

boohoo.com UK Limited

Annual report and financial statements

Registered number 05723154

For the year ended 28 February 2017



Contents

Company information	3
Strategic report	4
Directors' report	18
Statement of directors' responsibilities in respect of the annual report and financial statements	21
Independent auditors' report to the members of boohoo.com UK Limited	22
Statement of comprehensive income	24
Statement of financial position	25
Statement of changes in equity	26
Cash flow statement	27
Notes to the financial statements	28

Company Information

Directors

M A Kamani

C Kane

N Catto

J A Kamani (resigned 3 April 2017)

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 UK Limited owns the brands boohoo and boohooMAN and designs, sources, markets and sells clothing, shoes, accessories and beauty products targeted at 16-30 year old consumers in the UK and internationally. The company has a strong presence in the UK, US, Ireland and Australia, and sells products to customers in almost every country in the world.

Founded in Manchester in 2006, boohoo is an inclusive and innovative brand targeting young, value-orientated customers. For over 10 years, boohoo has been pushing boundaries to bring its customers up-to-date and inspirational fashion, 24/7. boohoo has grown rapidly in the UK and internationally, expanding its offering with range extensions into menswear and children's wear, through boohooMAN and boohooKIDS and now has over five million active customers.

boohoo has a strong presence in the UK, Ireland, USA and Australia and sells products to customers in almost every country in the world. 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. Hundreds of products are added to the website each week uploaded via our on-site photography and art studio and displayed in gallery photos. The speed and agility of the company ensures it is first to market with the latest on-trend styles and fashion.

Our vision and ambition

The company's ambition and growth prospects are underpinned by forecast growth in both the domestic and international online fashion retail markets, a highly efficient product sourcing model and a robust infrastructure development plan.

Our vision is to be leading the e-commerce fashion market for 16 to 30 year-olds, which we will drive through our strategic priorities: **Insight, Investment, Innovation and Integration**.

- **Insight** - creating a competitive customer proposition.
- **Investment** - delivering organic growth to increase market share.
- **Innovation** - driving customer engagement.
- **Integration** - integrating new brands.

boohoo's product strategy is to continue to grow womenswear in plus, tall and petite sizes, extend the range of accessories and fashion footwear, develop lingerie, maternity and beauty lines, to offer a comprehensive range of clothing, footwear and accessories under the boohooMAN brand and grow children's wear ranges.

Performance during the year

Revenue for the year increased to £283.4 million, up 45% (44% CER) on the previous year.

Growth in the UK, our largest market, was 33%, with revenue reaching £173.2 million.

In overseas markets, our growth has been very robust. In the USA, growth was 140% (119% CER) and revenue was £39.6 million, driven by our successful customer proposition and the cumulative benefits of effective marketing to grow the customer base. Growth in the rest of Europe was 50% (44% CER) and in the rest of the world was 40% (42% CER).

Additional breadth in the product range has contributed to revenue growth, with several new product categories introduced in the year. A key focus during the year has been on the efficiency of marketing and overheads, which have been reduced as a percentage of revenue.

Fashion

Our aim is to offer the customer the best prices and the widest choice in fashion. We stock over 29,000 styles and keep this offering fresh and up-to-date with the very latest fashion trends with over 100 new styles arriving each week. Our test-and-repeat model reduces stock holding risk, whilst rapid response enables us to reorder strong selling lines to quickly satisfy demand.

The performance of core womenswear ranges of dresses, tops, jackets and footwear has continued to be strong, whilst our continually expanding ranges have generated robust revenue growth: plus-size and petite have grown strongly and attained a high level of revenue and the more recently-introduced tall and lingerie ranges have made a very promising start.

The “Stylefix” section of the website is the place where female customers can enjoy keeping up with fashion trends through highly engaging lifestyle content. Customers can get fashion tips, watch videos and read interesting articles by bloggers as well as contributing to the site themselves.

Menswear sales have doubled over the previous year as the product range has expanded and the launch of the separate boohooMAN website earlier in the year helped better focus the proposition on a male audience. The boohooMAN site has an appealing fashion and lifestyle section, the MANual, which further enriches the shopping experience.

In the second half of the year we introduced boohooKIDS, a range of children’s clothing for girls and boys in the 5 to 12 age range, which was highly successful. We also introduced a small maternity range. We plan to build on the early success of these ranges in 2017.

Marketing

Our highly successful “WeAreUs” campaigns continue to promote brand visibility across TV, traditional media, events and social media channels. The campaigns have become synonymous with the brand and continue to contribute to attract new customers whilst also ensuring existing customers are constantly engaged with the brand. We continue to make use of social media platforms for marketing and our campaigns are used alongside the ongoing blogger, influencer and ambassador outreach. This delivers bespoke user-generated content, promoting the brand and the latest products on both boohoo and third party influencer channels. The influencer community continues to play an integral part in our marketing efforts and we have worked with hundreds of bloggers and influencers across our key geographic markets in the last twelve months.

boohoo contributors and student ambassador programmes complement the ongoing outreach, helping us to develop new talent in the ever-changing influencer landscape. Contributors and ambassadors deliver evergreen content which is published across both boohoo’s and their own social channels as well as our consumer facing online magazine ‘The Fix’.

Our work with celebrities, developing fashion collaborations and staging of events, has supported our growth and helped us reach a large audience. International curve model and blogger Jordyn Woods, worked with us on a collaboration in the summer and the launch party for her range in Los Angeles attracted many “A list” celebrities and influencers. Pop-up stores were set up in both Paris and Los Angeles to promote the boohoo brand amongst students. Our US efforts have been supported by #boohooontheroad, a cross-country road tour showcasing the boohoo brand to students on spring break. This took place in six cities and finished at the world famous music festival, Coachella. The brand offering has expanded with the introduction of boohooKIDS and maternity. We sponsored Graduate Fashion Week in the UK and staged a number of media events, which further increased awareness of the brand.

The boohooMAN.com website was launched in March 2016, with celebrities fronting promotional activity. This has contributed to an acceleration in menswear sales, supported by a continuously increasing product range and marketing activity focused on the young male audience. We have also undertaken a series of shoots with key influencers, who have global followings.

Through the use of advanced analytical tools and techniques, we have been able to target marketing activities more effectively. Customer surveys have also assisted in identifying efficient campaigns. Reaching new customers through social media is an integral part of our strategy that we have given special attention to in the last six

months, which has seen our average weekly post reach on Facebook rise from seventy thousand to between fifteen and twenty million on average. With increased exposure globally on Facebook Live, Snapchat, Instagram and Instagram stories, this has contributed to both brand awareness and revenue growth.

Customer interaction

The number of active customers, who shopped with boohoo in the last 12 months, increased by 29% to 5.2 million and the number of website sessions grew by 21% to 249 million. Order frequency has risen by 3%, with customers placing an order with us, on average, 2.1 times in 12 months. Conversion rate to sale improved from 4.0% to 4.4% of sessions. On social media we have 4.4 million followers on Instagram, 3.1 million Facebook likes, 0.5 million followers on Twitter and 0.7 million views recorded on YouTube.

We have invested heavily in training and development of our customer services function to support the rapid growth of the business, with coaches providing constant support to advisers. We have also created first and second line teams, which allows more complex and time-consuming customer issues to be resolved by specialists. Live chat has been introduced on the website in response to requests via customer surveys and has been very well received. Increasingly customers prefer to use social media to contact us because of its convenience and we are proud that we typically respond to queries within one hour.

boohoo 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+ returns in the UK. In the second half of the year we introduced boohoo Premier, which offers an unlimited next day delivery service in the UK for an annual fee, and has received a very favourable customer response.

Technology

Apps continue to grow in popularity for shopping on mobile devices, with mobile devices accounting for 70% of sessions (up from 66% last year). We will be launching more country-specific apps during 2017, following on from those already in use in our key UK, USA and Australian markets, which have achieved 2.2 million downloads to date. The existing app platform will also be upgraded, in line with our strategy of continually improving app functionality and customer experience.

In the second half of the year, the US and certain European websites were transferred to a new platform, delivering faster performance for the consumer as well as more systems flexibility. All other markets will be gradually transitioned to this platform in 2017, with the benefit of efficiency and cost savings upon completion.

New channels and changing trends are facilitated by our systems architecture, built around the concept of multiple customer channels supported with common infrastructure. Around this architecture, we will continue to make significant investments in the latest sophisticated and most stable platforms in 2017.

Warehouse

The warehouse was expanded by three more mezzanine floor layers, increasing capacity by another 275,000 square feet to 525,000 square feet total capacity, sufficient for medium term future growth. Construction of a second warehouse extension at our Burnley site is under way and is expected to be complete in early 2018, adding 900,000 square feet of storage. This will provide sufficient capacity for a £1 billion net sales operation.

We are investing in a substantial refurbishment and expansion of welfare facilities at the warehouse, which will include an enlarged new canteen, rest area and gym to be completed by summer 2017.

People

We made one additional senior management appointment during the year, that of supply chain director, following a number of senior appointments last year. We appointed a number of skilled middle-management positions and undertook several large-scale training and development programmes as part of our up-skilling and retention policy for staff development.

The rate of growth in revenue has required an increase in personnel in the volume-related functions in customer service and warehousing. The total permanent workforce now stands at 1,415, up from 1,015 at 29 February 2016.

Financial review

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

Sales revenue by geographical market

	2017 £000	2016 £000	Change	Change CER
UK	173,170	130,096	+33%	+33%
Rest of Europe	33,912	22,630	+50%	+44%
USA	39,619	16,523	+140%	+119%
Rest of world	36,677	26,145	+40%	+42%
	283,378	195,394	+45%	+44%

KPIs (retail)

	2017	2016	Change
Active customers ⁽¹⁾	5.2 million	4.0 million	+29%
Number of orders	11.1 million	8.3 million	+33%
Order frequency ⁽²⁾	2.13	2.07	+3%
Conversion rate to sale ⁽³⁾	4.4%	4.0%	+40bps
Average order value ⁽⁴⁾	£37.76	£33.59	+12.4%
Number of items per basket	2.89	2.62	+10.3%

1. Defined as having shopped in the last 12 months
2. Defined as number of orders in last 12 months divided by number of active customers
3. Defined as the percentage of orders taken to internet sessions
4. Calculated as gross sales including sales tax divided by the number of orders

Active customer numbers have increased by 29% compared to the previous 12 month period as we continue to grow our customer base and retain existing customers. Conversion rates have increased to 4.4%, supported by our attractive proposition. Average order value has risen by 12.4% to £37.76 driven by the number of items per basket increasing by 10.3% to 2.89 and by the greater proportion of international business, which has a higher average order value than the UK business.

Income statement

	2017 £000	2016 £000	Change
Revenue	283,378	195,394	+45%
Cost of sales	(129,026)	(82,483)	+56%
Gross profit	154,352	112,911	+37%
<i>Gross margin</i>	<i>54.5%</i>	<i>57.8%</i>	<i>-330bps</i>
Distribution costs	(65,152)	(45,501)	
Administrative expenses	(63,758)	(53,450)	
Other income	4,424	1,392	
Operating profit	29,866	15,352	+95%
Finance expense	(505)	(596)	
Profit before tax	29,361	14,756	+99%
Adjusted EBITDA	36,054	19,017	+90%
Calculation of adjusted EBITDA			
Operating profit	29,866	15,352	
Depreciation and amortisation	4,292	3,058	
Equity-settled share-based payments charge	1,896	607	
Adjusted EBITDA	36,054	19,017	

Gross margin reduced from 57.8% to 54.5%, primarily due to an increase in promotional activity, which has in turn increased sales growth.

Distribution costs have increased with revenue growth and remained broadly in line as a percentage of revenue. 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 but also decreased as a percentage of revenue.

EBITDA (adjusted) increased by 90% from £19.0 million to £36.1 million and, as a percentage of revenue, increased from 9.7% to 12.7%, due to significant revenue growth allowing the cost base to be leveraged.

Taxation

The effective rate of tax for the year was 20.5% (2016: 20.6%), which is marginally higher than the blended UK statutory rate of tax for the year of 20% (2016: 20.1%) principally due to depreciation in excess of capital allowances.

Statement of financial position

	2017 £000	2016 £000
Intangible assets	4,921	4,542
Property, plant and equipment	31,335	21,426
Financial assets	231	28
Deferred tax asset	4,494	231
Non-current assets	40,981	26,227
Working capital	(17,578)	(31,266)
Net financial liabilities	(11,817)	(4,866)
Cash and cash equivalents	52,352	38,162
Interest bearing loans and borrowings	(11,910)	-
Current tax liability	(3,625)	(1,769)
Net assets	48,403	26,488

Net assets have increased by £21.9 million (83%), 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 £14.0 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 increased trading activity. Property, plant and equipment has risen by £9.9 million due to warehouse and office investment.

Liquidity and financial resources

Free cash flow was £7.8 million compared to (£2.6) million the previous year. During the year the company made £14.0 million of loan repayments to its ultimate parent undertaking, boohoo.com plc. Other working capital requirements increased: 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 £14.6 million as we have continued to invest in our warehouse and IT systems to support projected growth in trade. In February 2017 a five year loan of £11.9 million was taken out by the company to fund the group's acquisition of Nasty Gal intangible assets (see note 17). The closing cash balance was £52.4 million.

Cash flow statement

	2017 £000	2016 £000
Profit for the year	23,339	11,717
Depreciation charges and amortisation	4,292	3,058
Share-based payments charge	1,896	551
Tax expense	6,022	3,039
Finance expense	505	596
Increase in inventories	(10,318)	(7,481)
Increase in trade and other receivables	(5,121)	(3,282)
Increase in trade and other payables	1,809	2,827
Capital expenditure	(14,580)	(13,611)
Free cash flow	7,844	(2,586)
Interest paid	(562)	(570)
Tax paid	(5,002)	(2,571)
Proceeds from new loan	11,910	-
Net cash flow	14,190	(5,727)
Cash and cash equivalents at beginning of year	38,162	43,889
Cash and cash equivalents at end of year	52,352	38,162

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 a wide choice of quality products at value prices lower than those available on the high street with the convenience of home delivery. The company's target market of 16 to 30 year olds has a high propensity to spend on fashion and the market is resilient to external macroeconomic factors.

Outlook

The outlook for online fashion retail is very positive, with young consumers globally preferring the choice, price and convenience of online shopping. For us this creates a great opportunity to continue to expand our business operations across the globe. With the addition this year of two highly successful and attractive brands, we are building a robust business capable of meeting the demand and challenges in our sector.

We will continue to focus on delivering our winning strategy, refining and adapting our proposition as market conditions change and as new opportunities arise. Our focus will be to continue to develop key markets with the greatest growth potential, to invest in technology and deliver the most exciting products at great prices to consumers with excellent customer service.

How we manage risk

Risk management

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 our market share - European competitors may gain an advantage over the company following the UK's decision to leave to EU if higher duties are imposed on UK imports into the EU	- 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 ecommerce trends are monitored to keep abreast of the latest developments and innovations - Performance targets control key deliverables (product quality, customer service and traffic) - Developments in the EU are being monitored subsequent to the UK's decision to leave the EU
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 and PCI requirements
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 • Labour or environmental abuse in the supply chain could result in closure of supply or reputational damage	• 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 • Regular auditing of suppliers, unscheduled inspections and imposition of conformance agreements ensures adequate standards are maintained in the supply chain as far as possible
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 recovery 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 person 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

Social responsibility

At boohoo, we are guided by our values of passion, agility, creativity and teamwork. We pride ourselves on our inclusive culture and team spirit and we believe in operating in a fair and sustainable manner.

It is important for us to run our business in a way that benefits all of our stakeholders and we seek to engage with them on a regular basis. We have a proactive programme for delivering our social responsibility policy which is regularly reviewed and reported upon to the Audit Committee.

Supply chain operations

As a fast-growing responsible brand, we recognise our duty of care to the people involved in the creation of our products. We therefore take our supply chain operations extremely seriously and have a demanding set of procedures and policies to which all suppliers must adhere. We are dedicated to working with our suppliers to help promote better working standards for the future and we hope to lead the way in encouraging open and transparent supply chain operations.

- boohoo is a member of SEDEX (the Supplier Ethical Data Exchange), a not-for-profit organisation that provides access to independent and comprehensive third party audit reports on suppliers and their factories.
- Our suppliers are required to undertake a SMETA (SEDEX Members Ethical Trade Audit) to assess the quality of their operations.
- SMETA audits are supplemented by regular audits from our in-house Sourcing and Compliance team who help suppliers ensure they are compliant with law and regulations.
- We have an in-house Quality Assurance Team whose remit is to ensure our products are compliant with consumer protection and product safety legislation, including REACH (Registration, Evaluation, Authorisation & Restriction of Chemicals) regulations, and are consistent in size.
- We require our suppliers to periodically sign compliance letters acknowledging their adherence to our standards, the most recent of which were signed in December 2016.
- We hold an annual supplier conference and all of our suppliers have access to our supplier manual via a portal to ensure they are aware of boohoo's standards, policies and procedures.

boohoo's Code of Conduct and Ethical Trade Policy

boohoo's current group Ethical Trade Policy is based on the Ethical Trade Initiative (ETI) base code, which sets worldwide standards of labour practice. The ETI is an alliance of retailers, manufacturers, NGOs and trade union organisations. The group continues to assess a number of options with regard to how it can improve upon its current ethical position, including improving its own robust standards with third party governance oversight.

boohoo's Code of Conduct advises suppliers that:

- *Employment is freely chosen:* there must be no forced, bonded or involuntary prison labour. Workers should be free to leave their employer after a reasonable notice period.
- *Child labour shall not be used:* suppliers must not use child labour and have sufficient policies in place in relation to slavery and human trafficking.
- *No harsh or inhumane treatment is allowed:* physical abuse or discipline, the threat of physical abuse, sexual or other harassment, verbal abuse, or other forms of intimidation shall be prohibited.
- *Suppliers must comply with local laws:* boohoo expects its suppliers to be in full compliance with the laws and regulations of the countries in which they operate.
- *Living wages must be paid:* wages and benefits for a standard working week must meet the minimum, national legal standards or industry benchmark standards, whichever is higher.
- *There should be no discrimination in the work place:* discrimination on the basis of race, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation is prohibited.
- Suppliers must comply with all relevant laws and regulations regarding the protection and preservation of the environment.

- *Regular employment must be provided:* to every extent possible, work performed must be on the basis of a recognised employment relationship established through national law and practice.
- *Working conditions must be safe and hygienic:* a safe and hygienic working environment must be provided, bearing in mind prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury occurring in the course of work. Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers.
- *Working hours must not be excessive:* working hours must comply with national laws and benchmark industry standards, whichever affords greater protection.
- *The supplier will conduct itself with proper business integrity:* there shall be no improper advantage sought, including the payment of bribes, to secure delivery of goods or services to the boohoo.com plc group.
- Suppliers must co-operate with boohoo to ensure these standards are met.

Workplace and community

We take the welfare of all of our 1,415 employees extremely seriously and we continue to invest in our people, who we encourage to develop and grow with the business.

- Our annual “your-view” all-employee survey is a key activity in employee engagement in which anonymous and honest feedback is encouraged.
- We actively seek ways to alleviate unemployment in young people and provide opportunities for young people to reach their potential.
- In 2015, 122 previously unemployed people were taken on permanently at our Burnley distribution centre, and in 2016, 322 agency employees were made permanent employees.
- We work in partnership with Burnley College to support our existing staff on apprenticeship programmes and we continue to invest in the number of apprenticeship opportunities we offer.
- We encourage diversity in the workforce – last year the percentage of males was 46% and females 54% and we have 37% of senior management positions held by women.

Number of employees of each gender at the yearend:

	Male	Female
Directors of the parent company	5	2
Senior managers	26	15
Other employees	621	746
	652	763

We are proud to give back to the local community via a number of initiatives. In 2016, boohoo raised £37,000 through colleague fundraising events and charitable donations. Highlights included:

- Events for the Pendleside Hospice in Burnley, including a boohoo sample sale which raised £7,600.
- Platinum sponsor at Graduate Fashion Week.
- Donation of approximately 30,000 units of product to local charities, resulting in estimated £80,000 of sales in charity shops.
- boohoo has a Student Ambassador Program working with 35 students across 33 different universities in the UK. The students have a combined social reach of 358,003 contributing posts on social media using #mystudentstyle.

Last year we implemented a charity strategy centring on Teenage Cancer Trust, Ditch the Label and World Vision in the UK, together with a number of charities local to head office and the Burnley distribution centre.

Environment

boohoo.com UK Limited acts responsibly to reduce energy consumption and to use energy more efficiently to reduce its environmental impact. We monitor and report on all wastage.

- All of the cardboard and plastic waste from our warehouse is recycled.
- For our Manchester site, we recycle all paper and plastic waste.

- At the 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.
- Energy efficient storage heaters have been installed in offices unconnected to the wet system.
- Solar panels are to be installed in one of the recently acquired head office buildings with a view to rolling this out across the various sites.
- The CO2 output from heating and lighting in the offices and warehouse in the year was 2,165 tonnes (2016: 1,842 tonnes) and from employee air travel was 244 tonnes (2016: 152 tonnes).

Our customers

At boohoo we pride ourselves on our inclusive brand and its ability to celebrate and promote diversity. Our customers continue to inspire us and motivate us to supply the latest cutting-edge trends at the best prices around. We continue to develop our ranges to offer clothing to suit every shape and size and we work very closely with several model agencies in order to promote responsible and healthy body images.

We are passionate about customer services. As a brand that focuses on 24/7 fashion we recognise that getting our products to our customers hassle-free is extremely important. We offer free UK and Ireland returns and our customer services team is on hand to support through convenient and flexible channels.

On behalf of the board



Mahmud Kamani
Joint CEO



Carol Kane
Joint CEO



Neil Catto
CFO

29 June 2017

Directors' report

The directors present their directors' report and audited financial statements for the year ended 28 February 2017.

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 17 provides this review and financial position and these are incorporated by cross reference and form part of this report.

Results and dividends

Company profit after tax for the year to 28 February 2017 was £23.3 million (2016: £11.7 million). The audited financial statements for the year for the company are set out on pages 24 to 48.

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 (resigned 3 April 2017)

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 17.

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 net cash balance of £40.4 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 2020.

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 20 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.

Greenhouse gas emissions

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. The section on social responsibility on pages 15 to 17 is incorporated into this report by cross-reference.

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.

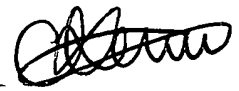
Independent auditors

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
Joint CEO



Carol Kane
Joint CEO



Neil Catto
CFO

29 June 2017

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

The directors are responsible for preparing the strategic report, the 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. 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 for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

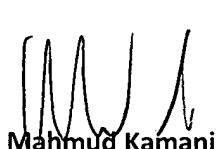
The directors are responsible for keeping accounting records that are sufficient to show and explain the company's transactions. These records must disclose with reasonable accuracy at any time the financial position of the company and to enable the directors to ensure that any financial statements prepared 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, error and non-compliance with law and regulations.

So far as the directors are 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 or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

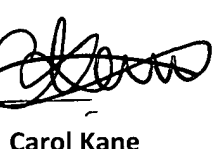
The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 Kamani
Joint CEO



Carol Kane
Joint CEO



Neil Catto
CFO

29 June 2017

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 28 February 2017 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 28 February 2017;
- 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

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.

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 21, 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

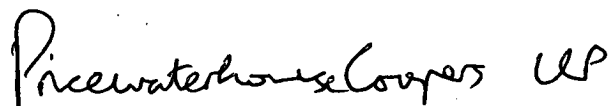
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Philip Storer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
29 June 2017

Statement of comprehensive income
for the year ended 28 February 2017

	<i>Note</i>	2017 £000	2016 £000
Revenue	2	283,378	195,394
Cost of sales		(129,026)	(82,483)
Gross profit		154,352	112,911
Distribution costs		(65,152)	(45,501)
Administrative expenses		(63,758)	(53,450)
Other income	3	4,424	1,392
Operating profit		29,866	15,352
Finance income	4	321	369
Finance costs	4	(826)	(965)
Finance costs – net	4	(505)	(596)
Profit before tax	6	29,361	14,756
Taxation	9	(6,022)	(3,039)
Profit for the year		23,339	11,717
Total other comprehensive (expense)/income for the year, net of income tax			
Net fair value loss on cash flow hedges ¹		(6,747)	(5,661)
Total comprehensive income for the year		16,592	6,056

1. Net fair value gains on cash flow hedges will be reclassified to profit or loss during the two years to 28 February 2019.

All activities relate to continuing operations.

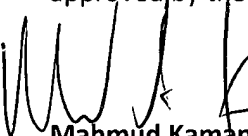
The notes 1 to 25 on pages 28 to 48 form part of these financial statements.

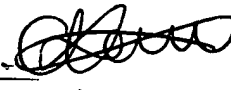
Statement of financial position
at 28 February 2017

	Note	2017 £000	2016 £000
Assets			
Non-current assets			
Intangible assets	10	4,921	4,542
Property, plant and equipment	11	31,335	21,426
Financial assets	20	231	28
Deferred tax	13	4,494	231
		40,981	26,227
Current assets			
Inventories	14	28,987	18,669
Trade and other receivables	15	12,664	7,485
Financial assets	20	489	35
Cash and cash equivalents		52,352	38,162
Total current assets		94,492	64,351
Total assets		135,473	90,578
Liabilities			
Current liabilities			
Trade and other payables	16	(59,229)	(57,420)
Interest bearing loans and borrowings	17	(2,382)	-
Financial liabilities	20	(10,229)	(4,291)
Current tax liability		(3,625)	(1,769)
Total current liabilities		(75,465)	(63,480)
Non-current liabilities			
Interest bearing loans and borrowings	17	(9,528)	-
Financial liabilities	20	(2,077)	(610)
Total non-current liabilities		(11,605)	(610)
Total liabilities		(87,070)	(64,090)
Net assets		48,403	26,488
Equity			
Share capital	18	-	-
Share premium	18	28	28
Capital redemption reserve		100	100
Hedging reserve		(11,586)	(4,839)
Retained earnings		59,861	31,199
Total equity		48,403	26,488

The notes 1 to 25 on pages 28 to 48 form part of these financial statements.

These financial statements of boohoo.com UK Limited, registered number 05723154, on pages 24 to 48 were approved by the board of directors on 29 June 2017 and were signed on its behalf by:


Mahmud Kamani
Joint CEO


Carol Kane
Joint CEO


Neil Catto
CFO

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 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	-	-	-	(5,661)	-	(5,661)
Balance at 29 February 2016	-	28	100	(4,839)	31,199	26,488
Share-based payments credit	-	-	-	-	1,896	1,896
Excess deferred tax on share-based payments	-	-	-	-	3,427	3,427
Profit for the year	-	-	-	-	23,339	23,339
Other comprehensive expense	-	-	-	(6,747)	-	(6,747)
Balance at 28 February 2017	-	28	100	(11,586)	59,861	48,403

The notes 1 to 25 on pages 28 to 48 form part of these financial statements.

Cash flow statement
for the year ended 28 February 2017

	<i>Note</i>	2017 £000	2016 £000
Cash flows from operating activities			
Profit for the year		23,339	11,717
<i>Adjustments for:</i>			
Share-based payments charge		1,896	551
Depreciation charges and amortisation		4,292	3,058
Gain on sale of property, plant and equipment		-	(2)
Finance costs - net		505	596
Tax expense		6,022	3,039
		36,054	18,959
Increase in inventories	14	(10,318)	(7,481)
Increase in trade and other receivables	15	(5,121)	(3,282)
Increase in trade and other payables	16	1,809	2,827
Cash generated from operations		22,424	11,023
Finance expense		(826)	(965)
Tax paid		(5,002)	(2,571)
Net cash generated from operating activities		16,596	7,487
Cash flows from investing activities			
Acquisition of intangible assets	10	(2,214)	(1,488)
Acquisition of tangible property, plant and equipment	11	(12,366)	(12,123)
Proceeds from sale of property, plant and equipment		-	2
Finance income		264	395
Net cash used in investing activities		(14,316)	(13,214)
Cash flows from financing activities			
Proceeds from new loan	17	11,910	-
Net cash generated from financing activities		11,910	-
Increase/(decrease) in cash and cash equivalents			
		14,190	(5,727)
Cash and cash equivalents at beginning of year			
		38,162	43,889
Cash and cash equivalents at end of year		52,352	38,162

The notes 1 to 25 on pages 28 to 48 form part of these financial statements.

Notes to the financial statements **(forming part of 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 as applicable to companies using IFRS.

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

The following standards have been published and are mandatory for accounting periods beginning after 1 March 2017 but have not been early adopted by the group or company and could have an impact on the group and company financial statements:

- IFRS 9, "Financial instruments" (effective 1 January 2018)
- IFRS 15, "Revenue from contracts with customers" (effective 1 January 2018)
- IFRS 16, "Leases" (effective 1 January 2019)

At the time of preparing this report the group 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 2016 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 group.

The financial statements have been approved on the assumption that the group remains a going concern as explained on page 19.

Measurement convention

The consolidated financial statements have been prepared under the historical cost convention, excluding financial assets and financial liabilities (including derivative instruments) held at fair value through profit or loss. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 administrative expenses.

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: short leasehold assets over the life of the lease or 2%; buildings 2%; motor vehicles and computer equipment 33%; 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 re-measured 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 is 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 customer has received the products and is adjusted for 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 received. 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 Group 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.

Deferred tax is provided for on the fair value of intangible assets acquired in subsidiaries.

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 21.

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 is considered to be the executive board which 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 before administrative expenses.

	Year ended 28 February 2017				Total £000
	UK £000	Rest of Europe £000	USA £000	Rest of world £000	
Revenue	173,170	33,912	39,619	36,677	283,378
Cost of sales	(79,089)	(16,373)	(16,871)	(16,693)	(129,026)
Gross profit	94,081	17,539	22,748	19,984	154,352
Distribution costs	(38,171)	(7,596)	(8,582)	(10,803)	(65,152)
Segment result	55,910	9,943	14,166	9,181	89,200
Administrative expenses	-	-	-	-	(63,758)
Other income	-	-	-	-	4,424
Operating profit					29,866
Finance expense	-	-	-	-	(505)
Profit before tax					29,361

	Year ended 29 February 2016				Total £000
	UK £000	Rest of Europe £000	USA £000	Rest of world £000	
Revenue	130,096	22,630	16,523	26,145	195,394
Cost of sales	(56,149)	(9,955)	(6,079)	(10,300)	(82,483)
Gross profit	73,947	12,675	10,444	15,845	112,911
Distribution costs	(27,838)	(5,711)	(3,938)	(8,014)	(45,501)
Segment result	46,109	6,964	6,506	7,831	67,410
Administrative expenses	-	-	-	-	(53,450)
Other income	-	-	-	-	1,392
Operating profit					15,352
Finance expense	-	-	-	-	(596)
Profit before tax					14,756

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

	2017 £000	2016 £000
Income from warehouse management services (see note 19)	4,424	1,033
Gift to company from director for benefit of employees (see note 19)	-	359
	4,424	1,392

4 Finance income and costs

	2017 £000	2016 £000
Interest expense:		
- Interest paid on loans from related parties (see note 19)	(826)	(965)
Finance costs	(826)	(965)
Finance income:		
- Interest income on short-term bank deposits	307	355
- Interest income on loans to related parties (see note 19)	14	14
Finance income	321	369
Net finance costs	(505)	(596)

5 Auditors' remuneration

	2017 £000	2016 £000
Audit of these financial statements	65	40
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	-	-
Other services relating to taxation	72	25
	137	65

6 Profit before tax

	2017 £000	2016 £000
Profit before tax is stated after charging:		
Operating lease rentals for buildings	781	712
Depreciation of property, plant and equipment	2,457	1,551
Amortisation of intangible assets	1,835	1,507

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	
	2017	2016
Administration	666	489
Distribution	612	419
	1,278	908

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	30,784	23,461
Social security costs	4,469	2,224
Post-employment benefits	390	325
Equity-settled share-based payment charges	1,896	607
	37,539	26,617

8 Directors' and key management compensation

	2017	2016
	£000	£000
Directors		
Short-term employee benefits	1,508	1,592
Post-employment benefits	20	19
Equity-settled share-based payment charges	2	8
	1,530	1,619

Key management

Short-term employee benefits	2,990	1,880
Post-employment benefits	64	46
Equity-settled share-based payment charges	15	48
	3,069	1,974

The aggregate of emoluments of the highest paid director was £410,232 (2016: £389,991). The contributions to a money purchase pension scheme in respect of the highest paid director were £11,250 (2016: £11,250). The number of directors contributing to a money purchase pension scheme was 2 (2016: 2).

9 Taxation

	2017 £000	2016 £000
Analysis of charge in year		
Current tax on income for the year	6,864	3,226
Adjustments in respect of prior year taxes	(6)	(2)
Deferred taxation	(836)	(185)
Tax on profit on ordinary activities	6,022	3,039

The total tax charge differs from the amount computed by applying the blended UK rate of 20.0% for the year (2016: 20.1%) to profit before tax as a result of the following:

Profit on ordinary activities before tax	29,361	14,756
Profit before tax multiplied by the standard blended rate of corporation tax of the UK of 20.0% (2016: 20.1%)	5,872	2,963
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5	6
Adjustments in respect of prior year taxes	(6)	(2)
Depreciation in excess of capital allowances	151	72
Tax on profit on ordinary activities	6,022	3,039

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 17% from 1 April 2020 had already been substantively enacted on 15 September 2016.

10 Intangible assets

	Patents and licences £000	Computer software £000	Total £000
Cost			
Balance at 1 March 2015	309	5,795	6,104
Additions	-	1,488	1,488
Disposals	-	(208)	(208)
Balance at 29 February 2016	309	7,075	7,384
Additions	1	2,213	2,214
Disposals	-	(232)	(232)
Balance at 28 February 2017	310	9,056	9,366
Accumulated amortisation			
Balance at 1 March 2015	118	1,425	1,543
Amortisation for year	31	1,476	1,507
Disposals	-	(208)	(208)
Balance at 29 February 2016	149	2,693	2,842
Amortisation for year	31	1,804	1,835
Disposals	-	(232)	(232)
Balance at 28 February 2017	180	4,265	4,445
Net book value			
At 28 February 2015	191	4,370	4,561
At 29 February 2016	160	4,382	4,542
At 28 February 2017	130	4,791	4,921

11 Property, plant and equipment

	Short leasehold £000	Fixtures and fittings £000	Computer equipment £000	Motor vehicles £000	Land & buildings £000	Total £000
Cost						
Balance at 1 March 2015	643	3,323	1,311	91	7,677	13,045
Additions	123	6,201	285	22	5,492	12,123
Disposals	-	(26)	(31)	-	-	(57)
Balance at 29 February 2016	766	9,498	1,565	113	13,169	25,111
Additions	181	6,630	683	145	4,727	12,366
Disposals	(226)	(681)	(171)	-	-	(1,078)
Balance at 28 February 2017	721	15,447	2,077	258	17,896	36,399
Accumulated depreciation						
Balance at 1 March 2015	363	1,022	571	30	205	2,191
Depreciation charge for the year	116	819	454	21	141	1,551
Disposals	-	(26)	(31)	-	-	(57)
Balance at 29 February 2016	479	1,815	994	51	346	3,685
Depreciation charge for the year	112	1,533	493	65	254	2,457
Disposals	(226)	(681)	(171)	-	-	(1,078)
Balance at 28 February 2017	365	2,667	1,316	116	600	5,064
Net book value						
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
At 28 February 2017	356	12,780	761	142	17,296	31,335

12 Investments

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

Name of company	Principal activity	Country of incorporation	Address	Percentage ownership
Boo Who Limited	Dormant company	UK	49-51 Dale St, Manchester	100%
boohoo.com USA Limited	Dormant company	UK	49-51 Dale St, Manchester	100%
boohoo.com USA Inc	Marketing office	USA	3 West 13th Street, New York	100%
boohoo.com Australia Pty Ltd	Marketing office	Australia	468 St Kilda Road, Melbourne	100%
Shanghai Wasabi Frog Boohoo Ltd	Dormant company	China	49-51 Dale St, Manchester	100%

13 Deferred tax

	Depreciation in excess of capital allowances £000	Share-based payments £000	Total £000
(Liability)/asset at 1 March 2015	(12)	58	46
Recognised in statement of comprehensive income	74	111	185
Asset at 29 February 2016	62	169	231
Recognised in statement of comprehensive income	170	666	836
Credit in equity	-	3,427	3,427
Asset at 28 February 2017	232	4,262	4,494

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

14 Inventories

	2017 £000	2016 £000
Finished goods	28,987	18,669

The value of inventories included within cost of sales for the year was £128,865,000 (2016: £82,187,000). An impairment provision of £161,000 (2016: £296,000) was charged to the statement of comprehensive income.

15 Trade and other receivables

	2017 £000	2016 £000
Amounts due from related party undertakings (note 19)	2,029	1,085
Trade and other receivables	8,740	4,937
Prepayments and accrued income	1,895	1,463
	12,664	7,485

Trade and other receivables represent amounts due from wholesale customers and advance payments to suppliers. Receivables past due are £698,000 (2016: £142,000). The provision for impairment of receivables is £573,000 (2016: £318,000).

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

16 Trade and other payables

	2017 £000	2016 £000
Trade payables	17,872	11,254
Amounts owed to related party undertakings (note 19)	13,329	27,457
Other payables	2,816	164
Accruals and deferred income	21,478	15,251
Taxes and social security payable	3,734	3,294
	59,229	57,420

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

17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2017 £000	2016 £000
Non-current liabilities		
Secured bank loans	9,528	-
Current liabilities		
Current portion of secured bank loans	2,382	-

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2017 £000	2016 £000
Secured bank loan	GB£	LIBOR + 0.95%	2022	11,910	-

The loan is repayable in instalments over the 5 years to 2022.

18 Share capital and reserves

	2017	2016
	£000	£000
22,686 authorised and fully paid ordinary shares of 1p each (2016: 22,686)	-	-
Share premium	28	28
	28	28

No dividends have been paid or are payable for the year ended 28 February 2017 (2016: *£nil*).

19 Related party disclosures

Related party	Nature of relationship	2017 £000	2016 £000
<u>Amounts included in the statement of financial position</u>			
Amounts due from related party undertakings			
PrettyLittleThing.com Limited	Shareholders and director are the sons of Mahmud Kamani	1,041	613
boohoo.com USA Inc	Subsidiary	357	-
boohoo.com Australia Pty	Subsidiary	148	-
ABK Limited	Immediate parent undertaking	483	472
Amounts owed to related party undertakings			
Kamani Construction Limited	Common directors and shareholders	2	12
Kamani Commercial Property Limited	Common directors and shareholders	-	5
boohoo.com USA Inc	Subsidiary	-	17
boohoo.com plc	Ultimate parent undertaking	13,327	27,423
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			
PrettyLittleThing.com Limited	Shareholders and director are the sons of Mahmud Kamani	4,424	1,033
Mahmud Kamani	Director's gift to company for benefit of employees re bonus payments	-	359
Purchases			
Kamani Construction Limited	Common directors and shareholders	4	22
Admin costs - marketing			
The White Cube Creative Limited	Director of supplier is the husband of director	71	71
boohoo.com USA Inc	Subsidiary	729	487
Admin costs – office rental			
Kamani Commercial Property Limited	Common directors and shareholders	678	673
Loan interest – (paid)/received			
ABK Limited	Immediate parent undertaking	14	14
boohoo.com plc	Ultimate parent undertaking	(826)	(965)

boohoo.com UK Limited provided chargeable third party logistics services for PrettyLittleThing.com Limited from September 2015 to December 2016 and received income as shown above under warehouse management services at market value.

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 in February 2016 at market value.

20 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

	2017 £000	2016 £000
Financial assets		
Cash and cash equivalents	52,352	38,162
Cash flow hedges	720	63
Trade and other receivables	10,769	6,022
	63,841	44,247
	2017 £000	2016 £000
Financial liabilities		
Cash flow hedges	12,306	4,901
Trade and other payables	55,495	54,126
Interest bearing loans and borrowings	11,910	-
	79,711	59,027

(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 28 February 2017 the company had capital of £100.8 million (2016: £64.7 million), comprising equity of £48.4 million (2016: £26.5 million) and cash of £52.4 million (2016: £38.2 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 28 February 2017 was £720,000 (2016: £63,000) and within financial liabilities was £12,306,000 (2016: £4,901,000). The non-current element of the financial assets is £231,000 (2016: £28,000) and of financial liabilities is £2,077,000 (2016: £610,000). Cash flows related to these contracts will occur during the two years to 28 February 2019 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 £6,747,000 (2016: loss of £5,661,000) and the amount reclassified from other comprehensive income to profit and loss during the year is a loss of £5,484,000 (2016: gain of £802,000).

21 Share-based payments

Summary of movements in awards

							Weighted average exercise price pence
Number of shares	ESOP	LTIP	NED Plan	SIP	SAYE	Total	
Outstanding at 1 March 2015	10,798,000	-	3,100,000	2,319,933	-	16,217,933	42.85
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	-	-	-	-	-	-	-
Granted during the year	2,597,500	2,287,514	-	-	2,815,108	7,700,122	48.59
Lapsed during the year	(2,581,500)	(184,239)	-	(647,733)	(385,591)	(3,799,063)	29.74
Exercised during the year	-	-	-	-	-	-	-
Outstanding at 28 February 2017	20,686,854	2,103,275	-	2,811,933	7,190,230	32,792,292	34.39
Exercisable at 28 February 2017	-	-	-	-	-	-	-

The company recognised a total expense of £1,896,000 during the year (2016: £551,000) relating to equity settled share-based payment transactions.

Employee Stock Ownership Plan (ESOP)

The 2014 ESOP allows the grant of options to selected employees and executive directors of the company, based on a predetermined aggregate EBITDA target 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 Neil Catto (CFO) there are no performance criteria. Neil Catto's options are subject to achieving performance criteria based on a predetermined aggregate EBITDA target and a measure of Total Shareholder Return for the three financial years ending 2016 to 2018. The 2016 ESOP allows the grant of options to selected employees of the company, without any performance criteria. Options may be granted by either the board or the trustees of the Employee Benefit Trust.

Date of grant	1 March 2016 no. of shares	Granted during the year no. of shares	Lapsed during the year no. of shares	Exercised during the year no. of shares	28 February 2017 no. of shares	Exercise price pence	Exercise period
14/03/14	7,817,000	-	(495,000)	-	7,322,000	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	-	(494,000)	-	494,000	50.00	04/07/17 – 03/07/24
22/05/15	11,089,854	-	(1,270,000)	-	9,819,854	25.75	22/05/18 – 21/05/25
09/06/16	-	2,597,500	(322,500)	-	2,275,000	57.75	09/06/19 – 08/06/26
	20,670,854	2,597,500	(2,581,500)	-	20,686,854		

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	09/06/16
Share price at grant date	50.00	59.25	44.25	25.75	57.75
Exercise price	50.00	50.00	50.00	25.75	57.75
Number of employees	104	4	1	130	119
Shares under option	7,322,000	776,000	494,000	9,819,854	2,275,000
Vesting period (years)	3	3	3	3	3
Expected volatility	33.33%	33.25%	33.45%	36.33%	36.75%
Option life (years)	10	10	10	10	10
Expected life (years)	3	3	3	3	3
Risk free rate	0.976%	1.067%	1.303%	0.966%	0.523%
Expected dividends expressed as a dividend yield	0%	0%	0%	0%	0%
Possibility of ceasing employment before vesting	25%	0%	50%	25%	30%
Expectations of meeting performance criteria	78%	78%	78%	100%	100%
Fair value per option (pence)	11.93	18.33	8.71	6.64	14.76

Long Term Incentive Plan (LTIP)

The 2016 LTIP allows the grant of options to executive directors and senior management of the group, based on a predetermined aggregate Earnings per Share and Total Shareholder Return targets for the three financial years 2016 to 2019. Options may be granted by either the board or the trustees of the Employee Benefit Trust.

Date of grant	1 March 2016 no. of shares	Granted during the year no. of shares	Lapsed during the year no. of shares	Exercised during the year no. of shares	28 February 2017 no. of shares	Exercise price pence	Exercise period
30/06/16	-	2,287,514	(184,239)	-	2,103,275	1.00	30/06/19 – 29/06/26

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

Grant date	30/06/16
Share price at grant date	57.25
Exercise price	1.00
Number of employees	10
Shares under option	2,103,275
Vesting period (years)	3
Expected volatility	37.06%
Option life (years)	10
Expected life (years)	3
Risk free rate	0.173%
Expected dividends expressed as a dividend yield	0%
Possibility of ceasing employment before vesting	8%
Expectations of meeting performance criteria	100%
Fair value per option (pence)	56.26

Share Incentive Plan (SIP)

Under the terms of the SIP, the board or the trustees of the Employee Benefit Trust grant free shares 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 2016 no. of shares	Granted during the year no. of shares	Lapsed during the year no. of shares	Exercised during the year no. of shares	28 February 2017 no. of shares	Exercise price pence	Exercise period
14/03/14	1,686,000	-	(378,000)	-	1,308,000	nil	14/03/17 – 13/03/24
02/04/14	109,580	-	(5,479)	-	104,101	nil	02/04/17 – 01/04/24
19/06/15	1,664,086	-	(264,254)	-	1,399,832	nil	19/06/18 – 18/06/25
	3,459,666	-	(647,733)	-	2,811,933		

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	54.75	28.00
Exercise price	nil	nil	nil
Number of employees	218	19	392
Shares under option	1,308,000	104,101	1,399,832
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	55%	45%	50%
Expectations of meeting performance criteria	100%	100%	100%
Fair value per option (pence)	50.00	54.75	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 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 2016 no. of shares	Granted during the year no. of shares	Lapsed during the year no. of shares	Exercised during the year no. of shares	28 February 2017 no. of shares	Exercise price pence	Exercise period
29/06/15	4,760,713	-	(320,033)	-	4,440,680	21.40	29/06/18 – 28/12/18
25/10/16	-	2,815,108	(65,558)	-	2,749,550	78.80	25/10/18 – 24/04/19
	4,760,713	2,815,108	(385,591)	-	7,190,230		

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

	29/06/15	25/10/16
Grant date	29/06/15	25/10/16
Share price at grant date	27.25	119.25
Exercise price	21.40	78.80
Number of employees	219	432
Shares under option	4,440,680	2,749,550
Vesting period (years)	3	3
Expected volatility	35.78%	38.40%
Option life (years)	3.5	3.5
Expected life (years)	3	3
Risk free rate	1.052%	0.277%
Expected dividends expressed as a dividend yield	0%	0%
Possibility of ceasing employment before vesting	25%	25%
Expectations of meeting performance criteria	100%	100%
Fair value per option (pence)	9.63	51.02

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

22 Capital commitments

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

	2017	2016
	£000	£000
Property, plant and equipment	2,100	-

23 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 totals of future minimum lease payments under non-cancellable operating leases due in each period are:

	2017	2016
	£000	£000
Within one year	957	734
Within two to five years	2,393	2,363
In more than five years	916	1,445
	4,266	4,542

24 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 28 February 2017, there are no pending claims or proceedings against the company which are expected to have material adverse effect on its liquidity or operations.

25 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.