

boohoo.com UK Limited

Annual report and financial statements

Registered number 05723154

For the year ended 28 February 2018



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Company Information

Directors

M A Kamani
C Kane
N Catto

Company Secretary

K Devine

Registered Office

49/51 Dale Street
Manchester
M1 2HF

Registered number

05723154 (England and Wales)

Independent auditors

PwC LLP
1 Hardman Square
Manchester
M3 3EB

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, Australia and Ireland, 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 11 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, through boohooMAN, and now has over six million active customers.

Currently boohoo 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 the company's 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 strategy is to be the young person's fashion best friend, offering the most up-to-date fashion at incredible prices with an unbeatable choice, great quality and excellent service. The brand's core values are fun, fashion, social and inclusive. This translates into a product range for every young woman and man around the world.

Performance during the year

Revenue for the year increased to £374.1 million, up 32% (29% CER) on the previous year.

Revenue growth in the UK, the largest geographic market, has been robust and international growth very strong as the reach and appeal of the brand increases. Additional breadth in the product range has contributed to revenue growth, with several new product categories introduced in the year.

Product

boohoo's comprehensive range of clothing, footwear, accessories and beauty products has continued to grow during the year, with new additions and greater depth in ranges. Our extended women's size ranges of plus size and curve, petite and tall have performed extremely well and new additions such as premium, soft tailoring, lingerie, maternity and athleisure have contributed to revenue growth and to attracting a more diverse customer base. Menswear has continued to perform very well, with a rapidly growing and more comprehensive product line. Introductions this year included big and tall sizing, an extended active wear line and a MAN logo range.

Our offering changes daily, with hundreds of new styles added and the very latest fashions appearing within days or weeks of trends being spotted by our fashion experts and offered to our customers at affordable prices. The

breadth of the range makes boohoo a destination to which customers keep returning to find their desired items with ease.

Marketing

Marketing activity is focussed on a successful formula of a mix of media, including social media influencers, bloggers, TV, outdoor, email, students and digital acquisition channels. Our Instagram site has greatly increased its reach, with followers doubling this year and content much increased. Our social media presence continues to grow and we now have 4.8 million followers on Instagram, 2.7 million Facebook likes and 0.6 million followers on Twitter.

Customer interaction

Active customer numbers over the last 12 months increased by 22% to 6.4 million. Conversion rate to sale increased from 4.0% to 4.3% of sessions, when measured on website statistics alone, in order to remove duplicated sessions on the app. Order frequency remained unchanged with customers placing an order with us, on average, 2.13 times in 12 months, whilst the number of items per basket rose 6% to 3.06.

We have continued to refine the customer proposition with free returns and next day delivery available in more overseas markets. Future developments will include more country-specific websites and even faster customer service response times.

boohoo Premier, offering unlimited shipping for an annual fee and introduced in late 2016 in the UK, has continued to attract many new subscribers. We have introduced several new payment types in overseas markets, in line with our aim to attain best-in-class customer service.

Technology

All our remaining regional websites were successfully migrated to the new website platform during the year. The new platform has proven to have superior stability, with no downtime during the peak Black Friday and pre-Christmas periods, greater flexibility for development and faster response times for customers.

We have continued to increase our use of cloud platforms for scalability and resilience of our systems. A continual programme of app improvement and development is ongoing, including roll-out of the app to more international markets. We have now implemented an image recognition capability. The first implementation of this technology allows customers to upload an image and find similar products from the boohoo range. We are experimenting with other uses of this in, for example, outfit builder, shop the look and other uses. boohooMAN launched apps for the UK, US and Australian markets during the year. All our sites are optimised for mobile browsing, whilst mobile device use continues to rise and now accounts for 73% of sessions.

Financial review

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

Sales revenue by geographical market

	2018 £000	2017 £000	Change	Change CER
UK	221,117	173,170	28%	28%
Rest of Europe	50,074	33,912	48%	35%
USA	56,406	39,619	42%	38%
Rest of world	46,517	36,677	27%	21%
	374,114	283,378	32%	29%

KPIs

	2018	2017	Change
Active customers ⁽¹⁾	6.4 million	5.2 million	+22%
Number of orders	13.6 million	11.1 million	+22%
Order frequency ⁽²⁾	2.13	2.13	-
Conversion rate to sale ⁽³⁾	4.3%	4.0% ⁽⁵⁾	+30bps
Average order value ⁽⁴⁾	£39.25	£37.76	+4%
Number of items per basket	3.06	2.89	+6%

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
5. 2017 restated on consistent basis as in 2018, based on website sessions only due to changing the app platform during 2018

Income statement

	2018 £000	2017 £000	Change
Revenue	374,114	283,378	+32%
Cost of sales	(182,441)	(129,026)	+41%
Gross profit	191,673	154,352	+24%
<i>Gross margin</i>	<i>51.2%</i>	54.5%	<i>-330bps</i>
Distribution costs	(97,378)	(65,152)	
Administrative expenses	(79,881)	(63,758)	
Other income	20,141	4,424	
Operating profit	34,555	29,866	+16%
Finance expense	(789)	(505)	
Profit before tax	33,766	29,361	+15%
Adjusted EBITDA	42,616	36,054	+18%
Calculation of adjusted EBITDA			
Operating profit	34,555	29,866	
Depreciation and amortisation	6,072	4,292	
Equity-settled share-based payments charge	1,989	1,896	
Adjusted EBITDA	42,616	36,054	

Gross margin reduced from 54.5% to 51.2%, primarily due to an increase in promotional activity, which has in turn increased sales growth, and to a lesser extent due to an increase in the proportion of wholesale revenue.

Distribution costs have increased with revenue and other income growth and remained broadly in line with the prior year 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 and also remained in line with the prior year percentage of revenue.

Adjusted EBITDA, which is not a statutory measure, represents earnings before interest, tax, depreciation, amortisation, non-cash share-based payments charges and exceptional items. It provides a useful measure of the underlying profitability of the business. Adjusted EBITDA increased by 18% from £36.1 million to £42.6 million and, as a percentage of revenue, decreased from 12.7% to 11.4%, due to investment in the customer proposition in boohoo, driving revenue growth.

Taxation

The effective rate of tax for the year was 15.3% (2017: 20.5%), which is less than the blended UK statutory rate of tax for the year of 19.1% (2017: 20.0%), due to prior year tax adjustments relating to UK tax incentives on qualifying expenditure.

Statement of financial position

	2018	2017
	£000	£000
Intangible assets	4,775	4,921
Property, plant and equipment	67,902	31,335
Financial assets	2,445	231
Deferred tax asset	6,448	4,494
Non-current assets	81,570	40,981
Working capital	(52,761)	(17,578)
Net financial assets/(liabilities)	5,466	(11,817)
Cash and cash equivalents	78,280	52,352
Interest bearing loans and borrowings	(9,528)	(11,910)
Current tax liability	(2,724)	(3,625)
Net assets	100,303	48,403

Working capital has reduced primarily due to an increase in payables and accruals relating to our increased trading activity.

Liquidity and financial resources

Free cash flow was £35.4 million compared to £7.8 million in the previous financial year. Capital expenditure was £42.5 million, which includes a £33.8 million investment in our distribution centre to support projected growth in trade. The closing cash balance for the company was £78.3 million and the net cash balance £68.8 million.

Cash flow statement

	2018 £000	2017 £000
Profit for the year	28,591	23,339
Depreciation charges and amortisation	6,072	4,292
Share-based payments charge	1,989	1,896
Tax expense	5,175	6,022
Finance expense - net	789	505
Increase in inventories	(7,585)	(10,318)
Increase in trade and other receivables	(10,137)	(5,121)
Increase in trade and other payables	52,967	1,809
Capital expenditure and intangible asset purchases	(42,493)	(14,580)
Free cash flow	35,368	7,844
Finance expense paid - net	(851)	(562)
Tax paid	(6,207)	(5,002)
Proceeds from new loan	-	11,910
Repayments of borrowings	(2,382)	-
Net cash flow	25,928	14,190
Cash and cash equivalents at beginning of year	52,352	38,162
Cash and cash equivalents at end of year	78,280	52,352

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 has a high propensity to spend on fashion and the market is resilient to external macroeconomic factors.

Outlook

We are very encouraged by the continued growth of our brands across all geographic regions. As online fashion retail grows globally, the company is well-placed to benefit from changing consumer preferences. Our strategy will remain focussed on providing the best fashion at great prices coupled with excellent customer service. To this end we have a plan of continuous investment in systems and technology to ensure we offer an optimal online shopping experience. International expansion will continue as we add more country-specific websites, refine our customer proposition and raise brand awareness through marketing and social media.

Our extended Burnley distribution centre, which will have a significant element of automation to drive efficiency savings, is scheduled for operational use in early 2019 and will provide sufficient capacity for an operation of over £1 billion net sales.

Looking beyond the current year we will continue to lead the market on value, service and proposition in all our key geographies. Whilst this will require a continued investment in people and infrastructure, we believe that the benefits of our investments in marketing and warehouse automation will generate economies of scale to allow us to drive sales growth.

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 or superior delivery service, better website functionality or better brand image, thereby eroding market share - European competitors may gain an advantage over the company following the UK's decision to leave the 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, with additional mapping and controls introduced to ensure compliance with GDPR
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
Key facilities	• Fire, flood, or other disaster could lead to part or total, temporary or permanent closure of facilities • Failure to adequately plan for warehouse capacity to cater for business expansion could restrict revenue growth	• 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 exists • Long-range planning aims to ensure adequate warehouse facilities are available to keep pace with business growth
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		
Negative perception of the brands	• 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 opinion
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 an open and transparent supply chain.

- 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 unannounced 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 and code of conduct. This document also asks for suppliers to ensure sub-contractors meet these requirements. This is periodically reviewed and updated as and when required and is part of boohoo's ongoing commitment to improving its supply chain for both first and second tier suppliers.
- 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.

We expect our suppliers to comply with all relevant laws and regulations regarding the protection and preservation of the environment and as such, all factories and raw material suppliers must adhere to the boohoo Restricted Substances Policy and all materials, components and finished products must comply with:

- International law on the restriction of hazardous substances
- REACH legislation
- The European Chemical Agency (ECHA) Restricted Substances List

boohoo requires verification from suppliers of compliance with REACH. Accepted forms of verification include:

- Independent testing
- Certification from suppliers of raw materials and trimmings
- Declarations verified by independent audit
- Suppliers should ensure that the appropriate verification is submitted to boohoo before goods are shipped or delivered.

Animal Welfare Policy

- Animal fur: Real fur will never be knowingly used in any boohoo product. This commitment applies both to farmed fur and to fur which is a by-product of the meat industry.

boohoo code of conduct

boohoo's current 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 company continues to assess a number of options with regard to how it can improve upon its current ethical position, including improving 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 boohoo.
- Suppliers must co-operate with boohoo to ensure these standards are met.

Workplace and community

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

- We encourage diversity in the workforce: last year the percentage of males was 46% and females 54%, with 37% of our senior management positions held by women.
- Our gender pay gap reporting in April 2018 showed no difference in pay between male and female using the median results and a very low 5.9% difference using mean results (male average pay being the higher due to a higher proportion of males in the most senior roles).
- 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. Our recruitment team work closely with local job centres to provide employment opportunities wherever possible.
- In 2017, 296 agency employees accepted permanent positions at our Burnley warehouse.

- We have two Employee Forums at our Burnley site representing our distribution centre and customer service colleagues, meeting at least once per month with senior management
- Our starting salaries at the Burnley distribution centre are above the National Living Wage with further increments paid after the successful completion of a probationary period
- All full time employees are paid at least the National Minimum Wage regardless of their age. We currently employ 308 employees under the age of 25 who are paid significantly more than the National Minimum Wage for their age category.
- We work in partnership with Burnley College/University of Central Lancashire to support our existing staff on apprenticeship programmes and we continue to invest in the number of apprenticeship opportunities we offer including four new apprentice schemes in 2017
- This year we have launched a new initiative with the introduction of English lessons via an external company to improve the language capability of boohoo employees to further enhance their progression opportunities. 60 employees undertook the 12 week courses in 2017 with further programmes planned for 2018.
- The company supported the Wellman and Wellwoman fitness initiatives launched in 2017 by Burnley Football Club and a number of classes were held both on site and at the Football Club.
- In January 2018, we completed the refurbishment of our Burnley distribution centre, improving our staff amenities for our colleagues. The new refurbishment includes the addition of
 - a gym open to all colleagues
 - an exercise studio
 - a subsidised canteen offering freshly cooked meals
 - leisure facilities

Number of employees of each gender at the year end:

	Male	Female
Directors of the parent company	6	2
Senior managers	31	17
Other employees	832	906
	869	925

We are proud to give back to the local community via a number of initiatives. In 2017, boohoo raised £59,369 through colleague fundraising events and charitable donations. Our charity strategy centres on supporting Teenage Cancer Trust, together with a number of charities local to the head office in Manchester and the Burnley distribution centre.

Highlights for the year included:

- Events for the Pendleside Hospice in Burnley, including sponsoring the Pendleside colour run in Burnley and donating sample products to the hospice's store.
- Donation of approximately 80,000 units of product to local charities, resulting in an estimated £110,000 of sales in charity shops.
- Platinum sponsorship of Graduate Fashion Week.
- boohoo's Student Ambassador Programme works with students across 33 different universities in the UK. In 2017 boohoo raised £20,000 for charity via two student sample sale tours.
- Staff fundraising initiatives generated £15,000 for Teenage Cancer Trust, which involved fundraising from boohoo's participation in the Manchester 10k and £10,000 was raised through a Christmas Jumper collaboration for Teenage Cancer Trust.
- In the wake of the terror attack at the Manchester Arena in May 2017, boohoo raised a combined £174,000 for the Manchester Evening News and Red Cross 'We Love Manchester' victims' fund. After making an initial donation of £100,000, the company took an active role in the further fundraising effort, launching a OneLove charity clothing collection on its website with the profits going to the Manchester

Emergency Funds. Additionally, boohoo leveraged its relationships with its supply base, asking them to help make a difference and donate to the cause.

Modern slavery

boohoo has a zero-tolerance approach to modern slavery. We are committed to acting ethically and with integrity and transparency and we accept that we have a responsibility to implement sufficient systems and controls to safeguard against any form of modern slavery and to protect the rights of workers and recognise this is an ongoing process. Our Modern Slavery Statement can be found on our website at <http://www.boohooplc.com/boohoo-social-responsibility/modern-slavery.aspx>

Environment

boohoo 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 2,856 tonnes (2017: 2,165 tonnes) and from employee air travel was 308 tonnes (2017: 244 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 returns in the UK and several overseas markets and our customer services team is on hand to support 24/7 through convenient and flexible channels.

On behalf of the board



Neil Catto
CFO

17 October 2018

Directors' report

The directors present their directors' report and audited financial statements for the year ended 28 February 2018.

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 2018 was £28.6 million (2017: £23.3 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 so that cash is retained in the company for capital expenditure projects that are required for the rapid growth and efficiency improvements of the business and for suitable business acquisitions.

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

Jalaludin 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.

Share capital and restrictions on sale of shares

The authorised and issued share capital of the company and details of shares issued during the year are shown in note 18. The issued share capital at 28 February 2018 was 22,686 shares of 1p.

Powers related to the issue and buy-back of the company's shares are included in the company's articles of association and such authorities are renewed annually by shareholders at the Annual General Meeting.

Assessment of prospects and viability

The company's business activities together with the factors that are likely to affect the future development, performance, position and risks of the company are set out in the strategic report on pages 4 to 17.

The directors have considered the prospects of the company through an analysis of the markets for the company's product offering online in the UK and overseas and have concluded that potential growth rates remain strong as the markets continue to develop as more customers become comfortable with online shopping. This provides great opportunities for future expansion. There is a diverse supply chain with no key dependencies, enabling sourcing to be dynamic. Major expense categories relate to carriage and marketing services, which are widely diversified amongst suppliers. 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 maintains a strong cash position, with a net cash balance of £69 million at the year end, which the directors consider is more than adequate for the planned investments and cash flow requirements of the company.

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 is 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.

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 2021.

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 14 to 17 is incorporated into this report by cross-reference.

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



Neil Catto
CFO

17 October 2018

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Neil Catto
CFO

17 October 2018

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

Report on the audit of the financial statements

Opinion

In our opinion, boohoo.com UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2018 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.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 28 February 2018; the Statement of comprehensive income, the Cash flow statement, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 28 February 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors responsibilities in respect of the annual report and financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

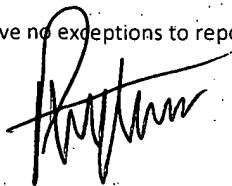
Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



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

17 October 2018.

Statement of comprehensive income

for the year ended 28 February 2018

	<i>Note</i>	2018 £000	2017 £000
Revenue	2	374,114	283,378
Cost of sales		(182,441)	(129,026)
Gross profit		191,673	154,352
Distribution costs		(97,378)	(65,152)
Administrative expenses		(79,881)	(63,758)
Other income	3	20,141	4,424
Operating profit		34,555	29,866
Finance income	4	493	321
Finance costs	4	(1,282)	(826)
Finance costs – net	4	(789)	(505)
Profit before tax	6	33,766	29,361
Taxation	9	(5,175)	(6,022)
Profit for the year		28,591	23,339
Other comprehensive income/(expense) for the year, net of income tax			
Loss reclassified to profit and loss during the year		6,516	9,604
Fair value gain/(loss) on cash flow hedges during the year ⁽¹⁾		12,981	(16,351)
Total comprehensive income for the year		48,088	16,592

1. Net fair value gains on cash flow hedges will be reclassified to profit or loss during the two years to 28 February 2020.

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 2018

	<i>Note</i>	2018 £000	2017 £000
Assets			
Non-current assets			
Intangible assets	10	4,775	4,921
Property, plant and equipment	11	67,902	31,335
Financial assets	20	2,445	231
Deferred tax	13	6,448	4,494
		81,570	40,981
Current assets			
Inventories	14	36,572	28,987
Trade and other receivables	15	22,863	12,664
Financial assets	20	6,770	489
Cash and cash equivalents		78,280	52,352
Total current assets		144,485	94,492
Total assets		226,055	135,473
Liabilities			
Current liabilities			
Trade and other payables	16	(112,196)	(59,229)
Interest bearing loans and borrowings	17	(2,382)	(2,382)
Financial liabilities	20	(837)	(10,229)
Current tax liability		(2,724)	(3,625)
Total current liabilities		(118,139)	(75,465)
Non-current liabilities			
Interest bearing loans and borrowings	17	(7,146)	(9,528)
Financial liabilities	20	(467)	(2,077)
Total non-current liabilities		(7,613)	(11,605)
Total liabilities		(125,752)	(87,070)
Net assets		100,303	48,403
Equity			
Share capital	18	-	-
Share premium	18	28	28
Capital redemption reserve		100	100
Hedging reserve		7,911	(11,586)
Retained earnings		92,264	59,861
Total equity		100,303	48,403

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 17 October 2018 and were signed on its behalf by:



Neil Catto
CFO

Statement of changes in equity
for the year ended 28 February 2018

	Share capital	Share premium	Capital redemption reserve	Hedging reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 March 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
Loss reclassified to profit and loss	-	-	-	9,604	-	9,604
Fair value loss on cash flow hedges	-	-	-	(16,351)	-	(16,351)
Balance at 28 February 2017	-	28	100	(11,586)	59,861	48,403
Share-based payments credit	-	-	-	-	1,989	1,989
Excess deferred tax on share-based payments	-	-	-	-	1,823	1,823
Profit for the year	-	-	-	-	28,591	28,591
Loss reclassified to profit and loss	-	-	-	6,516	-	6,516
Fair value gain on cash flow hedges	-	-	-	12,981	-	12,981
Balance at 28 February 2018	-	28	100	7,911	92,264	100,303

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 2018

	<i>Note</i>	2018 £000	2017 £000
Cash flows from operating activities			
Profit for the year		28,591	23,339
<i>Adjustments for:</i>			
Share-based payments charge		1,989	1,896
Depreciation charges and amortisation		6,072	4,292
Finance income		(493)	(321)
Finance expense		1,282	826
Tax expense		5,175	6,022
		42,616	36,054
Increase in inventories	14	(7,585)	(10,318)
Increase in trade and other receivables	15	(10,137)	(5,121)
Increase in trade and other payables	16	52,967	1,809
Cash generated from operations		77,861	22,424
Tax paid		(6,207)	(5,002)
Net cash generated from operating activities		71,654	17,422
Cash flows from investing activities			
Acquisition of intangible assets	10	(2,342)	(2,214)
Acquisition of property, plant and equipment	11	(40,151)	(12,366)
Finance income received		431	264
Net cash used in investing activities		(42,062)	(14,316)
Cash flows from financing activities			
Finance expense paid		(1,282)	(826)
Proceeds from new loan	17	-	11,910
Repayment of borrowings	17	(2,382)	-
Net cash (used in)/generated from financing activities		(3,664)	11,084
Increase in cash and cash equivalents		25,928	14,190
Cash and cash equivalents at beginning of year		52,352	38,162
Cash and cash equivalents at end of year		78,280	52,352

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 standards that are effective and have been adopted by the company.

IAS 7, "Statement of Cash flows" (effective 1 January 2017) requires a schedule of movements in financing activity liabilities, which is shown in note 17.

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

The following standards have been published and are mandatory for accounting periods beginning after 1 March 2018 but have not been early adopted by the company and could have an impact on the company financial statements:

IFRS 9, "Financial instruments" (effective 1 January 2018) is not expected to have a material effect on the financial statements. It has been determined that all existing effective hedging instruments will continue to qualify for hedge accounting under IFRS 9.

IFRS 16, "Leases" (effective 1 January 2019). The company has several property leases for office accommodation and some office machinery leases. These assets and liabilities will be capitalised on the balance sheet under IFRS 16, where the effect will be material with an estimated £3.2 million increase in assets and liabilities as at 28 February 2019, whereas the effect on the income statement will not be material overall.

IFRS 15, "Revenue from contracts with customers" (effective 1 January 2018) is not expected to have a material effect on the financial statements. Revenue is already recognised in the financial statements when the customer receives the goods ordered. Revenue from the purchase of annual delivery services is spread over the period of the service.

A number of other new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 March 2018 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the financial statements of the company.

The financial statements have been approved on the assumption that the company remains a going concern as explained on page 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 group plc and is included in the consolidated financial statements of boohoo group 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. Customer lists are amortised over expected customer lifetime value of three years.

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 in 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 year end 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 year end 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. The historic difference between the accrual estimates and the actual results, known at a later stage, has never been, nor is expected to be, material. A difference of 1%pt in the percentage of sales returns rate would have an impact of +/- £0.3 million on reported revenue and +/- £0.1 million on operating profit.

Inventory valuation

Inventory is carried at the lower of cost or net realisable value. The judgement of net realisable value may be different from the future actual value realised, but that difference is not expected ever to be material. A difference of 1%pt in the provision as a percentage of gross inventory would give rise to a difference of +/- £0.4m in gross margin.

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. These require management judgement, the assumptions of which are detailed in the notes.

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 2018				Total £000
	UK £000	Rest of Europe £000	USA £000	Rest of world £000	
Revenue	221,117	50,074	56,406	46,517	374,114
Cost of sales	(111,971)	(24,333)	(24,984)	(21,153)	(182,441)
Gross profit	109,146	25,741	31,422	25,364	191,673
Distribution costs	(55,167)	(11,749)	(14,994)	(15,468)	(97,378)
Segment result	53,979	13,992	16,428	9,896	94,295
Administrative expenses	-	-	-	-	(79,881)
Other income	-	-	-	-	20,141
Operating profit					34,555
Finance costs - net	-	-	-	-	(789)
Profit before tax					33,766

	Year ended 29 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 costs - net	-	-	-	-	(505)
Profit before tax					29,361

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

	2018 £000	2017 £000
Income from warehouse management services (note 19)	18,610	4,424
Income from central management services (note 19)	1,372	-
Rental income	159	-
	20,141	4,424

4 Finance income and costs

	2018 £000	2017 £000
Interest expense:		
- Interest paid on loans from related parties (note 19)	(1,118)	(826)
- Loan interest paid	(164)	-
Finance costs	(1,282)	(826)
Finance income:		
- Interest income on short-term bank deposits	479	307
- Interest income on loans to related parties (note 19)	14	14
Finance income	493	321
Net finance costs	(789)	(505)

5 Auditors' remuneration

	2018 £000	2017 £000
Audit of these financial statements	71	65
<i>Disclosure below based on amounts receivable in respect of services to the company</i>		
Amounts receivable by auditors and their associates in respect of:		
Other services relating to taxation	104	72
Other advisory services	52	-
	227	137

6 Profit before tax

	2018 £000	2017 £000
Profit before tax is stated after charging:		
Operating lease rentals for buildings	834	781
Depreciation of property, plant and equipment	3,584	2,457
Amortisation of intangible assets	2,488	1,835

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	
	2018	2017
Administration	696	666
Distribution	1,218	612
	1,914	1,278

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	39,158	30,784
Social security costs	4,484	4,469
Post-employment benefits	468	390
Equity-settled share-based payment charges	1,989	1,896
	46,099	37,539

8 Directors' and key management compensation

	2018	2017
	£000	£000
Directors		
Short-term employee benefits	801	1,508
Post-employment benefits	24	20
Equity-settled share-based payment charges	113	2
	938	1,530

Key management

Short-term employee benefits	2,597	2,990
Post-employment benefits	97	64
Equity-settled share-based payment charges	341	15
	3,035	3,069

The aggregate of emoluments of the highest paid director was £314,115 (2017: £410,232). The contributions to a money purchase pension scheme in respect of the highest paid director were £14,375 (2017: £11,250). The number of directors contributing to a money purchase pension scheme was 2 (2017: 2).

9 Taxation

	2018	2017
	£000	£000
Analysis of charge in year		
Current tax on income for the year	6,564	6,864
Adjustments in respect of prior year taxes	(1,258)	(6)
Deferred taxation	(131)	(836)
Tax on profit	5,175	6,022

The total tax charge differs (2017: differs) from the amount computed by applying the blended UK rate of 19.1% for the year (2017: 20%) to profit before tax as a result of the following:

	2018	2017
	£000	£000
Profit before tax	33,766	29,361
Profit before tax multiplied by the standard blended rate of corporation tax of the UK of 19.1% (2017: 20%)	6,449	5,872
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5	5
Adjustments in respect of prior year taxes	(1,258)	(6)
Depreciation in excess of capital allowances	(21)	151
Tax on profit	5,175	6,022

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. The prior year tax adjustment is in respect of tax incentives for research and development expenditure.

10 Intangible assets

	Patents and licences £000	Computer software £000	Total £000
Cost			
Balance at 1 March 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
Additions	9	2,333	2,342
Disposals	-	(567)	(567)
Balance at 28 February 2018	319	10,822	11,141
Accumulated amortisation			
Balance at 1 March 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
Amortisation for year	31	2,457	2,488
Disposals	-	(567)	(567)
Balance at 28 February 2018	211	6,155	6,366
Net book value			
At 29 February 2016	160	4,382	4,542
At 28 February 2017	130	4,791	4,921
At 28 February 2018	108	4,667	4,775

11 Property, plant and equipment

	Short leasehold	Fixtures and fittings	Computer equipment	Motor vehicles	Land & buildings	Total
	£000	£000	£000	£000	£000	£000
Cost						
Balance at 1 March 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
Additions	719	19,734	1,217	115	18,366	40,151
Disposals	(54)	(72)	(540)	(74)	-	(740)
Balance at 28 February 2018	1,386	35,109	2,754	299	36,262	75,810
Accumulated depreciation						
Balance at 1 March 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
Depreciation charge for the year	173	2,424	581	70	336	3,584
Disposals	(54)	(72)	(540)	(74)	-	(740)
Balance at 28 February 2018	484	5,019	1,357	112	936	7,908
Net book value						
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
At 28 February 2018	902	30,090	1,397	187	35,326	67,902

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 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
Recognised in statement of comprehensive income	(83)	214	131
Credit in equity	-	1,823	1,823
Asset at 28 February 2018	149	6,299	6,448

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

	2018 £000	2017 £000
Finished goods	36,572	28,987

The value of inventories included within cost of sales for the year was £180,392,000 (2017: £128,865,000). An impairment provision of £2,050,000 (2017: £161,000) was charged to the statement of comprehensive income. There were no write-backs of prior period provisions during the year.

15 Trade and other receivables

	2018 £000	2017 £000
Amounts due from related party undertakings (note 19)	9,669	2,029
Trade and other receivables	10,388	8,740
Prepayments and accrued income	2,806	1,895
	22,863	12,664

Trade receivables represent amounts due from wholesale customers and advance payments to suppliers. Receivables past due are £339,000 (2017: £698,000). The provision for impairment of trade receivables is £674,000 (2017: £573,000).

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

16 Trade and other payables

	2018 £000	2017 £000
Trade payables	23,103	17,872
Amounts owed to related party undertakings (note 19)	46,956	13,329
Other creditors	436	2,816
Accruals	33,294	18,891
Deferred income	3,138	2,587
Taxes and social security payable	5,269	3,734
	112,196	59,229

The fair value of trade 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.

	2018 £000	2017 £000
Non-current liabilities		
Secured bank loans	7,146	9,528
Current liabilities		
Current portion of secured bank loans	2,382	2,382

Terms and debt repayment schedule

		Nominal interest rate	Year of maturity	2018 £000	2017 £000
Secured bank loan	GB£	LIBOR + 0.95%	2022	9,528	11,910

The loan is repayable in instalments over the five years to 2022. The loan is secured by a debenture comprising fixed and floating charges over all the assets and undertakings of boohoo.com UK Limited of £100.3 million (2017: £48.4 million), including all present and future freehold property, book and other debts, chattels and goodwill, both present and future.

Movement in financial liabilities

	2018 £000	2017 £000
Opening balance	11,910	-
Additions	-	11,910
Interest accrued	146	-
Interest paid	(146)	-
Capital paid	(2,382)	-
Closing balance	9,528	11,910

18 Share capital and reserves

	2018 £000	2017 £000
22,686 authorised and fully paid ordinary shares of 1p each (2017: 22,686)	-	-
Share premium	28	28
	28	28

The directors do not recommend the payment of a dividend so that cash is retained in the company for capital expenditure projects that are required for the rapid growth and efficiency improvements of the business and for suitable business acquisitions (2017: *£nil*).

19 Related party disclosures

Related party	Nature of relationship	2018 £000	2017 £000
<u>Amounts included in the statement of financial position</u>			
Amounts due from related party undertakings			
PrettyLittleThing.com Limited	Shareholders and directors are the sons of Mahmud Kamani	5,734	1,041
Nasty Gal UK Limited	Subsidiary of ultimate parent undertaking	881	-
boohoo.com USA Inc	Subsidiary	831	357
Nasty Gal USA Inc	Subsidiary of ultimate parent undertaking	1,725	-
boohoo.com Australia Pty Ltd	Subsidiary	-	148
ABK Limited	Immediate parent undertaking	498	483
Amounts owed to related party undertakings			
Kamani Construction Limited	Common directors and shareholders	-	2
Kamani Commercial Property Limited	Common directors and shareholders	31	-
boohoo group plc	Ultimate parent undertaking	46,925	13,327
Fixed assets – motor vehicles			
The Pinstripe Property Investment Co. Limited	Common directors and shareholders	115	-
<u>Amounts included in the statement of comprehensive income</u>			
Other income			
PrettyLittleThing.com Limited	Shareholders and director are the sons of Mahmud Kamani	19,982	4,424
Purchases			
Kamani Construction Limited	Common directors and shareholders	173	4
Admin costs - marketing			
The White Cube Creative Limited	Director of supplier is the husband of director	104	71
boohoo.com USA Inc	Subsidiary	808	729
Admin costs – office rental			
Kamani Commercial Property Limited	Common directors and shareholders	679	678
Loan interest – received/(paid)			
ABK Limited	Immediate parent undertaking	14	14
boohoo group plc	Ultimate parent undertaking	(1,118)	(826)

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.

Cash flow hedges

Fair value is calculated based using forward interest rate points to restate the hedge to fair market value.

Fair values

	2018 £000	2017 £000
Financial assets		
Cash and cash equivalents	78,280	52,352
Cash flow hedges	9,215	720
Trade and other receivables	20,057	10,769
	107,552	63,841

	2018 £000	2017 £000
Financial liabilities		
Cash flow hedges	1,304	12,306
Trade and other payables	106,927	52,908
Interest bearing loans and borrowings	9,528	11,910
	114,621	77,124

(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 2018 the company had capital of £169.1 million (2017: £88.8 million), comprising equity of £100.3 million (2017: £48.4 million) and net cash of £68.8 million (2017: £40.4 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 2018 was £9,215,000 (2017: £720,000) and within financial liabilities was £1,304,000 (2017: £12,306,000). The non-current element of the financial assets is £2,445,000 (2017: £231,000) and of financial liabilities is £467,000 (2017: £2,077,000). Cash flows related to these contracts will occur during the two years to 29 February 2020 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 profit of £12,981,000 (2017: loss of £16,351,000) and the amount reclassified from other comprehensive income to profit and loss during the year is a profit of £6,516,000 (2017: £9,604,000).

21 Share-based payments

Summary of movements in awards

Number of shares	ESOP	LTIP	SIP	SAYE	Total	Weighted average exercise price pence
Outstanding at 29 February 2016	20,670,854	-	3,453,666	4,760,713	28,885,233	30.00
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)	(413,733)	(385,591)	(3,565,063)	31.69
Exercised during the year	-	-	-	-	-	-
Outstanding at 28 February 2017	20,686,854	2,103,275	3,039,933	7,190,230	33,020,292	34.15
Exercisable at 28 February 2017	-	-	-	-	-	-
Granted during the year	4,072,500	1,021,434	-	1,406,551	6,500,485	189.90
Lapsed during the year	(2,263,415)	(513,217)	(78,562)	(557,467)	(3,412,661)	47.10
Exercised during the year	(4,451,205)	-	(920,583)	-	(5,371,788)	41.24
Outstanding at 28 February 2018	18,044,734	2,611,492	2,040,788	8,039,314	30,736,328	64.41
Exercisable at 28 February 2018	2,202,380	-	719,518	-	2,921,898	37.69

The company recognised a total expense of £1,989,000 during the year (2017: £1,896,000) 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 and 2017 ESOPs allow 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 2017 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 2018 no. of shares	Exercise price pence	Exercise period
14/03/14	7,322,000	-	(1,710,680)	(4,094,560)	1,516,760	50.00	14/03/17 – 13/03/24
27/03/14	776,000	-	(170,720)	(304,980)	300,300	50.00	27/03/17 – 26/03/24
04/07/14	494,000	-	(108,680)	-	385,320	50.00	04/07/17 – 03/07/24
22/05/15	9,819,854	-	(155,278)	(44,722)	9,619,854	25.75	22/05/18 – 21/05/25
09/06/16	2,275,000	-	(93,057)	(6,943)	2,175,000	57.75	09/06/19 – 08/06/26
13/06/17	-	4,072,500	(25,000)	-	4,047,500	244.50	13/06/20 – 12/06/27
	20,686,854	4,072,500	(2,263,415)	(4,451,205)	18,044,734		

The ESOPT 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	13/06/17
Share price at grant date	50.00	59.25	44.25	25.75	57.75	244.50
Exercise price	50.00	50.00	50.00	25.75	57.75	244.50
Number of employees	55	3	1	125	114	178
Shares under option	1,516,760	300,300	385,320	9,619,854	2,175,000	4,047,500
Vesting period (years)	3	3	3	3	3	3
Expected volatility	33.33%	33.25%	33.45%	36.33%	36.75%	40.85%
Option life (years)	10	10	10	10	10	10
Expected life (years)	3	3	3	3	3	3.5
Risk free rate	0.976%	1.067%	1.303%	0.966%	0.523%	0.192%
Expected dividends expressed as a dividend yield	0%	0%	0%	0%	0%	0%
Possibility of ceasing employment before vesting	26%	0%	50%	20%	30%	30%
Expectations of meeting performance criteria	78%	78%	78%	100%	100%	100%
Fair value per option (pence)	11.93	18.33	8.71	6.64	14.76	73.35

Long Term Incentive Plan (LTIP)

The 2016 and 2017 LTIPs allow the grant of options to executive directors and senior management of the company, based on a predetermined aggregate Earnings per Share and Total Shareholder Return targets for the three financial years 2017 to 2019 and 2018 to 2020 respectively. Options may be granted by either the board or the trustees of the Employee Benefit Trust.

Date of grant	1 March 2017 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 2018 no. of shares	Exercise price pence	Exercise period
30/06/16	2,103,275	-	(359,842)	-	1,743,433	1.00	30/06/19 – 29/06/26
13/06/17	-	1,021,434	(153,375)	-	868,059	1.00	13/06/20 – 12/06/27
	2,103,275	1,021,434	(513,217)	-	2,611,492		

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

Grant date	30/06/16	13/06/17
Share price at grant date	57.25	244.50
Exercise price	1.00	1.00
Number of employees	8	15
Shares under option	1,743,433	868,059
Vesting period (years)	3	3
Expected volatility	37.06%	40.85%
Option life (years)	10	10
Expected life (years)	3	3.5
Risk free rate	0.173%	0.192%
Expected dividends expressed as a dividend yield	0%	0%
Possibility of ceasing employment before vesting	30%	30%
Expectations of meeting performance criteria	100%	10%
Fair value per option (pence)	56.26	243.51

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 2017 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 2018 no. of shares	Exercise price pence	Exercise period
14/03/14	1,536,000	-	-	(857,264)	678,736	nil	14/03/17 – 13/03/24
02/04/14	104,101	-	-	(63,319)	40,782	nil	02/04/17 – 01/04/24
19/06/15	1,399,832	-	(78,562)	-	1,321,270	nil	19/06/18 – 18/06/25
	3,039,933	-	(78,562)	(920,583)	2,040,788		

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	130	8	370
Shares under option	678,736	40,782	1,321,270
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	44%	37%	40%
Expectations of meeting performance criteria	100%	100%	100%
Fair value per option (pence)	50.00	54.75	28.00

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 2017 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 2018 no. of shares	Exercise price pence	Exercise period
29/06/15	4,440,680	-	(101,771)	-	4,338,909	21.40	29/06/18 – 28/12/18
25/10/16	2,749,550	-	(376,460)	-	2,373,090	78.80	25/10/19 – 24/04/20
06/11/17	-	1,406,551	(79,236)	-	1,327,315	169.00	06/11/20 – 05/05/21
	7,190,230	1,406,551	(557,467)	-	8,039,314		

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

	29/06/15	25/10/16	06/11/17
Grant date	29/06/15	25/10/16	06/11/17
Share price at grant date	27.25	119.25	209.25
Exercise price	21.40	78.80	169.00
Number of employees	211	363	465
Shares under option	4,338,909	2,373,090	1,327,315
Vesting period (years)	3	3	3
Expected volatility	35.78%	38.40%	41.67%
Option life (years)	3.5	3.5	3.5
Expected life (years)	3	3	3
Risk free rate	1.052%	0.277%	0.513%
Expected dividends expressed as a dividend yield	0%	0%	0%
Possibility of ceasing employment before vesting	20%	30%	30%
Expectations of meeting performance criteria	100%	100%	100%
Fair value per option (pence)	9.63	51.02	76.86

For share schemes granted before the financial year ending 28 February 2017 expected volatility was found using a historical volatility calculator with reference to the share price of competitors over a three year period. For share schemes granted during the financial year ending 28 February 2018 volatility has been estimated by taking the historical volatility in the Company's share price 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:

	2018	2017
	£000	£000
Property, plant and equipment	27,999	2,100

23 Operating Leases

The company has lease agreements in respect of property, 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:

	2018	2017
	£000	£000
Within one year	862	957
Within two to five years	2,635	2,393
In more than five years	468	916
	3,965	4,266

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 2018, 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.

The ultimate parent undertaking and controlling party is boohoo group 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 group plc are the smallest and largest group to consolidate these financial statements. Copies of boohoo group 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.