SuperdryPlc

5 July 2018

Full year results for the year ended 28 April 2018

Superdry announces special dividend as it delivers double digit growth in sales and profits

Key Financial Highlights

- Global Brand revenue[1] up 22.1% to £1.60bn (2017: £1.31bn), with growth in all key territories
- Group revenue up 16.0% to £872.0m (2017: £752.0m) led by capital light channels:
  - Wholesale revenue up 29.6%, including eight new markets reached in the year
  - Retail revenue up 9.2%, driven by Ecommerce revenue up 25.8%, increasing participation to 29.7%, with store revenue up 3.4%
- Underlying[1] profit before tax up 11.5% to £97.0m (2017: £87.0m)
- Statutory profit before tax down 23.0% to £65.3m (2017: £84.8m), reflecting the fair value movement on forward exchange contracts and impairment of the Berlin Kranzler store
- Underlying[1] basic earnings per share ("EPS") up 10.8% to 93.6p (2017: 84.5p)
- Full year ordinary dividend of 31.2p per share, up 11.4%, together with special dividend of 25.0p per share, as a result of continued strong cash generation
- FY19 revenue and operating margin expansion guidance unchanged from Q4 trading statement

Operational and Strategic Progress

- *Global Digital Brand:*
  - Successful expansion of integrated digital and social media campaigns
  - Strong global brand health, driven by increasing consumer engagement across digital platforms
- *Relentless Innovation:*
  - Successful launch of *Superdry* Sport as a standalone brand, enhanced by sponsorship of UK Invictus Games team
  - Leadership of core jackets category reinforced with launch of premium down range
- *Operational Excellence:*
  - Significant strengthening of Ecommerce position with industry-leading Order Management System
  - Introduction of multi-channel capabilities to our Europe and US distribution centres
  - Increased range harmonisation and successful trial of RFID in 5 stores
- *World Market Opportunity:*
  - Launched additional country-specific websites for the US and Switzerland
  - Net 75 new franchise stores opened, increasing franchised locations by 24%, mainly in EU
  - Continued progress in North American and Chinese development markets

Euan Sutherland, Chief Executive Officer, commented:

"*Superdry* has had another strong year, enhancing our position as a Global Digital Brand with a multi-channel approach. We have made good progress in delivering our strategy and significantly strengthened our platform and capabilities, while delivering another year of double digit growth in sales and profitability.

"Our focus remains on executing our growth strategy and realising the potential we have identified across products, geographies and channels. In *Superdry* we have a brand that stands for quality, design, value for money and relentless innovation. Our eight routes to market mean we can continue to tailor by territory and channel, while our innovative approach to digital marketing means we can enhance our relevance to consumers around the world. This is underpinned by our culture of operational excellence, our people and our values.

"Whilst the consumer environment continues to be challenging, the Board remain confident that *Superdry* is a uniquely advantaged, highly cash-generative business that will continue to deliver sustainable growth for our investors. This confidence is demonstrated through our second special dividend in two years of 25p per share in addition to an 11.4% increase in the total ordinary dividend."

Business Performance	FY18	FY17
Global Brand revenue[1] (£m)	1,604.2	1,313.7
Total Group revenue (£m)	872.0	752.0
Total Retail revenue (£m)	548.6	502.5
Net new Retail space added (sq.ft. '000s)	125	154
Average Retail Space (sq.ft. '000s)	1,128	983
Number of stores at period end:		
- Owned	246	220
- Franchised & Licensed	412	335
Payback on new stores opened FY15-FY18 (months)	24	25
Online participation (%) (as % of Total Retail revenue)	29.7	25.9
Wholesale revenue (£m)	323.4	249.5
Gross margin (%)	58.1	60.2
Underlying[1] operating margin (%)	11.5	11.9
Underlying[1] basic EPS (p)	93.6	84.5
Operating cash flow (£m)	104.3	82.0
Net cash[1] position (£m)	75.8	65.4
Return on Capital Employed (%)[2]	24.9	24.4

Statutory reporting	FY18	FY17
Items excluded from underlying[1] results (£m)	(31.7)	(2.2)
Profit before tax (£m)	65.3	84.8
Basic earnings per share (p)	62.2	81.2

Notes:

1. 'Underlying', 'Net cash' and 'Global Brand revenue' are used as alternative performance measures ('APM'). Definition of APMs and how they are calculated are included in note 23
2. Return on Capital Employed defined as Underlying profit before interest and tax / (Total assets – Current liabilities – Cash)
3. The trading comparatives for each quarter of FY18 are detailed below (unaudited):

FY18	Q1 £m	YOY %	Q2 £m	YOY %	H1 £m	YOY %	Q3 £m	YOY %	Q4 £m	YOY %	H2 £m	YOY %	FY18 £m	YOY %
Retail Revenue	116.3	15.6%	126.4	10.3%	**242.7**	12.8%	180.1	11.1%	125.8	0.5%	**305.9**	6.5%	**548.6**	9.2%
Wholesale Revenue					**159.3**	34.1%					**164.1**	25.6%	**323.4**	29.6%
Group Revenue					**402.0**	20.4%					**470.0**	12.4%	**872.0**	16.0%
Retail Global Brand Revenue	137.6	15.4%	149.5	10.2%	**287.1**	12.6%	211.0	10.7%	147.4	0.1%	**358.4**	6.1%	**645.5**	8.9%
Wholesale Global Brand Revenue					**469.2**	34.4%					**489.5**	31.6%	**958.7**	32.9%
Group Global Brand Revenue					**756.3**	25.2%					**847.9**	19.5%	**1,604.2**	22.1%

FY19 Guidance

Revenue growth and margin expansion:

- High single digit statutory revenue growth, with the following channel specifics:
  - Wholesale – mid-teens growth
  - Ecommerce – mid- to high-teens growth
  - Stores – anticipate ongoing challenging conditions
- Moderate expansion in operating margin of 20 to 50bps, driven by:
  - Operational efficiencies

- Completion of the inventory rebase programme
- Return to breakeven in our North American development market

Disciplined investment continues:

- Space growth rebalanced towards capital light channels:
  - Owned space to grow 4-5%, down from prior guidance of 8%
  - ~60 franchised store openings, focused in the EU and US
- Capital - £50-60m investment, with a shift away from stores towards technology and infrastructure

Capital policy

- Ordinary dividend at 3.0x – 3.5x cover
- Return of excess capital when appropriate

Chief Financial Officer

Following the completion of a successful induction and handover process *Superdry* announces that Ed Barker is appointed as Chief Financial Officer with effect from the announcement of its preliminary results. Nick Wharton will cease to be Chief Financial Officer and a Director of Superdry Plc at that time.

Market Briefing

A presentation for analysts and investors will be held today starting at 9.30am at UBS, 5 Broadgate, London

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Reporting calendar confirmation

AGM	11 September 2018
Half year pre-close trading statement	8 November 2018
Half year results	12 December 2018
Q3 trading statement	7 February 2019
Full year pre-close trading statement	9 May 2019
Full year results announcement	4 July 2019

Notes to Editors
Superdry is a Global Digital Brand, obsessed with design, quality and fit and committed to relentless innovation. We design affordable, premium quality clothing, accessories and footwear which are sold around the world. We have a unique purpose to help our consumers feel amazing through wearing our clothes. We have a clear strategy for delivering continued growth via a disruptive multi-channel approach combining Ecommerce, Wholesale and physical stores. We operate in 55 countries, including our development markets of North America and China and have almost 5,000 colleagues globally.

Cautionary Statement
This announcement contains certain forward-looking statements with respect to the financial condition and operational results of Superdry 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, Superdry Plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Chairman's Statement

The last year has been another one of growth, development and evolution for *Superdry*.

We changed our name to Superdry Plc this year demonstrating our commitment to the *Superdry* brand and giving greater simplicity and clarity to all of our communications.

We also announced at the Capital Markets Day in September 2017 a significant evolution of *Superdry's* strategy which reflects our increased global ambitions and the shift to the digital world in everything that we do. Central to this strategy is a shift towards our digital Ecommerce and Wholesale channels to market, which require lower levels of capital investment to support growth and away from a dependence on our owned physical retail estate.

Our Board and leadership team have also evolved. Julian Dunkerton, one of the founders of *Superdry*, decided to leave the Company in March 2018 to focus on his other interests. Having stepped down from the CEO role in October 2014 when Euan Sutherland was appointed the time was right for Julian, and for the business, to move on to a new approach to leadership in line with the next phase of our strategy focussed on becoming a Global Digital Brand. I would like to acknowledge Julian's remarkable achievement in establishing and building *Superdry* and thank him for everything that he has done. He leaves us with a strong legacy that we will build on as we embark on the next stage of the *Superdry* story. One specific legacy he leaves us with is the benefit of the Founder Share Plan which is discussed in more detail in note 16.

In addition, Nick Wharton decided to retire from his position as Chief Financial Officer in order to pursue a plural career. We are delighted to have Ed Barker join us to succeed Nick following a well-planned handover and transition process. I would like to thank Nick for the important contribution he has made to both the business and the Board. I wish him well for the next stage of his career.

We have also appointed two new Non-Executive Directors, Dennis Millard and John Smith, who both bring highly relevant skills and experience to our Board. Dennis joined us in the important role of Senior Independent Director in February to succeed Keith Edelman, who also stood down as Chairman of the Remuneration Committee in September 2017. Keith will be retiring at the AGM in September this year. Keith had been Senior Independent Director and Chairman of the Remuneration Committee since the IPO in 2010 and has helped me steer the Company through its growth and development over the last eight and a half years. His energy, commitment, support and insight have been second to none and I would like to personally thank him for all he has contributed to Superdry.

We will continue to evolve our leadership team and Board composition in light of our desire for greater diversity, skills and experience to support our strategy, particularly in the areas of creative, digital and marketing expertise, and to provide for succession in a number of roles in future years.

Superdry has achieved the third successive year of double digit revenue and underlying profit before tax growth, reflecting strong revenue performance in the Wholesale and Ecommerce channels. This has been achieved against a difficult trading environment in our key markets across the globe. The overall economic back drop has not been favourable, while a combination of the structural shift to online shopping and adverse weather in the fourth quarter in the UK, Continental Europe and the east coast of North America have made for a challenging end to the financial year 2018, particularly in retail stores. Euan and his team have done an exceptional job in extracting good results against this backdrop. We have adjusted our guidance for financial year 2019 in light of the general environment and the need to refine our customer proposition in light of our evolved strategy and the changing market place.

Corporate governance requirements are also evolving and we have continued to refine our approach in response, as well as reflecting the continued growth and maturity of *Superdry*. Following the Board Evaluation in 2017 the Board has focused significantly more time on culture and values. As a Board we regularly review the results of SuperSay, the Company's employee engagement survey, and have frequent presentations from members of the management team and engagement with them outside the Board. At the Capital Markets Day we also announced our new Super Responsible 40 goals which are central to our brand positioning and demonstrate our commitment to corporate responsibility and sustainability.

Once again I would like to thank everyone who works so hard for *Superdry*. Your energy, drive and enthusiasm are key to our future success. I would also like to thank our shareholders for their continued support as *Superdry* continues to develop and grow.

Chief Executive's Review

***Superdry* 5.0**

Superdry's purpose is clear, enabling our global customers to feel amazing by making great quality, uniquely designed, value for money clothes and accessories. Our obsessive focus on these three key attributes of the brand DNA underpins the *Superdry* proposition, which in turn creates long-term growth opportunities in existing and new markets. These combined with an increasing level of operational effectiveness deliver sector leading earnings growth.

In September 2017 we updated and refined our strategic framework to reflect the changing world in which we operate. "*Superdry* 5.0" builds on the demonstrable progress achieved since we last articulated our strategy in March 2015 with a clearly defined brand positioning and a set of genuine corporate values, which define the way we do business: Fun, Creativation, Quality, Individuality, Family and Passion.

We are clear on how we will achieve this strategy, by focusing on our four distinct strategic drivers that underpin our growth: G.R.O.W. - Global Digital Brand, Relentless Innovation, Operational Excellence & World Market Opportunity. Our disruptive multi-channel approach provides us with eight distinct channels to market, and creates a compelling vision for future growth. We set out our progress against each of these strategic drivers in more detail below, and how we will continue to deliver growth.

Financial Summary

While we have only introduced *Superdry* 5.0 this financial year, this sharpened focus has already contributed to our success. *Superdry* operates through two divisions, Wholesale and Retail, and across these two divisions through eight channels to market. By prioritising our capital light channels, Wholesale and Ecommerce, we have delivered 22.1% Global Brand revenue growth and 16.0% growth in Group revenue in the year. We grew revenues in Wholesale and Ecommerce by 29.6% and 25.8% respectively, and will continue to invest in revenue-driving technology to take further advantage of the consumer trend towards digital shopping.

Against a challenging consumer backdrop, our store revenue grew by 3.4%, and continues to be a core element of our business both from a brand presence and revenue perspective. Our disciplined approach to expansion means that we will only grow owned space in a measured approach, taking advantage of the best locations where the brand has highest visibility and resonance with our consumers and where returns on our capital are faster. We are also enhancing our existing space through cost-engineered, consumer and digital centric refits to drive incremental profits.

The continued development of our Design to Customer processes allied to the targeted reduction in inventory levels, particularly in stores, during the year have contributed to increased operational efficiency which will continue into financial year 2019.

The brand's development in China remains in line with our long term plan. The underlying performance in North America, other than the short-term disruption to a significant number of stores within our North American portfolio, continues to be encouraging.

Underlying profit before tax increased by 11.5% which reflected the continued investment in these two development markets and the completion of our migration towards multiple distribution centres. This represents the third consecutive year of double-digit earnings growth.

The *Superdry* 5.0 strategy will continue to guide our future growth and expansion across the highest value geographies, channels and categories.

Global Digital Brand

Recognising the need for the *Superdry* brand to resonate through everything we do we changed our name from SuperGroup Plc to Superdry Plc during the year. This provides complete clarity and alignment of the brand and the underlying business.

As we drive our business forward we apply a digital mind-set to everything we do, across all of our functions, markets and channels. By embracing this trend and focusing our investment behind technology we will drive both sales and improve efficiency.

Ecommerce represents an established strength with revenues increasing by 25.8% in the year, and now represents just under a third of our total Retail sales. We continue to invest significantly in user experience with over 700 enhancements delivered by our in-house development team over the past twelve months, including trials of leading edge technology such as iBeacons. Having launched 2 further sites during the year to access new consumers with a tailored, localised experience, we operate 16 owned websites in local languages. From Autumn 2018 onward our Ecommerce consumers will be served from all three distribution centres in the UK, Europe and US, meaning we can offer market-leading delivery options in all of our key markets.

We continue to strengthen *Superdry*'s presence through fully integrated digital and social marketing campaigns. These campaigns reinforce our ownership of core product categories by illustrating the breadth of choice suitable for every occasion and leverage brand advocacy by building influence across the communities in which we operate, allowing us to cost effectively introduce new consumers, while also strengthening relationships with existing ones.

This was exemplified by our key Summer campaign, 'The Night Is Young', with the central film achieving more than 7.1 million views, leading to 2.1 million website visits, significantly increasing the rate of new customer acquisitions and driving a strong sales uplift from the featured products. Critical within our strategy are thoughtful partnerships with influencers in the digital arena, each selected specifically to resonate with target consumer types and territories.

Building on this approach, we significantly amplified our consumer reach in our Autumn campaign, 'This Is The Jacket', driving a consistent message from all consumers and across all touch points, leveraging multiple forms of digital media. For the first time we extended our activity into our largest European market, Germany, with a specifically targeted campaign which saw strong returns. The scale of the customer engagement with *Superdry* from all of our campaigns this year is significant, reaching over 500 million social media users and generating 21 million video views.

Based on our consumer insights and research, we will continue to extend our social and digital marketing strategies, partnering with a set of global music events where our *Superdry*Sounds campaign will promote new and emerging music talent, which we identified as a key area of interest for the *Superdry* consumer. The campaign will involve a global artist and festival programme, and in-store gigs for our most loyal customers, generating engaging content that we can amplify across our social media platforms.

We are proud to be the Official Clothing Supplier to the UK delegation for the Invictus Games in Sydney later this year. We have delivered our first milestone of this commitment, supplying each of the competitors at the selection trials with branded t-shirts, while measuring each competitor for bespoke, technical competition kit. Our involvement and marketing will build as we progress towards the games in October 2018, driving a step change in awareness of and technical capability of the *Superdry* Sport range and building on our strong and growing presence in this market.

Future developments
Our continued investment behind our websites means we can offer a market-leading proposition to customers, and will build on this in financial year 2019 through the development of our Progressive Web App. Mobile continues to be the fastest growing element within digital, and this initiative will greatly enhance download speeds, capitalising on our consumers' shopping preferences.

Recognising our customers' loyalty, we will launch new websites in key growth markets such as Ireland, Poland and Greece, as well as opening up new channels with third party partners to access incremental sales.

We also have a great opportunity to optimise sales to our Wholesale partners, who represent our fastest growing and largest customers. The launch of a new B2B website will enable our customers to view and purchase from the full range of *Superdry* product, streamlining their ability to make in season purchases in response to their sales performance and new demands from their consumers.

Relentless Innovation
Innovation is at the heart of the way we do business but is particularly ingrained in our design process, and forms part of our unique product DNA. All of our products are designed in-house and every year we update the significant majority of our product range, which is crucial in ensuring we maintain newness and remain the category leader for our core products; jackets, sweats, hoodies and t-shirts.

We continue to invest in our Design, Category Management and Merchandising teams, growing from a team of 66 in 2015 to more than 165 today. These colleagues live and breathe the *Superdry* brand, understand the core DNA of *Superdry* and have demonstrated over recent seasons an ability to develop commercial ranges, spot appropriate trends, informed by feedback from consumers and analysis of our sales data, and expand the brand to adjacent categories.

By applying our “360 degree” approach to design and using the best fabrics, trims and accessories, we ensure the product looks and feels fantastic, front and back, inside and out. This means customers continue to find unique and interesting design details each time they wear the product that is immediately identifiable as *Superdry*.

Our garment technology team ensures that every item in our range is checked multiple times to ensure the correct look and feel, leading to a fantastic product that delivers on our commitment to quality. By focusing obsessively on quality, we are able to achieve sector-leading performance, with less than 1% of our product returned as faulty.

In partnership with our suppliers we are leveraging automation throughout our production process, reducing labour intensity and increasing consistency and quality across our products. We will look to accelerate investment in this technology in the coming financial year. We are also working with our supply base to allow us to react more rapidly to sales and fashion trends, through more frequent, fast-reaction, opportunistic production runs as we look to optimise trading performance through each season.

Our continued focus on range innovation has driven significant value, with the launch in recent years of our *Superdry* Sport and *Superdry* Snow ranges. By creating a broad product range, we are able to target a wider range of customer demographics and expand the number of stages and events where *Superdry* can play a part in our loyal consumers’ lives.

The development of our *Superdry* Sport range capitalises on growing consumer demand for high-quality, fashionable athleisure product, and now contributes c. 5% of Group revenue globally. Our confidence in the range is best demonstrated through demand within our Wholesale channel, including the opening of eight dedicated *Superdry* Sport franchise stores in financial year 2018.

Our partnership with the UK Invictus Games team will further build awareness of the breadth and quality of our sport proposition. It will also provide us with further valuable technical experience as we create product for elite athletes, elements of which will be introduced across the wider Sport range.

Future goals

We continue to see growth opportunities in established heritage categories such as jackets and hoodies, as well as building categories where our approach can be more disruptive such as jeans and in focused new category development.

Within this Womenswear remains our most significant opportunity, contributing 36.3% of our Group revenue, and we continue to see a huge opportunity in this category. We are investing in building an even more granular understanding of both the purchasers and wearers of *Superdry* clothing, which will allow us to broaden and refine our offer to better meet the needs of the Womenswear market.

Operational Excellence

We operate a model of continuous improvement focusing on every part of our operation, every year, seeking to reduce cost, improve speed to market and enhance the brand experience for *Superdry* consumers.

The majority of the initiatives outlined below have been in development for a number of years sequenced to minimise executional risk and maximise returns. Many are also interlinked addressing improvement opportunities throughout the process chain.

At the start of the process chain, we continue to target the harmonisation of the global range, increasing the level of product overlap between our Retail and Wholesale ranges. In financial year 2018, we had increased this overlap by more than 20%, providing a significant opportunity to leverage value throughout the supply chain from lower cost prices through a more concentrated buy.

This harmonisation is a key enabler to the creation of a single consolidated inventory pool across our Retail and Wholesale channels. Integrating our store, Ecommerce and Wholesale stock will allow us to maximise availability across all of our sales channels, offer the wider retail range to our Wholesale customers in-season and as a result improve seasonal sell-through. We anticipate consolidating our inventory pools by the end of calendar year 2018.

As we announced in July 2017, we are also actively re-basing our inventory levels, particularly in store, through a programme of managed clearance of aged stock, utilising all of our channels to market. By significantly scaling back inventory held in store stock rooms and implementing more effective replenishment processes, we can minimise the movement of stock from production to sale without damaging availability, while enhancing margins and reducing labour and logistics costs.

Inventory cover has been reduced by 9 weeks to date, and combined with the benefits of a consolidated stock pool we expect further improvements in financial year 2019.

In 2016 we established our Hong Kong sourcing office which, together with our sourcing offices in Turkey and India, means that we now have a dedicated end market sourcing and quality control resource in each of our three key production territories. We have increased our direct sourcing by over 30% since 2015, and are on track to achieve our long-term ambition of over 80% by financial year 2019.

During the period we continued to invest in our infrastructure with the extension of our multi-channel capability to our European distribution centre, and the successful implementation of a new order management system for Ecommerce. Together, these developments allowed our market leading Ecommerce delivery proposition to be introduced to key European markets ahead of peak season. Both our UK and EU distribution centres are now serving all channels, reducing the speed to market and by Autumn 2018 our US distribution centre will also fulfil Ecommerce sales, reducing delivery times and enabling us to sell through new third party channels.

Future goals

Investment in technology will enable us to continue driving efficiency across our operations. In financial year 2018 we piloted Radio Frequency Identification (RFID) in five of our stores in the UK, driving significant benefits in inventory accuracy and labour efficiency in store. Given the significant operational benefits, and the digital marketing opportunities and brand protection enabled by this technology, we will be rolling RFID out more widely during financial year 2019.

Aligned with our digital approach, we will also introduce technology into our store estate, freeing up colleague time to serve customers. Utilising enhanced mobile point of sale devices will allow staff to drive incremental sales, as well as access live inventory and trading data, while still providing exceptional service to customers in the store. We will also be trialling more digital store formats, leveraging consumer preferences and optimising the capital intensity required versus a traditional store layout.

World Market Opportunity

Whilst *Superdry* currently generates revenue in 157 countries globally the brand remains underrepresented in all major geographies compared to brand peers, providing a significant opportunity for growth. *Superdry* is also uniquely advantaged having established capability to sell via eight distinct channels to market, providing channel flexibility and agility whether entering a new market or deciding the optimal growth strategy where we have an existing presence.

Significantly six of our eight routes to consumer are capital-light in nature each allowing us to expand rapidly into locations without deploying our balance sheet, while still driving brand awareness, through reach, and gaining market share.

Growth opportunities for the brand exist from each of the product, geography and channel dimension and each will be progressed in a disciplined and cautious manner to ensure that the organisation is not over-stretched, that resource is correctly allocated and that the brand experience is protected. From a geographic perspective this is clearly illustrated by the focus of the majority of the organisation on building the brand presence in Europe with a small team dedicated to North America and, recognising the complexity of operating in that market, an established Joint Venture in China.

Significant progress has been made within each of our routes to the ultimate consumer.

Wholesale

Wholesale remains the fastest growing division, and now drives more than half of our total Global Brand revenues (59.8%) and more than a third of Group revenue (37.1%). Financial year 2018 saw double-digit growth in our forward order books for the third year running. Continental Europe remains our key growth market with revenues up 27.1% to €200.1m. Revenue growth has been strong across our three channels to market (franchise stores, major/multiple retailers and local independents) which demonstrates the ongoing demand for the brand across our diverse customer base. This revenue growth has been in part driven by the opening of 75 net new franchise stores across 33 different countries, increasing our franchised locations by 24%.

The alignment of our Wholesale and Retail operations into a single stock pool in Autumn 2018 will offer both economies of scale to the Group as well as increased choice to our Wholesale (and Retail) customers going forward. The launch of the new B2B website is also an exciting development that we anticipate will increase in-season sales.

Retail (including Ecommerce)
The Retail Division's routes to customer comprise the three Ecommerce channels and owned and outlet stores. Our strategy is to provide customers with the choice of how and when they want to shop and there are significant synergies between these routes. Stores act as a physical showcase for customers to experience *Superdry* and facilitate Ecommerce transactions by allowing customers to access the full range of product available via our iKiosk technology, as well as being able to return or exchange purchases. Our websites help to drive footfall into stores by building brand awareness in developing markets, and reinforcing existing brand awareness in our more mature territories.

Accordingly, physical stores remain a core element of our brand proposition and an important source of revenue and we continue to grow our presence in key markets, albeit at a moderated rate and in line with strict investment criteria, requiring short lease commitments, a more direct relationship between property costs and turnover and more rapid payback rates. Targeting 4,000 to 6,000 square feet in major cities or prime locations in shopping malls, we now have 246 owned stores across 12 countries, up 26 over the period.

Our disciplined approach to stores also applies to existing stores. Our Next Generation store refit programme impacted 11 stores in the year driving a 6.8% sales premium compared to the wider estate. However, recognising our preference for capital-light investments we have further refined the refit model during the current year allowing us to accelerate this programme in financial year 2019.

The inherent flexibility built from a commitment to short lease terms established since 2015 means that the majority of our current stores have an exit opportunity in the next four years. This profile provides significant flexibility, were it necessary, to rationalise or renegotiate the costs of the portfolio on a store-by-store basis, as required.

Embodying our Global Digital strategy, our objective is to make it inspiring and easy for people across the planet to buy *Superdry* products, and deliver amazing end-to-end experience centred on a sector leading delivery proposition. Reflecting this focus and further progress in the year, online revenues grew at 25.8% in financial year 2018, with Ecommerce participation increasing to 29.7% of total Retail sales. This performance benefitted from our continued development of the user experience (as outlined within Global Digital Brand), investment in enabling technology and the shift in consumer preference to shop online, in particular from mobile devices.

Development markets
Within the broader World Market Opportunity, the development markets of North America and China represent the two most significant future growth opportunities for the *Superdry* brand.

North America
North America provides us with the opportunity to enhance our brand and build the long-term value of our business there. We have reset the US business over the past two years through remedial actions, the introduction of a broader product range and better price architecture. We have seen a positive consumer response to our actions and we are now well placed to accelerate our scale in this market led by growth in Wholesale and Ecommerce.

We see continued opportunities to expand our physical store footprint from its current base of 30. However, as with our wider strategy we will focus on the highest demand locations, targeting stores only in the top 70 mall locations across the US. Reflecting this focus, during financial year 2018 we opened 10 stores in key locations including Los Angeles, Boston and Chicago.

While underlying performance in financial year 2018 was encouraging, construction activity by landlords disrupted performance in four existing stores, while lower than anticipated mall occupancy held back performance in two new key locations.

In financial year 2019, we will significantly expand our capital light channels. Ecommerce will be strengthened by our ability to fulfil Ecommerce orders directly from our distribution centre in Pennsylvania, which will also open up new third party routes to market which are not available to us today.

Wholesale growth provided the necessary confidence to bring the previously third party managed operation, in-house during 2018.

Despite the short-term trading impacts in financial year 2018, we anticipate profitability in financial year 2019, powered by growth in our Wholesale and Ecommerce channels.

China

China is an exciting market and is forecast to overtake the US as the largest apparel and footwear market in the world. Consumer tastes are evolving from luxury brands to those influenced by "pop" culture and we believe that *Superdry*, is well positioned to be successful.

We have a 50:50 joint venture agreement with Trendy International Group ("***Trendy***"). During the year, we have worked with Trendy to support an experienced joint venture team who manage the Chinese business with our involvement focused on providing strategic direction, product and brand support as well as 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 2018 we opened 7 owned stores in tier 1 cities, supported by a further 12 franchise openings, meaning we now have 33 locations across the country. Brand awareness also continues to build, with our product collaboration with musician Timmy Xu being extremely successful, reaching over 500m social media users in China, and driving significant interest in *Superdry.*

We expect to more than double *Superdry's* presence in financial year 2019, driven by rapid expansion of the franchise estate, and remain on track for the joint venture to achieve profitability by financial year 2021.

Financial Review

Superdry continues to achieve strong progress across each of the four pillars of the 5.0 Strategy, with our agile multi-channel approach delivering a further year of strong performance against each of our key financial metrics. Revenue growth has continued with overall Global Brand revenue (as defined in note 23) increasing by 22.1%. Group Revenue growth of £120.0m (16.0%) (2017: £154.5m, 25.9%) was driven by the focus on and progress achieved in our capital-light channels, Wholesale and Ecommerce, which delivered sales growth of 29.6% and 25.8% respectively. Reflecting the continued development and further investment in our on-line proposition, Ecommerce revenue participation[1] within Retail sales increased by 390bps to 29.7% and now represents approximately 11.9% of overall Global Brand revenue.

The reduction in Group gross margin to 58.1% (2017: 60.2%) reflects the impact of both the growth in our relatively lower margin Wholesale operation together with the short-term impact of expanded end of season clearance activity. In line with our expectation this latter investment has materially reduced stock levels, with closing inventory only 3.2% higher year on year (2017: 39.6%) in comparison to the Group revenue growth of 16.0%, which has enabled significant operating efficiency across the supply chain.

While benefitting from a growing natural hedge from our global operations (primarily from our decision not to pass through any input inflation to end consumers) foreign exchange has created a small negative impact on underlying operating profit.

We continue to develop our core infrastructure and processes, with further strong progress made in known key value drivers such as range harmonisation across the Retail and Wholesale channels. Capital investment totalled £57.7m (2017: £60.9m). Store related investment of £41.4m (2017: £42.3m) reflected further disciplined expansion in new Retail space and the conversion of 11 stores to the Next Generation format (2017: 1). Infrastructure related investment of £16.3m (2017: £18.6m) included the successful implementation of Sterling, an industry-leading Order Management System for Ecommerce, and the extension of multi-channel capability to both our European and US distribution centres. The developments necessary to integrate fully our existing Wholesale and Retail inventory pools remain on track for implementation in Autumn 2018.

Operating performance includes the continuing investment in our two key development markets, North America and China. During the year, approximately 20% of US stores faced significant disruption with four existing stores impacted by landlord construction and two new locations impacted by lower than anticipated tenancy levels. The disruption in these six stores plus the accelerated investment (in anticipation of further growth) to bring our US wholesale operation in-house has led to the North American business making an operating loss of £3.0m (2017: break-even). The trading operating loss in China was £2.1m (2017: loss of £2.2m), which was in line with expectations. This performance reflects the positive growth in franchise store presence offset by the continued investments necessary to establish the *Superdry* brand within the market. Our operating performance also includes the non-recurring costs of £0.5m (2017: £2.1m) associated with the completion of the inventory transfers necessary to support the multi-channel operations of the distribution centres established in Europe and North America.

Taking into account these factors, underlying profit before tax for core operations (as defined in note 23) for the 52-week trading period was 12.4% above the prior year.

Our key performance indicators ("KPIs") that have been adopted for reporting are shown in note 23.

- 16.0% increase in Group revenue
- 11.5% increase in underlying profit before tax
- 23.4% reduction in statutory basic earnings per share
- 210bps decrease in gross margin
- 11.9% increase in total Retail space

Underlying is defined as reported results before exceptional items and other items. It is further explained in note 23.

[1] Ecommerce revenue participation is defined as the proportion of total Retail revenue that comes from our Ecommerce channel.

Group Statement of Comprehensive Income

The Group has a partial and growing natural hedge through foreign currency denominated revenues and costs and has financial hedges in place that extend over a 2-year period to provide a level of certainty for future transactions. Since the European referendum vote in June 2016 Sterling has weakened against the US Dollar and Euro. This, together with the decision to enhance the long term health of the brand by not passing through input inflation through to consumers, has led to a dilution in operating profit from foreign currency.

	Underlying 2018 £m	Exceptional and other items £m	Total 52-week 2018 £m
Revenue	**872.0**	–	872.0
Gross profit	**506.5**	–	506.5
Gross profit %	**58.1%**	–	58.1%
Operating costs	**(406.2)**	(31.7)	(437.9)
Operating profit	**100.3**	(31.7)	68.6
Profit/(loss) before tax	**97.0**	(31.7)	65.3

Group revenue for the year rose by 16.0% to £872.0m (2017: £752.0m). Within this, the currency translation benefit of the Group's international operations was 2.1%[1], and revenue from newly opened and maturing Retail space contributed 5.9% of this growth.

The Group gross margin fell 210bps to 58.1% (2017: 60.2%). The key drivers of this reduction in gross margin are the dilutive impact of the continued strong growth within our capital light Wholesale channel (approximately half of the total movement), together with the planned investments made through clearance activities to reduce the overall quantity of inventory.

Sales and distribution costs (which include costs associated with operating stores, depreciation and transporting products) totalled £346.4m (2017: £311.1m) including the non-recurring costs associated with the completion of the inventory transfers necessary to support the multi-channel operations totalling £0.5m. The increase in costs of 11.3% compares to revenue growth of 16.0%. These costs are primarily driven by our continuing store opening programme, where total Retail space increased by 11.9% during the year, together with the impact of foreign exchange movements. Sales and distribution costs for our fast growing Ecommerce business are higher per unit in comparison to the remainder of our Retail channel and our Wholesale channel. Efficiency savings, in part linked to the overall reduction in inventory, limited the year on year increase in store labour costs to 8.0% versus a Retail revenue increase of 9.2%. The resulting improvement in productivity was achieved despite inflationary pressure in key markets and the relatively low labour productivity of new and maturing stores.

Central costs (which include the costs of operating our global operations teams and support functions and related depreciation) were £75.4m (2017: £66.7m), an increase of 13.0%. Growth in central costs reflects continued investment (linked to the introduction of the Design to Customer process) in key category and design teams and the depreciation and license costs from ongoing investments in more scalable and functional IT applications.

Other gains and losses (excluding the unrealised fair value loss on forward contracts) were £12.3m (2017: £11.8m), an increase of 4.2%. The growth primarily reflects the increase in royalty income from franchisees and licence partners.

Group underlying operating margin declined by 40bps on last year to 11.5% (2017: 11.9%). This reduction primarily reflects reduced revenue within the Group's owned stores, the performance of our North American development market and the dilutive impact of foreign exchange across the Group's global operations.

[1] Currency translation benefit has been calculated on a constant currency basis, by translating prior year balances at current year foreign exchange rates.

Underlying profit before tax increased by 11.5% on the prior year to £97.0m (2017: £87.0m).

	Underlying 2018 £m	Exceptional and other items £m	Total 52-week 2018 £m
Revenue:			
Retail	**548.6**	–	548.6
Wholesale	**323.4**	–	323.4
Group revenue	**872.0**	–	872.0
Operating profit:			
Retail	**66.3**	(22.3)	44.0
Wholesale	**106.1**	(7.3)	98.8
Central costs	**(72.1)**	(2.1)	(74.2)
Total operating profit/(loss)	**100.3**	(31.7)	68.6
Net finance income – Central costs	**(0.3)**	–	(0.3)
Share of loss of investment – Central costs	**(3.0)**	–	(3.0)
Profit/(loss) before tax:			
Retail	**66.3**	(22.3)	44.0
Wholesale	**106.1**	(7.3)	98.8
Central	**(75.4)**	(2.1)	(77.5)
Total profit/(loss) before tax	**97.0**	(31.7)	65.3

Exceptional and other items

Exceptional items in the period include a fixed asset impairment of £5.0m and an onerous lease provision of £2.2m in respect of our Berlin Kranzler store. This store, which was contracted in 2015, does not meet the Group's current investment criteria and has failed to achieve the expected return on capital due to sales underperformance. Exceptional items also include a £1.6m termination payment arising on the buy-out of our Netherlands agent. The integration of this agent is consistent with the development approach taken by the Group previously and is anticipated to payback within two years.

Other items in the year include a £20.8m charge in respect of the fair value movement in financial derivatives (2017: £2.2m charge) which has been driven primarily by the devaluation of Sterling against the Euro and US Dollar, and its impact on forward currency contracts, selling Euro for Sterling or buying US Dollar with Sterling. The IFRS 2 charge of £2.1m in respect of the Founder Share Plan is also included within other items (see note 16 for further details).

The determination of exceptional items and other items is further explained in note 23.

Taxation in the period

Our tax expense on underlying profit of £20.7m (2017: £18.3m) represents an underlying effective tax rate of 21.3% (2017: 21.0%).

This is higher than the UK statutory rate of 19.0% (2017: 19.9%) primarily due to the depreciation and amortisation of non-qualifying assets, non-allowable expenses and the non-deductibility of 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.

An exceptional tax charge of £1.2m arises from the change in the US Federal tax rate from 35% to 21% and the subsequent impact on deferred tax assets.

During the year we paid £47.8m (2017: £46.3m) in UK taxes, which includes corporation tax, import duty, business rates, employer's national insurance and stamp duty.

Profit for the period

After exceptional and other items, Group profit for the year at £50.7m (2017: £66.0m) was 23.2% lower than the prior year.

Our Retail division (including Ecommerce)

Reflecting strong Ecommerce growth of 25.8% and the disciplined expansion of owned stores across Continental Europe and North America, our Retail division delivered revenue of £548.6m (2017: £502.5m), up 9.2% on the year. The Retail division represents 62.9% of total Group revenue (2017: 66.8%). An additional 125,000 square feet of space was added in the year through a net 26 new store openings in 6 countries.

The Retail division's operating profit in financial year 2018 was £44.0m (2017: £68.6m). Underlying operating profit was £66.3m (2017: £68.9m), down 3.8% on the prior year, and underlying operating profit margin was 12.1% (2017: 13.7%).

The decline in operating margin reflects the de-leveraging effect of declining same store sales, particularly in the second half of the financial year, significant disruption to our US store base and investments made to reduce the level of inventory carried within our Retail supply chain. Adjusting for the non-recurring nature of the US disruption and inventory rebase, operating margins were 13.0% (2017: 13.7%).

Retail division	**2018 £m**	2017 £m	Growth
External revenues	**548.6**	502.5	9.2%
Underlying operating profit	**66.3**	68.9	(3.8%)
Underlying operating margin (%)	**12.1%**	13.7%	(160)bps
Exceptional and other items	**(22.3)**	(0.3)	-
Retail operating profit	**44.0**	68.6	(35.9%)

Our Wholesale division

Our Wholesale division delivered revenue of £323.4m, up 29.6% (2017: £249.5m), representing 37.1% of total Group revenue (2017: 33.2%). Revenue growth was well balanced across each of the three routes to market within Wholesale being franchise stores, major/multiple retailers and local independents. At the end of the year the Group had Wholesale operations in 54 countries including 394 (2017: 319) *Superdry* branded franchise stores and 18 (2017: 16) licensed stores.

Wholesale revenue by territory	**2018 £m**	2017 £m	Growth
UK and Republic of Ireland	**42.1**	37.1	13.5%
Europe	**211.8**	161.4	31.2%
Rest of World	**56.8**	43.4	30.9%
Clearance and other	**12.7**	7.6	67.1%
Total Wholesale revenue	**323.4**	249.5	29.6%

Operating profit was £98.8m (2017: £82.9m), whilst underlying operating profit was £106.1m (2017: £84.8m). Underlying operating margin at 32.8% (2017: 34.0%) decreased by 120 bps year on year reflecting the dilutive mix impact of both increased revenues from high growth potential customers within the Rest of World and higher clearance sales as part of the wider inventory re-base programme.

Wholesale division	**2018 £m**	2017 £m	Growth
External revenues	**323.4**	249.5	29.6%
Underlying operating profit	**106.1**	84.8	25.1%
Underlying operating profit margin %	**32.8%**	34.0%	(120) bps
Exceptional and other items	**(7.3)**	(1.9)	-
Wholesale operating profit	**98.8**	82.9	19.2%

Earnings per share

Reflecting the increased profitability of the Group during the year, underlying basic EPS is 93.6p (2017: 84.5p), an increase of 10.8%.

The underlying performance of the business, offset by the exceptional and other items outlined above, leads to reported basic EPS of 62.2p (2017: 81.2p) based on a basic weighted average of 81,510,921 shares (2017:

81,308,378 shares). The increase in the basic weighted average number of shares is predominantly due to 215,428 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 93.1p (2017: 84.0p) and diluted EPS is 61.9p (2017: 80.7p). These are based on a diluted weighted average of 81,956,045 (2017: 81,751,539) shares.

Dividends

An interim dividend of 9.3p per share was paid on 26 January 2018. In line with the dividend policy the Board has recommended a final ordinary dividend of 21.9p per share, taking the full-year ordinary dividend to 31.2p per share and has declared a special dividend of 25.0p per share.

If approved, the ordinary final dividend will represent a cash outflow of approximately £17.9m and will be paid on 21 September 2018 to all shareholders on the register at the close of business on 13 July 2018. The total ordinary dividend represents an earnings cover of 3.0x on a full-year basis. The special dividend, will represent a cash outflow of c. £20.5m and will be paid on 14 December 2018 to shareholders on the register at the close of business on 12 October 2018.

The key parameters of our dividend policy remain as follows:

- a 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 non-recurring returns to shareholders whilst maintaining flexibility through a positive cash balance.

Cash flow, balance sheet and investments

We remain financially strong and highly cash generative, with operating cash generated before working capital movements of £135.2m (2017: £118.7m) and retained net cash balances of £75.8m (2017: £65.4m) at the end of the year after funding continued investment across our business.

However, recognising the continued growth of the Group's Wholesale operation and changes to inventory flows reflecting the increasingly global nature of the brand, the Bank has agreed to provide and the Board approved, subsequent to the year-end, an uncommitted bank facility of £20m to accommodate peak working capital requirements.

£m	**2018 £m**	2017 £m
Operating cash flow before movements in working capital	**135.2**	118.7
Working capital movement	**(30.9)**	(36.7)
Net interest	**(0.3)**	0.2
Taxes	**(23.9)**	(19.9)
Net cash generated from operations	**80.1**	62.3
Investments	**(3.2)**	(6.5)
Long term loan to joint venture	**(3.3)**	-
PPE and intangible assets	**(55.7)**	(56.3)
Cash received from disposal of financial assets	**2.2**	-
Dividends	**(24.0)**	(36.5)
Other (including foreign currency movement)	**14.3**	1.7
Net increase/(decrease) in cash	**10.4**	(35.3)

Net cash generated from operations of £80.1m has increased versus the prior year (2017: £62.3m) reflecting the growth in profitability of the business and improved working capital disciplines.

Cash investment in property, plant and equipment and intangible assets totalled £55.7m (2017: £56.3m). This has been driven by expenditure incurred in opening new Retail space, continued investment in existing Retail space to improve the in store experience, ongoing investment in enabling 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.

During the year, £46.6m (2017: £53.3m) of capital additions were made, of which £30.4m (2017: £35.6m) related to leasehold improvements across the Group. Stores remain an important element of the overall brand experience and provide a significant source of revenue. 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 24 months. Recognising our desire to maximise flexibility within this key channel, any future investments will be targeted to payback within two years. The remaining balance of capital additions includes furniture, fixtures and fittings (£11.0m) and computer equipment (£5.2m).

As at 28 April 2018, the net book value of property, plant and equipment was £130.2m (2017: £121.3m).

Intangible assets, comprising goodwill, lease premiums, distribution agreements, trademarks, the website and computer software, stood at £57.8m at the year-end (2017: £53.8m). Additions in the year were £11.1m (2017: £7.6m), comprising mainly website and software additions.

Current assets		**2018 £m**	2017 £m	Change %
Inventories		**162.3**	157.2	3.2
Trade and other receivables	Trade receivables	**85.2**	59.0	44.4
	Other receivables/derivatives	**54.8**	56.3	(2.7)
Subtotal receivables		**140.0**	115.3	21.4
Financial assets at fair value through profit or loss		**-**	2.2	(100)
Net cash		**75.8**	65.4	15.9
Total current assets		**378.1**	340.1	11.2
Trade and other payables	Trade payables	**(81.1)**	(77.0)	(5.3)
	Other payables/derivatives/borrowings	**(66.9)**	(55.1)	(21.4)
Total current liabilities		**(148.0)**	(132.1)	(12.0)
Net current assets		**230.1**	208.0	10.6

Working capital	Inventories	**162.3**	157.2	3.2
	Trade and similar receivables*	**129.5**	99.9	29.6
	Trade and similar payables†	**(108.5)**	(109.0)	0.5
Total working capital		**183.3**	148.1	23.8

* 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.

Inventories, trade and similar receivables and trade and similar payables increased during the year to £183.3m (2017: £148.1m) and as a proportion of Group revenue was 21.0% (2017: 19.7%).

Inventory levels increased by 3.1% on a constant currency basis[1] and increased by 3.2% at a total level to £162.3m (2017: £157.2m). The lower year on year growth in inventory reflects the focus on inventory efficiency over the past year. Trade and similar payables were £108.5m (2017: £109.0m), a reduction of 0.5% on the prior year. 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.

Mirroring the growth in Wholesale revenue, trade and similar receivables increased by 29.6% to £129.5m (2017: £99.9m) and were 14.9% (2017: 13.3%) of Group revenue. Debtor profiles continue to improve with 72.8% of year-end trade receivables within agreed payment terms (2017: 71.6%).

[1] Currency translation benefit has been calculated on a constant currency basis, by translating prior year balances at current year foreign exchange rates.

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 our strategy which has created an agile multi-channel business model with growth plans tailored specifically to each of our core markets. Together with continuing product innovation, this approach has resulted in strong revenue growth with margins diluted primarily as a result of structural sales mix and long-term investments to protect consumer selling prices from input inflation and to reduce inventory in order to drive future operating efficiencies.

The business remains strongly cash generative, able to support the investments necessary to deliver our planned growth and further infrastructure development while providing cash returns to shareholders through an ordinary dividend and a second special dividend of c. £20.5m to be paid this Autumn.

Our focus continues to be the development of a global digital brand and the delivery of long-term sustainable growth in revenue and earnings. We remain confident in delivering further growth in Global Brand revenue, led by our capital light channels of Wholesale and Ecommerce, and anticipate delivering a high single-digit increase in group revenue in FY19. In addition the Group will from the current financial year onward crystallise the cost benefits from our refined Design to Customer processes driving a moderate 20 to 50 basis point expansion in underlying operating margin.

Group statement of comprehensive income for the 52 weeks ending 28 April 2018

	Note	**Underlying* 2018 £m**	**Exceptional and other items (note 5) £m**	**Total 2018 £m**	Underlying* 2017 £m	Exceptional and other items (note 5) £m	Total 2017 £m
Revenue	4	**872.0**	–	**872.0**	752.0	–	752.0
Cost of sales		**(365.5)**	–	**(365.5)**	(299.0)	–	(299.0)
Gross profit		**506.5**	–	**506.5**	453.0	–	453.0
Selling, general and administrative expenses		**(418.5)**	**(10.9)**	**(429.4)**	(375.4)	–	(375.4)
Other gains and losses (net)		**12.3**	**(20.8)**	**(8.5)**	11.8	(2.2)	9.6
Operating profit	4	**100.3**	**(31.7)**	**68.6**	89.4	(2.2)	87.2
Finance income		–	–	–	0.2	–	0.2
Finance expense		**(0.3)**	–	**(0.3)**	–	–	–
Share of loss of joint venture	6	**(3.0)**	–	**(3.0)**	(2.6)	–	(2.6)
Profit before tax	4	**97.0**	**(31.7)**	**65.3**	87.0	(2.2)	84.8
Tax expense	7	**(20.7)**	**6.1**	**(14.6)**	(18.3)	(0.5)	(18.8)
Profit for the period		**76.3**	**(25.6)**	**50.7**	68.7	(2.7)	66.0
Attributable to:							
Owners of the Company		**76.3**	**(25.6)**	**50.7**	68.7	(2.7)	66.0
Other comprehensive income/(expense) net of tax:							
Items that may be subsequently reclassified to profit or loss							
Currency translation differences		**2.6**	–	**2.6**	5.0	–	5.0
Total comprehensive income/(expense) for the period		**78.9**	**(25.6)**	**53.3**	73.7	(2.7)	71.0
Attributable to:							
Owners of the Company		**78.9**	**(25.6)**	**53.3**	73.7	(2.7)	71.0
		pence per share		**pence per share**	pence per share		pence per share
Earnings per share:							
Basic	9	93.6		62.2	84.5		81.2
Diluted	9	93.1		61.9	84.0		80.7

* Underlying is defined in note 23.

2018 is for the 52 weeks ended 28 April 2018 and 2017 is for the 52 weeks ended 29 April 2017.

Group Balance Sheet as at 28 April 2018

	Note	**28 April 2018 £m**	29 April 2017 £m
ASSETS			
Non-current assets			
Property, plant and equipment	11	**130.2**	121.3
Intangible assets	12	**57.8**	53.8
Investment in joint venture		**6.2**	6.0
Long term loan to joint venture		**3.3**	–
Deferred tax assets	7	**38.8**	31.6
Total non-current assets		**236.3**	212.7
Current assets			
Inventories		**162.3**	157.2
Trade and other receivables		**140.0**	112.2
Financial assets at fair value through profit or loss		–	2.2
Derivative financial instruments		–	3.1
Cash and cash equivalents		**75.8**	65.4
Total current assets		**378.1**	340.1
LIABILITIES			
Current liabilities			
Trade and other payables		**119.7**	118.9
Current tax liabilities		**9.8**	11.8
Derivative financial instruments		**18.5**	1.4
Total current liabilities		**148.0**	132.1
Net current assets		**230.1**	208.0
Non-current liabilities			
Trade and other payables		**44.6**	37.8
Provisions for other liabilities and charges		**5.3**	3.1
Deferred tax liabilities	7	**0.9**	1.0
Derivative financial instruments		**7.1**	6.4
Total non-current liabilities		**57.9**	48.3
Net assets		**408.5**	372.4
EQUITY			
Share capital		**4.1**	4.1
Share premium		**149.0**	148.4
Translation reserve		**(1.6)**	(4.2)
Merger reserve		**(302.5)**	(302.5)
Retained earnings		**559.5**	526.6
Total equity		**408.5**	372.4

Group cash flow statement for the 52 weeks ending 28 April 2018

	Note	2018 £m	2017 £m
Cash generated from operating activities	8	**104.3**	82.0
Interest (paid)/received		**(0.3)**	0.2
Tax (paid)/received		**(23.9)**	(19.9)
Net cash generated from operating activities		**80.1**	62.3
Cash flow from investing activities			
Payment of deferred consideration		–	(0.9)
Investments in subsidiaries		–	–
Investment in joint ventures	6	**(3.2)**	(5.6)
Long term loan to joint venture		**(3.3)**	–
Purchase of property, plant and equipment		**(44.6)**	(48.7)
Purchase of intangible assets		**(11.1)**	(7.6)
Cash received from disposal of financial assets		**2.2**	–
Net cash used in investing activities		**(60.0)**	(62.8)
Cash flow from financing activities			
Dividend payments	10	**(24.0)**	(36.5)
Proceeds of issue of share capital		**0.6**	0.1
Short-term funding from subsidiary undertakings		–	–
Net cash (used in)/generated from financing activities		**(23.4)**	(36.4)
Net (decrease)/increase in cash and cash equivalents		**(3.3)**	(36.9)
Cash and cash equivalents at beginning of period		**65.4**	100.7
Exchange gains on cash and cash equivalents		**13.7**	1.6
Cash and cash equivalents at end of period		**75.8**	65.4

Statements of changes in equity for the 52 weeks ending 28 April 2018

Group	Note	Share capital £m	Share premium £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
Balance at 30 April 2016		**4.1**	**148.3**	**(9.2)**	**(302.5)**	**494.7**	**335.4**
Comprehensive income							
Profit for the period		–	–	–	–	66.0	66.0
Other comprehensive income							
Currency translation differences		–	–	5.0	–	–	5.0
Total other comprehensive income		**–**	**–**	**5.0**	**–**	**–**	**5.0**
Total comprehensive income for the period		**–**	**–**	**5.0**	**–**	**66.0**	**71.0**
Transactions with owners							
Employee share award schemes	15	–	–	–	–	2.4	2.4
Shares issued		–	0.1	–	–	–	0.1
Dividend payments	10	–	–	–	–	(36.5)	(36.5)
Total transactions with owners		**–**	**0.1**	**–**	**–**	**(34.1)**	**(34.0)**
Balance at 29 April 2017		**4.1**	**148.4**	**(4.2)**	**(302.5)**	**526.6**	**372.4**
Comprehensive income							
Profit for the period		–	–	–	–	50.7	50.7
Other comprehensive income							
Currency translation differences		–	–	2.6	–	–	2.6
Total other comprehensive income		**–**	**–**	**2.6**	**–**	**–**	**2.6**
Total comprehensive income for the period		**–**	**–**	**2.6**	**–**	**50.7**	**53.3**
Transactions with owners							
Employee share award schemes	15,16	–	–	–	–	6.1	6.1
Shares issued		–	0.6	–	–	–	0.6
Deferred tax - employee share award scheme		–	–	–	–	0.1	0.1
Dividend payments	10	–	–	–	–	(24.0)	(24.0)
Total transactions with owners		**–**	**0.6**	**–**	**–**	**(17.8)**	**(17.2)**
Balance at 28 April 2018		**4.1**	**149.0**	**(1.6)**	**(302.5)**	**559.5**	**408.5**

Selected Notes to the Group and Company Financial Statements

1. Basis of preparation

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Group expects to publish full financial statements that comply with IFRSs in August 2018.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 28 April 2018 or 29 April 2017, but is derived from those accounts. Statutory accounts for financial year 2017 have been delivered to the registrar of companies, and those for financial year 2018 will be delivered in due course. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006.

2. Significant accounting policies
The accounting policies adopted are consistent with those applied by the Group in the Annual Report for the year ended 29 April 2017.

3. Critical accounting estimates and judgements in applying accounting policies
The preparation of the financial statements requires judgements, estimates and assumptions to be made that affect the reported value of assets, liabilities, revenues and expenses. The nature of estimation and judgement means that actual outcomes could differ from expectation.

Critical accounting estimates and assumptions
Management considers that accounting estimates and assumptions made in relation to the following items have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

a) Store impairments and onerous lease provisions
Store assets (as with other financial and non-financial assets) are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to dispose. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance. There are nine stores being closely monitored for indicators of impairment. During the period an impairment of fixed assets was made of £0.3m in aggregate in respect of these nine stores. A 1% reduction in the sales growth per annum assumptions in the Group's long-term financial plan would result in a further impairment of fixed assets of £2.1m for these stores.

In addition, an impairment of the fixed assets in the Berlin Kranzler store of £5.0m was made during the period. This impairment was based on estimates of performance over the remaining term of the lease. Lease obligations are subject to onerous lease reviews based on whether the net present value of the future cash-flows (excluding rent) are lower than the net present value of the future rent obligations within the lease.

An onerous lease provision of £2.2m was recognised during the period in relation to the Berlin Kranzler store based on assumptions relating to a sub-tenancy arrangement. If the timing of the sub-tenancy is delayed by one year, this would result in an increase in the provision of £0.9m for the Berlin Kranzler store.

Critical judgements in applying the Group's accounting policies
Management consider that judgments made in the process of applying the Group's accounting policies that could have a significant effect on the amounts recognised in the Group financial statements are as follows:

b) Exceptional and other items
Judgements are required as to whether items are disclosed as exceptional and other items, with consideration given to both quantitative and qualitative factors. Further information about the determination of exceptional and other items in financial year 2018 is included in note 23.

The following critical accounting estimates and judgments have been removed in financial year 2018, as management consider they are no longer key areas of uncertainty as they will not have a significant risk of resulting in a material adjustment to the amounts recognised in the Group financial statements; Provisions and Recognition of deferred tax assets for losses.

4. 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 US stores, concessions and all internet sites. Revenue is derived from the sale to individual consumers of own brand 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, 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 financial years 2018 and 2017 is set out below:

	Retail 2018 £m	**Wholesale 2018 £m**	**Central costs 2018 £m**	**Group 2018 £m**
Total segment revenue	**550.9**	**346.3**	–	**897.2**
Less: inter-segment revenue	**(2.3)**	**(22.9)**	–	**(25.2)**
Revenue from external customers	**548.6**	**323.4**	–	**872.0**
Profit/(loss) before tax	**44.0**	**98.8**	**(77.5)**	**65.3**

The following additional information is considered useful to the reader:

	Underlying* 2018 £m	**Exceptional and other items £m**	**Reported 2018 £m**
Revenue			
Retail	**548.6**	–	**548.6**
Wholesale	**323.4**	–	**323.4**
Total revenue	**872.0**	–	**872.0**
Operating profit			
Retail	**66.3**	**(22.3)**	**44.0**
Wholesale	**106.1**	**(7.3)**	**98.8**
Central costs	**(72.1)**	**(2.1)**	**(74.2)**
Total operating profit/(loss)	**100.3**	**(31.7)**	**68.6**
Net finance income – Central costs	**(0.3)**	–	**(0.3)**
Share of loss of investment – Central costs	**(3.0)**	–	**(3.0)**
Profit/(loss) before tax			
Retail	**66.3**	**(22.3)**	**44.0**
Wholesale	**106.1**	**(7.3)**	**98.8**
Central costs	**(75.4)**	**(2.1)**	**(77.5)**
Total profit/(loss) before tax	**97.0**	**(31.7)**	**65.3**

* Underlying is defined as reported results before exceptional items and other items, and is further explained in note 23.

Retail operating profit includes £5.3m of store impairments. £5.0m of this is within exceptional and other items, the remaining £0.3m is within underlying operating profit.

	Retail 2017 £m	Wholesale 2017 £m	Central costs 2017 £m	Group 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 tax	68.6	82.9	(66.7)	84.8

The following additional information is considered useful to the reader:

	Underlying* 2017 £m	Exceptional and other items £m	Reported 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 expense – Central costs	0.2	–	0.2
Share of loss of investment – Central costs	(2.6)	–	(2.6)
Profit/(loss) before 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 tax	87.0	(2.2)	84.8

* Underlying is defined as reported results before exceptional items and other items, and is further explained in note 23.

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

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

	2018 £m	Group 2017 £m
External revenue – UK	**322.2**	319.2
External revenue – Europe	**429.8**	332.9
External revenue – Rest of world	**120.0**	99.9
Total external revenue	**872.0**	752.0

Included within external revenue overseas is revenue of £214.7m (2017: £195.8m) generated by overseas subsidiaries. The total of non-current assets, other than deferred tax assets, located in the UK is £86.6m (2017: £76.7m), and the total of non-current assets located in other countries is £110.9m (2017: £104.4m).

5. Exceptional and other items

Non-underlying adjustments constitute exceptional and other items. Further information about the determination of exceptional and other items in financial year 2018 is included in note 23. They are disclosed separately in the Group statement of comprehensive income.

	2018 £m	Group 2017 £m
Exceptional and other items		
Unrealised loss on financial derivatives	**(20.8)**	(2.2)
Store asset impairment and onerous lease provision	**(7.2)**	–
Buy-out of Netherlands agent	**(1.6)**	–
IFRS 2 charge on Founder Share Plan (note 16)	**(2.1)**	–
Total exceptional and other items	**(31.7)**	(2.2)
Taxation		
Tax impact of non-underlying adjustments (note 7)	**7.3**	0.4
Deferred tax – exceptional (note 7)	**(1.2)**	(0.9)
Total taxation	**6.1**	(0.5)
Total exceptional and other items	**(25.6)**	(2.7)

Exceptional items

Store asset impairment and onerous lease provision

The Berlin Kranzler store was approved by the Board on 21 May 2015 and opened on 4 December 2016. The store has not achieved expected paybacks due to sales underperformance. While initially believed to be linked to the impact on footfall from a number of terror incidents (actual and threatened) in the immediate period after the store commenced trading, this underperformance has continued.

Discount rates are derived from the Group's post-tax weighted average cost of capital of 7.3% (2017:10.5%). The discount rate used in calculating the value in use is the pre-tax weighted cost of capital of 9.2% (2017:13.6%).

An impairment of fixed assets has therefore been made on the basis that their recoverable amount is less than their carrying value. The impairment is split as follows:

	£m
Leasehold improvements	**4.6**
Fixtures and fittings	**0.4**
Total	**5.0**

In addition, an onerous lease provision of £2.2m has been recognised, reflecting the shortfall in the net present value of the future cash flows compared to the net present value of the future rent obligations within the lease. This provision will be reviewed at the end of each reporting period.

Buy-out of Netherlands agent

On 23 November 2017, Superdry signed an agreement to terminate the licence granted in 2009 to Portare B.V., the Group's Netherlands agent. The termination payment was £1.6m.

Deferred tax - exceptional

The exceptional tax charge of £1.2m is as a result of the change in the US federal corporation tax rate from 35% to 21% and the subsequent impact on deferred tax assets/liabilities. The prior year exceptional tax charge of £0.9m was a result of the change in the UK corporation tax rate from 18% to 17% and the subsequent impact on deferred tax assets/liabilities.

Other items

Unrealised loss/gain on financial derivatives

Unrealised loss/gain on derivatives is recognised as an other item. Please see notes 21 and 23 for further details.

IFRS 2 charge for Founder Share Plan

The IFRS 2 charge in relation to the Founder Share Plan ("FSP") has been recognised as an other item. Please see note 16 for further details.

6. Share of loss of joint venture

During the year Superdry Plc invested £3.2m in Trendy & Superdry Holding Limited as a 50% subscription for the issued share capital. As at 28 April 2018, the carrying value of the investment was £6.2m. A charge of £3.0m was recognised in the financial statements, reflecting the Group's 50% share of the total loss of £6.0m in the year.

7. Tax

The tax expense comprises:

		Group
	2018	2017
	£m	£m
Current tax		
– UK corporation tax charge for the period	**19.2**	19.6
– Adjustment in respect of prior periods	**0.1**	(0.1)
Overseas tax	**2.5**	1.8
Total current tax	**21.8**	21.3
Deferred tax		
– Origination and reversal of temporary differences	**(4.8)**	2.4
– Deferred tax asset movements in respect of tax losses	**(2.9)**	(6.1)
– Adjustment in respect of prior periods	**(0.7)**	0.3
Exceptional tax expense	**1.2**	0.9
Total deferred tax	**(7.2)**	(2.5)
Total tax expense	**14.6**	18.8

The tax expense on underlying profit is £20.7m (2017: £18.3m). The tax credit on exceptional and other items is £7.3m (2017: £0.4m credit) and the exceptional tax charge in relation to tax rate changes is £1.2m (2017: £0.9m charge), so the net position being disclosed as a non-underlying tax charge in the period is £6.1m (2017: £0.5m charge). The exceptional tax charge of £1.2m is as a result of the change in the US Federal tax rate from 35% to 21% and the subsequent impact on deferred tax assets/liabilities. The exceptional tax charge of £0.9m in the prior period 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:

	2018 **£m**	Group 2017 £m
Profit before tax	**65.3**	84.8
Profit multiplied by the standard rate in the UK – 19.0% (2017: 19.9%)	**12.4**	16.9
Expenses not deductible for tax purposes	**1.2**	1.2
Non-deductible joint venture loss	**0.6**	0.5
Overseas tax differentials	**(1.6)**	(2.4)
Deferred tax asset movements on partially recognised tax losses	**1.4**	1.5
Adjustment in respect of prior periods	**(0.6)**	0.2
Total tax expense excluding exceptional items	**13.4**	17.9
Exceptional tax expense	**1.2**	0.9
Total tax expense including exceptional items	**14.6**	18.8

The Group's tax expense on underlying profit of £20.7m represents an effective tax rate of 21.3% for the period ended 28 April 2018. The Group's underlying effective tax rate of 21.3% is higher than the statutory rate of 19.0%, primarily due to the deferred tax asset movements on partially recognised losses, depreciation and amortisation on non-qualifying assets, non-allowable expenses and the non-deductibility of joint venture loss in the period.

In addition to the above tax charged to the Group comprehensive income statement, there is a tax charge to equity of £0.1m (2017: £nil) in respect of deferred tax relating to employee share schemes.

Net deferred tax movement is as follows:

	2018 **£m**	Group 2017 £m
Opening net deferred tax asset	**(30.6)**	(28.1)
Charged/(credited) to the Group statement of comprehensive income		
– Depreciation in excess of capital allowances	**(0.3)**	0.4
– Movement on goodwill and intangibles	**2.6**	3.1
– Movement on goodwill and intangibles – change in corporation tax rate	–	0.6
– Recognition of tax losses	**(2.9)**	(6.1)
– Recognition of tax losses - change in corporation tax rate	**1.2**	–
– Other temporary differences	**(3.8)**	(0.2)
– Revaluation of derivatives and forward exchange contracts	**(4.0)**	(0.3)
– Employee share award scheme included in equity	**(0.1)**	–
Closing net deferred tax asset	**(37.9)**	(30.6)

The 21% rate for US federal corporate tax (effective from 1 January 2018) was signed into law on 22 December 2017. Included within note 5 is an exceptional tax charge of £1.2m which relates to the impact of the tax rate change on the deferred asset held in respect of tax losses.

During the prior period, the 17% rate for UK corporation tax (effective from 1 April 2020) was substantively enacted. Included within note 5 is an exceptional tax charge of £0.9m, of which £0.6m relates to the impact of the tax rate change on goodwill and intangibles. The remainder of £0.3m tax charge is included within other movements such as depreciation in excess of 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.

8. Note to the cash flow statement

Reconciliation of operating profit to cash generated from operations

	Note	Group **2018** **£m**	 2017 £m
Operating profit		**68.6**	87.2
Adjusted for:			
– Loss on derivatives		**20.8**	2.2
– Depreciation of property, plant and equipment	11	**33.4**	29.1
– Amortisation of intangible assets	12	**7.7**	7.4
– Impairment of property, plant and equipment	11	**5.3**	–
– Loss on disposal of property, plant and equipment	11	**0.4**	1.0
– Other non-cash items		–	(1.2)
– Release/(gain) on fair value of financial assets		**2.2**	(1.5)
– Cash received from disposal of financial assets		**(2.2)**	–
– Release of lease incentives		**(8.0)**	(7.9)
– Employee share award schemes	15	**4.0**	2.4
– IFRS 2 charge - FSP	16	**2.1**	–
– Foreign exchange losses		**0.9**	–
Operating cash flow before movements in working capital		**135.2**	118.7
Changes in working capital:			
– Increase in inventories		**(5.7)**	(43.1)
– Increase in trade and other receivables		**(27.9)**	(29.0)
– Increase/(decrease) in trade and other payables, and provisions		**2.7**	35.4
Cash generated from operating activities		**104.3**	82.0

9. Earnings per share

	2018 **£m**	Group 2017 £m
Earnings		
Profit for the period attributable to owners of the Company	**50.7**	66.0
	No.	No.
Number of shares at year end	**81,630,277**	81,358,746
Weighted average number of ordinary shares – basic	**81,510,921**	81,308,378
Effect of dilutive options and contingent shares	**445,124**	443,161
Weighted average number of ordinary shares – diluted	**81,956,045**	81,751,539
Basic earnings per share (pence)	**62.2**	81.2
Diluted earnings per share (pence)	**61.9**	80.7

Underlying basic earnings per share

	2018 **£m**	Group 2017 £m
Earnings		
Underlying profit for the period attributable to the owners of the Company	**76.3**	68.7
	No.	No.
Weighted average number of ordinary shares – basic	**81,510,921**	81,308,378
Weighted average number of ordinary shares – diluted	**81,956,045**	81,751,539
Underlying basic earnings per share (pence)	**93.6**	84.5
Underlying diluted earnings per share (pence)	**93.1**	84.0

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

10. Dividends

	2018 £m	Group and Company 2017 £m
Equity – ordinary shares		
Interim for the 52 weeks to 28 April 2018 – paid 9.3p per share (2017: 7.8p)	**7.6**	6.4
Final dividend for the 52 weeks to 29 April 2017 – paid 20.2p per share (2017: 17.0p)	**16.4**	13.8
Special dividend – paid 20.0p per share	**–**	16.3
Total dividends paid	**24.0**	36.5

In addition, the Directors are proposing a final dividend in respect of the financial period ended 28 April 2018 of 21.9p per share (2017: 20.2p) which will absorb an estimated £17.9m of shareholders' funds. The Directors have declared a special dividend of 25.0p per share (2017: nil, 2016: 20.0p) which will absorb an estimated c.£20.5m of shareholders' funds. The final dividend will be paid on 21 September 2018 to shareholders on the register at the close of business on 13 July 2018. The special dividend will be paid on 14 December 2018 to shareholders on the register at the close of business on 12 October 2018.

11. Property, plant and equipment

	Land and buildings £m	Leasehold improvements £m	Furniture, fixtures & fittings £m	Computer equipment £m	**Total Group £m**
NBV as at 29 April 2017	**7.3**	**86.6**	**24.0**	**3.4**	**121.3**
Additions	–	30.4	11.0	5.2	**46.6**
Net disposals	–	(0.3)	(0.1)	–	**(0.4)**
Depreciation	(0.1)	(22.0)	(8.1)	(3.2)	**(33.4)**
Impairments	–	(4.9)	(0.4)	–	**(5.3)**
Exchange differences	–	1.3	0.2	(0.1)	**1.4**
NBV as at 28 April 2018	**7.2**	**91.1**	**26.6**	**5.3**	**130.2**

12. Intangible assets

	Trademarks £m	Website and software £m	Lease premiums £m	Distribution agreements £m	Goodwill £m	**Total Group £m**
NBV as at 29 April 2017	**1.3**	**17.2**	**10.2**	**4.3**	**20.8**	**53.8**
Additions	0.3	10.8	–	–	–	**11.1**
Amortisation	(0.3)	(5.5)	(1.1)	(0.8)	–	**(7.7)**
Exchange differences	–	–	(0.1)	(0.1)	0.8	**0.6**
NBV as at 28 April 2018	**1.3**	**22.5**	**9.0**	**3.4**	**21.6**	**57.8**

13. Capital expenditure commitments

The Group has capital expenditure commitments on property, plant and equipment of £0.4m (2017: £4.6m).

14. Equity securities

271,531 ordinary shares of 5p were authorised, allotted and issued in the period under the Superdry Share Based Long-Term Incentive Plans, Buy As You Earn and Save As You Earn schemes.

15. Share based Long Term Incentive Plans and savings related share schemes

Performance Share Plan (PSP)

During the year, 402,580 share options were awarded under the PSP with a three year vesting period. The fair value of the shares awarded at the grant date during the year is £5.3m (2017: £4.9m).

A total of 215,428 ordinary shares were exercised under the PSP (2017: 103,457 ordinary shares). The weighted average share price at the date of exercise for share options exercised during the period was 1,720p. The options outstanding at 28 April 2018 had a weighted average remaining contractual life of 16 months; these shares have an exercise price of 5p.

A charge of £3.7m (2017: charge of £2.2m) has been recorded in the Group statement of comprehensive income for the year.

Save As You Earn (SAYE)
The SAYE is a savings-related share scheme where employees can buy shares from post-tax salary for a fixed share price. A charge of £0.2m (2017: charge of £0.1m) has been recorded in the Group statement of comprehensive income for the year.

Buy As You Earn (BAYE)
The BAYE is a savings-related share scheme where employees can buy shares from pre-tax salary based on an agreed market value share price. During the year a total of 4,240 shares were purchased under the scheme. The charge to the Group statement of comprehensive income is highly immaterial and therefore has not been accounted for.

Other schemes
Share options were issued in the year as part of bonus reward packages for certain members of senior management. These options are subject to leavers' provisions and the exercise period is three years (in addition to the year to which the bonus relates). The share award has therefore been spread over four years. The charge to the Group statement of comprehensive income in financial year 2018 for these awards is £0.1m (2017: 01.m).

16. Founder Share Plan
On 12 September 2017, the Founders of Superdry ("the Founders"), Julian Dunkerton and James Holder, announced the launch of a long-term incentive scheme, the Founder Share Plan ("FSP") under which they will share their wealth with employees of the Group.

The FSP will run from 1 October 2017 to 30 September 2020. At the conclusion of the scheme, the Founders will transfer into a fund 20% of their gain from any increase in the Group's share price over a threshold of £18.

The gain to be transferred into the fund will be calculated using the market value of the shares calculated as the average price of a Superdry Plc share over the 20 dealing days prior to the maturity date (30 September 2020).

The proceeds from this fund will be shared across the Superdry colleague base worldwide, including those who work part-time. Each £5 increase in the share price over the £18 threshold would see the Founders putting £30m into the fund.

Awards will be made to employees in shares or an equivalent cash award if considered more appropriate. The vesting period for the awards differs depending on the seniority of the colleagues in question. To be eligible for the award, employees need to remain in employment on the vesting date, details of which are as follows:

Share settled element – Senior management

- 50% - 31 January 2021
- 50% - 31 January 2022

Cash and share settled elements – All other colleagues

- 50% - 31 January 2021
- 50% - 31 July 2021

The award will be settled in full by the Founders with no cost to the Group and hence in accordance with IFRS 2 has been accounted for as an equity settled share based payment scheme. The fair value of the award is determined using a Monte Carlo pricing model.

The share based payment charge associated with the FSP will accrue over five financial periods, up until financial year 2022.

A charge of £2.1m has been recorded in the Group statement of comprehensive income during the year. The total fair value of the entire outstanding share awards (not including any future share award issues), taking into consideration management's estimate of the share awards meeting the vesting conditions and achieving the performance targets, is £11.4m.

The number of share awards granted in the period is 6,879,904. The number still in issue as at 28th April 2018 is 5,847,510. The weighted average remaining contractual life of the outstanding options as at 28 April 2018 is 27 months, these options have a nil exercise price.

17. Balances and transactions with related parties

Transactions with Directors

Other than in respect of arrangements set out below and in relation to the employment of Directors, there is no material indebtedness owed to or by the Company or the Group to any employee or any other person or entity considered to be a related party.

During the reporting period, Julian Dunkerton resigned as a Director of Superdry Plc but continues to be a related party. The Group has spent £0.2m (2017: £0.2m) on travel and subsistence through companies in which he has a personal investment during the period. The balance outstanding at 28 April 2018 was £nil (2017: £0.1m). This expenditure includes the provision of corporate travel, hotel and catering services supplied on an arm's length basis. These interests have been disclosed and authorised by the Board.

In addition, the Group occupies two properties owned by J M Dunkerton SIPP pension fund whose beneficiary and member trustee is Julian Dunkerton. The properties are rented to the Group on an arm's length basis. The rent charge in the Group statement of comprehensive income is £0.1m (2017: £0.1m).

18. Net cash/(debt)

Analysis of net cash/(debt)

				Group
	2017 £m	Cash flow £m	Non-cash changes £m	**2018** **£m**
Cash and short-term deposits	65.4	(3.3)	13.7	**75.8**
Total net cash	65.4	(3.3)	13.7	**75.8**

Non-cash changes relates to exchange gains on cash and cash equivalents. Interest of £0.3m (2017: £nil) has been incurred in respect of short term facilities.

19. Principal risks and uncertainties

The principal risks and uncertainties identified by the Board are as follows:

- Damage may occur to the *Superdry* Brand or the Brand may lose its resonance
- The Brand and Group's business may suffer from any failure to meet consumer needs and address consumer trends leading to a product range that is insufficiently differentiated or unattractive to target consumers
- Failure to deliver the global strategy
- Failure to deliver on our growth aspirations in the Group's key future development markets
- Loss of key colleagues or the inability to attract and retain talent or preserve the *Superdry* culture
- Negative impact driven by our response to global economic conditions
- Lack of availability of infrastructure or IT systems (due to operational constraints or a major incident) or compromise of data (either accidentally or maliciously) held by *Superdry* or key 3rd parties
- Failure to comply with legal and regulatory frameworks
- Risk of significant changes in currency exchange rates
- Global supply chain disruption and / or raw material shortage
- Ecommerce revenue growth, reflecting our position as a digital brand, is key to the ongoing development of the business
- The ongoing consumer preference shift towards digital shopping channels [1]
- Brexit (the exit of the UK from the European Union) potentially introduces risks to operations, including increases in tariffs on goods and delays in their global movement, availability of labour and instability in the global currency market. [1]

[1] This is a new risk that has been added in the period.

20. Going concern statement

The Directors have carried out a review of the Group's trading outlook, with due regard to the risks and uncertainties to which the Group is exposed, the uncertain economic climate and the impact that this could have on trading performance. Based on this review, the Directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

21. **Financial risk management and financial instruments**

The Group's activities expose it to a variety of financial risks including: market risk (including foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. The information presented does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 28 April 2018. There have been no changes in the risk management department or in any risk management policies since the year end.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 28 April 2018.

	Level 1 2018 £m	**Level 2 2018 £m**	**Level 3 2018 £m**	Level 1 2017 £m	Level 2 2017 £m	Level 3 2017 £m
Assets						
Derivative financial instruments						
Forward foreign exchange contracts	–	–	–	–	3.1	–
Financial assets at fair value thought profit or loss	–	–	–	–	–	2.2
Liabilities						
Derivative financial liabilities	–	–	–	–	–	–
Forward foreign exchange contracts	–	**25.6**	**–**	–	7.8	–

There were no transfers between levels during the period.

The fair value of the following financial assets and liabilities is approximate to their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

22. Post balance sheet events

There are no post balance sheet events to disclose.

23. Alternative performance measures

Introduction

The Directors assess the performance of the Group using a variety of performance measures, some are IFRS, and some are adjusted and therefore termed ‘non-GAAP’ measures or “Alternative Performance Measures” (‘APMs’). The rationale for using adjusted measures is explained below. The Directors principally discuss the Group’s results on an ‘underlying’ basis. Results on an underlying basis are presented before exceptional and other items.

The APMs used in the financial statements are: Global Brand revenue, underlying gross profit and margin, underlying operating profit and margin, underlying profit before tax, underlying tax expense, underlying profit before tax for core operations, underlying effective tax rate, underlying earnings per share, operating trading loss – China, and net cash/debt. A reconciliation from these non-GAAP measures to the nearest measure prepared in accordance with IFRS is presented below. The APMs we use may not be directly comparable with similarly titled measures used by other companies. There have been no changes in definitions from the prior period. Global Brand revenue is a new measure in the period, further details are below.

Exceptional and other items

The Group’s statement of comprehensive income and segmental analysis separately identify trading results before exceptional and other items. The Directors believe that presentation of the Group’s results in this way is an alternative analysis of the Group’s financial performance, as exceptional and other items are identified by virtue of their size, nature or incidence. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing a relevant analysis of the trading results of the Group. In determining whether events or transactions are treated as exceptional and other items, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of charges or credits meeting the above definition and which have been presented as exceptional and other items in the current and/or prior years include:

Exceptional items

- Acquisitions/disposals of significant businesses and investments;
- Impact on deferred tax assets/liabilities for changes in tax rates;
- Business restructuring programmes; and
- Asset impairment charges and onerous lease provisions.

Other items

- The movement in the fair value of unrealised financial derivatives; and
- IFRS 2 charges in respect of Founder Share Plan ('FSP').

In the event that other items meet the criteria, which are applied consistently from year to year, they are also treated as exceptional and other items.

Exceptional and other items in this period
The following items have been included within exceptional and other items for the period ended 28 April 2018:

Fair value re-measurement of foreign exchange contracts – financial years 2018 and 2017
The fair value of unrealised financial derivatives is reviewed at the end of each reporting period and unrealised losses/gains are recognised in the Group statement of comprehensive income.

The Directors consider unrealised losses/gains to be 'exceptional and other items' due to both their size and nature. The size of the movement on the fair value of the contracts is dependent in particular on the spot foreign exchange rate at the balance sheet date and an assessment of future foreign exchange volatility applied to the relevant contract currencies, as such the size of the movements can be substantial. The unrealised foreign exchange contracts have been entered into in order to achieve an economic hedge against future payments and receipts and are not a reflection of historical performance. The Directors do not therefore consider these unrealised losses/gains to be a reflection of the trading performance in the period. When contracts mature, the profit or loss is reflected in underlying profit before tax.

Store asset impairment and onerous lease provision – Berlin Kranzler – new item in financial year 2018
The Berlin Kranzler store was approved by the Board on 21 May 2015 and opened on 4 December 2016. The store has not achieved expected paybacks due to sales underperformance.

An impairment of £5.0m of fixed assets has therefore been made on the basis their recoverable amount is less than their carrying value. In addition, an onerous lease provision of £2.2m has been recognised, reflecting the shortfall in the net present value of the future cash flows compared to the net present value of the future rent obligations within the lease.

The Directors consider the store impairment and onerous lease provision to be an exceptional and other item due to the materiality of the charge. In addition, the Directors believe the charge, whilst considered significant, is not a reflection of the underlying trading performance in the period.

Please see note 5 for further details.

Buy-out of Netherlands agent – new item in financial year 2018
On 23 November 2017, Superdry signed an agreement to terminate the licence granted in 2009 to Portare B.V., the Group's Netherlands licence partner. The termination payment was £1.6m.

The Directors consider the termination payment to be an exceptional and other item due to the size and one-off nature of the charge.

Founder Share Plan ('FSP') – IFRS 2 charge – new item in financial year 2018
While there are no cost or cash implications for the Group, the Founder Share Plan ('FSP') falls within the scope of IFRS 2. The Group has included the IFRS 2 charge and related deferred tax movement in relation to the FSP within 'exceptional and other items' for the current and subsequent periods.

The Directors consider the plan to be one-off in nature and unusual in that the share awards are being funded exclusively by the Founders. The full year charge for FY19, FY20 and FY21 has been estimated between £3m – £5m each period. While the charge is spread over a number of financial years, the plan is a one-time scheme. Accordingly the IFRS 2 charge in respect of the FSP is considered to be an 'exceptional and other item' due to the size, nature and incidence of the scheme. There are no known recent examples within quoted companies of incentive arrangements operating in a similar way to the FSP. While unusual in terms of size, the plan is also unusual with regard to its treatment in what is essentially a personal arrangement, with no net cost or cash and minimal administrative burden to the company. There are no other adjustments anticipated in respect of the scheme other than the IFRS 2 charge.

Therefore the Directors consider the charge to be significant in terms of its potential influence on the readers' interpretation of the Group's financial performance and not a reflection of the trading performance in the period.

See note 16 for further details of the FSP.

Global Brand revenue

Global Brand revenue represents the equivalent value of Group revenue at the values paid by consumers. It is calculated by uplifting all revenues by applicable sales tax rates and uplifting revenues in our Wholesale division by a factor representing the applicable mark up from Wholesale to consumer prices. In the opinion of the Directors, uplifting revenues in this way to show Global Brand revenue is useful to understand the growth of the brand, offering a consistent measure despite the variances that result from multiple routes to market.

A reconciliation from reported revenue to Global Brand revenue is set out below:

	2018 £m	2017 £m
Reported revenue	**872.0**	752.0
Uplift to reflect values paid by consumers	**732.2**	561.7
Global Brand revenue	**1,604.2**	1,313.7

Underlying gross profit and margin

In the opinion of the Directors, underlying gross profit and margin are measures which seek to reflect the underlying performance of the Group that will contribute to long-term sustainable profitable growth. It is a key internal management metric for assessing segmental performance. As such they exclude the impact of exceptional and other items.

A reconciliation from gross profit, the most directly comparable IFRS measure, to the underlying gross profit and margin, is set out below.

	2018 £m	2017 £m
Reported revenue	**872.0**	752.0
Gross profit	**506.5**	453.0
Exceptional and other items	**nil**	nil
Underlying gross profit	**506.5**	453.0

	2018 £m	2017 £m
Gross margin	**58.1%**	60.2%
Underlying gross margin	**58.1%**	60.2%

Underlying operating profit and margin

In the opinion of the Directors, underlying operating profit and margin are measures which seek to reflect the underlying performance of the Group that will contribute to long-term sustainable profitable growth. The Directors focus on the trends in underlying operating profit and margins, and it is a key internal management metric for assessing segmental performance. As such they exclude the impact of exceptional and other items.

A reconciliation from operating profit, the most directly comparable IFRS measure, to the underlying operating profit and margin, is set out below.

	2018 £m	2017 £m
Reported revenue	**872.0**	752.0
Operating profit	**68.6**	87.2
Exceptional and other items	**31.7**	2.2
Underlying operating profit	**100.3**	89.4

	2018 £m	2017 £m
Operating margin	**7.9%**	11.6%
Underlying operating margin	**11.5%**	11.9%

Underlying profit before tax

In the opinion of the Directors, underlying profit before tax is a measure which seeks to reflect the underlying performance of the Group that will contribute to long-term sustainable profitable growth. The Directors consider this to be an important measure of Group performance and is consistent with how the business performance is reported to and assessed by the Board and the Executive Committee.

This is a measure used within the Group's incentive plans.

As such underlying profit before tax excludes the impact of exceptional and other items.

A reconciliation from profit before tax, the most directly comparable IFRS measures, to the underlying profit before tax, is set out below.

	2018 £m	2017 £m
Profit before tax	**65.3**	84.8
Exceptional and other items	**31.7**	2.2
Underlying profit before tax	**97.0**	87.0

Underlying profit before tax for core operations

In the opinion of the Directors, underlying profit before tax for core operations is a useful measure to review the performance of the Group as it excludes those costs that will be non-recurring in the long-term. These excluded costs are exceptional and other items, initial trading losses in development markets and distribution centre migration costs.

A reconciliation from profit before tax, the most directly comparable IFRS measures, to profit before tax for core operations, is set out below.

	2018 £m	2017 £m
Profit before tax	**65.3**	84.8
Exceptional and other items	**31.7**	2.2
Underlying profit before tax	**97.0**	87.0
Initial trading losses in development markets	**5.1**	2.2
Distribution centre migration costs	**0.5**	2.1
Underlying profit before tax for core operations	**102.6**	91.3

Underlying tax expense and underlying effective tax rate
In the opinion of the Directors, underlying tax expense is the total tax charge for the Group excluding the tax impact of exceptional and other items. Correspondingly, the underlying effective tax rate is the underlying tax expense divided by the underlying profit before tax.

These measures are an indicator of the ongoing tax rate of the Group.

A reconciliation from tax expense, the most directly comparable IFRS measures, to the underlying tax expense, is set out below:

	2018 **£m**	2017 £m
Underlying profit before tax	**97.0**	87.0
Tax expense	**(14.6)**	(18.8)
Exceptional and other items – tax impact of items included in profit before tax	**(7.3)**	(0.4)
Exceptional and other items – impact on deferred tax assets/liabilities for changes in tax rates	**1.2**	0.9
Underlying tax expense	**(20.7)**	(18.3)
Underlying effective tax rate	**21.3%**	21.0%

Underlying earnings per share
In the opinion of the Directors, underlying earnings per share is calculated using basic earnings, adjusted to exclude exceptional and other items net of current and deferred tax.

A reconciliation from the basic and diluted earnings per ordinary share, the most directly comparable IFRS measures, to underlying basic and diluted earnings per ordinary share, is set out below:

	2018 **£m**	2017 £m
Underlying profit before tax	**97.0**	87.0
Underlying tax expense	**(20.7)**	(18.3)
Underlying profit after tax	**76.3**	68.7
Profit after tax	**50.7**	66.0
Basic		
Earnings per share (pence)	**62.2**	81.2
Underlying basic earnings per share (pence)	**93.6**	84.5

	2018	2017
Diluted		
Earnings per share (pence)	**61.9**	80.7
Underlying diluted earnings per share (pence)	**93.1**	84.0
Weighted average number of shares – basis	**81,510,921**	81,303,378
Weighted average number of shares – diluted	**81,956,045**	81,751,539

Operating trading loss - China
The operating trading loss in respect of China represents the net impact of the joint venture on Group profit after tax, taking into account licence fee income from the joint venture, which is then offset against the share in the joint venture loss. The Directors believe this is an important indicator of performance of this development market.

	2018 **£m**	2017 £m
Share of trading loss in joint venture	**3.0**	2.6
Licence fee income included within other gains and losses	**(0.9)**	(0.4)
Operating trading loss - China	**2.1**	2.2

Net cash/debt
In the opinion of the Directors, net cash/debt is a useful measure to monitor the overall cash position of the Group. It is the total of all short and long term loans and borrowings, less cash and cash equivalents. The Group is in a net cash position at 28 April 2018.