

boohoo.com UK Limited

Annual report and financial statements

Registered number 05723154

For the year ended 29 February 2016



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Company Information

Directors

M A Kamani
C Kane
N Catto
J A Kamani

Company Secretary

K Devine

Registered Office

49/51 Dale Street
Manchester
M1 2HF

Registered number

05723154 (England and Wales)

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Strategic report

Review of the business

Description of the business model

boohoo.com sells own-brand clothing, shoes and accessories through the boohoo.com websites to a core market of 16 to 24 year old consumers in the UK and globally. Combining cutting-edge, aspirational design with an affordable price tag, boohoo.com has grown rapidly since 2006, developing a brand identity and an international online proposition for consumers, and now has over four million active customers.

boohoo.com is a well-established brand in the UK, Ireland and Australia and currently sells products into over 100 countries. Currently the company operates through English, French, German, Italian and Spanish language websites.

Products are designed, sourced and subsequently distributed globally from a central UK warehouse. Marketing activity is performed through a variety of media including TV advertising, billboards, social media, digital media and via the websites. Hundreds of products are added to the website each week through our on-site photography and art studio and displayed in gallery photos. The speed and agility of the company enables it to be first to market with the latest on-trend styles and fashion.

Strategy and objectives

The company's strategy is built around four pillars of growth – **Recruitment**, **Reach**, **Retention** and keeping it **Real**. **Recruitment** of new customers to the websites is driven by targeted marketing spend and by maintaining a highly attractive website displaying the latest fashions in quality product at value prices. **Reach** is achieved by focussing on key new markets abroad, developing foreign language websites and product offerings tailored to local tastes, broadening the product range and using innovative social and digital media to engage with new customers. **Retention** of customers is secured by providing a great customer experience from the website visit, delivery, customer service; and from the quality, fit and style of the product – all leading to brand loyalty. Keeping it **Real** means maintaining discipline in cost control in the business and driving efficiency improvements.

Our product strategy is to continue to expand womenswear in plus, tall and petite sizes, extend the range of accessories and fashion footwear, develop lingerie and beauty lines, to increase menswear and raise the awareness of the boohooMan brand.

Performance during the year

Revenue for the year increased to £195.4 million, up 40% (42% CER) on the previous year.

Growth in the UK, our largest market, was 38%, with revenue reaching £130.1 million.

Revenue growth in the rest of Europe was 25% (35% CER), impacted by the weak euro. Rest of the world revenue growth of 56% (63% CER) was very encouraging, driven by strong performances in the Australian and US markets. The proportion of international revenues has grown from 32.5% to 33.4% of total revenue, despite the adverse exchange rates.

In the second half of the year we trialled selling to third party internet retailers, which has proven to be successful. We intend to expand the number of third party partners in order to build our brand internationally and broaden our customer reach.

We have refined the mix of marketing expenditure and price and delivery promotions to optimise profitability and sales growth. This has resulted in a decrease in marketing spend as a percentage of sales, offsetting a reduction in gross margin. Gross margin was 57.8% (2015: 60.8%) in spite of adverse exchange rate movements and the impact of lower margin third party sales, the latter reducing margin by 100bps compared to the previous year. Marketing expenditure was 10.2% of revenue compared to 13.2% in the previous year. Adjusted EBITDA was £19.0 million (2015: £14.6 million), an increase of 30% on the prior year and profit before tax was £14.8 million (2015: £11.9 million), an increase of 24%.

Fashion

Our customers are offered the very latest fashion trends through our “new in” updates on our websites, with up to 100 new styles launched every day. The combination of high fashion, great value prices and effective marketing encourages customers to shop for every occasion on a regular basis from a choice of around 20,000 styles. Our test-and-repeat model reduces stock holding risk, whilst rapid response enables us to reorder strong selling lines to quickly satisfy demand.

Our core womenswear ranges of dresses, tops, jackets and footwear have continued to perform strongly. A key factor in the high growth we have experienced in the year has been the expanded range of clothing, with Plus-size, Petite, swimwear and denim growing very strongly. We also introduced a broader lingerie range, which has performed very well.

In the spring, we launched boohoo brands, which has made shopping for a chosen look or occasion much easier and more enjoyable, collating similar styles and co-ordinates in categories, such as boohoo Nights and boohoo Blue. Not only is searching time reduced, but complementary items are also easier to find. The “inspire me” and Stylefix pages ensure our customer sees the latest trends and receives the latest fashion tips as well as an engaging lifestyle and social interest media stream. Menswear continues to grow and from early 2016 has been presented on its own website, separate to women’s, in order to enhance its identity and appeal to men.

Marketing

Our “#WeAreUs” 2015 marketing campaign featured an innovative approach providing us a platform to demonstrate our inclusivity and connect with customers on different levels. We used product stories and customer sentiment to create seasonal campaigns based around “WeAre” such as Stylists, Free, Hot, Dreamers, Ready, Now and Family. These created touch points around which to create content and open up conversations with our customers. Our young, social customer base spend significant amounts of time developing connections with their interest groups and this campaign gave us the opportunity to engage with them by tapping into those interests. Our aim was to promote loyalty through building a greater emotional connection with our customers, expressing our brand personality and the core values of fun, inclusivity and individuality.

Marketing activity focussed on our key markets and included TV advertising, press and out-of-home, media events, college ambassador programmes and influencer partnerships. In our key markets we have also engaged local bloggers and personalities with significant social reach to promote the brand. Our most recent celebrity signing was hit singer/songwriter Charli XCX, who has entered into an exclusive design collaboration for a series of ranges over the next 12 months. Charli XCX has a following of 2.8 million Facebook fans and is hugely popular amongst our targeted demographic. Other initiatives included a UK student ambassador programme launched at key universities, whilst in France we sponsored Secret Story, the reality TV series.

Next year will see us refocusing on the “#WeAreUs” message by creating communities to put the customer’s voice at the centre of each campaign using social media feeds within our content hub Stylefix. We will focus on improving our customer contact strategy, which will encompass a holistic targeting approach aimed at engaging, rewarding and creating ambassadors for our brand. The introduction of our app has enabled us to employ push messaging to keep customers informed of the latest promotions, offers and trends and the roll-out of the app to other markets will extend the reach of this media.

Customer interaction

In the 12 months to 29 February 2016, over 4.0 million customers shopped with us, an increase of 34% on the same period a year ago, whilst order frequency has also increased. Website traffic growth was strong, up 30% on the previous 12 months to 206 million sessions. Conversion rate to sale improved from 3.6% to 4.0% of sessions. On social media we have 0.5 million followers on Twitter and a reach of 9.6 million, 1.4 million followers on Instagram, 2.3 million Facebook likes and a reach of 4.3 million and 1.0 million views recorded on YouTube. We also feature on other social media sites including Vine, Snapchat and Pinterest.

Our customer services team is multi-lingual and responds to customer queries from a variety of media and aims for excellence in response time and problem resolution. We constantly measure our performance internally and monitor external customer review websites such as Trustpilot to ensure we maintain best-in-class standards.

boohoo.com customers are able to choose from a range of delivery options, which we are constantly refining as new opportunities become available. We operate a midnight cut off for next day delivery, Sunday delivery and collect+ in the UK. In 2015 we reduced the shipping time to Australia by one day and have plans to introduce more collection and return options via third party stores and distribution networks. Customers in the UK are able to use a website portal to choose their preferred return option from April 2016.

Technology

In the first half of the financial year, we converted the remaining European websites, including France and Germany, to fully responsive sites (meaning the website layout responds to the size of the device being used by the customer). Now all our websites are responsive, improving viewing and ease of use.

Android and iPhone Apps have been introduced in the UK, USA and Australia and will be rolled out to other territories later in 2016. Mobile and tablet use continues to rise and now accounts for 66% of sessions.

Warehouse

The new warehouse extension entered service in August 2015, following a further £7.7 million capital expenditure investment, with 270,000 additional square feet made available from three mezzanine floors. Work has started to expand capacity by another 275,000 square feet from three more mezzanine floor layers to cater for planned future growth. Total warehouse capacity now stands at 525,000 square feet, equivalent in size to over six football pitches.

We have converted a large number of warehouse operatives' contracts from agency to permanent and revised our pay structure to attract and retain capable and experienced teams to meet the demands of our expanding business. The new pay structure is closely aligned with the National Living Wage such that this will not drive any material increase in costs next year. Agency staff are engaged to support the operation in peak periods, optimising the efficient use of labour resources.

People

In the previous financial year, our senior management team was strengthened with a number of new positions, to provide the expertise we needed for the growth of the business. In 2015 we added two more senior positions: International Director, which we see as a key appointment in the execution of our international growth strategy; and Customer Services Director, which will help us fulfil our objective of maintaining the best and most efficient customer service. The rate of growth in revenue has required an increase in personnel in the volume-related functions in customer service and warehousing. The total workforce now stands at 1,015, up from 784 at 28 February 2015.

Financial review

The company has achieved a strong performance with revenues and profits increasing in all territories.

Sales revenue by geographical market

	2016 £000	2015 £000	Change %
UK	130,096	94,342	+38%
Rest of Europe	22,630	18,086	+25%
Rest of world	42,668	27,423	+56%
	195,394	139,851	+40%

Sales revenue at constant exchange rate

	2016 £000	2015 £000	Change %
UK	130,096	94,342	+38%
Rest of Europe	22,630	16,721	+35%
Rest of world	42,668	26,097	+63%
	195,394	137,160	+42%

Growth in sterling terms has been impacted by currency headwinds across our international business, especially in Europe and Australia.

KPIs (retail)

	2016	2015	Change
Active customers ⁽¹⁾	4.0 million	3.0 million	+34%
Number of orders	8.3 million	5.8 million	+44%
Conversion rate to sale ⁽²⁾	4.0%	3.6%	+40bps
Average order value ⁽³⁾	£33.59	£35.28	-4.8%
Number of items per basket	2.62	2.56	+2.3%

1. Defined as having shopped in the last year
2. Defined as the percentage of orders taken to internet sessions
3. Calculated as gross sales including sales tax divided by the number of orders

Active customer numbers have increased by 33.8% compared to the previous 12 month period as we continue to grow our customer base and retain existing customers. Conversion rates have increased to 4.0%. Average order value has seen a small decline of 4.8% to £33.59 as we have sought to keep our prices highly competitive and target product and delivery offerings at price points most appealing to our young customers. This has been partially offset by the number of items per basket increasing by 2.3% to 2.62.

Income statement

	2016 £000	2015 £000	Change
Revenue	195,394	139,851	+40%
Cost of sales	(82,483)	(54,806)	+50%
Gross profit	112,911	85,045	+33%
<i>Gross margin</i>	<i>57.8%</i>	<i>60.8%</i>	<i>-300bps</i>
Distribution costs	(45,501)	(30,911)	
Administrative expenses	(53,450)	(41,805)	
Other income	1,392	-	
Operating profit	15,352	12,329	+25%
Finance expense	(596)	(421)	
Profit before tax	14,756	11,908	+24%
Adjusted EBITDA	19,017	14,583	+30%
Calculation of adjusted EBITDA			
Operating profit	15,352	12,329	
Depreciation and amortisation	3,058	1,962	
Share-based payments	607	292	
Adjusted EBITDA	19,017	14,583	

Gross margin reduced from 60.8% to 57.8%, driven by the growth in third party sales, the shift from marketing expenditure to promotions to drive sales growth and the effect of adverse exchange rates. The growth in third party sales had the effect of reducing the blended gross margin percentage by 100 bps.

Distribution costs have increased in line with revenue growth whilst administrative expenses, which include marketing expenses, have risen due to the combination of revenue growth and the building of our infrastructure to support the future business expansion.

EBITDA (adjusted) increased by 30% from £14.6 million to £19.0 million.

Taxation

The effective rate of tax for the year was 20.6% (2015: 21.4%), which is marginally higher than the blended UK statutory rate of tax for the year of 20.1% (2015: 21.1%) principally due to depreciation in excess of capital allowances.

Statement of financial position

	2016	2015
	£000	£000
Intangible assets	4,542	4,561
Property, plant and equipment	21,426	10,854
Financial assets	28	-
Deferred tax	231	46
Non-current assets	26,227	15,461
Working capital	(31,266)	(39,174)
Net financial (liabilities)/assets	(4,866)	821
Cash and cash equivalents	38,162	43,889
Interest bearing loans and borrowings	-	-
Current tax liability	(1,769)	(1,116)
Net assets	26,488	19,881

Net assets have increased by £6.6 million, driven by profitability during the year. Working capital has increased primarily due to a reduction in amounts owed to related parties as a result of £10.0 million of loan repayments being made by the company to its ultimate parent undertaking, boohoo.com plc. This has been offset by an increase in payables and accruals relating to our increased trading activity.

Liquidity and financial resources

Free cash flow was £3.1 million compared to £41.1 million the previous year. The prior year free cash flow included a £38.1 million loan being made to the company by its ultimate parent undertaking, boohoo.com plc, £10.0 million of which was repaid during the current year. Other working capital requirements decreased: inventories increased due to the requirement to hold more products to serve our growing customer base; receivables, payables and accruals increased in line with trading activity. Capital expenditure was increased to £13.6 million as we have continued to invest in our warehouse and IT systems to support projected growth in trade. The closing cash balance was £38.2 million.

Cash flow statement

	2016 £000	2015 £000
Profit for the year	11,717	9,362
Depreciation charges and amortisation	3,058	1,962
Share-based payments charge	551	292
Tax expense	3,039	2,546
Finance expense	596	421
Increase in inventories	(7,481)	(1,393)
(Increase)/decrease in trade and other receivables	(2,491)	133
Increase in trade and other payables	7,697	39,765
Capital expenditure	(13,611)	(11,977)
Free cash flow	3,075	41,111
Finance expense	(570)	(504)
Tax paid	(2,571)	(2,516)
Non-cash changes and exchange differences	(5,661)	802
Repayment of borrowings	-	(199)
Net cash flow	(5,727)	38,694
Cash and cash equivalents at beginning of year	43,889	5,195
Cash and cash equivalents at end of year	38,162	43,889

Trends and factors likely to affect future performance

The market for online fashion is forecast to continue to grow and, along with the increasing use of the internet globally, provides a favourable backdrop for the company with much opportunity for further growth. Customers throughout the world are seeking quality product at value prices lower than those available on the high street. boohoo.com's target market of 16 to 24 year olds has a high propensity to spend on fashion and the market is resilient to external macroeconomic factors.

Health and safety

The company places great importance on health and safety at work and has policies to enforce best practice.

Number of employees of each gender at the year end

	Male	Female
Directors of the parent company	6	1
Senior managers	32	54
Other employees	439	483
	477	538

Outlook

The worldwide market for internet fashion sales continues to expand as shopping preferences lean towards the convenience and price advantage afforded by internet retailers. We have built a brand and infrastructure to capitalise upon this opportunity and we will continue to grow our market share globally by focusing on key markets.

Our strategy will be to use a combination of marketing to drive new customer acquisition and promotions to secure sales, all the while supported by the most convenient delivery and return options and high level of customer service. We will continue to broaden the range of products and to refine the online shopping experience with the latest technologies to ensure we provide the most user-friendly website possible.

We have had an encouraging start to the 2017 financial year, the outlook for the company remains positive and we believe that the continued implementation of our strategy will allow us to build on the success of 2016.

Principal risks and uncertainties

The board reviews annually, and additionally whenever there is a perceived major change in, the principal risks and uncertainties facing the company together with an assessment of mitigating factors. The following are considered to be the principal risks and uncertainties, although these may not be exhaustive in that other unknown risks may have an adverse effect on the business.

Strategic Risks		
Risk Heading	Risk Factors	Mitigation
Competition risk	Competitors may be able to offer consumers like-for-like better quality, better value, superior customer service, more generous delivery terms, better website functionality or better brand image, thereby eroding market share	- Competitor activity and offerings are reviewed regularly to remain abreast of market developments and identify competitive advantages - Consumers' changing preferences are monitored internally and by market research to ensure product and service is relevant to demand - Developments in website functionality are monitored to keep abreast of the latest developments and innovations - Performance targets control key deliverables (product quality, customer service and traffic)
Fashion and consumer demands risk	- Failing to keep abreast of the latest trends in colour and style could lead to lost sales and erosion of market share - Failure to react quickly enough to fashion changes could lead to lost sales - Buying the incorrect quantities of product relevant to demand may result in lost sales opportunities or excess inventory	- Highly competent designers and buyers are adept at interpreting fashion and acquiring desirable product - Buyers and designers keep up to date with fashion changes through fashion shows, predictive agencies and fashion press - Product range planning ensures sufficient product offering to cover expected demand using the test-and-repeat model. - Rapid response to fashion trends is achieved by using factories capable of short lead times - Buying, merchandising and marketing departments operate cohesively, with regular cross-functional communication

Operational risks		
Systems and technical risk	• Hardware or software failure could disable the website or operational systems • Cyber attack is an increasingly major risk • System capacity due to high transactional volumes may be compromised, leading to error or failure • Websites hosted by third party, which may be subject to business failure • Loss of or theft of consumer data could lead to loss of reputation and breach of data protection regulations	• Duplicate back-up system in remote location protects against hardware failure and to some extent software failure • Systems documentation and recovery procedures are in place and tested periodically • High security threshold and appropriate IT access and usage policies protect from virus and malicious attack and are regularly reviewed • System load planning is undertaken to ensure transaction volumes do not impinge on performance • Storage of personal data is tightly controlled and limited in accordance with data protection guidelines
Supply chain risk	• The business is dependent upon suppliers with whom relationships have been developed over time and whose loss through insolvency, disaster or denial of supply may be difficult to replace at short notice	• Supply risk is spread over many suppliers with no major individual dependencies • Extensive and up to date knowledge of supplier base would enable alternative sources to be found relatively quickly • Levels of inventory are adequate to cover short periods of supply delay
Loss of key facilities	• Fire, flood, or other disaster could lead to part or total, temporary or permanent closure of facilities	• Warehouse is protected by 24 hour security, access control, fire protection and sprinkler systems • Head office is protected by security alarm, access control, fire protection and sprinkler systems • Electric power continuity is protected by back-up generators • A comprehensive disaster recovery and business continuity plan supported by a disaster committee is under development

People risk	• Competitors are inclined to poach key staff and talented individuals • Employees may leave the company for better pay and prospects elsewhere	• Incentive schemes for senior managers are operated, including share ownership, bonus and incentive schemes linked to business performance • Succession planning aims to reduce key man dependencies
Reputational risks		
Customer dissatisfaction	• Adverse customer experience through poor product quality, product recall due to faulty manufacture or use of illegal substances in manufacture, labour abuses or environmental damage by third party suppliers could lead to reputational damage and customer boycott of the brand • Adverse customer experience through refund disputes or poor customer service could damage reputation	• A system of factory approvals is operated, ensuring that manufacturers agree to a set of acceptable standards • Compliance with manufacturers' agreements is monitored by periodic audit • Customer service levels and complaints are monitored and internet sites are reviewed for customer opinions
Financial risks		
Financial risk	• Poor business performance or lack of appetite for the sector may impede raising of capital • Exchange rate fluctuations may erode margins	• Regular budgeting and forecasting ensures working capital is sufficient for business requirements and rapid reaction to adverse business performance • Uncertainty due to fluctuating exchange rates is reduced by appropriate hedging policies

Directors' report

The directors present their directors' report and audited financial statements for the year ended 29 February 2016.

Principal activities

The principal activity of the company is that is that of internet clothing retailer.

Business review

The directors are required by Company Law to set out a fair review of the business, its position at the year end and a description of the principal risks and uncertainties facing the company and to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS"). The strategic report on pages 4 to 14 provides this review and financial position and is incorporated by cross reference and forms part of this report.

Results and dividends

Company profit after tax for the year to 29 February 2016 was £11.7 million (2015: £9.4 million). The audited financial statements for the year for the company are set out on pages 21 to 44.

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the year and up to the date of signing these financial statements were as follows:

Mahmud Kamani
Carol Kane
Neil Catto
Jalal Kamani

The company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against the directors. The company has also provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of section 234 of the Companies Act 2006 and was in place during the year and up to the date of approval of the financial statements.

Assessment of prospects and viability

The company's business activities together with the factors that are likely to affect the future development, performance and position of the company, are set out in the strategic report on pages 4 to 14.

The company operates a regular budgeting, forecasting and long-range planning cycle, which is integrated with strategic plans and objectives. This planning cycle, in which the board are substantively involved, ensures, as far as is possible, that the profitability, cash flow and capital requirements of the business are sufficient to ensure its ongoing viability. Annual budgets, against which performance is compared, are prepared in advance of the next financial year. A cadence of weekly, monthly and quarterly forecasts is operated to monitor, control and report on performance in the current financial year. These forecasts form the basis upon which the board satisfies its requirements to update stakeholders with relevant financial performance and prospects. Once a year, three year financial plans are prepared to assess the medium and longer term prospects of the company and its finance requirements, based on its strategic plans.

The directors have reviewed the company's profitability in the three year plans, the annual budgets and medium term forecasts, including assumptions concerning capital expenditure and expenditure commitments and their impact on cash flow. The directors consider that a three year plan is the appropriate period to project financial plans with a reasonable level of certainty in line with their current strategic objectives.

The business model affords a great deal of flexibility in responding to demand and economic changes: the wide range of products and relatively low buy quantities reduce inventory risk; a large customer base across many countries reduces specific economic and fashion dependencies; retail customers pay at the time of order with a small risk of default; and the high marketing expenditure is very controllable over a short time period. In addition, the company has a strong cash position at the year end, with a cash balance of £38.2 million, which the directors consider is more than adequate for the planned investments and cash flow requirements of the company.

Based on their assessment of prospects and viability, the directors confirm that they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due in the three year period ending February 2019.

Going concern

Having considered the prospects and viability as detailed above, the directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the basis of preparation in note 1 to the financial statements.

Financial risk management

Financial risk management is detailed in note 19 to the financial statements.

Employee policies

The quality, commitment and effectiveness of the company's employees are crucial to its continued success. Employee policies and programmes are designed to encourage employees to become interested in the company's activities and to reward employees according to their contribution and capability. Employee communications are a priority and regular briefings are used to disseminate relevant information. Employee surveys are undertaken to allow employees to express their views anonymously on many aspects of their work lives. Suggestion boxes are used to allow employees to voice their opinions for improvements and change. Employee share ownership is encouraged through free share schemes and employee share option plans.

Employment policies do not discriminate between employees or potential employees on the grounds of colour, race, ethnic or natural origin, sex, marital status, sexual orientation, religious beliefs or disability. If an employee were to become disabled whilst in employment and as a result was unable to perform his or her duties, every effort would be made to offer suitable alternative employment and assistance with retraining.

Health and safety

The company is committed to providing a safe place of work for employees. Company policies are reviewed on a regular basis to ensure that policies regarding training, risk assessment, safe working and accident management are appropriate. There are designated officers responsible for health and safety and issues are reported at each board and executive meeting.

Marketplace / product

We are a member of SEDEX and utilise SEDEX as a basis for assessing and controlling supplier conformance. We have progressed further during the year in the coverage of SEDEX approved suppliers with 80% of supplies coming from audited, approved factories and our objective is to work towards full coverage. In addition we perform our own factory visits and our plan for the forthcoming year is to increase the number of visits, with regular reviews of the largest suppliers. All suppliers have access to our supplier manual via a portal to ensure they are aware of boohoo.com's standards, policies and procedures.

Environment

The company measures its operational carbon footprint in order to limit and control its environmental impact. Only the impact of the company's direct activities are included, as the full impact of the entire supply chain of large numbers of suppliers cannot be measured practically.

boohoo.com acts responsibly to reduce energy consumption and to use energy more efficiently to reduce its environmental impact. We are monitoring and reporting on all wastage. In 2015, all the cardboard and plastic waste from our warehouse was recycled. For our Manchester site, we recycle all paper and plastic waste. At our head office, we have a programme to replace lighting with efficient motion-activated LED panels, whilst in our warehouse and certain areas of the head office, lighting is activated by motion sensors. Recycled materials are used in our outer plastic packaging and swing tickets.

The CO₂ output from heating and lighting in the offices and warehouse in the year was 1,842 tonnes (2015: 1,252 tonnes) and; from employee air travel was 152 tonnes (2015: 153 tonnes).

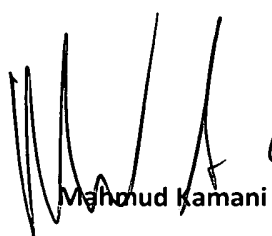
Statement on disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

On behalf of the board



Mahmud Kamani



Carol Kane



Neil Catto

10 June 2016

Statement of directors' responsibilities in respect of the annual report and financial statements

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

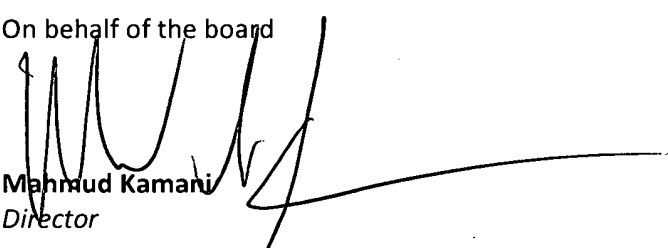
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. [In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB).] Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board


Mahmud Kamari
Director

10 June 2016

Independent auditors' report to the members of boohoo.com UK Limited

Report on the financial statements

Our opinion

In our opinion, boohoo.com UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 29 February 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Statement of financial position as at 29 February 2016;
- the Statement of comprehensive income for the year then ended;
- the Cash flow statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

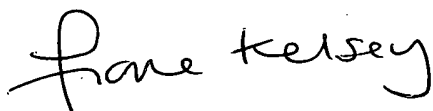
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Fiona Kelsey

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

10 June 2016

Statement of comprehensive income
for the year ended 29 February 2016

	Note	2016 £000	2015 £000
Revenue	2	195,394	139,851
Cost of sales		(82,483)	(54,806)
Gross profit		112,911	85,045
Distribution costs		(45,501)	(30,911)
Administrative expenses		(53,450)	(41,805)
Other income	3	1,392	-
Operating profit		15,352	12,329
Finance income	4	369	281
Finance costs	4	(965)	(702)
Finance costs – net	4	(596)	(421)
Profit before tax	6	14,756	11,908
Taxation	9	(3,039)	(2,546)
Profit for the year		11,717	9,362
Other comprehensive (expense)/income for the year, net of income tax			
Net fair value (loss)/gain on cash flow hedges ¹		(5,661)	802
Total comprehensive income for the year		6,056	10,164

All activities relate to continuing operations.

The notes on pages 25 to 44 form part of these financial statements.

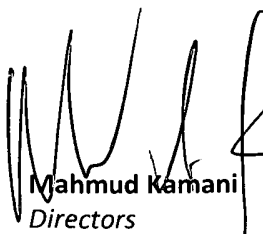
1. Net fair value gains on cash flow hedges will be reclassified to profit or loss during the two years to 28 February 2018.

Statement of financial position
at 29 February 2016

	<i>Note</i>	2016 £000	2015 £000
Assets			
Non-current assets			
Intangible assets	10	4,542	4,561
Property, plant and equipment	11	21,426	10,854
Financial assets	19	28	-
Deferred tax	13	231	46
		26,227	15,461
Current assets			
Inventories	14	18,669	11,188
Trade and other receivables	15	7,485	4,231
Financial assets	19	35	852
Cash and cash equivalents		38,162	43,889
Total current assets		64,351	60,160
Total assets		90,578	75,621
Liabilities			
Current liabilities			
Trade and other payables	16	(57,420)	(54,593)
Financial liabilities	19	(4,291)	(31)
Current tax liability		(1,769)	(1,116)
Total current liabilities		(63,480)	(55,740)
Non-current liabilities			
Financial liabilities	19	(610)	-
Total liabilities		(64,090)	(55,740)
Net assets		26,488	19,881
Equity			
Share capital	17	-	-
Share premium		28	28
Capital redemption reserve		100	100
Hedging reserve		(4,839)	822
Retained earnings		31,199	18,931
Total equity		26,488	19,881

The notes 1 to 24 form part of these financial statements.

These financial statements of boohoo.com UK Limited, registered number 05723154, on pages 21 to 44 were approved by the board of directors on 10 June 2016 and were signed on its behalf by:


Mahmud Kamani
Directors


Carol Kane


Neil Catto

Statement of changes in equity

	Share capital	Share premium	Capital redemption reserve	Hedging reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
Balance as at 1 March 2014	-	28	100	20	9,277	9,425
Share-based payments credit	-	-	-	-	292	292
Profit for the year	-	-	-	-	9,362	9,362
Other comprehensive income for the year	-	-	-	802	-	802
Balance at 28 February 2015	-	28	100	822	18,931	19,881
Share-based payments credit	-	-	-	-	551	551
Profit for the year	-	-	-	-	11,717	11,717
Other comprehensive expense for the year	-	-	-	(5,661)	-	(5,661)
Balance at 29 February 2016	-	28	100	(4,839)	31,199	26,488

The notes on pages 25 to 44 form part of these financial statements.

Cash flow statement
for the year ended 29 February 2016

	<i>Note</i>	2016 £000	2015 £000
Cash flows from operating activities			
Profit for the year		11,717	9,362
<i>Adjustments for:</i>			
Share-based payments charge		551	292
Depreciation charges and amortisation		3,058	1,962
Gain on sale of property, plant and equipment		(2)	-
Transfer from hedging reserves		(5,661)	802
Finance costs - net		596	421
Tax expense		3,039	2,546
		13,298	15,385
Increase in inventories	<i>14</i>	(7,481)	(1,393)
(Increase)/decrease in trade and other receivables		(2,491)	133
Increase in trade and other payables		7,697	39,765
Cash generated from operations		11,023	53,890
Finance expense		(965)	(702)
Tax paid		(2,571)	(2,516)
Net cash generated from operating activities		7,487	50,672
Cash flows from investing activities			
Acquisition of intangible assets	<i>10</i>	(1,488)	(2,442)
Acquisition of tangible property, plant and equipment	<i>11</i>	(12,123)	(9,535)
Proceeds from sale of property, plant and equipment		2	-
Finance income		395	198
Net cash used in investing activities		(13,214)	(11,779)
Cash flows from financing activities			
Repayment of borrowings		-	(199)
Net cash used in financing activities		-	(199)
(Decrease)/increase in cash and cash equivalents		(5,727)	38,694
Cash and cash equivalents at beginning of year		43,889	5,195
Cash and cash equivalents at end of year		38,162	43,889

Notes 1 to 24 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

General information

boohoo.com UK Limited is a company incorporated and domiciled in the UK, registered number 05723154. Its registered office is 49/51 Dale Street, Manchester, M1 2HF.

Basis of preparation

The company's financial statements have been approved by the directors and prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRS"), IFRS IC Interpretations and the Companies Act 2006.

New and amended standards adopted by the company and/or company

The following standards have been adopted by the company for the first time for the financial year beginning on 1st March 2014:

- IFRS 10, "Consolidated financial statements" (effective 1 January 2013) (endorsed 1 January 2014)
- IFRS 11, "Joint arrangements" (effective 1 January 2013) (endorsed 1 January 2014)
- IFRS 12, "Disclosures of interests in other entities" (effective 1 January 2013) (endorsed 1 January 2014)
- IAS 27 (revised 2011) "Separate financial statements" (effective 1 January 2013) (endorsed 1 January 2014)
- Amendments to IFRS 10, 11 and 12 on transition guidance (effective 1 January 2013) (endorsed 1 January 2014)
- Amendments to IAS 32 on financial instruments asset and liability offsetting (effective 1 January 2014)
- Amendment to IAS 36, "Impairment of assets" on recoverable amount disclosures (effective 1 January 2014)
- Amendment to IAS 39 "Financial instruments: Recognition and measurement", on novation of derivatives and hedge accounting (effective 1 January 2014)

The adoption of these standards has had no material impact on the company's financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company and/or company.

The following standards have been published and are mandatory for accounting periods beginning after 1st March 2014 but have not been early adopted by the company or company and could have a material impact on the company and company financial statements:

- IFRS 9, "Financial instruments" (effective 1 January 2018)
- IFRS 15, "Revenue from contracts with customers" (effective 1 January 2017)

At the time of preparing this report the company continues to assess the possible impact of the adoption of these standards in future periods and updates will be provided in a future annual report.

A number of other new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 March 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the company.

The financial statements have been approved on the assumption that the company remains a going concern as explained on page 16.

Consolidation

The company is a wholly-owned subsidiary of boohoo.com plc and is included in the consolidated financial statements of boohoo.com plc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Intangible assets

Trademark and licences are stated at cost less accumulated amortisation and impairment losses and are amortised over their expected lives of ten years and charged to administration expense.

The costs of acquiring or developing software are recorded as intangible assets and stated at cost less accumulated amortisation and impairment losses. The costs include the payroll costs of employees directly associated with the project and other direct external material and service costs. Costs are capitalised only where there is an identifiable project that will bring future economic benefit. Other website development and maintenance costs are expensed in the statement of comprehensive income. Software costs are amortised over three to five years based on their estimated useful lives and charged to administrative expenses in the statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives they are accounted for as separate property, plant and equipment. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of each item of property, plant and equipment is written off evenly over its estimated remaining useful life. Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, as follows: buildings 2%; motor vehicles and computer equipment 33%; and short leasehold and fixtures and fittings 33%, 20% or 10%. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Financial instruments

Financial instruments are recognised at fair value and subsequently held at amortised cost using the effective interest method.

Derivative financial instruments and cash flow hedges

The company holds derivative financial instruments to hedge its foreign currency exposures. These derivatives, classified as cash flow hedges, are initially recognised at fair value and then remeasured at fair value at the end of each reporting date. Hedging instruments are documented at inception and effectiveness is tested throughout their duration. Changes in the value of cash flow hedges are recognised in other comprehensive income and any ineffective portion is immediately recognised in the statement of comprehensive income. If the firm commitment or forecast transaction that is the subject of a cash flow hedge results in the recognition of a non-financial asset or liability, then at the time the asset is recognised, the associated gains or losses on the derivative that had been previously recognised on other comprehensive income are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in other comprehensive income are recognised in the statement of comprehensive income in the same period in which the hedged item affects net profit.

Trade and other receivables

Trade and other receivables are recorded initially at fair value. Subsequent to this they are measured at amortised cost less any impairment losses. Movements in impairment provisions are charged to the statement of comprehensive income.

Trade and other payables

Trade and other payables are recorded initially at fair value. Subsequent to this they are measured at amortised cost.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Inventories are valued on a first in first out basis.

Cash and cash equivalents

Cash and cash equivalents, for the purpose of the cash flow statement and the statement of financial position, comprises cash in hand.

Revenue

Revenue and profit before tax are attributable to the one principal activity of the business. Revenue represents net invoiced sales of goods including postage and packing receipts, excluding value added tax. Revenue from the sale of goods is recognised when the company has transferred the goods to the buyer on despatch from the warehouse, less actual returns and a provision for expected returns.

Rebates

Retrospective rebates from suppliers are accounted for in the period to which the rebate relates to the extent that it is reasonably certain that the rebate will be paid. Early settlement discounts are taken when payment is made.

Leasing commitments

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Finance costs

Interest payable is recognised in the statement of comprehensive income as it accrues in respect of the effective interest rate method.

Finance income

Interest receivable is recognised in the statement of comprehensive income as it is earned.

Pension costs

The company contributes to a company Personal Pension Scheme for certain employees under a defined contribution scheme. The costs of these contributions are charged to the statement of comprehensive income on an accruals basis as they become payable under the scheme rules.

Share based payments

The company issues equity settled share based payments in the parent company to certain employees in exchange for services rendered. These awards are measured at fair value on the date of the grant using an option pricing model and expensed in the statement of comprehensive income on a straight line basis over the vesting period after making an allowance for the estimated number of shares that are estimated will not vest. The level of vesting is reviewed and adjusted annually. Free shares awarded are expensed immediately.

Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Foreign currency translation

The results and cash flows of overseas subsidiaries are translated at the average monthly exchange rates during the period. The statement of financial position of each overseas subsidiary is translated at the yearend rate. The resulting exchange differences are recognised in a translation reserve in equity and are reported in other comprehensive income.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the yearend rate and exchange differences are recognised in the statement of comprehensive income.

Significant estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates and any subsequent changes are accounted for when such information becomes available. The judgements, estimates and assumptions that are the most subjective or complex are discussed below:

Refund accruals

Accruals for sales refunds are estimated based on recent historical returns and management's best estimates and are allocated to the period in which the revenue is recorded. Actual returns could differ from these estimates.

Inventory valuation

Inventory is carried at the lower of cost or net realisable value. The estimation of net realisable value may be different from the future actual value realised.

Share option valuation

Critical estimates and assumptions are made in particular with regard to the calculation of the fair value of employee share options, using appropriate valuation models. The inputs and assumptions of the model are detailed in note 20.

2 Segmental analysis

IFRS 8, "Operating Segments", requires operating segments to be determined based on the company's internal reporting to the chief operating decision maker. The chief operating decision maker has been determined to be the executive board and has determined that the primary segmental reporting format of the company is geographical by customer location, based on the company's management and internal reporting structure.

The executive board assesses the performance of each segment based on revenue and gross profit after distribution expenses, which excludes administrative expenses.

	Year ended 29 February 2016			Total £000
	UK £000	Rest of Europe £000	Rest of world £000	
Revenue	130,096	22,630	42,668	195,394
Cost of sales	(56,149)	(9,955)	(16,379)	(82,483)
Gross profit	73,947	12,675	26,289	112,911
Distribution costs	(27,838)	(5,711)	(11,952)	(45,501)
Segment result	46,109	6,964	14,337	67,410
Administrative expenses	-	-	-	(53,450)
Other income	-	-	-	1,392
Operating profit				15,352
Finance expense	-	-	-	(596)
Profit before tax				14,756

	Year ended 28 February 2015			Total £000
	UK £000	Rest of Europe £000	Rest of world £000	
Revenue	94,342	18,086	27,423	139,851
Cost of sales	(37,911)	(7,275)	(9,620)	(54,806)
Gross profit	56,431	10,811	17,803	85,045
Distribution costs	(19,336)	(3,953)	(7,622)	(30,911)
Segment result	37,095	6,858	10,181	54,134
Administrative expenses	-	-	-	(41,805)
Other income	-	-	-	-
Operating profit				12,329
Finance expense	-	-	-	(421)
Profit before tax				11,908

Due to the nature of its activities, the company is not reliant on any individual customers.

No analysis of the assets and liabilities of each operating segment is provided to the chief operating decision maker in the monthly management accounts therefore no measure of segmental assets or liabilities is disclosed in this note. There are no material non-current assets located outside the UK.

3 Other income

	2016 £000	2015 £000
Income from warehouse management services (see note 18)	1,033	-
Gift to company from director for benefit of employees (see note 18)	359	-
	1,392	-

4 Finance income and costs

	2016 £000	2015 £000
Interest expense:		
- Interest paid on loans from related parties (see note 18)	(965)	(688)
- Bank borrowings	-	(14)
Finance costs	(965)	(702)
Finance income:		
- Interest income on short-term bank deposits	355	268
- Interest income on loans to related parties (see note 18)	14	13
Finance income	369	281
Net finance costs	(596)	(421)

5 Auditors' remuneration

	2016 £000	2015 £000
Audit of these financial statements	40	37
Disclosure below based on amounts receivable in respect of services to the company		
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	-	3
Other services relating to taxation	25	10
Transaction services fees	-	-
	65	50

6 Profit before tax

	2016 £000	2015 £000
Profit before tax is stated after charging:		
Operating lease rentals for buildings	712	588
Depreciation of property, plant and equipment	1,551	1,029
Amortisation of intangible assets	1,507	933

7 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Administration	489	418
Distribution	419	270
	908	688

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	23,461	15,861
Social security costs	2,224	1,446
Pension costs	325	249
Share-based payment charges	607	292
	26,617	17,848

8 Directors' and key management compensation

	2016	2015
	£000	£000
Directors		
Short-term employee benefits	1,592	1,077
Post-employment benefits	19	20
Share-based payment charges	8	1
	1,619	1,098

Key management

Short-term employee benefits	1,880	732
Post-employment benefits	46	29
Share-based payment charges	48	4
	1,974	765

The aggregate of emoluments of the highest paid director was £440,747 (2015: £262,254). The contributions to a money purchase pension scheme in respect of the highest paid director were £11,250 (2015: £12,000). The number of directors contributing to a money purchase pension scheme was 2 (2015: 2). Directors' emoluments are borne by the principal trading subsidiary and not recharged to the parent company.

9 Taxation

	2016	2015
	£000	£000
Analysis of charge in year		
Current tax on income for the year	3,226	2,501
Adjustments in respect of prior year taxes	(2)	58
Deferred taxation	(185)	(13)
Tax on profit on ordinary activities	3,039	2,546

The total tax charge differs from the amount computed by applying the blended UK rate of 20.1% for the year (2015: 21.1%) to profit before tax as a result of the following:

Profit on ordinary activities before tax	14,756	11,908
Profit before tax multiplied by the standard blended rate of corporation tax on the UK of 20.1% (2015: 21.1%)	2,963	2,518
<i>Effects of:</i>		
Expenses not deductible for tax purposes	6	(46)
Adjustments in respect of prior years	(2)	58
Depreciation in excess of capital allowances	72	16
Tax on profit on ordinary activities	3,039	2,546

A change to reduce the main rate of corporation tax to 17% from 1 April 2020 was announced in the Chancellor's budget on 16 March 2016. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. As the change to 17% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £35,000 and increase the tax expense by £35,000.

10 Intangible assets

	Patents and licences £000	Computer software £000	Total £000
Cost			
Balance at 1 March 2014	301	3,454	3,755
Additions	8	2,434	2,442
Disposals/retirements	-	(93)	(93)
Balance at 28 February 2015	309	5,795	6,104
Additions	-	1,488	1,488
Disposals/retirements	-	(208)	(208)
Balance at 29 February 2016	309	7,075	7,384
Accumulated amortisation			
Balance at 1 March 2014	88	615	703
Amortisation for year	30	903	933
Disposals/retirements	-	(93)	(93)
Balance at 28 February 2015	118	1,425	1,543
Amortisation for year	31	1,476	1,507
Disposals/retirements	-	(208)	(208)
Balance at 29 February 2016	149	2,693	2,842
Net book value			
At 28 February 2014	213	2,839	3,052
At 28 February 2015	191	4,370	4,561
At 29 February 2016	160	4,382	4,542

11 Property, plant and equipment

	Short leasehold	Fixtures and fittings	Computer equipment	Motor vehicles	Land & buildings	Total
	£000	£000	£000	£000	£000	£000
Cost						
Balance at 1 March 2014	639	1,996	1,070	82	32	3,819
Additions	8	1,416	613	18	3,669	5,724
Transfer from subsidiary	-	-	-	-	3,976	3,976
Disposals/retirements	(4)	(89)	(372)	(9)	-	(474)
Balance at 28 February 2015	643	3,323	1,311	91	7,677	13,045
Additions	123	6,201	285	22	5,492	12,123
Disposals/retirements	-	(26)	(31)	-	-	(57)
Balance at 29 February 2016	766	9,498	1,565	113	13,169	25,111
Accumulated depreciation						
Balance at 1 March 2014	236	644	567	24	-	1,471
Depreciation charge for the year	131	467	376	15	40	1,029
Transfer from subsidiary	-	-	-	-	165	165
Disposals/retirements	(4)	(89)	(372)	(9)	-	(474)
Balance at 28 February 2015	363	1,022	571	30	205	2,191
Depreciation charge for the year	116	819	454	21	141	1,551
Disposals/retirements	-	(26)	(31)	-	-	(57)
Balance at 29 February 2016	479	1,815	994	51	346	3,685
Net book value						
At 28 February 2014	403	1,352	503	58	32	2,348
At 28 February 2015	280	2,301	740	61	7,472	10,854
At 29 February 2016	287	7,683	571	62	12,823	21,426

12 Investments

The subsidiaries held and consolidated in these financial statements are set out below:

Name of company	Principal activity	Country of incorporation	Percentage ownership
Boo Who Limited	Dormant company	UK	100%
boohoo.com USA Limited	Dormant company	UK	100%
boohoo.com USA Inc	Marketing office	USA	100%
boohoo.com Australia Pty	Marketing office	Australia	100%
Shanghai Wasabi Frog Boohoo Ltd	Dormant company	China	100%

13 Deferred tax

	Depreciation in excess of capital allowances £000	Share-based payments £000	Total £000
At 1 March 2014	33	-	33
Recognised in statement of comprehensive income	(45)	58	13
At 28 February 2015	(12)	58	46
Recognised in statement of comprehensive income	74	111	185
At 29 February 2016	62	169	231

Recognition of the deferred tax assets is based upon the expected generation of future taxable profits. The deferred tax is expected to be recovered in more than one year's time.

14 Inventories

	2016 £000	2015 £000
Finished goods	18,669	11,188

The value of inventories included within cost of sales for the year was £82,187,000 (2015: £54,682,000). An impairment provision of £296,000 (2015: £124,000) was charged to the statement of comprehensive income.

15 Trade and other receivables

	2016	2015
	£000	£000
Amounts due from related party undertakings (note 18)	1,085	447
Trade and other receivables	4,937	2,768
Prepayments and accrued income	1,463	1,016
	7,485	4,231

Trade and other receivables represent amounts due from wholesale customers and advance payments to suppliers. Receivables past due are £142,000 (2015: £nil). The provision for impairment of receivables is £318,000 (2015: £116,000).

The fair value of trade and other receivables is not materially different from the carrying value.

16 Trade and other payables

	2016	2015
	£000	£000
Trade payables	11,254	8,037
Amounts owed to related party undertakings (note 18)	27,457	36,687
Other payables	164	90
Accruals and deferred income	15,251	8,326
Taxes and social security payable	3,294	1,453
	57,420	54,593

The fair value of trade and other payables is not materially different from the carrying value.

17 Share capital and reserves

	2016	2015
	£000	£000
22,686 authorised and fully paid ordinary shares of 1p each (2015: 22,686)	-	-
Share premium	28	28
	28	28

No dividends have been paid or are payable for the year ended 29 February 2016 (2015: £nil).

18 Related party disclosures

Related party	Nature of relationship	2016 £000	2015 £000
<u>Amounts included in the statement of financial position</u>			
Amounts due from related party undertakings			
21Three Clothing Company Limited (t/a Pretty Little Thing)	Owners and directors are the sons of Mahmud Kamani	613	-
Kamani Commercial Property Limited	Common directors and shareholders	-	13
boohoo.com USA Inc	Subsidiary	-	23
ABK Limited	Immediate parent undertaking	472	411
Amounts owed to related party undertakings			
Kamani Construction Limited	Common directors and shareholders	12	-
Kamani Commercial Property Limited	Common directors and shareholders	5	9
boohoo.com USA Inc	Subsidiary	17	-
boohoo.com plc	Ultimate parent undertaking	27,423	36,678
Fixed assets – property			
Jogo Associates Limited Pension Scheme	Mahmud Kamani is a beneficiary of the Jogo pension scheme	1,600	-
<u>Amounts included in the statement of comprehensive income</u>			
Other income			
21Three Clothing Company Limited (t/a Pretty Little Thing)	Owners and directors are the sons of Mahmud Kamani	1,033	-
Mahmud Kamani	Director's gift to company for benefit of employees re bonus payments	359	-
Distribution costs - rent			
Boo Who Limited	Subsidiary	-	297
Purchases			
The Pinstripe Clothing Co. Limited	Common directors and shareholders	-	29
Kamani Construction Limited	Common directors and shareholders	22	75
Admin costs - marketing			
The White Cube Creative Limited	Director of supplier is a domestic partner of boohoo.com plc director	71	103
boohoo.com USA Inc	Subsidiary	487	71
Admin costs – office rental			
Kamani Commercial Property Limited	Common directors and shareholders	761	773
Loan interest – (paid)/received			
ABK Limited	Immediate parent undertaking	14	13
boohoo.com plc	Ultimate parent undertaking	(965)	(688)

boohoo.com UK Limited provided chargeable third party logistics services for 21Three from September 2015 and received income as shown above under warehouse management services.

boohoo.com UK Limited also acquired the freehold interest in office premises adjacent to its current head office, from Jogo Associates Limited Pension Scheme, a related company, for £1.6 million.

19 Financial instruments

(a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair values

	2016 £000	2015 £000
Financial assets		
Cash and cash equivalents	38,162	43,889
Cash flow hedges	63	852
Trade and other receivables	6,022	3,215
	44,247	47,956
	2016 £000	2015 £000
Financial liabilities		
Cash flow hedges	4,901	31
Trade and other payables	54,126	53,140
	59,027	53,171

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables from customers and hedging and other financial activities.

The company faces minimal credit risk from trade receivables as customers pay for their orders in full at the time of purchase and third party sales are to a small number of large established corporations. The risk of default from related party undertakings is considered low.

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The company's approach to managing liquidity is to use both short-term and long-term cash forecasts to assist in monitoring cash flow requirements.

(d) Capital risk

Financial risk management

Capital risk is the risk that the company will not be able to continue as a going concern.

The company's approach to managing capital risk is to safeguard the company's ability to continue as a going concern by securing an appropriate mix of debt and equity funding, a strong credit rating and sufficient headroom. The capital structure is regularly reviewed to ensure it is appropriate to the company's strategic objectives. The funding requirements of the company are ascertained by regular cash flow forecasts and projections. At 29 February 2016 the company had capital of £64.7 million (2015: £63.8 million), comprising equity of £26.5 million (2015: £19.9 million) and cash of £38.2 million (2015: £43.9 million).

(e) Foreign currency risk

Financial risk management

The company trades internationally and is exposed to exchange rate risk on purchases and sales, primarily in Australian dollars, euros and US dollars. The company's results are presented in sterling and are exposed to exchange rate risk on translation of foreign currency assets and liabilities.

The company's approach to managing foreign currency risk is to use financial instruments in the form of forward foreign exchange contracts to hedge foreign currency cash flows.

The fair value of forward foreign exchange contracts recognised in the Statement of Financial Position within financial assets at 29 February 2016 was £63,000 (2015: £852,000) and within financial liabilities was £4,901,000 (2015: £31,000). The non-current element of the financial assets is £28,000 (2015: £nil) and of financial liabilities is £610,000 (2015: £nil). Cash flows related to these contracts will occur during the two years to 28 February 2018 and gains or losses will be recognised in the statement of comprehensive income during those periods. The amount recognised in other comprehensive income during the year is a loss of £5,661,000 (2015: gain of £802,000) and the amount reclassified from other comprehensive income to profit and loss during the year is a gain of £802,000 (2015: gain of £20,000).

20 Share-based payments

Summary of movements in awards

Number of shares	ESOP	NED Plan	SIP	SAYE	Total	Weighted average exercise price pence
Outstanding at 14 March 2014	-	-	-	-	-	-
Granted during the year	11,508,000	3,100,000	2,900,370	-	17,508,370	41.72
Lapsed during the year	(710,000)	-	(580,437)	-	(1,290,437)	27.51
Exercised during the year	-	-	-	-	-	-
Outstanding at 28 February 2015	10,798,000	3,100,000	2,319,933	-	16,217,933	42.85
Exercisable at 28 February 2015	-	-	-	-	-	-
Granted during the year	11,539,854	-	1,942,624	5,241,493	18,723,971	21.86
Lapsed during the year	(1,667,000)	(3,100,000)	(802,891)	(480,780)	(6,050,671)	39.29
Exercised during the year	-	-	-	-	-	-
Outstanding at 29 February 2016	20,670,854	-	3,459,666	4,760,713	28,891,233	29.99
Exercisable at 29 February 2016	-	-	-	-	-	-

The company recognised a total expense of £607,000 during the year (2015: 292,000) relating to equity settled share-based payment transactions.

Employee Stock Ownership Plan (ESOP)

The 2014 ESOP allows the grant of options in the parent company to selected employees and executive directors of the company, based on a predetermined aggregate EBITDA target for the group for the three financial years 2015 to 2017. The 2015 ESOP allows the grant of options to selected employees and executive directors of the company. With the exception of N Catto (CFO) there are no performance criteria. N Catto's options are subject to achieving performance criteria based on a predetermined aggregate group EBITDA target and a measure of Total Shareholder Return for the three financial years ending 2016 to 2018. Options may be granted by either the board or the trustees of the Employee Benefit Trust.

Date of grant	1 March 2015 no. of shares	Granted during the year no. of shares	Lapsed during the year no. of shares	Exercised during the year no. of shares	29 February 2016 no. of shares	Exercise price pence	Exercise period
14/03/14	9,034,000	-	(1,217,000)	-	7,817,000	50.00	14/03/17 – 13/03/24
27/03/14	776,000	-	-	-	776,000	50.00	27/03/17 – 26/03/24
04/07/14	988,000	-	-	-	988,000	50.00	04/07/17 – 03/07/24
22/05/15	-	11,539,854	(450,000)	-	11,089,854	25.75	22/05/18 – 21/05/25
	10,798,000	11,539,854	(1,667,000)	-	20,670,854		

The ESOP options were valued using a Black Scholes model. The inputs into the model were as follows:

Grant date	14/03/14	27/03/14	04/07/14	22/05/15
Share price at grant date	50.00	59.25	44.25	25.75
Exercise price	50.00	50.00	50.00	25.75
Number of employees	118	4	2	154
Shares under option	7,817,000	776,000	988,000	11,089,854
Vesting period (years)	3	3	3	3
Expected volatility	33.33%	33.25%	33.45%	36.33%
Option life (years)	10	10	10	10
Expected life (years)	3	3	3	3
Risk free rate	0.976%	1.067%	1.303%	0.966%
Expected dividends expressed as a dividend yield	0%	0%	0%	0%
Possibility of ceasing employment before vesting	30%	10%	10%	20%
Expectations of meeting performance criteria	nil	nil	nil	100%
Fair value per option (pence)	11.93	18.33	8.71	6.64

NED Plan

The NED Plan allows the grant of option to certain non-executive directors of the parent company who are paid by the company. The terms of the NED Plan mirror the terms of the ESOP other than for participation limits and the use of an employee benefit trust. Each of the non-executive directors that were awarded options waived his right to these awards during the year, such that no non-executive directors now hold any options in boohoo.com plc. It is not intended that further options be granted under the NED Plan, in accordance with best corporate governance practice.

Date of grant	1 March 2015 no. of shares	Granted during the year no. of shares	Lapsed during the year no. of shares	Exercised during the year no. of shares	29 February 2016 no. of shares	Exercise price Pence	Exercise period
14/03/14	3,100,000	-	(3,100,000)	-	-	50.00	14/03/17 – 13/03/24

The NED options were valued using a Black Scholes model. The inputs into the model were as follows:

Grant date	14/03/14
Share price at grant date	50.00
Exercise price	50.00
Number of employees	-
Shares under option	-
Vesting period (years)	3
Expected volatility	33.33%
Option life (years)	10
Expected life (years)	3
Risk free rate	0.976%
Expected dividends expressed as a dividend yield	0%
Possibility of ceasing employment before vesting	0%
Expectations of meeting performance criteria	nil
Fair value per option (pence)	11.93

Share Incentive Plan (SIP)

Under the terms of the SIP, the board or the trustees of the Employee Benefit Trust grant free shares in the parent company to every employee under an HMRC approved SIP. Awards must be held in trust for a period of at least three years after grant date and become exercisable at this date. There are no performance criteria.

Date of grant	1 March 2015 no. of shares	Granted during the year no. of shares	Lapsed during the year no. of shares	Exercised during the year no. of shares	29 February 2016 no. of shares	Exercise price pence	Exercise period
14/03/14	2,172,000	-	(486,000)	-	1,686,000	nil	14/03/17 – 13/03/24
02/04/14	147,933	-	(38,353)	-	109,580	nil	02/04/17 – 01/04/24
19/06/15	-	1,942,624	(278,538)	-	1,664,086	nil	19/06/18 – 18/06/25
	2,319,933	1,942,624	(802,891)	-	3,459,666		

The SIP options were valued using a Black Scholes model. The inputs into the model were as follows:

Grant date	14/03/14	02/04/14	19/06/15
Share price at grant date	50.00	54.26	28.00
Exercise price	nil	nil	nil
Number of employees	281	20	466
Shares under option	1,686,000	109,580	1,664,086
Vesting period (years)	3	3	3
Expected volatility	33.33%	33.20%	35.89%
Option life (years)	10	10	10
Expected life (years)	3	3	3
Risk free rate	0.976%	1.143%	0.979%
Expected dividends expressed as a dividend yield	0%	0%	0%
Possibility of ceasing employment before vesting	50%	45%	45%
Expectations of meeting performance criteria	100%	100%	100%
Fair value per option (pence)	50.00	54.26	28.00

Expected volatility was found using a historical volatility calculator with reference to the share price of competitors over a three year period.

Save As You Earn (SAYE) scheme

Under the terms of the SAYE scheme, the board or the trustees of the Employee Benefit Trust grants options to purchase ordinary shares in the parent company to employees who enter into an HMRC approved SAYE scheme for a term of three years. Options are granted at up to a 20% discount to the market price of the shares on the day preceding the date of offer and are exercisable for a period of six months after completion of the SAYE contract.

Date of grant	1 March 2015 no. of shares	Granted during the year no. of shares	Lapsed during the year no. of shares	Exercised during the year no. of shares	29 February 2016 no. of shares	Exercise price pence	Exercise period
29/06/15	-	5,241,493	(480,780)	-	4,760,713	21.40	29/06/18 – 28/12/18

The SAYE options were valued using a Black Scholes model. The inputs into the model were as follows:

Grant date	29/06/15
Share price at grant date	27.25
Exercise price	21.40
Number of employees	245
Shares under option	4,760,713
Vesting period (years)	3
Expected volatility	35.78%
Option life (years)	3.5
Expected life (years)	3
Risk free rate	1.052%
Expected dividends expressed as a dividend yield	0%
Possibility of ceasing employment before vesting	30%
Expectations of meeting performance criteria	100%
Fair value per option (pence)	9.63

Expected volatility was found using a historical volatility calculator with reference to the share price of competitors over a three year period.

21 Capital commitments

Capital expenditure contracted for at the end of the reporting year but not yet incurred is as follows:

	2016 £000	2015 £000
Property, plant and equipment	-	2,622

22 Operating Leases

The company has lease agreements in respect of properties, plant and equipment, for which the payments extend over a number of years. The total of future minimum lease payments under non-cancellable operating leases due in each period are:

	2016 £000	2015 £000
Within one year	734	690
Within two to five years	2,363	2,257
In more than five years	1,445	1,976
	4,542	4,923

23 Contingent liabilities

From time to time, the company can be subject to various legal proceedings and claims that arise in the ordinary course of business which may include cases relating to the company's brand and trading name. All such cases brought against the company are robustly defended and a liability is recorded only when it is probable that the case will result in a future economic outflow and that the outflow can be reliably measured.

As at 29 February 2016, there are no pending claims or proceedings against the company which are expected to have material adverse effect on its liquidity or operations.

24 Ultimate parent undertaking and controlling party

The immediate parent undertaking is ABK Limited incorporated in Jersey, registered number 106424.

On 14 March 2014, boohoo.com plc acquired 100% of the share capital of ABK Limited and from that date the ultimate parent undertaking and controlling party became boohoo.com plc incorporated in Jersey, registered number 114397.

There is no requirement for boohoo.com UK Limited to produce consolidated financial statements in the UK or for ABK Limited to produce consolidated financial statements in Jersey and so the financial statements of boohoo.com plc are the smallest and largest group to consolidate these financial statements. Copies of boohoo.com plc consolidated financial statements can be obtained from the website www.boohooplc.com or from the Company Secretary at 49-51 Dale Street, Manchester, M1 2HF.