equivalents | **(13.3)** | 52.9 |
| Opening cash and cash equivalents | **173.3** | 119.2 |
| Effect of exchange rates on cash and cash equivalents | **0.3** | 1.2 |
| **Closing cash and cash equivalents** | **160.3** | 173.3 |

The Group has in place a £20.0m revolving loan credit facility available until October 2018, none of which has been drawn down at the year end.

## 6. 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 2017, there were no other 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 £19.1m (2016: £7.3m) 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.

## 7. Financial instruments

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

| | **Year to 31 August 2017 £m** | Year to 31 August 2016 £m |
|---|---|---|
| **Financial assets** | | |
| Derivative assets used for hedging at fair value | **3.6** | – |
| Loans and receivables[1] | **176.3** | 179.0 |
| **Financial liabilities** | | |
| Derivative liabilities used for hedging at fair value | **(66.8)** | (76.0) |
| Amortised cost[2] | **(474.2)** | (364.9) |

[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, Euros and Australian dollars. 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 2017 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 2017 and a net unrealised gain of £15.8m (2016: loss of £82.3m) was recognised in equity. All derivative financial liabilities at 31 August 2017 mature within two years based on the related contractual arrangements.

## 8. Related parties

The Group's related party transactions are with the Employee Benefit Trust, Capita 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 2017.