SuperGroup ■ Plc

3 July 2017

Full year results for the year ended 29 April 2017[1]

A further year of brand and strategy progress driving strong financial performance

SuperGroup Plc ("***SuperGroup***", "***Company***" or "***Group***"), owner of the *Superdry* brand, today announces full year unaudited results for the 52 weeks to 29 April 2017[1].

Key Financial Highlights[2]

On a comparable 2016 52-week basis:

- Revenue up 27.4% to £752.0m, with retail like-for-like[4] sales growth +12.7%
- Underlying gross margin down 130 basis points ("bps") to 60.2% reflecting strength of Wholesale channel mix
- Underlying operating margin 11.9% (2016: 12.6%)
- Underlying profit before income tax up 18.4% to £87.0m (2016: £73.5m)
- Underlying basic earnings per share ("EPS") up 17.4% to 84.5p (2016: 72.0p)
- Full year ordinary dividend 28.0p per share, an increase of 20.7% and representing a 3.0x cover

On a 2016 53-week basis:

- Revenue up 25.9% to £752.0m (2016: £597.5m)
- Underlying gross margin down 140 bps to 60.2% (2016: 61.6%)
- Underlying operating margin down 30 bps to 11.9% (2016:12.2%)
- Underlying profit before income tax up 20.2% to £87.0m (2016: £72.4m)
- Profit before income tax up 53.1% to £84.8m (2016: £55.4m)
- Underlying basic EPS up 19.2% to 84.5p (2016: 70.9p)
- Basic EPS 81.2p up 60.2% (2016: 50.7p)
- Net cash generated from underlying operating activities £62.3m down 20.9%
- Year-end net cash[3] position £65.4m (2016: £100.7m)

Operational and Strategic Progress

- Strong revenue growth led by low capital investment channels
  - Strong E-commerce growth of 35%, increasing participation of Retail sales to 26%
  - Wholesale revenue up 43.2%
  - Retail revenue up 20.8%; like-for-like sales growth +12.7%
- Retail footprint increased by 80 to 555 *Superdry* branded stores globally:
  - 154,000 square feet owned store space added, predominantly in Continental Europe
  - Net 59 new franchise stores opened, increasing franchised locations by 23%
- Insight led product innovation and digital marketing campaigns driving incremental sales:
  - Strengthening of category ownership ranges e.g. jackets
  - Womenswear, strong growth category
  - Growing range authority within sport, including stand-alone franchise format
- Development markets progressing to plan:
  - North America: full year break-even, seven new stores opened
  - China Joint Venture: five owned and three franchise stores trading
- Successfully operating two new in-market distribution centres in USA and Belgium

Euan Sutherland, Chief Executive Officer, commented:

"SuperGroup has made further significant progress this year, delivering growth in sales, profit and the ordinary dividend as we maintained momentum against all elements of our strategy. Our focus on delivering long-term sustainable growth continues, through a multi-channel approach that balances a disciplined owned and franchised store opening programme with further development of our re-engineered Wholesale channel and strong E-commerce proposition.

The Group is globally diversified and financially strong and we remain confident in our strategy to further embed *Superdry's* position as a global lifestyle brand. Investment in infrastructure is underpinning our global growth plans and creating future leverage opportunities while ongoing product innovation and new social and digital marketing campaigns are introducing new customers to the *Superdry* brand."

Notes:

1. Extracted from the unaudited financial statements.

   The Group believes that the financial results for the 52-week period to 29 April 2017 (FY17") are more appropriately compared to the 52-week period to 23 April 2016 ("FY16"). For completeness, we have reported our FY17 financial highlights using both 52-week and 53-week reporting periods for FY16.

2. Underlying is defined as reported results adjusted to reflect the impact of the (loss)/gain recognised on re-measurements relating to financial derivatives, exceptional items and, when appropriate, the related income tax. The Directors believe that the underlying results provide additional guidance to statutory measures to help understand the performance of the Group.

3. Net cash includes cash and cash equivalents.

4. Like-for-like sales (***'LFL'***) growth is defined as the year-on-year sales growth for stores and concessions open for more than one year and include E-commerce revenues. Foreign currency sales are translated at the average rate for the month in which they were made.

5. The trading comparatives for each quarter of FY17 (Unaudited):

FY17	Q1	YOY	Q2	YOY	H1	YOY	Q3[a]	YOY	Q4	YOY	H2	YOY	FY17	YOY
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
Retail	100.6	24.8	114.6	25.2	**215.2**	25.0	162.1	20.6	125.2	14.4	**287.3**	17.8	**502.5**	20.8
LFL	11.9%		13.7%		**12.8%**		14.9%		9.4%		**12.5%**		**12.7%**	
Wholesale					**118.8**	43.8					**130.7**	42.7	**249.5**	43.2
Group					**334.0**	31.1					**418.0**	24.6	**752.0**	27.4

a. FY17: 10 weeks to 7 January 2017

Dividend declaration

The Board of Directors recommends the payment of a final ordinary dividend of 20.2 pence per share, in respect of the year ended 29 April 2017, subject to the approval of shareholders at the Company's Annual General Meeting to be held on 12 September 2017. This dividend will be paid on 22 September 2017 to those shareholders who are on the register of members on the record date of 14 July 2017. The ex-dividend date will be 13 July 2017.

FY18 Guidance (Unaudited)

Full Year underlying PBT expected to be in line with market expectations

Inventory reduction drives operating efficiencies:

- Gross Margin
  - Ongoing trading margin: Broadly flat year-on-year
  - Up to 100 bps dilution from inventory re-base from next phase of Design to Customer programme
- Sales, Distribution and Central costs
  - Increase slower than revenue
- Working Capital
  - Growth materially slower than revenue

Disciplined investment continues:

- Space growth
  - 125k sq. ft. new owned space (75k EU, 50k USA)
  - 60 *Superdry* branded franchise store openings (20% year-on-year growth)
- Capital
  - £60m-£70m investment, £45m on new and refurbished store space

Capital policy

- Progressive ordinary dividend at 3.0x – 3.5x cover
- Special dividend when appropriate

FY17 Reporting Calendar

Annual General Meeting	12 September 2017
Half-year pre-close (including Q1 and Q2 trading updates)	9 November 2017
Half-year announcement and presentation (including peak trading update)	10 January 2018

Full-year pre-close	10 May 2018
Full-year announcement and presentation	5 July 2018

Market Briefing

A presentation for analysts and investors will be held today starting at 9.30am at the London Stock Exchange.

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Cautionary Statement

This announcement contains certain forward-looking statements with respect to the financial condition and operational results of SuperGroup Plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, SuperGroup Plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

Notes to Editors

SuperGroup is the owner of British global lifestyle brand *Superdry*. A brand designed for attitude not age with affordable, premium-quality clothing, accessories, footwear and cosmetics.

As we develop the breadth and nature of our product range, we continue to appeal to a much broader, aspirational age group. Those who want to feel amazing in what they wear and appreciate style, quality and attention to detail.

Already well established in the UK – our home market – we operate a significant and continually expanding international business, selling through our websites, wholesale partners, a network of franchise stores and, increasingly, independent stores. We are becoming a more efficient business as we improve our process from Design to Customer and refine our wholesale model. Simultaneously, we are focused on expanding our business globally with a clear strategy for growing our E-commerce business as well as our operations in key markets within Europe, North America and China.

The Group has a physical presence in 62 countries and 863 stores and concessions globally. We also have a successful E-commerce business with 27 international websites across 18 countries covering 12 different languages.

Chairman's Statement

Over the last year SuperGroup has continued its progress towards becoming a global lifestyle brand. Consistent and positive financial results have been delivered through a broadening geographic footprint and growth in all channels – Retail, E-commerce and Wholesale – while further investments have been made in systems, logistics and people. We have delivered on the four pillar strategy outlined at the Capital Markets Day in 2015.

The economic environment has been tough and the political backdrop uncertain. The Brexit vote and fluctuating exchange rates have had the most significant direct impact. The *Superdry* brand has proved resilient while the increased exposure of the business to different countries, markets and currencies has been important in providing some insulation from that impact. 72% of our total sales volume is now from outside the UK, while 98% of our new Retail square footage opened in the last year was overseas. Our Wholesale business grew by 43% and 89% of this revenue was outside the UK.

Under Euan Sutherland's leadership we have continued to build the breadth and depth of the leadership team in order to ensure that we have the capability to deliver both growth and operational leverage in the future. We are building a structured and professional organisation in which the culture of creativity and innovation established by Julian Dunkerton will thrive. Our aim is high quality execution on a consistent and cost-effective basis.

As a Board we have focused our time in a balanced way across our strategic priorities and governance processes. Our Board evaluation this year indicated that the Board was functioning well. A number of areas of improvement in Board administration were noted, together with the importance of spending sufficient time on the development of our brand and culture over the next year, and in developing knowledge of the Group's markets outside the Europe and the USA. Steve Sunnucks and Beatrice Lafon are not standing for re-election at the AGM and I would like to thank them for their contributions to SuperGroup and wish them well for the future. Whilst the Board remains of sufficient size and balance for our business in the near term, we will be looking carefully at the composition in the coming year and putting in place a plan for further appointments which will take into account the current public policy debates around potential reform of corporate governance, the evolving needs of SuperGroup and planning for successors to me as Chairman and Keith

Edelman as Senior Independent Director. In respect of the last point we have taken the first step with the appointment of Penny Hughes to succeed Keith as Chairman of the Remuneration Committee with effect from the conclusion of the AGM.

SuperGroup has continued to mature while sustaining strong growth. This has been reflected in our Sustainability Programme and our approach to risk management. In the case of the former we have now established three ambitious long-term goals and will develop implementation plans over the next year. SuperGroup faces a variety of risks and the Board reviews the risk register regularly. We continue to be vigilant with respect to Cyber Security and have also spent time considering the implications of Brexit on the Group.

The Company remains cash generative and this, together with its strong underlying cash position, has enabled us to deliver on our progressive dividend policy while continuing to produce growth and make investments in infrastructure. These characteristics also underpin our Viability Statement by enabling the business to withstand the significant scenarios we have modelled.

As ever, our success is enabled by the passion and commitment of the people who work for SuperGroup. Our Company is a global family where the unique contribution of every colleague is highly valued. I would like to thank everyone for their hard work over the last year.

Review of the Year

Financial year 2017 summary

The articulation of a clear four pillar strategy in March 2015 enabled an organisation-wide focus on the consistent delivery of the key long-term opportunities that will establish *Superdry* as a global lifestyle brand. SuperGroup remains an opportunity rich organisation and we are confident in the continued delivery of sustainable revenue and profit growth supported by continued investment in people, processes and infrastructure.

Our success in financial year 2017 has been achieved by the continual improvement of our core product ranges and introducing new categories to excite, inspire and enhance the brand's relevance. The consistency of our revenue performance has been pleasing with similar levels of growth achieved in each half-year and positive like-for-like growth achieved in all channels: Retail, E-commerce, which continues to deliver market leading growth, and Wholesale.

The Wholesale division delivered growth of 43% fuelled by material growth in the brand's franchise network, range enhancements and the final elements of the process improvements commenced in the previous financial year.

Our development markets in North America and China continue to progress in line with their respective plans. The break-even position delivered in the Group's North American operations was achieved in our second year of ownership in line with our acquisition plan.

Underlying profit growth of 18% reflects continued investment in those two development markets and growth infrastructure together with one-off migration costs incurred as part of the set-up of our two new distribution centres. Our growth plan across geographies, channels and categories will further reduce our reliance on any single operating segment and during the next two years we anticipate that we will leverage our investments as we continue to grow our revenues and deliver improvements to our Design to Customer process.

Embed

Our brand values for long-term sustainable growth

Embedding our brand values is a key element to realising our ambition to become a global lifestyle brand. The *Superdry* brand purpose defines the reason for being, creates a clear and concise brand story and a brand strategy that is relevant and actionable. Group-wide communication ensures that all colleagues become brand ambassadors through a real understanding, appreciation and awareness for what *Superdry* stands for.

A key element of the learning and development focus in the year has been the roll-out to 1,700 store based colleagues of a Sales and Service training programme. This programme serves to combine our colleagues' passion for *Superdry* with detailed product knowledge in order to improve customer experience and drive sales.

Colleague engagement levels are measured annually and we continue to see positive year-on-year progress in both response levels and the key measures of Trust and Engagement. We continue to invest in a number of initiatives targeted to address the specific points raised by colleagues. These include wider employment and progression opportunities through our participation in the National Apprenticeship scheme and ways to share in the Group's success through Save As You Earn and Buy As You Earn share schemes.

From a product perspective, collecting customer and market data is key in enabling us to improve the customer experience by embedding customer insight into our ongoing range and category development processes.

We are committed to providing a compelling multi-channel experience for our customers and firmly believe that the brand's potential will be optimised through a combination of shopping channels, including stores. Recognising the need to continually develop the brand experience in-store during the year we opened two trial stores that were designed to introduce a number of new concepts to the store: to project better the wider product offer, convey authority in our core ranges such as graphic t-shirts, increase range intensity while increasing circulation space, and improve the use of technology.

Commercially the updated new store format targets improvements to sales density while also reducing the capital and operating costs of new and refurbished stores. The first two trial stores located in Manchester's Arndale centre and White City in London were of differing sizes; and tested varying levels of re-fit expenditure. The trading performances in both stores remain strong with uplifts in like-for-like sales of 20% and 10% respectively and have provided us with the confidence to undertake a roll-out refurbishment programme, starting with ten stores in the UK in financial year 2018. The concepts developed in the trial stores are also being introduced into all new store openings.

Enable
Future growth through investment in people, systems and infrastructure

Strengthening our teams

Our investment in people over the last three years has developed greater capability within core functions including design, merchandising, e-commerce and category management and introduced a strong and experienced leadership team.

During the year, in addition to restructuring executive responsibilities to better fit our future Design to Customer process, the leadership team was further strengthened by the appointment of Hugo Adams to lead the Group's marketing and business development functions, Simon Callander as Group General Counsel and Company Secretary and David Hennessey, who joined us in June as our new Chief Information Officer.

Optimising the Design to Customer process

As we optimise the Design to Customer process, we will improve our speed to market, eliminate wastage and reduce our operating costs. Consistent with our approach to any significant change, we will adopt a measured stance, introducing initiatives and working practices progressively so as not to create undue risk to the underlying business. We are confident that the changes we are planning are well proven, best practice in the retail sector and suitably adapted to our business model.

Early progress has been encouraging aided by establishing a single global merchandising function consolidating the previous retail and wholesale teams. Global range planning disciplines are now well established leading to measureable improvements in the key value creating metrics including crossover between Wholesale and Retail ranges, joint buying and overall option count reduction.

Direct sourcing

Our established in-market sourcing operations in India and Turkey continue to drive efficiencies through increasing the level of product that is direct sourced. A Chinese sourcing office, located in Shenzhen, will open later in 2017 enabling the percentage of direct sourced purchases to increase from c.65% towards our medium term goal of 80%.

Infrastructure development

Investment in infrastructure to support the growth and development of the business will continue over the medium-term. This will focus on a continued improvement approach and enhancement to information technology applications introduced over the past four years and enhancements to physical infrastructure to benefit the Group. In order to protect the quality of execution, only one significant change will be executed each year.

Our primary goals are to establish in-territory multi-channel distribution centres close to each of our markets, delivering better service and accelerated fulfilment at a lower cost, harmonising inventory through the creation of a single stock pool and the systems and processes necessary to support the Design to Customer process. We will also progressively invest in warehouse automation to improve efficiency and service.

As the first step in delivering this ambition we successfully implemented two new regional distribution centres in the year in Grobbendonk, Belgium and Pennsylvania, USA. These operated successfully through peak trading, each serving a single channel only and their operation will be extended in financial year 2018 to fully serve each market on a multi-channel basis, including the planned integration of the currently outsourced USA Wholesale logistics operations into the Group's network.

Extend
Our key categories to achieve our brand growth potential

Our product opportunities

Continual range development is a core business capability introducing newness, in the form of shape, fabric, design or branding, to each successive season. This opportunity is therefore equally relevant for heritage or new categories.

We believe there is a clear opportunity for us to more broadly and confidently communicate our "ownership" of certain key categories, such as jackets or graphic t-shirts. Our Jackets campaign in autumn 2016 combined range development and social media based communication of the breadth and technical benefits of our range. While the consistent market trend of 'the padded jacket' plays perfectly to our brand heritage we believe we have extended the iconic status clearly associated with the Windcheater to other ranges including Fuji, Bombers and Rookies. The success of the campaign provided valuable insight that will support future seasonal campaigns.

The opportunities to extend *Superdry* into adjacent product categories and ranges that are natural extensions for the brand are equally significant. In the year we have further developed our Sport, Premium, Snow and footwear ranges which continued to gain traction with our customers and tactically introduced a widened range of gifts to support the key peak trading period. Our premium ranges, both *Superdry* branded and those branded in collaboration with Idris Elba, provide a natural range and price hierarchy extension and have developed each season following the insight gained from our customers.

Our most significant opportunities remain in Sport and Womenswear.

Focusing on the opportunity in Sport and Womenswear

Superdry Sport remains a natural evolution for the brand and has shown significant growth in all markets. The "ath-leisure" element of our range provides the natural entry point for customers before widening their buying to more technical products, where options are expanding and building range credibility. Looking forward we intend to introduce a number of dedicated Sport "shop-in-shops" in a number of our larger stores, enhance the technical capability of our range including improved moisture wicking, weather tolerance and higher visibility and further develop our footwear offer to participate in this key part of the market.

The long-term strategy to grow our Womenswear category to the same value as *Superdry* Menswear continues to gain traction, with Womenswear again growing marginally faster than Menswear driving an improvement in participation to 36.5%.

This brand strategy targets a more feminine approach to both our product and customer experience. Our in-house category and design teams have broadened our core ranges to better match and appeal to our identified customer profiles and introduced more regular injections of new ranges to encourage repeat purchase. Within store, the merchandising developments delivered within the Next Generation store re-fit programme provides the inspirational story that women are looking for at the point of purchase.

SuperDesign Lab provides dedicated innovation capability
Having developed the capacity and capability of our design team, the business is now well placed to continue its planned programme of core product development. This programme will be complemented by the SuperDesign Lab which, led by James Holder, will focus on the creation of further extensions of the *Superdry* brand into adjacent lifestyle categories and providing a fast route to market where commercial opportunities are identified.

Execute
Growth opportunities in new and existing markets and online
We believe we will optimise our customers' brand experience and the ultimate scale of the brand by combining an e-commerce proposition with a physical store presence, achieved via owned and franchised stores and wholesale partners. Specifically, our research has shown that multi-channel customers are more valuable to us than single channel customers as they spend more often and have greater brand loyalty.

***Superdry* stores**
A key driver of our growth strategy is the expansion of the store portfolio balancing owned stores of between 4,000 to 6,000 square feet in major city locations or prime locations in shopping malls with franchised stores operating in smaller catchments. At the end of financial year 2017 the brand operated from 555 stores across 49 countries with 220 owned, 319 franchised and 16 licensed stores.

Our focus for owned stores continues to be Continental Europe, where we remain under-represented and deliver strong returns on capital with, on average, a 25-month post-tax payback against a target of 30 months. In financial year 2017 we opened 124,000 square feet of new space in Continental Europe through 14 net new stores. Germany continues to be a priority market for the brand and we are pleased with the overall performance of the store portfolio which has grown to 31 owned stores and 14 franchises, since our market entry in 2012.

Continental European owned stores at the year-end comprised 405,000 square feet of trading space, an increase of 44% during the year, and represents 38% of our total retail estate.

Cognisant of consumer trends towards e-commerce our approach to new stores remains cautious, being capital disciplined and demanding lease flexibility in all cases. While considerable opportunity for new owned and operated space exists, looking forward we anticipate opening c.75,000 square feet of owned store space in Continental Europe each year.

A net 59 franchise and three licence stores were added to the estate through the financial year representing an additional 95,000 square feet of *Superdry* sales space. These openings included market entry into Croatia, Israel, Romania, Russia, Slovakia, and Slovenia. We have also commenced a programme of franchise store re-fits to continue to modernise and strengthen our third party store estate alongside the Next Generation store re-fit programme in our own store estate.

Increasing e-commerce penetration
Our e-commerce objective is to make it inspiring and easy for people across the planet to buy *Superdry* products and deliver an amazing end-to-end experience centred on a sector leading delivery proposition. As in recent years, online remains the fastest growing route to our customers with year-on-year sales increasing by c.35% and e-commerce participation up to 25.9% of total Retail sales.

This growth reflects the benefit of small incremental improvements to the customer on-line experience and includes: image based search on search engines such as Google; use of social media to increase awareness and keep customers engaged, for example, the introduction of *#mysuperdry* to the www.superdry.com website; changes in creative style of the product imagery and fully responsive technology implemented throughout the site. Our plans for financial year 2018 include integration of a new order management system into our operations that will facilitate the launch of regional fulfilment capability in our new Belgian warehouse allowing us to service Continental Europe from that location.

Our partner programme, where we offer our product for sale on third party retailer sites, drives incremental growth by accessing a new customer base whilst controlling the brand experience. We have seven partner sites currently, including Zalando, La Redoute, and The Iconic. The partner programme has seen good growth during the year and now represents 14% of our E-commerce business.

Customer interaction with each of our 27 fully localised websites continues to be led by mobile use; 67% of visits originated from either a mobile or tablet during the period, with visits from mobiles having grown by 34% year-on-year.

Improving our Wholesale operation
The Wholesale division has shown substantial growth throughout financial year 2017, with a consistent delivery of over 40% year-on-year growth in each half of the financial year, and continues to increase its significance within our income and operations. This year has seen the crystallisation of process improvements made in prior years, expansion of European Wholesale sales teams and showrooms, and investment in best-in-class trade shows and exhibitions.

Financial year 2017 saw double-digit growth in our forward order books and was supplemented by increased in-season sales growth facilitated by enhanced inventory availability. Continental Europe continues to be the key growth driver with more than 30% growth in revenue reaching more than €190m. While some of the sales increases achieved in the year are one-off in nature as we step changed our operating processes, we anticipate that the Wholesale division will deliver sustained double digit revenue growth in the medium-term.

Looking forward we also anticipate advances in aligning our Wholesale and Retail operations, offering both economies of scale to the Group as well as increased choice and flexibility to customers. This long-term strategy will continue into financial year 2018 and beyond as we move forward with our Design to Customer initiatives and improvements.

Developing new markets
Looking long-term we have continued our development of two markets that represent significant future growth opportunities.

North America
Establishing a successful presence in North America is an important and natural step to realising our global ambition. North America provides us with the opportunity to enhance our brand and build significantly the long-term value of our business. Progress has been made in resetting the USA business and through remedial actions taken we have seen a positive customer response during the year from our Retail and Wholesale channels that we acquired in 2015. Store trading improvements, represented by a strong like-for-like performance, reflect the introduction of a broader product range, better price architecture and more capable store colleagues.

During financial year 2017 we opened seven stores as part of a trial which enabled us to experiment with different store formats in different types of location. These stores were predominantly located in the North-East of the USA and reflect a full *Superdry* offer, representative of that seen in Continental Europe. We are confident that we have secured good locations at appropriate rents and performance in these stores to date is encouraging. We will use the learning to develop a new store opening programme that will lead to the opening of up to ten new stores in financial year 2018, mainly located in clusters within major cities such as Boston and Washington DC. We also plan to open a flagship location on the West coast in Los Angeles during the coming year.

Overall financial performance continues in line with our initial plan, with the Group's North American operations breaking even in our second year of ownership.

China
China is an exciting market and is forecast to overtake the USA as the largest apparel and footwear market in the world. Customer tastes are evolving from luxury brands to brands influenced by "pop" culture and we believe that the *Superdry* brand, with the right product, pricing model and infrastructure, is well positioned to be successful. We have a ten-year minimum 50:50 joint venture agreement with Trendy International Group ("*Trendy*").

During the year, we have worked with Trendy to establish an experienced joint venture team who manage the Chinese business with our involvement focused on strategic direction, product and brand support and supporting store opening and marketing activities. Trendy provide logistical, financial processing and IT support in addition to people development and market knowledge.

During financial year 2017 we opened five trial stores with a sixth opened in May 2017 and three franchises. If the operation of the trial stores is successful we plan to undertake a measured roll-out programme using a combination of owned and franchised stores.

Conclusion
We have made good progress against our four strategic objectives, delivering developments targeted in each of the two years since we launched the strategy at the Capital Markets day in March 2015. Through our strategy we will build both international scale, through opening new stores, wholesale expansion and further global e-commerce growth, while also improving efficiency across the business. We will continue to invest in our infrastructure, product, processes and colleagues to deliver long-term, sustainable growth as we establish *Superdry* as a global lifestyle brand.

Finance Review

Basis of commentary
The financial year 2017 represents trading for the 52 weeks to 29 April 2017. The comparative 2016 period represented trading for the 53 weeks to 30 April 2016. In order to provide comparability of performance across the two years the trading commentary below focuses on the 52-week period to 23 April 2016 as the comparative while also referencing the 2016 year in full. In summary the 53rd week in 2016, which was characterised by a low seasonal sales profile in each of our channels, represented £7.4m of revenue and an operating loss of £1.1m.

Introduction
We have made good progress again this year with strong performance against each of our key financial metrics. Total sales growth of 27.4% over financial year 2017 reflected ongoing space growth, increasing by an average 17.4%, and positive like-for-like growth in each sales channel, including stores. Reflecting the strength of our on-line proposition, E-commerce revenue increased by 35% year-on-year increasing the participation within Retail sales by 280bps to 25.9%.

We remain committed to investing in our business to support future growth. Capital investment totalled £60.9m (2016: £53.2m) reflecting the increased scale of our new Retail space programme, leading to store related investment of £42.3m (2016: £30.7m) and the continued development of our Group infrastructure. Capital investment to enhance our distribution capability centred on the successful introduction during the year of regional distribution centres in Continental Europe and North America. Ongoing investments to improve core systems were matched by investment in central headcount to increase our overall capability.

Within our operating performance are the one-off costs of £2.1m associated with the set-up of the Group's new distribution facilities together with the continuing investment in our two development markets, North America and China. In line with our development plan, the North America operation was break-even in financial year 2017 (2016: loss of £2.8m) and the initial trading loss in China was

£2.2m (2016: loss of £0.6m). Excluding these factors, underlying profit before income tax for the 52-week comparable trading period was 18.7% above the prior year comparable period.

Group Statement of Comprehensive Income

The Group has a growing natural hedge through foreign currency denominated revenues and has financial hedges in place that extend over an 18-month period to provide a level of certainty for future transactions. Since the European referendum vote in June 2016 Sterling exchange rates have weakened against the US Dollar and Euro. While mitigated by the hedges referred to above, the impact of the currency movement has been to increase the Sterling value of both revenues and costs while remaining materially neutral at the profit before income tax level.

Underlying £m	**52 weeks**
Revenue	752.0
Gross profit	453.0
Gross profit %	60.2%
Operating costs	(363.6)
Operating profit	89.4
Profit before income tax	87.0

Group revenue for the year rose by 27.4% to £752.0m (2016: £590.1m) when compared to the 52 week period in 2016. Within this, the currency translation benefit of the Group's international operations was 8.7%, and revenue from newly opened and maturing retail space contributed 15.9% of this growth.

The Group gross margin fell 130bps to 60.2% (2016: 61.5%) with approximately 70% of this movement reflecting the structural mix impact of the relative strength of Wholesale revenue growth at a lower margin.

Sales and distribution costs (which include costs associated with operating stores, depreciation and transporting products) totalled £308.7m (2016: £242.4m), an increase of 27.4%. In the year these costs include one-off costs associated with the set-up of the two new distribution facilities totalling £2.1m. On an ongoing basis these costs are primarily driven by our continuing store opening programme, where average retail space increased by 17.4% during the year, together with the impact of foreign exchange movements and the continued impact of the higher unit variable cost to serve our fast growing e-commerce business.

Central costs (which include the costs of operating our global operations teams and support functions, marketing costs and related depreciation) were £66.7m (2016: £54.8m), an increase of 21.7%. Growth in Central costs reflects continued investment, linked to the introduction of the Design to Customer process, in key personnel concentrated within the merchandising and design teams and more scalable and functional IT platforms.

Group underlying operating margin declined by 70bps on last year to 11.9% (2016: 12.6%). In addition to the one-off distribution facility costs, this reduction primarily reflects the dilutive impact of both foreign exchange across the Group's global operations and the performance of our North American development market.

Underlying profit before income tax increased by 18.4% on the prior year to £87.0m (2016: £73.5m).

	Underlying 2017 £m	Re-measurements £m	Total 52-week 2017 £m
Revenue:			
Retail	**502.5**	–	502.5
Wholesale	**249.5**	–	249.5
Group revenue	**752.0**	–	752.0
Operating profit:			
Retail	**68.9**	(0.3)	68.6
Wholesale	**84.8**	(1.9)	82.9
Central costs	**(64.3)**	–	(64.3)
Total operating profit/(loss)	**89.4**	(2.2)	87.2
Net finance income – Central costs	**0.2**	–	0.2
Share of loss of investment – Central costs	**(2.6)**	–	(2.6)
Profit/(loss) before income tax:			
Retail	**68.9**	(0.3)	68.6
Wholesale	**84.8**	(1.9)	82.9
Central	**(66.7)**	–	(66.7)
Total profit/(loss) before income tax	**87.0**	(2.2)	84.8

There were no exceptional costs in the year.

Underlying and reported profit

Underlying is defined as reported results adjusted to reflect the impact of exceptional items and re-measurements and the related income tax where appropriate. We believe that the underlying results provide additional guidance to statutory measures to help understand the performance of the Group. All references to underlying are after making these adjustments.

For financial year 2017 those items relate to the unrealised loss on financial derivatives of £2.2m (note 4).

Our Retail division (including E-commerce)
Reflecting the continued expansion of owned stores across Continental Europe and now in North America, together with positive Group Retail like-for-like growth in the year of +12.7% (2016: +11.3%), our Retail division delivered revenue of £502.5m (2016: £415.9m), up 20.8% on the year. The Retail division represents 67% of total Group revenue (2016: 70%). An additional 154,000 square feet of space was added in the year through a net 18 new store openings in nine countries, including a further seven in Germany, reflecting the strategic emphasis on this market.

Group Retail like-for-like sales were particularly fuelled by a strong e-commerce performance that benefited from incremental enhancements to the on-site customer journey and improved availability following the combination of Retail and E-commerce inventory into a single inventory pool in October 2015.

The Retail division's operating profit in financial year 2017 was £68.6m (2016: £62.6m). Underlying operating profit was £68.9m (2016: £67.7m), up 1.8% on the prior year, and underlying operating profit margin was 13.7% (2016: 16.3%).

While we continue to deliver scale-led efficiencies within our distribution, the operating margin decline reflects the net impact of the higher unit variable cost to serve of our fast growing e-commerce business together with investments made to both exit legacy stock-holding and protect service to customers during the period of set-up of the new distribution centres within the year.

Retail division	**2017 £m**	2016* £m	Growth
External revenues	**502.5**	415.9	20.8%
Underlying operating profit	**68.9**	67.7	1.8%
Underlying operating margin (%)	**13.7%**	16.3%	(260)bps
Re-measurements	**(0.3)**	(1.9)	
Exceptional items	**–**	(3.2)	
Retail operating profit	**68.6**	62.6	9.6%

* 2016 is treated as a 52-week comparable period for these measures.

Our Wholesale division
Our Wholesale division delivered revenue of £249.5m, up 43.2% (2016: £174.2m), representing 33% of total Group revenue (2016: 30%). At the end of the year the Group had Wholesale operations in 55 countries through direct sale relationships with major and independent accounts, 319 (2016: 260) *Superdry* branded franchise stores and 16 (2016: 13) licensed stores.

Revenue growth in Wholesale was achieved across all territories. Our most significant sales increase was generated in our Continental European operations benefiting from a concentration of new franchise openings and the favourable results from our initial efforts to reposition our Wholesale offering. This focus led to significant increases in in-season sales, sales of innovation ranges such as Sport and Premium to new and existing customers, and order fill levels materially higher than in recent years. Clearance sales have been higher this year due to the focused clearance activity prior to the migration to our new distribution centres.

Wholesale revenue by territory	**2017 £m**	2016* £m	Growth
UK and Republic of Ireland	**37.1**	32.5	14.2%
Europe	**161.4**	105.5	53.0%
Rest of World	**43.4**	32.8	32.3%
Clearance and other	**7.6**	3.4	123.5%
Total Wholesale revenue	**249.5**	174.2	43.2%

Operating profit was £82.9m (2016: £48.6m), whilst underlying operating profit was £84.8m (2016: £60.5m). Underlying operating margin at 34.0% (2016: 34.7%) decreased by 70bps year on year primarily reflecting the dilutive mix impact of higher clearance sales during the year.

Wholesale division	**2017 £m**	2016* £m	Growth
External revenues	**249.5**	174.2	43.2%
Underlying operating profit	**84.8**	60.5	40.2%
Underlying operating profit margin %	**34.0%**	34.7%	(70) bps
Re-measurements	**(1.9)**	(11.9)	
Wholesale operating profit	**82.9**	48.6	70.6%

* 2016 is treated as a 52-week comparable period for these measures.

The following sections relate to the 52-week comparative period in 2016 unless otherwise stated.

Re-measurements and exceptional items

Re-measurements in the year reflect a £2.2m charge in respect of financial derivatives (2016: £13.8m charge) which has been driven primarily by the devaluation of Sterling against the Euro and US Dollar, and its impact on forward currency contracts existing at the time of the UK's decision to leave the European Union in June 2016. There were no exceptional items during financial year 2017 (2016: £3.2m).

Taxation in the period

Our income tax expense on underlying profit of £18.3m (2016: £14.8m) represents an effective tax rate of 21.0% (2016: 20.4%). This is higher than the UK statutory rate of 19.9% (2016: 20.0%) primarily due to the depreciation and amortisation of non-qualifying assets, non-allowable expenses and the non-deductibility of the the joint venture loss in the period. The applicable UK corporation tax rate has been further offset by the recognition of deferred tax assets in relation to overseas tax losses (at a higher taxable rate) recognised on the basis of expected recoverability against our future plans. In the medium term we anticipate that the substantial majority of the Group's earnings will be taxed in the UK.

During the year we paid £56m (2016: £44m) in UK taxes, which includes corporation tax, import duty, business rates, employer's national insurance and stamp duty.

Earnings per share (comparatives are based on 53 week figures)

Reflecting the increased profitability of the Group during the year, underlying basic EPS is 84.5p (2016: 70.9p), an increase of 19.2%.

The improved underlying performance of the business offset by the movement in re-measurements and exceptional adjustments outlined above leads to reported basic EPS of 81.2p (2016: 50.7p) based on a basic weighted average of 81,308,378 shares (2016: 81,148,918 shares). The increase in the basic weighted average number of shares is predominantly due to 103,457 5p ordinary shares being issued during the year in accordance with the vesting of certain tranches of the Performance Share Plan.

Underlying diluted EPS is 84.0p (2016: 70.7p) and diluted EPS is 80.7p (2016: 50.6p). These are based on a diluted weighted average of 81,751,539 (2016: 81,382,620) shares.

Dividends

The introduction in the prior year of a dividend policy reflected our confidence in the *Superdry* brand as well as our ability to deliver sustainable profitable growth, cash generation and return on capital. The policy also recognised the significant range of investment opportunities available to us to grow shareholder value while providing flexibility for the organic and other opportunities that may require investment concentrated within a short time period.

The key parameters of our dividend policy remain as follows:

- a progressive dividend policy at a prudent earnings cover targeting 3.0x – 3.5x;
- a dividend formula so that the interim dividend will be the equivalent of approximately one-third of the total dividend for the previous year; and
- if, over an extended period, excess capital has not been deployed, we will consider one-off returns to shareholders whilst maintaining flexibility through a positive cash balance.

An interim dividend of 7.8p per share was paid on 27 January 2017. In line with the dividend policy the Board has recommended a final ordinary dividend of 20.2p per share, taking the full-year ordinary dividend to 28.0p per share. If approved, the ordinary final dividend will represent a cash outflow of approximately £16.4m and will be paid on 22 September 2017 to all shareholders on the register at the close of business on 14 July 2017. The total ordinary dividend represents a dividend cover of 3.0x on a full-year basis.

Cash flow, balance sheet and investments

We remain financially strong and highly cash generative, with underlying operating cash generated before working capital movements of £118.7m (2016: £101.7m) and retaining net cash balances of £65.4m (2016: £100.7m) at the end of the year after funding continued investment across our business.

£m	**2017 £m**	2016 £m
Underlying operating cash flow before movements in working capital	**118.7**	101.7
Working capital movement	**(36.7)**	(3.4)
Net interest	**0.2**	(0.6)
Income taxes	**(19.9)**	(18.9)
Net cash generated from operations	**62.3**	78.8
PPE and intangible assets	**(56.3)**	(50.6)
Investments	**(6.5)**	(3.8)
Dividends	**(36.5)**	(5.0)
Other (including foreign currency movement)	**0.1**	10.3
Net (decrease)/increase in cash	**(36.9)**	29.7

Net cash generated from operations of £62.3m has decreased versus the prior year (2016: £78.8m) reflecting the increase in working capital consumption as the Group continues to grow.

Inventories, trade and similar receivables and trade and similar payables increased during the year to £148.1m (2016: £104.3m) and as a proportion of Group revenue was 19.7% (2016: 17.7%). Inventory levels increased by 28% on a constant currency basis and increased by 39.6% at a total level to £157.2m (2016: £112.6m), of which 11.2% is due to currency impacts. Underlying increases have been to secure inventory availability, due to the expanded store footprint in Continental Europe and the USA, and through the transition to the new distribution centres. Trade and similar payables were £109.0m (2016: £83.1m), an increase of 31.2% on the prior year. The slightly slower growth than that in inventory reflects the rebasing of the Group's payment profile in line with terms agreed with suppliers. Trade and similar receivables increased by 33.6% to £99.9m (2016: £74.8m) and were 13.3% (2016: 12.7%) of Group revenue. Relative to the Wholesale revenue increase of 43.2% in the year, this reflects an improvement in debtor recovery with 71% of year-end trade receivables within agreed payment terms.

We continue to review our supplier base in order to manage risk and meet growth expectations. During the year, the number of primary suppliers of goods for resale increased to 92 (2016: 74) although several of these operate from multiple locations. Changes to sourcing in recent years have resulted in the supply base being focused in three principal territories: Turkey, China and India. The flexible sourcing model that we have adopted, in terms of both suppliers and territories, enables us to generate competitive tension between suppliers and de-risk our sources of supply.

Current assets		**2017 £m**	2016 £m	Growth %
Inventories		**157.2**	112.6	39.6
Trade and other receivables	Trade receivables	**59.0**	40.7	45.0
	Other receivables/derivatives	**56.3**	40.4	37.4
Subtotal receivables		**115.3**	81.1	41.2
Financial assets at fair value through profit and loss		**2.2**	0.7	214.3
Net cash		**65.4**	100.7	(35.1)
Total current assets		**340.1**	295.1	15.0
Trade and other payables	Trade payables	**(77.0)**	(56.6)	36.2
	Other payables/derivatives/borrowings	**(55.1)**	(47.3)	14.8
Total current liabilities		**(132.1)**	(103.9)	26.4
Net current assets		**208.0**	191.2	8.8
Working capital	Inventories	**157.2**	112.6	39.6
	Trade and similar receivables*	**99.9**	74.8	33.6
	Trade and similar payables†	**(109.0)**	(83.1)	(31.2)
Total working capital		**148.1**	104.3	42.0

* Trade and similar receivables exclude items not considered to be working capital being derivatives, cash contributions and rent deposits.

† Trade and similar payables exclude items not considered to be working capital being derivatives, lease incentives and other taxes payable.

There has been an investment in property, plant and equipment and intangible assets of £60.9m (2016: £53.2m). This has been driven by expenditure incurred in opening 154,000 square feet of net new retail space, ongoing investment in information technology and in the new distribution centres and, recognising the importance of strengthening the central capability, the continued reconfiguration and expansion of our UK head office to centralise regional support functions.

As at 29 April 2017, the net book value of property, plant and equipment was £121.3m (2016: £95.4m).

During the year, £53.3m (2016: £46.8m) of capital additions were made, of which £35.6m (2016: £28.6m) related to leasehold improvements across the Group in respect of new stores. We continue to generate strong returns on these investments with the average payback from stores opened in the last three financial years anticipated to be 25 months. The remaining balance of capital additions includes land and buildings (£1.8m), furniture, fixtures and fittings (£12.6m) and computer equipment (£3.3m).

Intangible assets, comprising goodwill, lease premiums, distribution agreements, trademarks, the website and computer software, stood at £53.8m at the year-end (2016: £51.5m). Additions in the year were £7.6m (2016: £6.4m), being mainly website and software additions.

Robust financial management

We believe that robust systems and business and monitoring processes allied to a culture of strong cost control are key to operating our business effectively and efficiently in both the short and long-term. Further improvement to business processes and financial controls have been made during the year, aided by the further development of our core finance system and key transactional systems controlling merchandise management and sales order processing.

Outlook

The Group's continued strong financial development mirrors the progress delivered across each element of the business strategy launched two years ago. Our disciplined growth strategy, across geographies, channels and categories, has resulted in strong revenue growth on a constant currency basis with margins diluted primarily as a result of structural sales mix and foreign exchange. We continue to strengthen our business for the longer-term through investments in core infrastructure and the development of our operations in North America where, importantly, we achieved a financial break-even position in the year consistent with our business plan at acquisition, and China. The business remains strongly cash generative, well able to support the investments necessary to deliver our planned growth while providing cash returns to shareholders through a progressive ordinary dividend.

Our focus remains on the development of a global lifestyle brand and the delivery of long-term sustainable growth in revenue and earnings. Our international new store pipeline for both owned and franchised stores remains strong, which together with continued growth in our differentiated e-commerce business provides confidence in delivering further growth while reducing the Group's exposure to any single market. The forthcoming year will also see the initial crystallisation of the cost benefits from our ongoing Design to Customer process.

Unaudited Group statement of comprehensive income

	Note	**Underlying* 2017 £m**	**Re-measurements and exceptional items (note 4) £m**	**Total 2017 £m**	Underlying* 2016 £m	Re-measurements and exceptional items (note 4) £m	Total 2016 £m
Revenue	3	**752.0**	**–**	**752.0**	597.5	–	597.5
Cost of sales		**(299.0)**	**–**	**(299.0)**	(229.7)	(2.5)	(232.2)
Gross profit		**453.0**	**–**	**453.0**	367.8	(2.5)	365.3
Selling, general and administrative expenses		**(375.4)**	**–**	**(375.4)**	(303.2)	(0.7)	(303.9)
Other gains and losses (net)		**11.8**	**(2.2)**	**9.6**	8.5	(13.8)	(5.3)
Operating profit	3	**89.4**	**(2.2)**	**87.2**	73.1	(17.0)	56.1
Finance income		**0.2**	**–**	**0.2**	–	–	–
Finance expense		**–**	**–**	**–**	(0.1)	–	(0.1)
Share of loss of joint venture		**(2.6)**	**–**	**(2.6)**	(0.6)	–	(0.6)
Profit before income tax		**87.0**	**(2.2)**	**84.8**	72.4	(17.0)	55.4
Income tax expense	5	**(18.3)**	**(0.5)**	**(18.8)**	(14.8)	0.7	(14.1)
Profit for the period		**68.7**	**(2.7)**	**66.0**	57.6	(16.3)	41.3
Attributable to:							
Owners of the Company		**68.7**	**(2.7)**	**66.0**	57.5	(16.3)	41.2
Non-controlling interests		**–**	**–**	**–**	0.1	–	0.1
		68.7	**(2.7)**	**66.0**	57.6	(16.3)	41.3
Other comprehensive income/(expense) net of tax:							
Items that may be subsequently reclassified to profit or loss							
Currency translation differences		**5.0**	**–**	**5.0**	3.5	–	3.5
Total comprehensive income/(expense) for the period		**73.7**	**(2.7)**	**71.0**	61.1	(16.3)	44.8
Attributable to:							
Owners of the Company		**73.7**	**(2.7)**	**71.0**	61.0	(16.3)	44.7
Non-controlling interests		**–**	**–**	**–**	0.1	–	0.1
		73.7	**(2.7)**	**71.0**	61.1	(16.3)	44.8
		pence per share		**pence per share**	pence per share		pence per share
Earnings per share:							
Basic	6	**84.5**		**81.2**	70.9		50.7
Diluted	6	**84.0**		**80.7**	70.7		50.6

* Underlying is defined in note 3.

2017 is for the 52 weeks ended 29 April 2017 and 2016 is for the 53 weeks ended 30 April 2016.

Unaudited Group balance sheet

	Note	**29 April 2017 £m**	30 April 2016 £m
ASSETS			
Non-current assets			
Property, plant and equipment	8	**121.3**	95.4
Intangible assets	9	**53.8**	51.5
Investment in joint venture		**6.0**	3.0
Deferred income tax assets	5	**31.6**	28.9
Derivative financial instruments		**–**	0.1
Total non-current assets		**212.7**	178.9
Current assets			
Inventories		**157.2**	112.6
Trade and other receivables		**112.2**	80.4
Financial assets at fair value through profit or loss		**2.2**	0.7
Derivative financial instruments		**3.1**	0.7

Cash and cash equivalents		**65.4**	100.7
Total current assets		**340.1**	295.1
LIABILITIES			
Current liabilities			
Trade and other payables		**118.9**	90.2
Current income tax liabilities		**11.8**	10.4
Derivative financial instruments		**1.4**	3.3
Total current liabilities		**132.1**	103.9
Net current assets		**208.0**	191.2
Non-current liabilities			
Trade and other payables		**37.8**	30.8
Provisions for other liabilities and charges		**3.1**	3.1
Deferred income tax liabilities	5	**1.0**	0.8
Derivative financial instruments		**6.4**	–
Total non-current liabilities		**48.3**	34.7
Net assets		**372.4**	335.4
EQUITY			
Share capital		**4.1**	4.1
Share premium		**148.4**	148.3
Translation reserve		**(4.2)**	(9.2)
Merger reserve		**(302.5)**	(302.5)
Retained earnings		**526.6**	494.7
Equity attributable to the owners of the Company		**372.4**	335.4
Non-controlling interests		**–**	–
Total equity		**372.4**	335.4

Unaudited Group cash flow statement

	Note	**2017 £m**	2016 £m
Operating profit		**87.2**	56.1
Re-measurements and exceptional items	4	**2.2**	17.0
Underlying operating profit		**89.4**	73.1
Adjusted for:			
– Depreciation of property, plant and equipment	8	**29.1**	24.7
– Amortisation of intangible assets	9	**7.4**	7.1
– Loss on disposal of property, plant and equipment	8	**1.0**	1.0
– Other non-cash items		**(1.2)**	–
– Gain on fair value of financial assets		**(1.5)**	–
– Gain on sale of investments		**–**	(1.5)
– Release of lease incentives		**(7.9)**	(4.9)
– Employee share award schemes		**2.4**	2.2
Underlying operating cash flow before movements in working capital		**118.7**	101.7
Changes in working capital:			
– Increase in inventories		**(43.1)**	(7.2)
– Increase in trade and other receivables		**(29.0)**	(11.9)
– Increase in trade and other payables, and provisions		**35.4**	15.7
Cash generated from underlying operating activities		**82.0**	98.3
Interest received/(paid)		**0.2**	(0.6)
Tax (paid)/received		**(19.9)**	(18.9)
Net cash generated from underlying operating activities		**62.3**	78.8
Cash outflows in respect of exceptional items		**–**	–
Net cash generated from operations		**62.3**	78.8
Cash flow from investing activities			
Payment of deferred consideration		**(0.9)**	–
Investments in joint ventures		**(5.6)**	(3.6)
Purchase of property, plant and equipment		**(48.7)**	(44.2)
Purchase of intangible assets		**(7.6)**	(6.4)
Cash received from disposal of investments		**–**	1.5
Purchase of non-controlling interest		**–**	(1.7)
Maturity of other financial asset		**–**	10.0

Net cash used in investing activities		**(62.8)**	(44.4)
Cash flow from financing activities			
Dividend payments	7	**(36.5)**	(5.0)
Proceeds of issue of share capital		**0.1**	0.3
Net cash (used in)/from financing activities		**(36.4)**	(4.7)
Net (decrease)/increase in cash and cash equivalents		**(36.9)**	29.7
Cash and cash equivalents at beginning of period		**100.7**	67.6
Exchange gains on cash and cash equivalents		**1.6**	3.4
Cash and cash equivalents at end of period		**65.4**	100.7

Unaudited statements of changes in equity

Group	Note	Share capital £m	Share premium £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Other reserves £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 25 April 2015		**4.0**	**147.5**	**(12.7)**	**(302.5)**	**456.0**	**0.7**	**293.0**	**2.2**	**295.2**
Comprehensive income										
Profit for the period		–	–	–	–	41.2	–	41.2	0.1	41.3
Other comprehensive income										
Currency translation differences		–	–	3.5	–	–	–	3.5	–	3.5
Total other comprehensive income		**–**	**–**	**3.5**	**–**	**–**	**–**	**3.5**	**–**	**3.5**
Total comprehensive income for the period		**–**	**–**	**3.5**	**–**	**41.2**	**–**	**44.7**	**0.1**	**44.8**
Transactions with owners										
Employee share award schemes		–	0.3	–	–	2.2	–	2.5	–	2.5
Deferred tax – employee share award schemes		–	–	–	–	(0.5)	–	(0.5)	–	(0.5)
Purchase of non-controlling interest		–	–	–	–	0.8	(0.7)	0.1	(2.3)	(2.2)
Shares issued		0.1	0.5	–	–	–	–	0.6	–	0.6
Dividend payments	7	–	–	–	–	(5.0)	–	(5.0)	–	(5.0)
Total transactions with owners		0.1	0.8	–	–	(2.5)	(0.7)	(2.3)	(2.3)	(4.6)
Balance at 30 April 2016		**4.1**	**148.3**	**(9.2)**	**(302.5)**	**494.7**	**–**	**335.4**	**–**	**335.4**
Comprehensive income										
Profit for the period		–	–	–	–	66.0	–	66.0	–	66.0
Other comprehensive income										
Currency translation differences		–	–	5.0	–	–	–	5.0	–	5.0
Total other comprehensive income		**–**	**–**	**5.0**	**–**	**–**	**–**	**5.0**	**–**	**5.0**
Total comprehensive income for the period		**–**	**–**	**5.0**	**–**	**66.0**	**–**	**71.0**	**–**	**71.0**
Transactions with owners										
Employee share award schemes		–	–	–	–	2.4	–	2.4	–	2.4
Shares issued		–	0.1	–	–	–	–	0.1	–	0.1
Dividend payments	7	–	–	–	–	(36.5)	–	(36.5)	–	(36.5)
Total transactions with owners		**–**	**0.1**	**–**	**–**	**(34.1)**	**–**	**(34.0)**	**–**	**(34.0)**
Balance at 29 April 2017		**4.1**	**148.4**	**(4.2)**	**(302.5)**	**526.6**	**–**	**372.4**	**–**	**372.4**

Selected Notes to the Group Financial Statements

1. Basis of preparation

The financial information set out above has been prepared in accordance with International Financial Reporting Standards adopted by the European Union and does not constitute the Group's statutory accounts for the 52 weeks ended 29 April 2017 ("2017") (2016: 53 weeks ended 30 April 2016 ("2016")). The results and financial information for the 52 weeks ended 29 April 2017 are unaudited. Statutory accounts for 2016 have been delivered to the registrar of companies, and those for 2017 will be delivered in due course. The auditors reported on the 2016 accounts; their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. This preliminary results announcement has been prepared applying accounting policies consistent with those applied by the Group in the Annual Report 2016 and was approved by the Board on 2 July 2017.

2. New accounting pronouncements

New standards and interpretations issued but not yet effective

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not yet effective including IFRS 9 'Financial Instruments', which is effective for periods beginning on or after 1 January 2018, IFRS 15 'Revenue from contracts with customers', which is effective for periods beginning on or after 1 January 2018, and IFRS 16 'Leases', which is effective for periods beginning on or after 1 January 2019. The Group has not early adopted any of these new standards or amendments to existing standards.

IFRS 9 'Financial Instruments' supersedes IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces a principles-based approach to the classification and measurement of financial instruments, a new impairment model to be applied and changes to hedge accounting. Upon initial assessment, management do not expect there to be a material effect on the financial statements.

IFRS 15 'Revenue from contracts with customers' supersedes IAS 18 'Revenue'. The new standard provides a single model for revenue recognition based on when identified performance obligations are satisfied. The approach now focuses on the transfer of control rather than the transfer of risks and rewards. On initial assessment, management do not expect there to be a material effect on revenue recognition or measurement as revenue is recognised at the point of sale of a product for own store and concession revenue, and Wholesale and E-commerce revenue is recognised on either dispatch or delivery. This is currently consistent with the passing of control under IFRS 15. The standard will however require a balance sheet reclassification of the value of returned inventory, which forms part of the returns provision, from a reduction in other payables to a current asset account.

IFRS 16 'Leases' becomes effective for the accounting period ended 26 April 2020. This standard will bring operating leases onto the balance sheet. Management have performed an initial assessment of its impact, including sensitivity analysis, based on forecast operating leases at transition date and expect there to be a material adjustment to the Group retained earnings, lease liabilities and right of use assets. An associated finance charge and depreciation charge will replace the operating lease charge and as a result there is expected to be an impact on operating profit and on profit after tax in future periods.

There are no other new standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. Segment information

The Group's operating segments under IFRS 8 have been determined based on the reports reviewed by the Group's Chief Operating Decision-Maker (Executive Committee members: "the CODM"). The CODM assesses the performance of the operating segments based on profit before interest, before inter-segment royalties. The CODM considers the business from a customer perspective only, being Retail and Wholesale. The CODM reviews the balance sheet at a Group level. No separate balance sheet measures are provided between the Retail and Wholesale segments.

The CODM receives information, reviews the performance of the business, allocates resources and approves budgets for two operating segments, and therefore information is disclosed in respect of the following two segments:

- Retail – principal activities comprise the operation of UK, Republic of Ireland, European and USA stores, concessions and all internet sites. Revenue is derived from the sale to individual consumers of own brand and third party clothing, footwear and accessories.
- Wholesale – principal activities comprise the ownership of brands, wholesale distribution of own brand products (clothing, footwear and accessories) worldwide and trade sales.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group reports and manages central functions separately to the Retail and Wholesale operations, which includes design, finance, HR, IT, legal, marketing, merchandising, property, sourcing and the goodwill and intangibles arising on consolidation.

The revenue from external parties reported to the CODM is measured in a manner consistent with that of the IFRS financial statements.

Inter-segment royalties, transfers or transactions entered into under a cost plus pricing structure are not reflected in the performance of each business segment.

Segmental information for the business segments of the Group for FY17 and FY16 is set out below:

	Retail 2017 £m	Wholesale 2017 £m	Central costs 2017 £m	2017 £m
Total segment revenue	**513.0**	**279.6**	**–**	**792.6**
Less: inter-segment revenue	**(10.5)**	**(30.1)**	**–**	**(40.6)**
Revenue from external customers	**502.5**	**249.5**	**–**	**752.0**
Profit/(loss) before income tax	**68.6**	**82.9**	**(66.7)**	**84.8**

The following additional information is considered useful to the reader:

	Underlying*	Re-	Exceptional	Reported

	2017 £m	measurements £m	costs £m	2017 £m
Revenue				
Retail	**502.5**	**–**	**–**	**502.5**
Wholesale	**249.5**	**–**	**–**	**249.5**
Total revenue	**752.0**	**–**	**–**	**752.0**
Operating profit				
Retail	**68.9**	**(0.3)**	**–**	**68.6**
Wholesale	**84.8**	**(1.9)**	**–**	**82.9**
Central costs	**(64.3)**	**–**	**–**	**(64.3)**
Total operating profit/(loss)	**89.4**	**(2.2)**	**–**	**87.2**
Net finance income – Central costs	**0.2**	**–**	**–**	**0.2**
Share of loss of investment – Central costs	**(2.6)**	**–**	**–**	**(2.6)**
Profit/(loss) before income tax				
Retail	**68.9**	**(0.3)**	**–**	**68.6**
Wholesale	**84.8**	**(1.9)**	**–**	**82.9**
Central costs	**(66.7)**	**–**	**–**	**(66.7)**
Total profit/(loss) before income tax	**87.0**	**(2.2)**	**–**	**84.8**

* Underlying is defined as reported results adjusted to reflect the impact of the (loss)/gain recognised on re-measurements (being the fair valuation of financial derivatives), exceptional items and, when appropriate, the related income tax. The Directors believe that the underlying results provide additional guidance to statutory measures to help understand the performance of the Group. Further details of the adjustments are included in note 4. All references to underlying are after making these adjustments. Retail and Wholesale segments are presented before inter-segment royalties.

	Retail 2016 £m	Wholesale 2016 £m	Central costs 2016 £m	2016 £m
Total segment revenue	428.3	201.1	–	629.4
Less: inter-segment revenue	(5.6)	(26.3)	–	(31.9)
Revenue from external customers	422.7	174.8	–	597.5
Profit/(loss) before income tax	63.3	47.9	(55.8)	55.4

The following additional information is considered useful to the reader:

	Underlying* 2016 £m	Re-measurements £m	Exceptional costs £m	Reported 2016 £m
Revenue				
Retail	422.7	–	–	422.7
Wholesale	174.8	–	–	174.8
Total revenue	597.5	–	–	597.5
Operating profit				
Retail	68.4	(1.9)	(3.2)	63.3
Wholesale	59.8	(11.9)	–	47.9
Central costs	(55.1)	–	–	(55.1)
Total operating profit/(loss)	73.1	(13.8)	(3.2)	56.1
Net finance expense – Central costs	(0.1)	–	–	(0.1)
Share of loss of investment – Central costs	(0.6)	–	–	(0.6)
Profit/(loss) before income tax				
Retail	68.4	(1.9)	(3.2)	63.3
Wholesale	59.8	(11.9)	–	47.9
Central costs	(55.8)	–	–	(55.8)
Total profit/(loss) before income tax	72.4	(13.8)	(3.2)	55.4

* Underlying is defined as reported results adjusted to reflect the impact of the (loss)/gain recognised on re-measurements (being the fair valuation of financial derivatives), exceptional items and, when appropriate, the related income tax. The Directors believe that the underlying results provide additional guidance to statutory measures to help understand the performance of the Group. Further details of the adjustments are included in note 4. All references to underlying are after making these adjustments. Retail and Wholesale segments are presented before inter-segment royalties.

The Group has subsidiaries which are incorporated and resident in the UK and overseas.

Revenue from external customers in the UK and the total revenue from external customers from other countries are:

	2017 £m	2016 £m
External revenue – UK	**319.2**	312.9
External revenue – Europe	**332.9**	234.2
External revenue – Rest of world	**99.9**	50.4
Total external revenue	**752.0**	597.5

Included within external revenue overseas is revenue of £195.8m (2016: £116.5m) generated by overseas subsidiaries. The total of non-current assets, other than deferred income tax assets, located in the UK is £76.7m (2016: £74.2m), and the total of non-current assets located in other countries is £104.4m (2016: £76.4m).

4. Re-measurements and exceptional items

Non-underlying adjustments constitute the fair value re-measurement of financial derivatives and exceptional items. Exceptional items are defined as being items that are material in size, unusual or infrequent in nature, and are disclosed separately as exceptional items in the Group statement of comprehensive income.

	2017 £m	2016 £m
Re-measurements		
Unrealised loss on financial derivatives	**(2.2)**	(13.8)
Exceptional items		
Revision of fair values arising on USA business combination	**–**	(0.7)
Impact of IFRS3 (revised) on inventory acquired at date of acquisition	**–**	(2.5)
Exceptional items	**–**	(3.2)
Re-measurements and exceptional items	**(2.2)**	(17.0)
Taxation:		
Tax impact of non-underlying adjustments (note 5)	**0.4**	2.5
Deferred income tax – exceptional (note 5)	**(0.9)**	(1.8)
Total taxation	**(0.5)**	0.7
Total non-underlying adjustments	**(2.7)**	(16.3)

Re-measurements

Unrealised loss/gain on financial derivatives

Unrealised loss/gain on derivatives is recognised as a re-measurement.

Exceptional items

Buy-out of USA licence and business combination costs

The Group completed a business combination in the USA in FY15 including the acquisition of trade and assets of 15 Superdry branded stores.

In FY16 the consideration paid for assets acquired was lower than the assumed provisional fair value of those assets, resulting in a £1.0m gain. The provisional fair values of the assets and liabilities were reviewed within 12 months of acquisition and an adjustment of £0.7m was made to reduce the overall gain from £1.0m to £0.3m in the comparative period.

The acquired inventory was valued at sale price less cost to sell, increasing the value of the inventory by £2.5m. The acquired inventory was sold in the comparative period.

5. Income tax expense

The income tax expense comprises:

	2017 £m	2016 £m
Current income tax		
– UK corporation tax charge for the period	**19.6**	14.9
– Adjustment in respect of prior periods	**(0.1)**	–
Overseas tax	**1.8**	0.9
Total current income tax	**21.3**	15.8
Deferred income tax		
– Origination and reversal of temporary differences	**2.4**	(0.2)
– Deferred tax assets recognised in respect of losses arising in current period	**(3.0)**	(2.3)
– Deferred tax assets recognised in respect of losses arising in prior periods	**(3.1)**	(1.0)
– Adjustment in respect of prior periods	**0.3**	–
Exceptional income tax expense	**0.9**	1.8
Total deferred income tax	**(2.5)**	(1.7)
Total income tax expense	**18.8**	14.1

The income tax expense on underlying profit is £18.3m (2016: £14.8m). The income tax credit on re-measured and exceptional items is £0.4m (2016: £2.5m credit) and the exceptional income tax charge is £0.9m (2016: £1.8m charge), so the net position being disclosed as a non-underlying tax charge in the period is £0.5m (2016: £0.7m credit). The exceptional tax charge of £0.9m is as a result of the change in the UK corporation tax rate from 18% to 17% and the subsequent impact on deferred tax assets/liabilities.

Factors affecting the tax expense for the period are as follows:

	2017 £m	2016 £m
Profit before income tax	**84.8**	55.4
Profit multiplied by the standard rate in the UK – 19.9% (2016: 20.0%)	**16.9**	11.1
Expenses not deductible for tax purposes	**1.2**	0.3
Non-deductible JV loss	**0.5**	0.1
Overseas tax differentials	**(2.4)**	(1.4)
Deferred tax assets not recognised in respect of losses arising in current period at local tax rate	**4.6**	3.1
Deferred tax assets recognised in respect of losses arising in prior periods at local tax rate	**(3.1)**	(1.0)
Adjustment in respect of prior periods	**0.2**	0.1
Total income tax expense excluding exceptional items	**17.9**	12.3
Exceptional income tax expense	**0.9**	1.8
Total income tax expense including exceptional items	**18.8**	14.1

The Group's income tax expense on underlying profit of £18.3m represents an effective tax rate of 21.0% for the period ended 29 April 2017. The Group's underlying effective tax rate of 21.0% is higher than the statutory rate of 19.9%, primarily due to depreciation and amortisation on non-qualifying assets, non-allowable expenses and the non-deductibility of JV loss in the period.

In addition to the above tax charged to the income statement, there is a tax charge to equity of £nil (2016: £0.5m) in respect of deferred tax relating to employee share schemes.

Net deferred income tax movement is as follows:

	2017 £m	2016 £m
Opening net deferred income tax asset	**(28.1)**	(26.9)
Charged/(credited) to the statement of comprehensive income		
– Accelerated capital allowances	**0.4**	(2.2)
– Movement on goodwill and intangibles	**3.1**	2.6
– Movement on goodwill and intangibles – change in corporation tax rate	**0.6**	1.4
– Recognition of tax losses	**(6.1)**	(3.3)
– Movement on lease incentives – timing differences	**–**	3.8
– Other temporary differences	**(0.2)**	(1.3)
– Revaluation of derivatives and forward exchange contracts	**(0.3)**	(2.7)
Employee share award scheme included in equity	**–**	0.5
Closing net deferred income tax asset	**(30.6)**	(28.1)

The 17% rate for UK corporation tax (effective from 1 April 2020) was substantively enacted on 6 September 2016. Included within note 4 is an exceptional tax charge of £0.9m (2016: £1.8m charge), of which £0.6m (2016: £1.4m) relates to the impact of the tax rate change on goodwill and intangibles. The remainder of £0.3m tax charge (2016: £0.4m) is included within other movements such as accelerated capital allowances and temporary differences. In the medium term we anticipate that the substantial majority of the Group's earnings will be taxed in the UK.

6. Earnings per share

	2017 £m	2016 £m
Earnings		
Profit for the period attributable to owners of the Company	**66.0**	41.2
	No.	No.
Number of shares at year end	**81,358,746**	81,235,727
Weighted average number of ordinary shares – basic	**81,308,378**	81,148,918
Effect of dilutive options and contingent shares	**443,161**	233,702
Weighted average number of ordinary shares – diluted	**81,751,539**	81,382,620
Basic earnings per share (pence)	**81.2**	50.7
Diluted earnings per share (pence)	**80.7**	50.6

Underlying basic earnings per share

	2017 £m	2016 £m
Earnings		
Underlying profit for the period attributable to the owners of the Company	**68.7**	57.5
	No.	No.
Weighted average number of ordinary shares – basic	**81,308,378**	81,148,918

Weighted average number of ordinary shares – diluted	**81,751,539**	81,382,620
Underlying basic earnings per share (pence)	**84.5**	70.9
Underlying diluted earnings per share (pence)	**84.0**	70.7

There were no share-related events after the balance sheet date that may affect earnings per share.

7. Dividends

	2017 £m	2016 £m
Equity – ordinary shares		
Interim for the 52 weeks to 29 April 2017 – paid 7.8p per share (2016: 6.2p)	**6.4**	5.0
Final dividend for the 53 weeks to 30 April 2016 – paid 17.0p per share	**13.8**	–
Special dividend – paid 20.0p per share	**16.3**	–
Total dividends paid	**36.5**	5.0

In addition, the Directors are proposing a final dividend in respect of the financial period ended 29 April 2017 of 20.2p per share (2016: 17.0p) which will absorb an estimated £16.4m of shareholders' funds. In the prior period a special dividend of 20.0p per share was declared. The final dividend will be paid on 22 September 2017 to shareholders on the register at the close of business on 14 July 2017.

8. Property, plant and equipment

	Land and buildings £m	Leasehold improvements £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
NBV as at 30 April 2016	**5.8**	**69.6**	**17.9**	**2.1**	**95.4**
Additions	1.8	35.6	12.6	3.3	**53.3**
Net disposals	-	(0.6)	(0.4)	-	**(1.0)**
Depreciation	(0.1)	(20.3)	(6.7)	(2.0)	**(29.1)**
Exchange differences	(0.2)	2.3	0.6	-	**2.7**
NBV as at 29 April 2017	**7.3**	**86.6**	**24.0**	**3.4**	**121.3**

9. Intangible assets

	Trademarks £m	Website and software £m	Lease premiums £m	Distribution agreements £m	Goodwill £m	Total £m
NBV as at 30 April 2016	**1.7**	**14.0**	**10.3**	**6.7**	**18.8**	**51.5**
Additions	0.1	7.5	-	-	-	**7.6**
Amortisation	(0.5)	(4.3)	(1.1)	(1.5)	-	**(7.4)**
Exchange differences	-	-	1.0	(0.9)	2.0	**2.1**
NBV as at 29 April 2017	**1.3**	**17.2**	**10.2**	**4.3**	**20.8**	**53.8**