



**asos**  
discover fashion online



ASOS is a global fashion destination for 20-somethings. We sell cutting-edge 'fast fashion' and offer a wide variety of fashion-related content, making ASOS.com the hub of a thriving fashion community. We sell over 65,000 branded and own-brand products through localised mobile and web experiences, delivering from our UK hub to almost every country in the world.

This year we grew revenue and profits across the world as we continued to develop our customer proposition, removed barriers in international markets, and strived for efficiency across the business. Amongst other successes we added new brands, launched a Russian website, re-designed our mobile experience, and opened marketing offices in key regions. Exciting new talent joined us at all levels.

Our ambition remains to be the world's no.1 fashion destination for 20-somethings.

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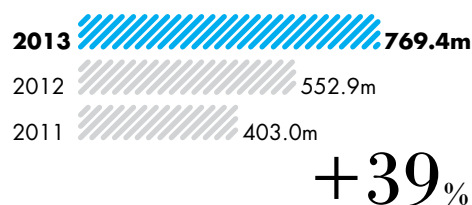
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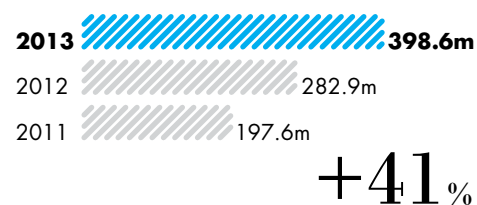
# FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Retail sales up 40% (UK retail sales up 34%, international retail sales up 44%)
- Continued global expansion – international sales now 63% of total (year to 31 August 2012: 62%)
- 7.1m active customers as at 31 August 2013 (31 August 2012: 5.0 million)
- Improved technology platforms especially local language mobile sites – mobile accounts for over 30% of traffic
- ‘First price, right price’ approach resulted in a higher mix of full price sales and a reduction in markdown spend

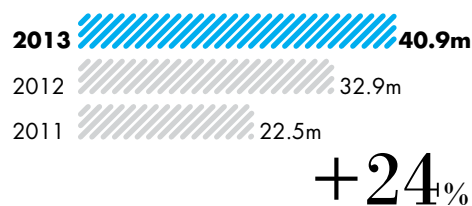
## REVENUE (£)



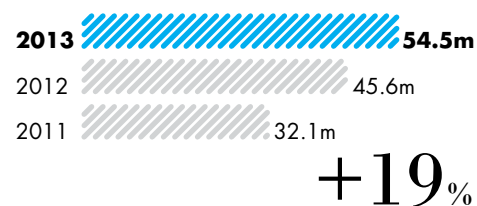
## GROSS PROFIT (£)



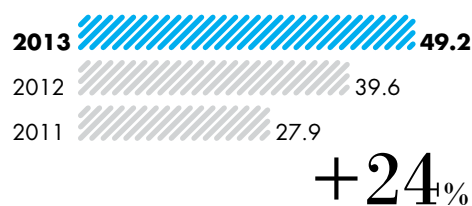
## PROFIT AFTER TAX\* (£)



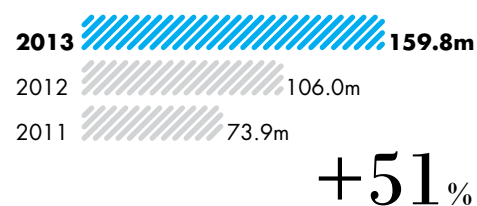
## OPERATING PROFIT\* (£)



## DILUTED EPS\* (p)



## NET ASSETS (£)



\*Underlying, excluding exceptional items

All 2012 and 2011 comparatives are unaudited

# OUR BUSINESS MODEL

**ASOS is a global fashion destination for 20-somethings. Selling over 65,000 products, it's also a forum where fashion lovers can discover trends, gain inspiration, share ideas and trade with each other.**



## Engagement

Through publishing relevant content, a constant social media dialogue and our curated 'edits', we've developed an emotional connection and earned credibility with 20-something fashion-lovers around the world. The monthly ASOS magazine is sent for free to almost 500,000 customers, while our Premier membership is hugely popular.

## Service

We strive to offer an effortless online shopping experience from the moment a visitor arrives at ASOS.com, whatever device they are using and country they come from. We deliver for free, anywhere in the world, and offer hassle-free returns in our core markets. Our award-winning customer service team helps with any questions along the way.

## Product

Our buyers scour the globe for the most relevant products at the best prices. Our 65,000 products include our own brand plus around 800 brands ranging from big names to up-and-coming designers. Each week up to 2,500 new styles go live, whilst ASOS Marketplace offers a further 145,000 products, ensuring our customers are never short of choice.



2.6m likes



2.2m followers



1m followers



540k followers

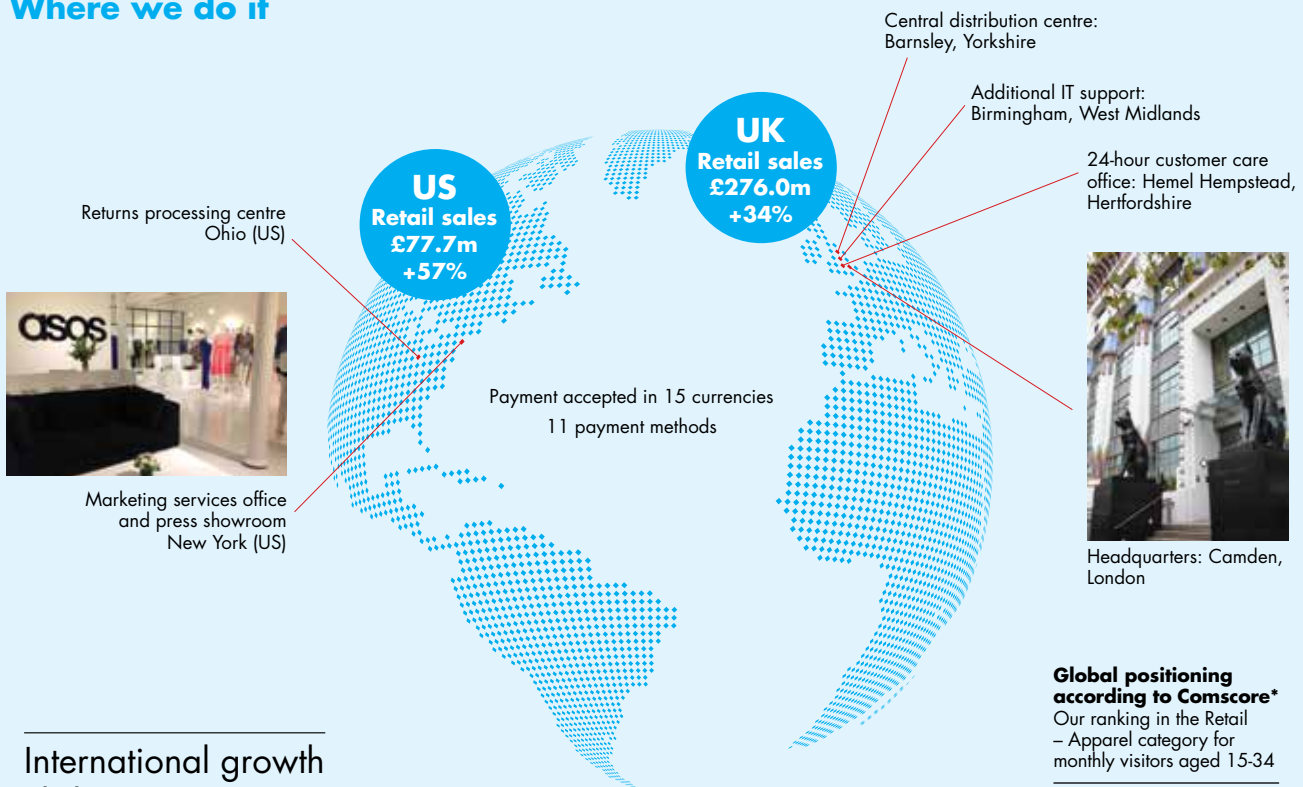


7.1m

active customers\*

\* As at 31 August 2013; defined as having shopped in the last 12 months.

## Where we do it



International growth  
**44%** in 2013

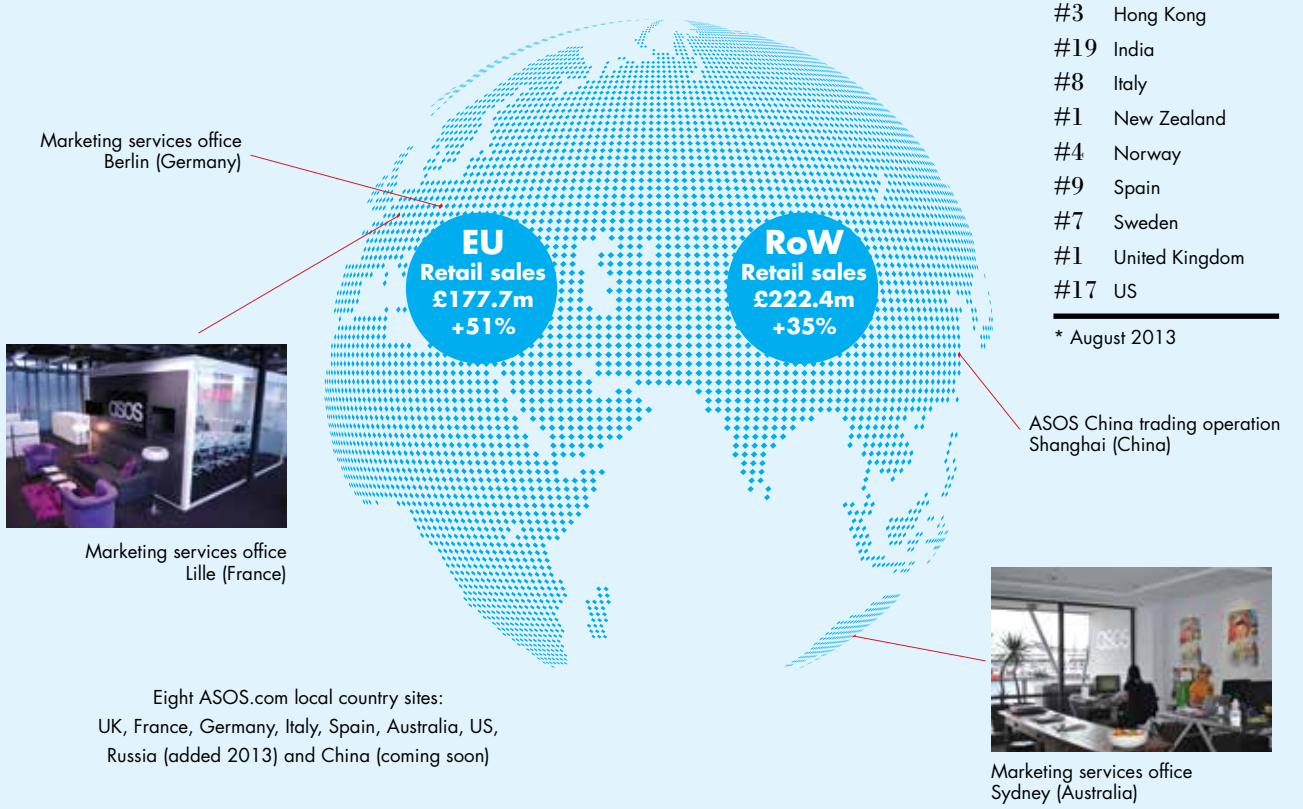
we ship to **237** countries and territories

### Global positioning according to Comscore\*

Our ranking in the Retail – Apparel category for monthly visitors aged 15-34

- #1 Australia
- #1 Denmark
- #8 France
- #7 Germany
- #3 Hong Kong
- #19 India
- #8 Italy
- #1 New Zealand
- #4 Norway
- #9 Spain
- #7 Sweden
- #1 United Kingdom
- #17 US

\* August 2013



# HOW WE DELIVERED VALUE THIS YEAR

## Strategy

**We're on our way to achieving our ambition to be the world's no.1 fashion destination for 20-somethings through our strategy, which comprises three core pillars.**

**Most engaging experience:** through our huge selection of relevant products, an optimised multi-device eCommerce experience, and inspiring regular content, we strive to be the one-stop destination of choice for all their fashion needs.

- Enhanced mobile phone and tablet sites – these now account for 30% of visits
- Launched 'buy-the-look' feature allowing customers to purchase entire outfits, rather than single products
- Cut-off time for UK next day delivery extended to 9pm
- Continually revising portfolio of 800 brands and expanded ASOS own-label ranges including Petite, Curve and Maternity
- Reduced price of annual UK Premier subscription giving customers unlimited free next day delivery, early access to sales and free magazine (10 issues a year)

## Key performance indicators

**67,872** (+46%) **Total visits\*** ('000)

**7,078** (+42%) **Total active customers\*\*** ('000)

**21,260** (+13%) **Total unique visitors** ('000)

**2.74** (+1%) **Average visit frequency**

\* During August 2013

\*\* As at 31 August 2013, defined as having shopped in the last 12 months



**Truly global:** we are building on our famous free worldwide delivery to achieve scale in our international markets through localised websites (language, product offering, currencies and payment methods), in-country marketing teams, and removing barriers such as delivery speed.

- Free world wide delivery and free returns in the UK, France, Germany and the US
- 'In country' marketing teams in France and Germany joining those in the US and Australia
- Launched a dedicated Russian website
- Preparations for launch of a start-up Chinese business
- Roll-out of Premier membership to Australia, Germany and the US

**Highly efficient retailing:** we are driving efficiency and excellence behind the scenes in everything we do to ensure we have the right enablers in place to sustain future growth and deliver fuel for the future.

- Reviewed and streamlined our key suppliers
- Introduced 'First Price Right Price' philosophy resulting in reduced need for discounting
- Increased digital marketing spend
- Rebuilding of key IT and web platforms to handle our future volumes
- Key talent hires and focus on internal learning and development programme

**47,127** (+45%) **Total visits – international\*** ('000)

**4,264** (+56%) **Active customers – international\*\*** ('000)

**63%** (+100bps) **% of sales – international**

\* During August 2013

\*\* As at 31 August 2013, defined as having shopped in the last 12 months

**£61.03** (-1%) **Average basket value\***

**2.47** (+5%) **Average units per basket**

**£24.69** (-6%) **Average selling price per unit\***

**19,372** (+43%) **Number of orders** ('000)

**63p** (-11%) **Labour cost per unit**

**7.1%** (-110bps) **EBIT margin\*\***

**51.8%** (+60bps) **Gross margin**

\* Including VAT

\*\* Excluding exceptional items



# OUR PEOPLE

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**We call our business culture 'The ASOS Way' – it means being passionate, collaborative and respectful, restlessly innovative, and customer-obsessed. These values and attributes underpin everything we do.**

## WHO WE ARE

As at August 2013 we employed a total of 1,352 people. This includes 1,334 full-time and 18 part-time employees. The overall ratio of women to men at ASOS is 2:1, while our Board of Directors has two women and five men. To support our operations, we have just under 150 customer care positions in Belfast and over 3,000 people at our Barnsley fulfilment centre, employed through outsourced partners.

The four members of the Executive Board listed below are responsible for retail, supply chain, IT and marketing at ASOS. Here they explain key areas of the business that have undergone considerable change this year.

### **Maria Hollins**

Retail Director

*"Our Womenswear and Menswear teams have performed strongly during the year, expanding our specialist sizing areas and enhancing our offer of separates and casualwear. We have put greater emphasis on sourcing efficiencies with the hire of our new Sourcing Director, who is leading initiatives to reduce lead times and increase retail margins, whilst enhancing fashionability and quality."*

Maria began her career in The Arcadia Group where she spent 18 years. During this time she worked in a number of brands across the Group, including Merchandise Director for Dorothy Perkins, Wallis and Topman. She held interim roles at Whistles and Fenn Wright Manson, before joining ASOS in November 2011 as Trading Director. In September 2013 Maria became Retail Director.

### **Mark Holland**

Supply Chain Director

*"A lot has been going on this year. We made the transition to a new service provider, Norbert Dentressangle, at our Barnsley fulfilment centre. We also made significant developments at our logistics centres outside the UK. We relocated our Australian and American returns centres both to reduce costs and to provide capacity for future volume growth, and the new fulfilment centre in China is now established."*

Mark has over 20 years of experience managing supply chains. He began his career in the Royal Navy before spending time in the chilled food industry. He joined Matalan in 1999 and was Distribution Director prior to his appointment to the Executive Board in 2004 as Logistics Director. He joined ASOS in October 2012 from House of Fraser where he had been Supply Chain Director since 2007.

### **Pete Marsden**

Chief Information Officer

*"Our technology team has had an outstanding year. Technology is vital to our business and we need a team that is passionate, engaged and continuously delivering new capability for our customers. In the last year the team supported our launch in Russia and launched seven new mobile sites for France, Germany, Italy, Spain, the US, Australia and Russia. We have a large programme of change in progress, including our impending launch in China."*

Pete Marsden has over 25 years' experience in IT, holding the role of CIO since 1997, at companies such as EGG Orange, the BBC and Royal Bank of Scotland. Pete joined ASOS in October 2012.

### **Terri Westlake**

Marketing Director

*"Marketing has been through a significant transition in the last year. We have built our capability in digital marketing channels, driving global sales growth. In parallel we have built a strong team to deliver consistent, content-led marketing across social media in each of our key territories, growing customer engagement."*

Terri qualified as a Chartered Management Accountant early in her career, whilst working for Sony Music. She then spent 12 years with Emap Consumer Media as Finance Manager, then Publisher Director, and latterly Digital Director before joining ASOS in 2008 as Head of Media. Terri became Marketing Director in July 2012.



## AWARD HIGHLIGHTS

### July 2013

Platinum Quality Mark – Payroll Giving 2013

### July 2013

International Award and The Judge's Award – Internet Retailing Awards

### June 2013

Best Content Marketing / Best Social Media Marketing / Best Leading Edge Thinking – The Marketing Society

### June 2013

Cross-Border Award – European E-commerce Awards 2013

### March 2013

Most Effective Payroll Giving Scheme at the Pay and Benefits Awards

### March 2013

Pure Play Etailer of the Year – Oracle Retail Week Awards 2013

### February 2013

Best in the UK – Customer Service Awards

### February 2013

Best Retail PLC – UK Stock Market Awards 2013

### November 2012

Larger Etailer of the Year and Growing Retailer of the Year – Drapers Awards 2012

### October 2012

Winner of Most Innovative Promotional Partnership / Highly Commended for Best Relaunch of an Existing Scheme – National Payroll Giving Excellence Awards

### October 2012

Fashion Innovation – RSPCA Good Business Awards

### October 2012

Best Communication – AIM Awards 2012

### October 2012

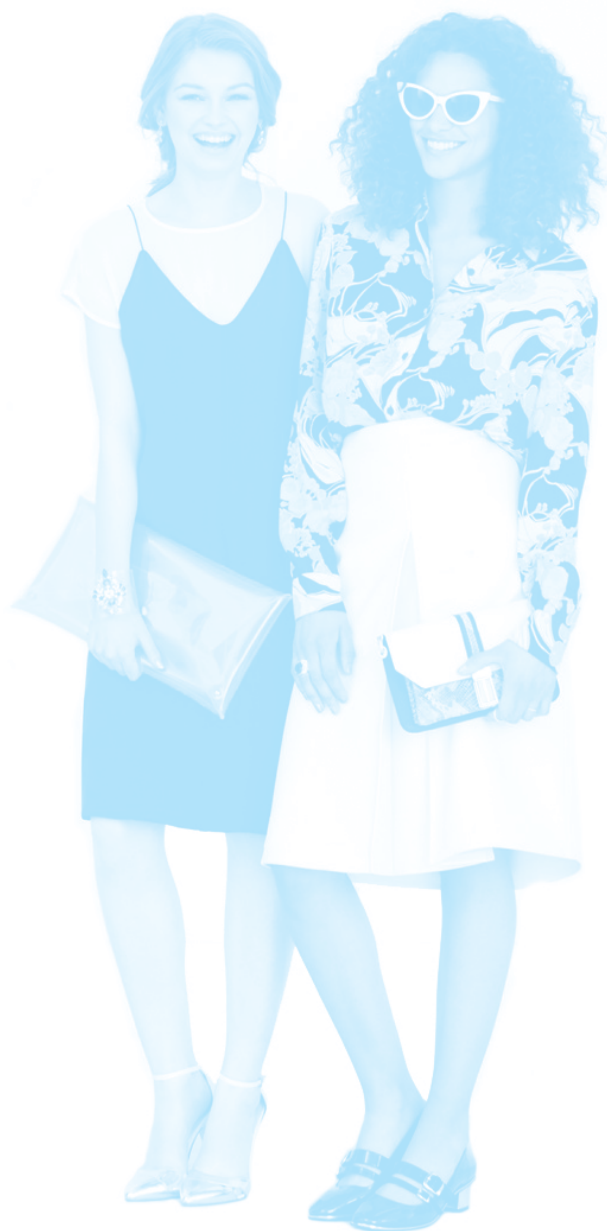
Large Etailer of the Year / mCommerce Strategy / Best Social Media Strategy – IMRG eCommerce Awards for Excellence

### September 2012

Pure Play Etailer of the Year – World Retail Awards

### September 2012

Online Retail Mobile Site of the Year – Online Retail Awards



# CHAIRMAN'S STATEMENT



**It has been another excellent year for ASOS. This is obviously something that everyone connected with ASOS is proud of, and we are particularly pleased with our UK growth rate, our continued international expansion and our ever-expanding customer proposition. Rather than repeat the information in the Operational Review, since this is my first statement as Chairman of ASOS, I thought I would set out some things that have struck me since I joined the Board.**

## STRATEGY

As a director, it is always refreshing to come into a business that has a clear focus on what it wants to achieve. Everyone at ASOS believes that fashion can make people feel great. As a result, ASOS is centred on one aspiration – to be the world's no.1 fashion destination for 20-somethings. Achieving that will require a number of things – being the best, not necessarily the biggest; staying relevant; executing well and moving fast – but all of them hinge on a razor-sharp focus on ASOS customers. Customers are genuinely at the heart of ASOS.

## CUSTOMER PROPOSITION AND SERVICE

If ASOS is to be successful in keeping its customers at the heart of its strategy, then we need to make sure we continue to deliver on customer proposition and service. The sales growth rates in all territories are testament to the existing strength and relevance of ASOS's product offering globally, and we all believe there

is a lot more opportunity to build on that. In July 2012, for the first time, ASOS was ranked number one in the Customer Satisfaction Index as compiled by the UK Institute of Customer Service. We have preserved that ranking since then; this evidences the continued great work of our Customer Care team and the strength of our logistics proposition.

## 'THE ASOS WAY'

Delivering that customer proposition and service in a high-growth unique company requires everyone to be pulling in the same direction. To help achieve that, ASOS has certain core values that define who we are, what we do, and how we do it. We call those collective values 'The ASOS Way' and they represent the DNA of the company. They challenge our people to be continually customer-obsessed, restlessly innovative, passionate, collaborative and respectful. Some things change, but these aspirational, positive values don't.

## EMPLOYEES

Values such as those set out in 'The ASOS Way' are obviously important. But they are nothing without the right calibre of employees to apply them, and the dedication and commitment of ASOS's workforce is impressive. It is their hard work in every area of ASOS's business that delivers operational and financial performance. On behalf of the Board, I would like to thank all of them for their contribution. In the last financial year, we increased our total headcount by 318 colleagues, to continue to build on and expand our capabilities. ASOS will continue to invest in and nurture its people, to apply 'The ASOS Way' and deliver on the customer proposition and the ASOS strategy.

## INVESTMENT

ASOS has consistently recognised that appropriate investment is critical to its success, and this has remained the case during the last financial year. The business's continued growth has not

diminished the opportunities available to it – on the contrary, our expansion continues to open up new avenues, whether that's to build on the capabilities of our Barnsley fulfilment centre, or to expand in places like China. Such investment in those opportunities is of course relevant to the Company's dividend policy and, as there are substantial growth opportunities with an attractive internal rate of return on investment, the Board remains of the view that it is in the Company's best interests to continue to re-invest its cash.

## THE ANNUAL REPORT

I would invite you all to read the Corporate Governance Report, which explains how ASOS is run. The Board is also aware of the current market focus on remuneration, and we share the investor community's enhanced focus on making sure that high rewards only come with genuinely high performance. I would therefore urge you all to read the Directors' Remuneration Report, which for the first time will be put separately to an advisory shareholder vote at our Annual General Meeting to enable more direct communication with our shareholders over our remuneration policy and the implementation of that policy. The Board takes a serious interest in corporate governance and maintains a best in class standard by voluntarily reporting corporate governance at a higher level than is required for an AIM listed company.

In the previous Chairman's Statement, Lord Alli said that I would have 'an enviable role, with a unique opportunity in an incredible business'. He was not wrong. Everyone in ASOS enters 2013/14 intent on striving to become the world's no.1 fashion destination for 20-somethings.

A handwritten signature in black ink, appearing to read 'Brian McBride'. The signature is stylized and written in a cursive-like font.

**Brian McBride**  
Chairman

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# YEAR IN REVIEW

**The Group has performed strongly in the year, with revenues up 39% to £769.4m (2012: £552.9m) and profit before tax and exceptional items up 23% to £54.7m (2012: £44.5m) as we invested in future growth, particularly in our people, technology, logistics and marketing.**



**Nick Robertson**  
Chief Executive Officer



**Nick Beighton**  
Chief Financial Officer

## OUR FASHION

Our product offer remains focused on our global, fashion-conscious 20-something customers and we constantly review both our own-label and branded ranges to ensure we lead fashion trends, are globally relevant, and offer appropriate price points. The global relevance of our product range is increasingly important and we have introduced specific 'counter seasonal' ranges as well as adding more locally relevant brands.

Our ongoing investment in even better value for our customers has been well received and resulted in a higher mix of full price sales and a lower level of discounting, particularly during our Spring/Summer 2013 campaign. We were joined by our new Sourcing Director in August 2013 and during the new financial year will focus on rationalisation of our supplier base to drive further retail gross margin efficiency and reduce lead times, whilst enhancing fashionability and quality.

Womenswear and Menswear have both performed strongly during the period. We continued to diversify our Womenswear offer through enhancements to our casual and separates ranges and an increased breadth of product in our specialist Petite, Maternity and Curve ranges in response to consumer demand. We also extended our size range across all product categories to increase relevance in our international markets, particularly in the US and Asia.

We strengthened our own-brand range in both Womenswear and Menswear and this accounted for 52.3% of sales over the year (2012: 51.5%). We added new product categories including men's underwear and women's 'Reclaimed Vintage' and also launched several exclusive designer collaborations including Markus Lupfer for ASOS Black, Marios Schwab Lingerie, Antipodium Shoes, Elliot Atkinson Nightwear, Sophia Kokosolaki and Puma for ASOS Black Menswear.

Third-party brands remain a key part of our business; our portfolio includes c.800 brands and we continually review the relevance of our branded offer.

During the year we added new brands including New Look, Monki, Only, Boy London, Stussy and The Kooples and, following the year end, Jack Wills and Pull & Bear.

## OPERATIONS

### Technology

We constantly enhance our websites to ensure we offer the most engaging customer experience, with particular focus on developing and improving our mobile sites and apps as these represent an ever-increasing proportion of our traffic and sales. Our goal is to offer our international customers the same mobile and tablet access that we offer our UK customers and we launched dedicated mobile sites in all markets where we already have local language websites during July 2013. In the UK we upgraded our mobile site in April 2013 and released our upgraded iOS apps and a new android app during October 2013. We will be launching US versions of our android and iOS apps during the first half of the new financial year, and our next focus will be on developing mobile apps to serve our other strategic markets.

### Customer Experience

We added new functionality including 'Buy-the-Look', 'Recently Viewed' and larger product image sizes. We also launched our new women's and men's homepages featuring engaging live dynamic content including our daily feature, 'This Just Happened', which gives our customers a continuous stream of the latest fashion news.

We continued to make structural changes to our checkout process to support our global expansion, and as part of this process introduced additional payment methods to serve our customers in Germany and the Netherlands, which are already driving increased sales in these territories.

We have also seen a significant uplift in subscribers to our annual Premier membership scheme, supported by a

price reduction in the UK and launch in the US, Australia and Germany. This entitles members to unlimited free express delivery, special offers, a monthly magazine, previews and priority access during sale periods.

### Delivery and returns

We improved our delivery and returns experience through enhancements to our carrier network. In the UK we extended our next day delivery cut-off to 9pm and introduced a 15-minute delivery slot on these orders. Internationally we introduced a new express service for our Russian customers and reduced our express delivery lead-time by one day in 17 countries and our standard delivery lead-time by one day in the US, France and Germany. This was achieved alongside improved order tracking in the US and France, where 100% of our standard-delivery parcels are now tracked. Finally, we reduced our returns processing lead-time by four days for our customers in France and Germany and have seen a reduction in customer contact regarding returns in these territories as a result. We introduced a next day delivery option for our French customers early in the new financial year.

### Warehousing

Our Barnsley fulfilment centre has shown further improvement in the year with labour cost per unit (LCPU) down 11% to 63p per unit (2012: 71p). Although subject to change as we build out our warehousing capability, our medium-term goal is to deliver an LCPU of 50p, and we progressed towards that target with the transition to a new service provider in August 2013 and the launch of our mechanised despatch sorter in October 2013. We also gained bonded warehouse status in January 2013 and commenced building work on extending the 530,000 sq. ft. site by 140,000 sq. ft., which will provide the storage capacity for the required unit volumes to exceed our £1bn sales target.

We expect to launch our mechanised picking solution during the financial year ended 2015 and continue to review our medium-term warehousing



One of our studios at Head Office, London

requirements to ensure we have the capacity to meet our growth ambitions, including planned capital investment of £25m–£30m on our Barnsley hub during the year to 31 August 2014.

Our international logistics strategy has continued to evolve. We relocated our Australian returns centre in March 2013, to reduce costs and provide capacity for future volume growth. During May 2013 we completed the transition from our existing US returns processing centre in Atlanta to a new and more advanced operation in Ohio. We are now fulfilling from returns in the US, and the new facility is the foundation for a full US logistics operation in the future. Finally, we established a logistics partnership in China and will shortly commence domestic distribution to our Chinese customers.

### Global expansion

We deliver to 237 countries and territories and continue to improve our international proposition, particularly in our strategic country markets where we have dedicated websites and in-country teams, and offer locally-relevant products, payment methods, currencies and delivery options. In May 2013, we

launched our dedicated Russian website, and have seen subsequent strong growth in this territory. We now have a team of Russian nationals based in our London headquarters to support this market and offer a proposition which is tailored to our Russian customers including local language customer care, dedicated marketing and social media activities and a dedicated express delivery solution.

Our operation in the People's Republic of China is now in final testing phase and will be launched imminently. We have a dedicated Chinese-language desktop and mobile site initially offering around 2,000 locally-relevant own-brand styles, an in-country multi-disciplinary team, dedicated delivery solutions and payment methods, local language customer care and a domestic distribution partner. Initial testing shows that these elements are all functioning effectively and will provide the foundations to maximise the long-term potential of the Chinese market.

Our international focus during the next six months will be in further establishing and growing our Chinese operation and continuing to grow our proposition and market share in our key strategic country targets of the UK, US, France, Germany, Australia and Russia.

# YEAR IN REVIEW continued

## PEOPLE

We have further enhanced the strength and depth of our management team with the arrivals of our new Supply Chain Director, Chief Information Officer, Director of Finance, Performance Marketing Director, Sourcing Director and our in-country management team. These appointments ensure our senior team has the diversity of skills, experience, and capabilities to deliver our future growth ambitions.

The Group's total headcount increased by 318 employees during the year to 1,352, principally in our Womenswear, Merchandising, Marketing, Technology and Customer Care departments as well as in our in-country teams, including 17 employees who form our multi-disciplinary ASOS China team.

During August 2013, ASOS appointed Ian Dyson as Senior Independent Non-Executive Director, replacing Peter Williams. Peter will step down from the Board with effect from the Company's Annual General Meeting on 4 December 2013 and we are very grateful for his contribution to ASOS over the last nine years. Ian previously held both executive and non executive directorships at FTSE100 and FTSE250 consumer businesses including, most recently, Marks & Spencer and Punch Taverns, and brings a wealth of experience and knowledge of both the retail industry and of technology. Ian's appointment took effect on 1 October 2013.

On 16 July, Kate Bostock, Executive Director Product and Trading, resigned from the company and stepped down from the Board with immediate effect. Maria Hollins has since been promoted to the role of Retail Director and we have further strengthened her retail management team.

As previously announced, Jon Kamaluddin stepped down from the Board in October 2013. Shaun McCabe joined the Executive Board of ASOS in September 2013 in the role of International Director, following six years in the role of Vice President: Finance at Amazon Sarl EU.

## TRADING OPERATIONS

The Group has achieved another strong performance during the year ended 31 August 2013, with growth in sales and profits across all territories.

### Revenue

Year to 31 August 2013 (Unaudited) £'000s	UK	International				Group total
		US	EU	RoW	Total	
Retail sales	276,027	77,678	177,708	222,394	477,780	<b>753,807</b>
Growth	34%	57%	51%	35%	44%	<b>40%</b>
Delivery receipts	5,314	1,456	2,212	3,028	6,696	<b>12,010</b>
Growth	(25%)	39%	37%	65%	49%	<b>3%</b>
Third-party revenues	3,579	-	-	-	-	<b>3,579</b>
Growth	7%	-	-	-	-	<b>7%</b>
<b>Group revenues</b>	<b>284,920</b>	<b>79,134</b>	<b>179,920</b>	<b>225,422</b>	<b>484,476</b>	<b>769,396</b>
<b>Growth</b>	<b>32%</b>	<b>56%</b>	<b>51%</b>	<b>35%</b>	<b>44%</b>	<b>39%</b>

Total Group revenue increased 39%, with total retail sales up 40% on the prior year, driven by strong growth in both the UK (34%) and in our international territories (44%). International retail sales now account for 63% of total retail sales compared to 62% last year.

The UK's performance was ahead of expectations, driven by a particularly positive response to our Spring/Summer 2013 proposition, following a strong peak Christmas trading period. We retained our first place position in the UK for unique visitors to apparel retailers in the 15-34 age range (Comscore, August 2013).



Our strongest growth was in our strategically important international markets. The US was the fastest growing segment with retail sales growth of 57%, following the establishment of our US in-country team early in the financial year and subsequent targeted investment in digital marketing and social media and improvements to our service proposition.

Our EU retail sales growth of 51% was driven by strong performances in the countries where we have dedicated websites (France, Germany, Italy and Spain), and was further enhanced by the establishment of our in-country teams in France and Germany at the start of the year as well as the introduction of new payment methods tailored to our customers in Germany and the Netherlands.

Retail sales in our Rest of World segment grew by 35%. This segment continues to be dominated by Australia, where growth slowed due to macro-economic factors and our improved stock management, as Australia has historically consumed a high proportion of markdown product. Despite this, we have comfortably maintained our first place Comscore ranking in this territory. Russia is a growing portion of this segment, with strong performance following the launch of our dedicated Russian website in May 2013.

Despite retail sales growth of 40%, delivery receipts increased by only 3% since last year as an increasing percentage of our customers enjoy the benefits of our improved free shipping offers, particularly in the UK where we improved our free standard delivery offer from six days to four days and reduced the annual subscription charge for our ASOS Premier service.

Third party revenues, which mainly comprise advertising revenues from the website and the ASOS magazine, increased by 7% as we continued to grow revenues from our existing platforms.

## Trading key performance indicators

ASOS's journey to becoming the world's no.1 fashion destination continued as we surpassed 7m active customers<sup>1</sup> for the first time, with 7.1m customers across the globe having shopped with us during the financial year. This represents a significant increase of 42% over last year. We also surpassed 4m international active customers for the first time, another key milestone in our international expansion.

The 1% decline in average basket value was driven by a 6% reduction in average selling price following the restructuring and investment in our pricing architecture during the first half of the year, which was largely offset by a 5% increase in average units per basket. This reflects our quality, price and range improvements, new functionality such as our 'buy-the-look' feature, and well-received free international express delivery offers above a minimum spend threshold.

Year to 31 August 2013 (Unaudited) KPIs	International					Group total
	UK	US	EU	RoW	Total	
Average basket value <sup>2</sup>	£63.69	£59.13	£59.88	£57.80	£58.93	<b>£61.03</b>
Growth	(1%)	3%	(2%)	(2%)	(1%)	<b>(1%)</b>
Average units per basket	2.41	2.47	2.52	2.55	2.52	<b>2.47</b>
Growth	5%	9%	5%	3%	5%	<b>5%</b>
Average selling price per unit <sup>2</sup>	£26.46	£23.95	£23.74	£22.69	£23.36	<b>£24.69</b>
Growth	(6%)	(5%)	(7%)	(5%)	(6%)	<b>(6%)</b>
Number of orders ('000)	8,536	1,917	4,652	4,267	10,836	<b>19,372</b>
Growth	36%	58%	56%	39%	49%	<b>43%</b>
Total visits ('000) <sup>3,4</sup>	20,745	9,015	18,849	19,263	47,127	<b>67,872</b>
Growth	47%	53%	52%	35%	45%	<b>46%</b>
Active customers ('000) <sup>1</sup>	2,814	897	1,960	1,407	4,264	<b>7,078</b>
Growth	25%	57%	61%	48%	56%	<b>42%</b>

<sup>1</sup> As at 31 August, defined as having shopped with ASOS during the last 12 months.

<sup>2</sup> Including VAT.

<sup>3</sup> During August.

<sup>4</sup> Total visits previously included only website visits; now includes website and mobile visits. Prior year comparatives have been restated.

## Gross profit

The Group generated gross profit of £398.6m during the year (2012: £282.9m), up 41% on last year.

Year to 31 August 2013 (Unaudited) £'000s	International					Group total
	UK	US	EU	RoW	Total	
Gross profit	136,235	46,447	91,055	124,843	262,345	<b>398,580</b>
Growth	33%	51%	53%	39%	46%	<b>41%</b>
Retail gross margin	46.1%	57.9%	50.0%	54.8%	53.5%	<b>50.8%</b>
Change	120bps	(180bps)	90bps	140bps	70bps	<b>100bps</b>
Gross margin	47.8%	58.7%	50.6%	55.4%	54.2%	<b>51.8%</b>
Change	20bps	(190bps)	80bps	150bps	70bps	<b>60bps</b>

## YEAR IN REVIEW continued

During the year, retail gross margin increased by 100bps to 50.8% (2012: 49.8%), largely as a result of improved stock management which delivered substantial markdown improvements particularly during our Spring/Summer 2013 campaign. These impacts were partially offset during the first half of the year by significant investments in our own-brand product price points, which was most marked in the US as this segment traditionally consumes the highest proportion of own-brand products. Gross margin (including delivery revenues) increased by 60bps to 51.8% (2012: 51.2%).

### Investment in our operating resources

The Group increased its investment in its operating resources and capability ahead of future sales growth, particularly in the areas of marketing, people and distribution costs. Overall, operating expenses increased by 45% to £344.1m, excluding exceptional items (2012: £237.3m) and the total operating costs to sales ratio increased by 180 bps.

£'000s	Year to 31 August 2013 (Audited)	Year to 31 August 2012 (Unaudited)	Change
Distribution costs	(115,172)	(79,076)	46%
Payroll and staff costs	(75,587)	(50,070)	51%
Warehousing	(44,302)	(32,702)	35%
Marketing	(40,934)	(21,233)	93%
Production	(4,360)	(3,780)	15%
Technology costs	(10,225)	(8,023)	27%
Other operating costs	(40,061)	(32,167)	25%
Depreciation and amortisation	(13,484)	(10,224)	32%
<b>Operating costs excluding exceptional items</b>	<b>(344,125)</b>	<b>(237,275)</b>	<b>45%</b>
<i>Operating cost ratio (% of sales)</i>	<i>44.7%</i>	<i>42.9%</i>	<i>(180bps)</i>

### One of two catwalks at Head Office, London





We invested in increased marketing activities during the year, particularly in digital marketing, including pay per click and affiliate marketing, and in country-specific campaigns. Our digital marketing expenditure was targeted on the UK, US, Australia, France and Germany, and our marketing campaigns included our peak 'Best Night Ever' campaign in the UK, US and Australia, and local magazine partnerships in France and Germany. The results of these activities are already visible in the strong worldwide growth in sales and active customers during the year, and we expect continued returns on this investment in each of our strategic markets during the new financial year.

Our total headcount has increased by 318 employees during the year to support our future growth plans. We also implemented a new ASOS Long-Term Incentive Plan for senior management and recognised an associated non-cash charge of £2.8m during the year. As a result of these investments in our people, our payroll cost ratio increased by 70bps to 9.8% of revenue (2012: 9.1%).

We continued to invest in our customer delivery proposition, making improvements to our next day, express and standard options, with both reduced lead-times and improvements to our service levels including shorter delivery windows and an increased proportion of tracked parcels. We also offered free international express delivery above a minimum spend threshold. As a result, our distribution cost ratio has increased by 70bps to 15.0% (2012: 14.3%).

We maintained tight cost control and delivered operating leverage in our warehouse, production and technology activities. The Barnsley fulfilment centre continued to perform strongly, with a decline in average labour cost per unit for the year of 11% compared with last year, resulting in an increase of only 35% in total warehouse costs compared to a 43% increase in the number of orders.

Depreciation and amortisation costs increased by 32%, largely as a result of investment in our IT infrastructure.

## Group profit

The Group generated profit before tax and exceptional items of £54.7m up 23% on last year (2012: £44.5m).

£'000s	Year to 31 August 2013 (Audited)	Year to 31 August 2012 (Unaudited)	Change
<b>Revenue</b>	<b>769,396</b>	552,854	39%
Cost of sales	<b>(370,816)</b>	(269,997)	
<b>Gross profit</b>	<b>398,580</b>	282,857	41%
Distribution costs excluding exceptional items	<b>(115,172)</b>	(79,076)	
Administrative expenses excluding exceptional items	<b>(228,953)</b>	(158,199)	
<b>Operating profit before exceptional items</b>	<b>54,455</b>	45,582	19%
Finance income	<b>283</b>	-	
Finance expense	<b>(68)</b>	(1,109)	
<b>Profit before tax and exceptional items</b>	<b>54,670</b>	44,473	23%
Exceptional items	-	(4,463)	
<b>Profit before tax</b>	<b>54,670</b>	40,010	37%
Income tax expense	<b>(13,744)</b>	(10,473)	
<b>Profit after tax</b>	<b>40,926</b>	29,537	39%

## Exceptional items

The transition to our new warehousing facilities was completed by 31 March 2012 and all related property provisions were utilised by 31 August 2012. There is therefore no exceptional cost or cash outflow during the year ended 31 August 2013.

The main components of the exceptional charge to the profit and loss account were as follows:

£'000s	Year to 31 August 2013 (Audited)	Year to 31 August 2012 (Unaudited)
Dual site decollation costs	-	(228)
Vacant property costs	-	(1,435)
Impairment of assets	-	(2,800)
<b>Total</b>	-	(4,463)

## Taxation

The effective tax rate before exceptional items for the Group was 25.1%, 90bps lower than the prior year (2012: 26.0%), as a result of a reduction in the prevailing UK corporation tax rate. Going forward, we would expect the effective rate of tax pre-exceptional items to be around 150 bps higher than the prevailing UK corporation tax rate due to permanent disallowable items, including the charge in respect of the ASOS Long-Term Incentive Plan.

## Earnings per share

Basic underlying earnings per share<sup>1</sup> increased by 18% to 50.1p per share (2012: 42.5p), and diluted underlying earnings per share<sup>1</sup> increased by 24% to 49.2p per share (2012: 39.6p).

Basic earnings per share<sup>2</sup> increased by 31% to 50.1p per share (2012: 38.1p), and diluted earnings per share<sup>2</sup> increased by 38% to 49.2p per share (2012: 35.6p).

<sup>1</sup> Underlying earnings per share has been calculated using profit after tax but before exceptional items.

<sup>2</sup> Earnings per share has been calculated using profit after tax and exceptional items of £nil (2012: £4.5m).

# YEAR IN REVIEW continued

## Statement of financial position

The Group enjoys a robust financial position including a strong cash balance and a clean stock position as we begin the new Autumn/Winter season. During the year, net assets increased by £53.8m to £159.8m (31 August 2012: £106.0m), driven by profit after tax for the year. The summary statement of financial position is shown below.

£'000s	Year to 31 August 2013 (Audited)	Year to 31 August 2012 (Unaudited)
Goodwill and other intangible assets	<b>39,686</b>	23,236
Property, plant and equipment	<b>30,031</b>	27,293
Deferred tax asset	<b>8,902</b>	8,111
<b>Non-current assets</b>	<b>78,619</b>	58,640
Working capital	<b>12,257</b>	19,038
Net funds*	<b>71,139</b>	27,884
Derivative financial assets	<b>225</b>	–
Current tax (liability)/asset	<b>(2,441)</b>	425
<b>Net assets</b>	<b>159,799</b>	105,987

\* Cash and cash equivalents less bank borrowings



Hanging instead of folding keeps selected ranges in better condition at our Barnsley fulfilment centre

## Statement of cash flows

The Group generated cash of £43.3m during the year (2012: £13.7m) and the closing cash balance was £71.1m at 31 August 2013, up from £27.9m at 31 August 2012. Net funds were £71.1m (31 August 2012: £27.9m). The summary statement of cash flows is shown below.

£'000s	Year to 31 August 2013 (Audited)	Year to 31 August 2012 (Unaudited)
<b>Operating profit</b>	<b>54,455</b>	41,119
Exceptional items	–	4,463
<b>Operating profit before exceptional items</b>	<b>54,455</b>	45,582
Depreciation and amortisation	<b>13,484</b>	10,224
Losses on disposal of assets	<b>298</b>	–
Working capital	<b>5,391</b>	(9,876)
Share-based payments charges	<b>4,005</b>	953
Tax (paid)/received	<b>(3,353)</b>	1,883
Other non-cash items	<b>(104)</b>	–
<b>Cash inflow from operating profit before exceptional items</b>	<b>74,176</b>	48,766
Operating cash outflow relating to exceptional items	–	(1,695)
<b>Cash inflow from operating profit</b>	<b>74,176</b>	47,071
Capital expenditure	<b>(31,328)</b>	(21,654)
Proceeds from issue of ordinary shares	<b>299</b>	463
Net cash inflow/(outflow) relating to Employee Benefit Trust	<b>160</b>	(1,337)
Acquisition of subsidiary	<b>36</b>	–
Repayment of revolving credit facility	–	(10,000)
Net finance expense paid	<b>(88)</b>	(842)
<b>Total cash inflow</b>	<b>43,255</b>	13,701

Cash generated from operating profit before exceptional items increased by £25.4m, due to EBITDA improvements of £12.1m and a favourable working capital movement of £15.3m. This is the result of a one-off VAT and duty benefit of £6.7m as we gained approval to operate a bonded warehouse at Barnsley from January 2013, as well as timing of supplier payments. Capital expenditure increased by £9.7m on the prior year as we invested in our IT infrastructure to drive future growth.

## Fixed asset additions

£'000s	Year to 31 August 2013 (Audited)	Year to 31 August 2012 (Unaudited)
IT	<b>21,337</b>	14,832
Office fixtures and fit-out	<b>3,842</b>	2,437
Warehouse	<b>7,791</b>	3,786
<b>Total</b>	<b>32,970</b>	21,055

The majority of fixed asset additions were to enhance our websites and underlying IT infrastructure to support future growth and create a truly global platform, including the development of our ASOS China operation and Russian website. We also developed our new mechanised despatch sorting process and commenced the extension to our Barnsley fulfilment centre.

During the next two years, we will significantly increase our investment in our IT and logistics infrastructure to c.£55m per year to support our future growth plans, including expenditure of £25m–£30m on Barnsley during the year to 31 August 2014.

Our investments are funded by operating cash flows, with additional short-term and medium-term facilities to support working capital movement and planned capital expenditure. At 31 August 2013, the Group had in place an undrawn revolving loan credit facility of £20.0m which includes an ancillary £10.0m guaranteed overdraft facility and is available until July 2015. The Group seeks to reduce exposures to interest rate, foreign exchange and other financial risks, to ensure liquidity is available to meet the foreseeable needs and to invest cash assets safely and profitably. Our hedging strategy seeks to hedge our future foreign currency exposure for between six and 12 months forward. We do not engage in speculative trading in financial instruments and transact only in relation to underlying business requirements. Surplus funds are invested in short-term deposits with the objective of maximising the return on surplus cash. Further information can be found in note 21 to the financial statements.

## OUTLOOK

We have started the new financial year positively. Our £1 billion sales target is now firmly in our sights and we have stepped up our investment in people, technology, logistics and marketing to support the significant global potential of the ASOS business.



**Nick Robertson**  
Chief Executive Officer



**Nick Beighton**  
Chief Financial Officer

## Fashion with Integrity

**Our corporate responsibility programme, 'Fashion with Integrity', comprises four pillars: ethical trade, sustainable fashion, sustainable business and community. It is designed to help deliver our wider business strategy and embed sustainable working practices at all levels throughout the company.**

We became a signatory to the ten principles of the United Nations Global Compact in 2012. These principles, alongside valuable input from our stakeholders, are shaping the development of Fashion with Integrity, informing how we prioritise and tackle

our biggest sustainability challenges, including:

- reducing emissions from making and sending products overseas
- creating lighter packaging and less waste
- sourcing more sustainable materials for our products
- ensuring all of our suppliers operate fair and safe working environments.

Ultimately, we are working to balance our rapid global growth with our goal of reducing our environmental footprint, while continuing, with the support of the ASOS Foundation, to have a positive impact on our local communities.

## Highlights of the year

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- Published our first Corporate Responsibility report online
  - Training all of our buying and merchandising teams on sustainable fashion practices
  - Joined the Sustainable Clothing Action Plan (SCAP) which supports our efforts to reduce the environmental footprint of our supply chain
  - Won the RSPCA's 2012 Good Business Innovation award for our animal welfare programme
  - Working with Beat, the eating disorders charity, to provide online support and advice to adults
  - Established the Stitching Academy to provide vocational training to young unemployed people in London
  - Launched Project Pipeline through the ASOS Foundation to provide essential amenities and training to young Kenyans
-

## Ethical trade

# 1

Regardless of where we buy our products, we want to ensure that they are sourced from manufacturers who operate in a way that respects workers' rights, maintains safe working conditions, upholds local employment laws and protects the environment. This is what our customers expect, and we believe that manufacturers with safe and fair working conditions produce the best quality goods.

To support our ethical trade programme, we have standards, codes and policies defining the responsible sourcing principles we adhere to and that we expect our suppliers to comply with. We provide local support to help suppliers improve where needed and commit to reviewing and improving our own sourcing practices regularly, to ensure that our actions do not compromise a supplier's ability to reach our standards. Working collaboratively with suppliers cements our working relationships and provides the opportunity to gather

valuable feedback to further strengthen our ethical trade programme.

### PERFORMANCE

- Implemented a new supplier assessment process to ensure we only work with factories that comply with our principles
- Visited 256 supplier sites to monitor working conditions and give support
- Expanded the ethical trade team from eight to eleven people in the past year
- Trained all buyers and merchandisers on ethical purchasing practices
- Trade creditor payment period for the Group for the financial period under review was 59 days (five months to 31 August 2012: 54 days); for the Company for the same period was nil (five months to 31 August 2012: nil)



### Interview with Alice Strevens, Ethical Trade Manager, ASOS

#### Why is ethical trade important for ASOS?

To supply customers with high quality fashion we need a supply chain that is responsive and reliable and which will work collaboratively with ASOS to achieve long-term, sustainable change. At ASOS, ethical trade is a key ingredient of a well-managed supplier or factory. We believe that for suppliers to become more efficient they need to invest in the safety and welfare of their workforce, and we help them to identify ways to do this.

#### What do ASOS's ethical trade teams do?

The UK-based ethical trade management team oversees the global ethical trade programme, liaises with buying teams to ensure the ethical performance of our suppliers has an increasing influence on sourcing decisions, and provides training. Meanwhile, our regional ethical trade team, with associates based in China, India, Turkey, Eastern Europe and UK, builds relationships directly with the suppliers and manufacturers and

carries out site assessments to identify and address the root causes of any poor working conditions.

#### How does the ASOS ethical trade programme benefit workers?

Through our ethical trade programme we hope to make factory owners and managers more aware of the untapped potential of their workers. Our Code of Conduct and Ethical Standards set out the key principles for improving basic rights for workers. Training sessions, site visits and workshops then provide suppliers with more practical advice on how to embed these principles. In particular, the workshops provide a forum for our suppliers and manufacturers to get together to share best practice and learn from each other about the benefits of trading ethically and supporting their workers. We are confident that this approach will help to ensure safer, fairer and more secure employment conditions for people working in manufacturing sites supplying ASOS.



## ASOS AFRICA AND A NEW FACTORY IN KENYA

The ASOS Africa range launched in 2009 in partnership with SOKO, the Kenyan clothing workshop which provides fair and safe employment and training for Kenyan women.

In November 2012, amid growing demand for the ASOS Africa label, SOKO opened a new factory, doubling its previous capacity. ASOS's contribution, which met half the cost of the factory, was funded by sales of the ASOS Africa collection which were then matched by the ASOS Foundation.

The new factory has not only boosted production and provided more employment but also allows SOKO to work with other customers, further supporting local community development.

## Sustainable fashion

# 2

We are using our global reach to champion environmental and ethical products through The Green Room, an online destination within ASOS.com, where customers can go to learn about and buy sustainable fashion

Our creative and buying teams have a range of tools to help them design and source more sustainable products, including signposts that tag those items that already have a social or environmental benefit and master classes to help enhance the sustainable fashion credentials of our own-label clothing.

ASOS firmly believes that animals should not suffer in the name of fashion or cosmetics. In 2012, we rewrote our animal welfare programme policy in line with industry best practice. We also educate our buyers, suppliers and customers so they can identify higher animal welfare products.

## PERFORMANCE

- Trained our buyers and merchandisers on our product sustainability programme
- Launched the 'Sustainable Signpost' system to highlight important features of our sustainable products
- Won the RSPCA's 2012 Good Business Innovation Award for our animal welfare programme
- Joined the Sustainable Clothing Action Plan (SCAP) who is supporting our efforts to lower our supply chain's environmental footprint
- Won the Retail Leader award at the Source Awards 2012 recognising our commitment to sustainability

## Sustainable business

# 3

We believe in growing our company in a sustainable way, adding social value and minimising environmental impacts while ensuring ASOS's long-term commercial viability.

- **The environment:** we aim to make our operations and use of resources as efficient as possible. We have been CarbonNeutral™ since 2008 and we are continually changing how we make and receive deliveries to reduce our carbon footprint as we expand internationally.
- **Our people:** we aim to attract the best creative talent by making ASOS a fast-paced, diverse and inspiring place for people to work. We reward our people through promotions, international placements, exciting secondments and a wide range of professional development prospects. We also have policies and programmes in place to ensure that everyone who works for ASOS is afforded the same rights, opportunities and protection.
- **Our customers:** we aim to provide our customers with the best products and outstanding service, including continually improving our systems to prevent fraud and protect our customers' data. We're also engaging customers to help them make sustainable choices about the products they buy and how they use them, while promoting healthy, positive body images.

### PERFORMANCE

- All of our boxes and bags are now 100% recyclable
- Recycling messages are now included on boxes and customer communications
- We launched a centralised HR information system, the People Hub, which helps employees to access our market-leading flexible benefits programme, information on 'The Collection' – our in-house training programme – as well as claim expenses, book travel, conduct performance reviews, update objectives, access payslips, revise personal details or simply book holiday leave
- Worked with Beat, the eating disorders charity, to provide online support and advice for adults with eating disorders
- In 2012/13 we answered 4.2m emails and 260,000 social media queries from our customers
- Ranked no.1 of all UK organisations again for customer satisfaction in the Institute of Customer Service's national satisfaction survey in January 2013

### THE ENVIRONMENT

ASOS is an online business, with offices in the UK and in strategic international locations. We do not have any 'bricks and mortar' stores but ship our products to 237 countries and territories from the UK. We began measuring our carbon footprint in 2008; this exercise has demonstrated that our biggest environmental impacts come from the carbon emissions resulting from customer deliveries, the running of our buildings, and packaging and waste. We are implementing systems that can measure our emissions from customer deliveries and from our premises more accurately so that we can set realistic but stretching targets to reduce our carbon footprint.

#### Carbon footprint

ASOS has been certified as a Carbon Neutral™ company since 2008. Our carbon footprint for 2012 was calculated to be 20,248 tonnes CO<sub>2</sub>. Our expansion overseas has led to a sharp rise in airfreight emissions from customer deliveries: these now make up 70% of our overall carbon footprint.

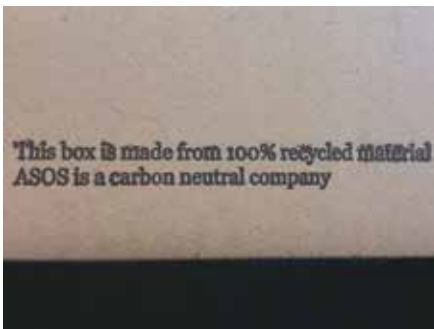
#### Tackling emissions from deliveries

We are working with our partners to minimise emissions by reducing packaging, introducing fuel saving technologies and researching low-carbon vehicles and fuels. We have started to review new delivery partners based on these sustainability requirements. We have also set up regional hubs in Australia and the US so that beginning in 2013 when items are returned from those countries, they can be shipped out to new local customers as new orders, thereby cutting emissions and delivery times.

## Interview with Robert Muldoon, Delivery Solutions Manager, ASOS

### What were your biggest environmental challenges in 2012/13?

Our biggest environmental challenge as a rapidly growing business is how to manage our carbon emissions from customer deliveries. Two thirds of ASOS's carbon footprint is attributable to overseas deliveries, most of it from air freight. We purchase a significant amount of packaging annually to help protect our products during transit, so we have a clear responsibility to use lighter packaging that can also be completely recycled by our customers.



### Energy efficiency

Our buildings generate approximately 20% of our carbon footprint. The energy efficiency measures we have put in place in our buildings over the last two years include installing more efficient lighting systems in the buildings we own, purchasing energy using a green energy tariff and developing a 'green' IT strategy. Our new fulfilment centre in Barnsley, Yorkshire has been rated 'excellent' by BREEAM (the Building Research Establishment's environmental assessment method).

### What solutions have you put in place for packaging?

All boxes are made of 100% recycled material and both our boxes and bags have been designed so that customers can reuse them for returns or recycle them. We have increased the recycled content of our plastic delivery bags. We recycle all bags and boxes returned by customers.

### How can we reduce the impact of customer deliveries?

We are currently talking to our suppliers about how they can contribute. Many have programmes in place to reduce their carbon footprints. For example DPD, one of our UK and European carriers, offsets for free, as part of their standard service, all of the emissions generated from ASOS deliveries. Many others are also reducing their own carbon footprints, for example by building new logistic hubs to make better use of energy-saving technology.

### What are your priorities for the coming year?

We want to offer customers 'drop' locations such as shops or lockers. This would allow our carriers to drop a number of consignments at a single location instead of taking parcels to individual home addresses every time. We are also discussing with our UK suppliers the use of electric, multi-fuel and fuel saving technology.

### Packaging and waste

We are working hard to address one of our biggest impacts, packaging by using lighter, bespoke packaging to help reduce emissions from customer deliveries, increasing recycled content, and minimising packaging ink coverage to improve recyclability. The amount of waste we send to landfill from our headquarters and fulfilment centre fell by 99% in 2012. Overall, we aim to meet our target of sending no waste at all to landfill during the next year, and have set ourselves a goal of increasing the amount of waste we recycle from 40% to 70%.

## OUR PEOPLE

### Employees

As at 31 August 2013, the Group employed 1,352 people (excluding employees at the Group's warehouse and European language customer care employees who are employed through an outsourced contract). All of the Group's employees and outsourced employees are central to the Group's success. Employees working through outsourced arrangements are regularly included in Group communications and all receive access to employee discount benefits so that they are directly engaged with our products and brand, in a similar way to other ASOS employees.

### Equal opportunities

ASOS is committed to eliminating discrimination and encouraging diversity amongst its workforce. ASOS aims that its workforce will be truly representative of all sections of society and that each employee feels respected and is able to perform to the best of his or her ability. ASOS aims to have a workforce which reflects its diverse customer base. ASOS will not make assumptions about a person's ability to carry out their duties based for example on their ethnic origin, gender, sexual orientation, marital status, religion or other philosophical beliefs, age or disability. ASOS will not make general assumptions about the capabilities, characteristics and interests of particular groups that may influence the treatment of individuals, the assessment of their abilities and their access to opportunities for training, development and promotion. Should an employee develop a long-term health concern or disability whilst working for the Group, efforts are made to encourage their return to work with occupational health intervention including making any necessary adjustments within the workplace and retraining.

Whilst being committed to enabling all employees to develop their careers irrespective of their gender, ASOS fully supports all initiatives to ensure the appropriate representation of all genders throughout all levels of the Company.



Of the seven members of ASOS's board, 29% are female and 71% are male. Overall, 68% of full-time employees are women and 32% are men (previous five months to 31 August 2012: 65% women and 35% men), whilst 93% of part-time employees are women and 7% are men (previous five months to 31 August 2012: 93% women and 7% men).

In the last 12 months, the Company has completed the implementation of 'People Hub', its new Human Resources Information System which is integrated with payroll and up to six additional systems. Amongst other things, it will enable monitoring and reporting of key metrics including diversity and equal opportunities. This system was rolled out to all employees in September 2012.

### Learning and development

Learning and development at ASOS are focused on delivering knowledge, skills and behavioural improvement for all employees in the business. Focus is on broader development, but, where training is required, it is predominantly designed and delivered in house covering compliance, business essentials and soft skills. Beginning with an in-depth induction programme, we equip new employees with everything they need to know and demonstrate how to be effective in their roles quickly (95% of new hires attended induction in the last financial year). Development within the role is critical for all employees as the business grows. In the past year, all senior leaders attended the 'Leaders at ASOS' programme in order to equip them with the best-in-class leadership skills they need. Employees can enrol in 'The Collection', our suite of learning and development courses which we launched in October 2012.

### Employee engagement

Employees are kept informed of the performance and objectives of ASOS through regular briefings and emails, and ASOS's open management style encourages employees to contribute to the development of the business. ASOS conducts an all-employee survey every two years and the next survey is scheduled to take place in March 2014.

### Health and wellbeing

Our employees and people working on behalf of ASOS are entitled to a safe working environment. Health and safety risk assessments are carried out regularly and our policy is reviewed annually.

### Employee share ownership

The Company believes that it is very important where possible to align employee incentives with the expectations of shareholders. Details on schemes to encourage employee share ownership are set out in the Directors' Remuneration Report on pages 37 to 45.

## OUR CUSTOMERS

We have 7.1m active customers in 237 countries and territories. To us, being a sustainable business means giving our customers the highest standards of customer care, including protecting their personal information, preventing fraud and promoting a positive body image.

### Customer care

We are available 24 hours a day, 365 days a year to answer customer queries and offer help – mainly via email and social media – in a number of languages. No matter where in the world a customer is contacting us from, we want their experience to be personal, friendly and as 'local' as possible. We aim to respond to every contact quickly and to provide a quality of service that will encourage loyalty and keep customers coming back.

Always looking for ways to improve our service, Customer Care has a new technology platform which gives customers more ways to get immediate answers to their questions – online, anytime, on any device. It also gives our advisors smarter information on customer queries all in one place, so we can provide even better care and support.

### Fraud and data security

Protection from fraud and data security measures are some of the most important services we provide for our customers. We use an automatic anti-fraud system that reviews every order and selects 3% for manual review by the Profit Protection Team, who work to ensure threats are mitigated as efficiently and effectively as possible.

We have technical and physical security controls to prevent unauthorised access to customer data. To reassure customers, we guarantee to use access restrictions, encryption of certain customer data, and alert systems.

### Positive body image

We want to use our influence among young fashion-lovers to promote more responsible and healthy body images than are often seen in our industry. To this end we have:

- adopted a Model Welfare policy and guidelines on digital manipulation to protect our models and customers
- created clothing ranges and websites that celebrate and promote the diversity of our customers.

The eating disorders charity Beat provided training on body image health to our Customer Care teams to help them to respond sensitively to customer questions about body image and eating disorders, and direct them to appropriate help where required.

## Community



Our community programme aims to make a positive difference to young people's lives in the communities where we operate. Our community programme is supported by the ASOS Foundation and our employees, who donate time, money – or both. During the year ended 31 August 2013, the Group made charitable donations totalling £211,370, which included donations made directly to charities, as well as those made via the ASOS Foundation.

### ASOS Foundation

The ASOS Foundation, an independent charitable trust funded by ASOS, provides inspiration, support and training for disadvantaged young people to help them overcome barriers and change their lives for the better. Since 2009, the Foundation has been creating opportunities for young adults in partnership with charities such as The Prince's Trust, Camden's famous Roundhouse venue, Indian children's homes provider Udayan Care and Kenyan social enterprise SOKO.

In 2012, the ASOS Foundation launched two new initiatives – Project Pipeline, which provides essential amenities, equipment and training to young Kenyans, and the Stitching Academy in the UK, which has begun offering entry-level apprenticeships following the success of our Level 3 garment technology course.

### Employees in the community

Our workplace giving scheme supports 60 individual charities. The 'Give a Day Away' programme, launched in 2012, encourages colleagues to take a paid day each year to volunteer at a charity of their choice.

### Performance

- Launched Project Pipeline to bring water to 5,000 people in rural Kenya
- Established The Stitching Academy to providing vocational training to young unemployed people in London
- 16% of employees participated in Give a Day Away
- Established a community investment programme in Barnsley, home of our fulfilment centre
- End of life samples donated to Oxfam raised £98,000 for the charity
- Improved SOKO's workshop premises and, from Spring 2013, ASOS Foundation began supporting the wider community around SOKO with donations to a technical training college, a secondary school and a disabled craft group

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### THE STITCHING ACADEMY

In July 2013, ASOS launched the Stitching Academy in partnership with social enterprise Fashion Enter Ltd. The Academy is an extension of the National Apprenticeship in Fashion and Textiles Apparel scheme and offers six-week internships to 120 young people at 'The Factory', a clothing factory which ASOS helped establish in North East London. Apprentices can gain a Level 1 qualification in

'Stitching Skills' and at least forty young people are expected to secure employment, further education or additional apprenticeships as a result of the scheme. The ASOS Foundation supplies all technical equipment and machinery and matches contributions from Haringey Council for teaching costs.



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# BOARD OF DIRECTORS

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**Brian McBride**

Chairman

Brian joined ASOS from Amazon.co.uk where he was Managing Director from 2006 to 2011. Brian is a member of the UK Government's digital advisory board, which is helping deliver government services to the British people through digital means. He is also senior adviser at Scottish Equity Partners, is a Non Executive Director of the Board of the BBC, and a member of the advisory board of Huawei UK. Brian is the Senior Non Executive Director at Computacenter Plc, a member of the Advisory Board of Numis Plc, and a member of the Court (Governing Body) of the University of Glasgow. He was appointed Chairman of ASOS on 1 November 2012.



**Nick Robertson**

Chief Executive Officer

Nick co-founded ASOS.com in 2000. His career began in 1987 at the advertising agency Young and Rubicam. In 1991 he moved to Carat, the UK's largest media planning and buying agency. In 1995 he co-founded Entertainment Marketing, a marketing services business. Nick was awarded an OBE in 2011 for his achievements in the world of fashion retailing.



**Nick Beighton**

Chief Financial Officer

Nick is a chartered accountant who qualified at KPMG, working in transaction services and within the strategic business management group. He joined Matalan in 1999 as Head of Finance and became Business Change and IT Director ahead of his appointment to the company's retail board in 2003. In August 2005, Nick joined the board of Luminar entertainment group as Finance Director. Nick is a member of the EU eCommerce Task Force and the Future Fifty Programme Advisory Panel. He was appointed Chief Financial Officer of ASOS in April 2009.



**Jon Kamaluddin**

International Director

Jon qualified as a chartered accountant at Arthur Andersen, where he began his career working in corporate recovery. He left to join Marks & Spencer where he spent three years in a number of financial positions including Head of Finance for the Per Una brand. In 2004, Jon joined ASOS as the company's Finance Director, before taking on the role of International Director in April 2009 to accelerate the international strategy for the business. As announced on 24 April 2013, Jon will step down from the ASOS Plc Board in October 2013 and will leave the company on 1 December 2013.



**Peter Williams**

Senior Independent  
Non Executive Director

Peter joined the ASOS board in April 2006, and he chairs the Audit Committee and sits on the Remuneration Committee. Peter is currently a member of the Design Council, Chairman of OfficeTeam and Non Executive Director of Cineworld Group Plc, Sportech Plc and Silverstone Holdings. He has previously served on the boards of EMI Group Plc, Blacks Leisure Group Plc, JJB Sports Plc, Capital Radio Group Plc and GCap Media Plc. A former Chief Executive of Selfridges Plc, where he also acted as Chief Financial Officer for over ten years, Peter was also Chief Executive of Alpha Group Plc. Peter has a degree in mathematics from Bristol University and is a chartered accountant. As announced on 16 April 2013, Peter will step down from the Board of ASOS Plc with effect from 4 December 2013.



**Karen Jones**

Non Executive Director

Karen joined the ASOS board in September 2009 and is the Chair of the Remuneration Committee and a member of the Audit and Nomination Committees. Karen is the founder and Chairman of Food & Fuel Limited and a Non Executive Director of Booker Group Plc, Cofra Holdings AG, Firmenich International, Rex Restaurants Ltd and Royal National Theatre Enterprises as well as chairing Hawksmoor. Karen is the co-founder of Café Rouge and former Chief Executive of Spirit Group Limited. She is also a former Non Executive Director of HBOS Plc, Virgin Active Ltd, Gondola Holdings Plc and Emap Plc. Karen was awarded the CBE in 2006 for her services to the hospitality industry.



**Mary Turner**

Non Executive Director

Mary is Chief Executive of AlertMe.com, which has led the way in cloud-based 'Smart Energy' services. Mary joined the ASOS board in September 2009, and sits on the Audit, Remuneration and Nomination Committees. She was Managing Director and Chief Executive Officer of Tiscali UK Limited from 2001 to 2009. Prior to joining Tiscali, Mary was Chief Executive Officer of BTLInOne, the joint venture between BT and United News Media, and Senior Vice President Marketing (Europe) at CompuServe Information Services. She has also held the position of General Manager of Capital Sales at Innovation Group and prior to that, worked in sales and marketing at Avon Cosmetics and Elizabeth Arden.



**Ian Dyson**

Non Executive Director

As announced on 7 August 2013, Ian Dyson will join the ASOS Plc Board with effect from 1 October 2013 as Senior Independent Non Executive Director. Ian will replace Peter Williams as the Chairman of the Audit Committee with effect from 4 December 2013. Ian has more than a decade's experience in the public market arena and has held both executive and non executive directorships at FTSE100 and FTSE250 companies. He was Group Finance and Operations Director of Marks & Spencer Plc from 2005 to 2010, before becoming Chief Executive at Punch Taverns Plc in 2010. Prior to that, Ian was Group Finance Director of Rank Group Plc. Ian is currently a Non Executive Director and Chair of the Audit Committee at Belfair Plc, a Non Executive Director of Punch Taverns Plc and as of 1 September 2013 a Non Executive Director at Intercontinental Hotels Group Plc. Ian was previously a Non Executive Director and Chair of the Audit Committee at Misy's Plc.

## Board changes that occurred during the year

### Lord Alli

*Chairman*  
(Resigned 31 October 2012)  
Lord Alli is Chairman of Silvergate Media Limited, a media company that specialises in children's TV, publishing and merchandising. He is a Non Executive Director of Olga Productions, a patron of The Elton John Aids Foundation, Chancellor of De Montfort University, President of the National Youth Theatre and a Trustee of WNET Channel 13 in New York. Lord Alli was appointed to the House of Lords in 1998 where he takes particular interest in issues relating to equality and the media.

### Robert Bready

*Product and Trading Director*  
(Resigned 10 October 2012)  
Robert began his career at River Island where he held a variety of merchandising roles across womenswear and menswear. In 1997, Robert moved to The Arcadia Group, where he spent eight years working across young fashion retailers Miss Selfridge and Topman, eventually becoming a senior executive for the Miss Selfridge brand. In 2005 Robert joined ASOS.com and in 2006 was promoted from Head of Merchandising to Product Director, and then to Product and Trading Director.

### Kate Bostock

*Executive Director, Product & Trading*  
(Appointed 15 January 2013; resigned 16 July 2013)  
Kate joined ASOS after working at Marks & Spencer Plc for eight years, first as the Business Unit Director for Womenswear, then as Executive Director for General Merchandise after three years. Prior to that, Kate was clothing director for George at Asda, and Divisional Director for Childrenswear at Next Plc, as well as heading up the buying division at a mail order business and acting as Design Director for a large manufacturing company.

# CORPORATE GOVERNANCE REPORT

**The Board of the Company is committed to appropriate standards of corporate governance, as an important part of an innovative, effective and efficient approach to managing the Company, its subsidiaries and all its businesses (together 'the Group') for the long-term benefit of all shareholders. The Company's policies are monitored to ensure that they are appropriate to the Company's nature, status, size and circumstances, and are explained below.**

## THE BOARD

The Board's primary tasks are to enhance shareholders' interests by:

- reviewing and approving the overall Group strategy and direction
- determining, maintaining and oversight of controls, audit processes and risk management policies (including treasury and dividend policy), to ensure the effective operation of the Company
- approving of the financial statements, as well as revenue and capital budgets and plans
- the approval of material agreements and non-recurring projects
- reviewing and approving of remuneration policies.

As at 22 October 2013, the Board comprised the Chairman, two Executive Directors and four Non Executive Directors. During the financial year to 31 August 2013, several Board changes took place: Robert Bready resigned on 10 October 2012; Lord Alli left effective from 31 October 2012; Brian McBride was appointed as Chairman effective 1 November 2012 and Kate Bostock was appointed to the Board on 15 January 2013 and resigned on 16 July 2013. After the year end Jon Kamaluddin stood down from the Board on 1 October 2013, Ian Dyson joined the Board on 1 October 2013, and Peter Williams will step down with effect from 4 December 2013. Short biographies of each of the Directors who served during the financial year or who have been appointed since are set out on pages 26 to 27.

The Board is satisfied that there is an effective and appropriate balance of skills and experience across the members of the Board, including (without limitation) in the areas of retailing, finance, international trading operations and IT/eCommerce.

The Board takes decisions regarding the appointment of new directors as a whole. The Company's Articles of Association give

power to the Board to appoint directors and, where notice is given and signed by all the other directors, remove a Director from office. There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. The Company's Articles of Association require that one-third of the directors offer themselves for re-election annually in rotation. All directors will offer themselves for re-election at least once every three years, whilst any new Board directors appointed during a year are required to offer themselves for election at the next AGM following their appointment. This enables the shareholders to decide on the election of their Company's Board. With regard to those directors who offer themselves for re-election at the next AGM, the Board unanimously believes that the contributions made by those directors continue to be effective and that the Company and its shareholders should support their re-election.

There is a clear division of responsibility at the head of the Company. The Chairman is responsible for the running of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for setting and implementing the strategy approved by the Board and overseeing the management of the Company, through the running of the Executive Board. During the financial year to 31 August 2013, Peter Williams acted as the Senior Independent Director. With effect from 1 October 2013, Ian Dyson will take over that important role.

All directors are encouraged to challenge and to bring independent judgement to bear on all matters, whether strategic or operational. The actions and decisions of all of the Non Executive Directors who served during the year and up to the date of this report are considered by the Board to be independent in both character and judgement.

The Board met for scheduled meetings eight times during the year ended 31 August 2013. The Board manages the Company through a formal schedule of matters reserved for its

decision across eight scheduled meetings each year. It also delegates specific responsibilities to the Board Committees as detailed in this Report, with the role and responsibilities of each Committee set out in clearly defined Terms of Reference. Prior to the start of each financial year, a schedule of dates for that year's Board meetings is compiled to accord as far as reasonably practicable with the Company's financial calendar, although this may be supplemented by additional meetings as and when required.

The Board receives appropriate and timely information prior to each meeting, with a formal Agenda, and Board and Committee papers being distributed several days before meetings take place. Any director may challenge Company proposals, and decisions are taken democratically after discussion. Any director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting. Any specific actions arising from such meetings are agreed by the Board, and then followed up by the management.

The directors have access to the General Counsel and Company Secretary in order to support the performance of their duties as directors of the Company. There is also an agreed procedure to enable individual directors to take independent legal and financial advice at the Company's expense, as and when necessary to support the performance of their duties as directors of the Company. Throughout their period in office, the directors are also updated on the Group's businesses and the regulatory and industry specific environments in which they operate by way of written briefings and meetings with senior executives and, where appropriate, external sources. All directors are also offered appropriate training to develop their knowledge and ensure they remain up to date in relevant matters for which they have responsibility as a member of the Board.

The Company also has effective procedures in place to deal with conflicts of interest. The Board is aware of the other commitments of its directors and changes to these commitments are reported to the Board.

The General Counsel and Company Secretary has responsibility for ensuring that all Board procedures have been complied with.

## Board Committees

The Board is supported by Audit, Remuneration and Nomination Committees. Their specific responsibilities are set out below. Executive Directors are not members of these Board committees, although they may be invited to attend meetings.

Each committee has access to such information and advice as it deems necessary, at the cost of the Company, which also provides sufficient resources to enable them to undertake their duties. The Terms of Reference of each of the committees are available on the Company's website at [www.asosplc.com](http://www.asosplc.com). Each committee is responsible for reviewing the effectiveness of its terms of reference, as appropriate, and for making recommendations to the Board for changes where necessary. The Company Secretary acts as secretary to all the committees. The minutes of committee meetings are circulated to all committee members, and reports on each committee meeting are given by the relevant Committee Chairman to the Board.

### Audit Committee

During the year, the Audit Committee comprised three independent Non Executive Directors: Peter Williams (Committee Chairman), Karen Jones, and Mary Turner. Although they are not members of the Committee, the Company Chairman, the Chief Executive Officer and the Chief Financial Officer are invited to attend meetings, unless they have a conflict of interest. Also invited to attend (unless they have a conflict of interest) are the General Counsel and Company Secretary, and the Director of Finance, as well as the external and internal auditors.

The Board is satisfied that the Chairman of the Committee, Peter Williams, has recent and relevant financial experience. He is a chartered accountant, has held senior financial management positions in other companies, and has chaired audit committees in a number of other listed companies. The Committee's other members, Karen Jones and Mary Turner have played an active role in all Committee meetings held throughout the year. With effect from 4 December 2013, Ian Dyson will take over as Chairman of the Committee, and the Board is also satisfied that he has recent and relevant financial experience, given his previous executive roles in financial positions.

The Committee's principal responsibilities cover:

- financial reporting and external audit (including auditor independence)
- internal control and risk management
- internal audit.

The Audit Committee met three times for scheduled meetings during the year. Its activities in that period included: a review of the five months to 31 August 2012 announcement and the Annual Report and Accounts; a review of the six months to 28 February 2013 announcement; the oversight of the appointment of and relationship with the external auditors, together with the assessment of their independence; the consideration of reports from external auditors identifying any accounting or judgemental issues requiring its attention; review and consideration of reports on the work of the internal audit function; and review of the ASOS Anti-Bribery Policy and the Company's Risk Register.

### Remuneration Committee

The composition, responsibilities and activities of the Remuneration Committee are set out in the Director's Remuneration Report on pages 37 to 45, along with the Company's remuneration policy and details of how that policy was implemented during the financial year to 31 August 2013.

### Attendance at Board/Committee meetings

The table below shows the attendance record of individual directors at Board meetings and committees of which they are members.

	Board Meetings		Committees					
	Eligible to attend	Attended	Audit		Remuneration		Nomination	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Brian McBride	6	6	–	–	–	–	2	2
Nick Robertson	8	7	–	–	–	–	–	–
Nick Beighton	8	8	–	–	–	–	–	–
Jon Kamaluddin	8	7	–	–	–	–	–	–
Peter Williams	8	8	3	3	5	5	–	–
Karen Jones	8	8	3	3	5	5	2	2
Mary Turner	8	8	3	3	5	5	2	2
Lord Alli	2	1	–	–	–	–	–	–
Robert Bready	1	0	–	–	–	–	–	–
Kate Bostock	3	3	–	–	–	–	–	–

As at 22 October 2013, the Board had met twice since the end of the financial year, 31 August 2013. The Remuneration Committee and the Audit Committee had also each met once each since 31 August 2013.

## EXECUTIVE BOARD

The Executive Board consists of the Executive Directors and key functional directors and meets weekly. Under the chairmanship of the Chief Executive Officer, the Executive Board is responsible for the day-to-day management of the Group's business and the overall financial performance of the Group in fulfilment of the strategy, plans and budgets approved by the Board of Directors, as well as for managing and overseeing trading performance, key risks, management development, and corporate responsibility programmes. The Chief Executive Officer reports to the Board on issues, progress and recommendations for change which come out of the Executive Board's activities.

In terms of changes to the composition of the Executive Board during the financial year to 31 August 2013, ASOS hired a new Chief Information Officer and a new Supply Chain Director to strengthen the Group's management capabilities. A new International Director also joined the Executive Board on 16 September 2013.

## RELATIONS WITH SHAREHOLDERS

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance are clearly understood. This is achieved principally through the Annual Report and Accounts, preliminary and interim announcements, and the Annual General Meeting (AGM). A range of corporate information (including all Company announcements and presentations) is also available to shareholders and investors on the Company's corporate website, [www.asosplc.com](http://www.asosplc.com).

The Board recognises that the AGM is the principal forum for dialogue with private shareholders. The chairs of the Board and all Committees, together with all other directors, routinely attend the AGM and are available to answer questions raised by shareholders. The Company encourages all shareholders to attend and participate in the AGM. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. Shareholders vote on each resolution by a show of hands, unless a poll is validly called, and after each such vote the number of proxy votes received for, against and withheld is announced.

The directors actively seek to build a mutual understanding of objectives with institutional shareholders. Shareholder relations are managed primarily by the Chief Executive Officer, Chief Financial Officer, the Head of Investor Relations and the Director of Finance. The Company releases preliminary and interim results and also issues quarterly trading updates during the year. The Chief Executive Officer and Chief Financial Officer make presentations to institutional shareholders and analysts immediately following the release of the full-year and half-year results. The Company communicates with its institutional investors frequently and regularly through a combination of formal meetings, participation at investor conferences and informal briefings with management. In addition, analysts' notes and brokers' briefings are also reviewed to achieve a wide understanding of investors' views.

The Board as a whole is kept informed of the views and concerns of the major shareholders by briefings from the Chief Financial Officer and Head of Investor Relations. The Non Executive Directors, including the Senior Independent Director, are available to meet with major shareholders if so requested to discuss issues of importance to them.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the Company's system of internal control and risk management, and for reviewing its effectiveness, whilst the role of the Executive Board and management is to implement the Board's policies on risk and control and provide assurance on compliance with these policies.

An ongoing risk management process is embedded in the business to identify, evaluate and manage significant risks faced by the Company, including risks relating to social, environmental and ethical matters. Such a system is, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The internal control procedures are delegated to Executive Directors and senior management in the Company operating within a clearly defined departmental structure. The Board regularly reviews the internal control procedures in the light of the ongoing

assessment of the Company's significant risks. The General Counsel and Company Secretary has responsibility for the effective operation of the risk management process, including the regular review and update of the Business Risk Register, with a view to:

- capturing all relevant risks faced across all parts of the business
- ensuring a separate focus on identifying each risk and the possible consequences if such risk were to crystallise
- assessing the likely impact of each risk in the context of the size and shape of the Group at that time
- assessing the likelihood of each risk arising, in as predictive a manner as possible
- ranking all risks in order of potential effect on the Company
- identifying the current mitigating actions being undertaken to manage that risk and assessing possible additional mitigating actions that could be considered
- appropriately incorporating risk management and mitigating actions into the Group's future strategy and planning.

This risk management process is supplemented by the Company's internal auditors reviewing and reporting to the Audit Committee on the Company's management and handling of certain risks in key areas. Further details of the principal risks the Company faces are set out on pages 32 to 35.

## Financial controls

The Company has an established framework of internal financial control, the effectiveness of which is regularly reviewed by the Executive Board, the Audit Committee and the Board. The key elements of this are set out below.

- The Board is responsible for reviewing and approving overall Company strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the Company including treasury and dividend policy. Monthly results, variances from plan and forecasts are reported to the Board.



- The Audit Committee assists the Board in the discharge of its duties regarding the Company's and the Group's financial statements, accounting policies and the maintenance of proper internal business, operational and financial controls, including the results of work performed by the internal audit function. The Committee provides a direct link between the Board and the external auditors through regular meetings.
- The Board has established an organisational structure with clearly defined lines of responsibility and approval controls identifying transactions requiring approval by the Board. The Chief Financial Officer is responsible for the functional leadership and development of the Company's finance activities.
- There is a comprehensive system for budgeting and planning and for monitoring and reporting the performance of the Company's business to the Board. Monthly results are reported against budget and prior year, and forecasts for the current financial year are regularly revised in the light of actual performance. These cover profits, cash flows, capital expenditure and balance sheets.
- The Company has established a uniform system of investment appraisal; executive management has defined the financial controls and procedures with which each business area is required to comply.
- The Executive Board oversees the internal control procedures and the ongoing assessment of the Company's significant risks.
- A corporate responsibility strategy was approved by the Board, including objectives and targets to address the impacts that the Group's activities have on the environment, workplace, marketplace and community, clear accountability and lines of responsibility at Board and operational level and regular reporting back to the Board on corporate responsibility.
- The Board is committed to maintaining high standards of health and safety in all its business activities. These standards are set out in the Health and Safety Policy. All notified accidents are investigated.
- The Board approves environmental objectives and specific targets which are set down and regularly reviewed by the Executive Board.
- The Board is committed to ensuring appropriate standards among its suppliers and has approved and issued the ASOS Supplier Standards (which include and expand upon the Ethical Trading Code of Conduct). These Standards set out the core trading requirements it expects its suppliers to meet, and cover health and safety, child labour, working hours, wage levels, freedom of association, discrimination and environmental protection.
- The Company is committed to ensuring that its employees meet good standards of business integrity and competence. The Group has in place policies which cover the recruitment, training and development of employees, the acceptance of gifts and corporate hospitality, the identification and reporting of connected parties and conflicts of interest, and the zero tolerance of the payment of any bribes by any representative of the Company.

#### Non-financial controls

The Company has established a wide range of non-financial controls covering areas such as legal and regulatory compliance, business integrity, health and safety, environment, and corporate responsibility (including ethical trading, employment and business continuity). The effectiveness of these are regularly reviewed by the Executive Board, and reported on to the Board. The key elements are set out below.

- All Group policies and procedures are communicated throughout the organisation, with training provided in key areas including anti-bribery and design rights.
- All material contracts are required to be reviewed by the Procurement and Legal Departments, and signed by a senior executive of the Company.

#### AUDITOR INDEPENDENCE

The Board is satisfied that the external auditors PricewaterhouseCoopers LLP (PwC) have adequate policies and safeguards in place to ensure that auditor objectivity and independence are maintained. The external auditors report to the Audit Committee annually on their independence from the Company. Periodic rotation of key audit partners is also required. There are no contractual restrictions on the Audit Committee as to the choice of external auditors.

The Board has also adopted a formal policy on the Company's relationship with its auditors in respect of non-audit work. The auditors may only provide such services provided that such advice does not conflict with their statutory responsibilities and ethical guidance. The Audit Committee Chairman's pre-approval is required before the Company uses the auditors to provide non-audit services. The fees paid to the auditors in respect of non-audit services are shown in note 3 to the financial statements.

In line with its Terms of Reference, the Audit Committee undertakes a thorough assessment of the quality, effectiveness, value and independence of the audit provided by PwC on an annual basis, seeking the views and feedback of the Board, together with other senior management. Following the most recent review, the Audit Committee has decided to recommend to the Board the reappointment of PwC. A resolution to reappoint PwC as auditors of the Company and to enable the directors to determine their remuneration will be proposed at the Annual General Meeting.

# DIRECTORS' REPORT

**The Directors of ASOS Plc ('the Company') present their Annual Report to shareholders together with the audited financial statements of ASOS Plc and its subsidiaries ('the Group') for the year ended 31 August 2013. The purpose of the Annual Report is to provide information to members of the Company. The Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results to differ from those anticipated. Nothing in this Annual Report should be construed as a profit forecast.**

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activity of its subsidiary undertakings is that of internet retailing, and details of the principal subsidiaries are set out on page 81.

## BUSINESS REVIEW

The Companies Act 2006 requires the Company to set out in this Report a fair review of the business of the Group during the year ended 31 August 2013 including an analysis of the position of the Group at the end of the financial year. The information that fulfils these requirements can be found in the following

sections of the Annual Report which are incorporated into this report by reference:

- Chairman's Statement on page 8
- the Year in Review by the Chief Executive Officer and Chief Financial Officer on pages 10 to 17.

Pages 32 to 36 inclusive (together with the sections of the Annual Report incorporated by reference) consist of a Directors' Report that has been drawn up and presented in accordance with and reliant upon applicable English law and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

## RESULTS AND DIVIDENDS

Group profit after tax for the financial year to 31 August 2013 was £40.9m (five months to 31 August 2012: £9.9m), with revenue up 40% on the comparative period to £769.4m (five months to 31 August 2012: £238.0m).

The directors do not recommend the payment of a dividend (five months to 31 August 2012: £nil).

## PRINCIPAL RISKS AND UNCERTAINTIES

The Corporate Governance Report on pages 28 to 31 describes the process through which the directors assess, manage and mitigate risks. The Board regularly reviews the risks faced by the Group, recognising that the profile of risks changes constantly and additional risks not presently known, or that are currently deemed immaterial, may also impact the Group's business objectives. The Board has identified the following factors as the current major potential risks to the successful performance of the business.

## RISK

## MITIGATING ACTIVITIES

### Economic and market risks

#### Economic outlook

As a retailer, ASOS is sensitive to the economic climate, which continues to pose challenges in light of the ongoing financial difficulties particularly in Europe. Factors such as household disposable income, weather, seasonality of sales, sporting events, and changing demographics affect demand for the Group's products. The ability to pass on increases in the price of input costs such as cotton and fuel to the customer affects the Group's profit performance.

- Regular review by the Company of the economic climate to ensure that any changes are factored into the business's requirements and actions.
- Continual efforts to deliver value to all customers via investment in quality and price, in light of the economic climate at any given time.
- Development of extensive product ranges designed to meet the demands of different customers, with differing requirements and spend patterns.

#### Competition

Internet fashion retailing is global and highly competitive. Failure to compete effectively with high street retailers and other internet retailers may affect revenues.

- Adoption of a proactive approach to monitoring competitor activity and consumer trends, for example through increased comparison shopping.
- Adoption and implementation of a clear pricing positioning strategy versus the primary high street retailers and other internet retailers, which is regularly reviewed by management and the Board.
- Buying and Merchandising functions continued to be enhanced to ensure appropriate price focus.

## Market

The retail fashion industry and market is subject to changing customer tastes. ASOS's performance is dependent upon effectively predicting and quickly responding to changing consumer demands and translating market trends into saleable merchandise.

- Adoption of a proactive approach to monitoring consumer trends.
- Employment of experienced buyers and designers.
- Regular attendance at all major fashion weeks to monitor trends.
- Use of freelance fashion experts to refresh internal knowledge.
- Executive Directors and senior management continually review the design and selection of the product range to ensure, as far as possible, that a well-balanced product mix is on offer and there is adequate stock available at the right time to meet customer demand.

## Over-reliance on one category/department

The fashion market sub-divides into different categories (e.g. womenswear and menswear) and different clothing types or departments, and ASOS will need to compete effectively in most, if not all, categories in order to operate as a global fashion retailer.

- Continual efforts to deliver value to all customers across all categories and departments via investment in quality and price.
- Development of extensive product ranges across all categories and departments designed to meet the demands of differing customers.
- Increased investment in less-established categories and departments to enhance category and department diversification.
- Regular re-assessment and re-alignment of established categories and departments to ensure focus on customers.

## Product demand and supply forecasting

To meet sales, ASOS is required to forecast the likely level of demand and then order sufficient levels of product in order to meet that demand. An inaccurate forecast of that level of demand will affect the efficiency and effectiveness of ASOS's retail operations.

- Continued investment in merchandising expertise and capacity.
- Close levels of understanding and co-operation between the buying teams and the merchandising teams for each category and department, to ensure each understands the inter-relationship between those functions.

## Finance

The Group has potential exposure to changes in interest rates and foreign exchange rates.

- The Treasury department takes responsibility for reducing exposure to these and other financial risks, to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.
- Further information on the Group's exposure to and management of capital, liquidity, credit, interest rate and foreign currency risk can be found in note 21 to the financial statements.

## Technological risks

### Failure or interruption of or denial of access to information technology systems and infrastructure

The Group is dependent on its IT infrastructure and any system performance issues (for example system or infrastructure failure, damage or denial of access) could seriously affect our ability to trade.

- Ongoing investment made in IT systems to ensure that they are able to continue to respond to the needs of the business and do not become obsolete.
- Back-up facilities in place to ensure that business interruptions are minimised and internal and customer data is protected from corruption or unauthorised use.
- Business recovery plans in place to minimise effects of damage or denial of access to infrastructure or systems.

# DIRECTORS' REPORT continued

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## RISK

## MITIGATING ACTIVITIES

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### **Failure to adopt technological innovations**

Internet retailing is based on rapidly changing technologies and failure to adopt new technological platforms to reach its target market could impact ASOS's performance.

- Proactive approach to adopting technological developments to retain appeal within core customer market.
  - Proactive approach to collecting and analysing data from customer spend and site usage habits to try to establish any important trends.
- 

### **Supply chain risks**

#### **Key suppliers**

ASOS is an international retailer and has agreements with suppliers throughout the world. The interruption, deterioration or loss of supply of core category products from these suppliers to the Group's warehouse may affect the Group's ability to trade.

- Significant effort placed on working with suppliers to manage the potential risk of interruptions and delays in supply or distribution that may adversely impact on trade.
  - Adoption of robust policies and practices for monitoring quality and ethical standards within the supply base, overseen by the Technical Services and Corporate Responsibility departments, to ensure product quality and standards are appropriate.
  - Contractual and other arrangements made with numerous third parties in support of business activities, although ASOS's trading business is not considered to be fundamentally dependent on any single one of these arrangements.
- 

#### **Logistics and fulfilment**

ASOS delivers to 237 countries and territories, and has agreements with several logistics providers to fulfil deliveries to customers. The interruption, deterioration or loss of delivery services from these suppliers to the Group's warehouse may affect the Group's ability to complete sales.

- ASOS has multiple delivery routes and options, and uses multiple delivery service providers, to reduce level of dependency on any one provider.
- 

#### **Warehouse disruption**

Any disruption to the Group's warehousing facilities due to physical property damage, breakdown in warehouse systems, capacity shortages or poor logistics management would lead to significant operational difficulties in order fulfilment.

- Warehouse managed by large multi-national company specialising in the provision of these services, in several locations and countries.
  - Continuous monitoring of service levels and warehouse handling to ensure goods are delivered in a timely manner.
  - Sufficient warehouse handling capacity in place to accommodate expected future volumes.
  - All products are on relatively short lead-times, with a steady flow of products into the warehouse, enabling supply chain to be diverted to alternative locations if necessary within a manageable timeframe.
- 

### **Reputational risks**

#### **Brand name**

Internet-only businesses depend on their brand name, and supporting online domain names, given that they are the primary mechanism by which the business connects with its customers, given the lack of physical shops and high street presence.

- The Company was first to use the ASOS brand name both for online retailing and on fashion clothing.
  - Robust strategy for actively pursuing and defending brand name and all supporting domain names and other intellectual property, in all key markets in all relevant classes.
-

**Quality of customer service**

Customers are key to the Group's business and poor customer service could adversely impact the Group's reputation and brand.

- Investment in training of customer-facing teams to ensure high customer care standards for all customers.
- Focus on improving customer proposition including offering various free delivery and returns options.

**Security of customer data**

Unauthorised access to ASOS's customer data could lead to reputational damage and loss of customer confidence.

- Technical and physical security controls in place to mitigate unauthorised access to customer data held on the Group's servers, including access restrictions and encryption of customer credit card data. An alert system is in place in case of attempted unauthorised access.
- ASOS employs an IT Security Officer dedicated to considering and mitigating IT security violations.
- PCI Level 1 Certification obtained.

**People risks****Reliance on key personnel**

The performance of the Group depends on its ability to continue to attract, motivate and retain key staff. The retail sector is very competitive and the Group's people are frequently targeted by other companies for recruitment.

- The Remuneration Committee monitors levels and structure of remuneration for senior management and seeks to ensure that they are designed to attract, retain and motivate senior management to run the Group successfully.
- All employees are provided with the opportunity to have fulfilling careers through employment policies, competitive remuneration and benefits packages, and career development opportunities.

**Regulatory risks****Regulatory compliance**

The Group must comply with regulatory requirements in relation to employment, competition and environmental issues, planning, pensions and taxation legislation. Failure to do so could lead to financial penalties or reputational damage.

- Regular audits and reviews to ensure regulatory compliance.
- Monitoring of regulatory developments.
- ASOS employs specialists in relevant fields such as legal, company secretarial, HR, finance and tax, to provide direct knowledge and expertise in-house in these regulated areas.

# DIRECTORS' REPORT continued

## DIRECTORS

The names of the directors as at the date of this Report, together with biographical details, are set out on pages 26 to 27.

The interests of the directors and their immediate families in the share capital of the Company, along with details of directors' share options and awards, are contained in the Directors' Remuneration Report on pages 37 to 45. At no time during the year did any of the Directors have a material interest in any significant contract with the Company or any of its subsidiaries.

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its 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. This was in place throughout the financial year under review and up to the date of approval of the financial statements.

## SHARE CAPITAL

The authorised and issued share capital of the Company, together with the details of shares issued during the year to 31 August 2013 is shown in note 18 to the financial statements. The issued share capital of the Company at 31 August 2013 was 82,581,006 ordinary shares of 3.5p.

## COMPANY'S SHAREHOLDERS

The Company has been notified in accordance with the Disclosure and Transparency Rules of the Financial Services Authority that, as at 22 October 2013, the following shareholders owned more than 3% of the issued share capital of the Company.

Holder	Number	Percentage as at date of notification
Aktieselskabet af 5.5.2010	22,861,774	27.50
Nick Robertson	7,744,600	10.19
The Nomad Investment Partnership LLP	5,371,261	7.03
Standard Life Investments Limited	4,100,563	4.98
Baillie Gifford & Co	4,127,028	5.01
The Capital Group Companies, Inc	5,815,541	7.04

## GOING CONCERN

The Group's business activities together with the factors that are likely to affect its future developments, performance and position, are set out in this Directors' Report, and the Year in review of the Chief Executive Officer and Chief Financial Officer. The finance section of this review also describes the Group's financial position and cash flows, further information on which is detailed in the financial statements. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Directors' Report also highlights the main risks and uncertainties facing the Group.

The Group continues to have a strong financial position which is supported by a revolving credit facility of £20.0m, which includes an ancillary £10.0m guaranteed overdraft facility, and which is available until July 2015. The facility was undrawn at 31 August 2013. The directors have reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure. After making enquiries, the directors have a reasonable expectation that the Group has adequate financial resources to continue its current operations, including contractual and commercial commitments for the foreseeable future despite the current uncertain economic outlook, and therefore they have continued to adopt the going concern basis in preparing the financial statements.

## STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS

Having made the requisite enquiries, as far as each of the directors is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each of the directors has taken all the steps he or she should have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors of the Company. A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company and a resolution to enable the directors to determine their remuneration will be proposed at the Annual General Meeting.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 10am on 4 December 2013 at the Company's offices at Greater London House, Hampstead Road, London, NW1 7FB. The Notice of this year's Annual General Meeting will be available to view on the Group's website, [www.asosplc.com](http://www.asosplc.com), sufficiently in advance of that meeting.

This report was approved by the Board on 22 October 2013.

By order of the Board



**Andrew Magowan**  
Company Secretary  
22 October 2013

# DIRECTORS' REMUNERATION REPORT

## The Board and Remuneration Committee of ASOS aim to ensure that ASOS has the best possible team to drive continued success and creation of shareholder value.

ASOS does this by rewarding high performance with high rewards, without rewarding failure. The Remuneration Committee, the Board and the Company share the views of the investor community on encouraging outstanding performance. In the case of ASOS, strong performance and enhanced shareholder value have been consistently delivered to date and, whilst this has resulted in substantial rewards this financial year, the Committee believes these rewards are consistent with the achievement of the Company's objectives. The Committee is dedicated to ensuring that all future awards are suitably challenging, carry stretching targets and are aligned with the Company's strategy.

During the financial year to 31 August 2013, a number of key changes have been made to ASOS's remuneration framework to ensure that the Company is equipped to deliver the aims of its stated remuneration policy. A new long-term incentive plan, the ASOS Long-Term Incentive Plan (ALTIP), was implemented after consultation with major shareholders, to ensure that our most senior executives are retained by the business and that their interests are aligned with the long-term interests of shareholders. In contrast with the previous Management Incentive Plan (MIP), the ALTIP encompasses a much wider group of participants, demonstrating the strengthening in depth and breadth of the management team.

Shareholding guidelines have been introduced for the first time to ensure that Executive Directors demonstrate a clear belief in the Company's future prospects, and a new bonus framework has been introduced to ensure that short-term variable incentives remain aligned to the Company's and shareholders' best interests. ASOS also introduced a new Share Incentive Plan (SIP), which was launched to supplement the Company's existing Save-As-You-Earn (SAYE) Scheme enabling employees to have a stake in the Company's future success.

I am pleased to present the Directors' Remuneration Report for the year ended 31 August 2013, which for the first time will be put separately to an advisory shareholder vote at the Annual General Meeting.



**Karen Jones**

Chairman of the Remuneration Committee

## REMUNERATION GOVERNANCE

### The Remuneration Committee: composition

The Remuneration Committee comprises three independent Non Executive Directors: Karen Jones (Chairman), Mary Turner and Peter Williams.

Committee member	Role	Attendance record
Karen Jones (Chairman)	Non Executive Director	5/5
Peter Williams	Senior Independent Director	5/5
Mary Turner	Non Executive Director	5/5

Although the Chief Executive Officer and the Chief Financial Officer are not members of the Remuneration Committee, they are both invited to attend meetings as appropriate unless they have a conflict of interest. Also invited to attend (unless they have a conflict of interest) are the Company Chairman, the People Director, the General Counsel and Company Secretary, and the Company's remuneration and tax advisers (as appropriate).

### The Remuneration Committee: responsibilities

The Committee's principal responsibilities are:

- to determine and recommend to the Board the Company's overall remuneration policy
- to determine and recommend to the Board the remuneration of Executive Directors, other senior executives and the Chairman
- to monitor, review and approve the levels and structure of remuneration for senior management, and, from that, the on-going effectiveness of the Group's overall remuneration policy
- to determine the targets for any performance-related bonus or pay schemes operated for senior executives
- to review and approve any material termination payment.

The remuneration of Non Executive Directors is determined by the Chairman of the Board and the Executive Directors. The full Terms of Reference for the Remuneration Committee are available on the corporate website, [www.asosplc.com](http://www.asosplc.com).

### The Remuneration Committee: advisers

The Committee has engaged the external advisers listed in the table below to assist it in meeting its responsibilities.

Adviser	Role
Aon Hewitt	Principal remuneration adviser
PricewaterhouseCoopers	Remuneration tax advisers
Slaughter & May	Remuneration legal advisers

In addition, the Committee receives advice and assistance from the People Director, the General Counsel and Company Secretary, the Chief Executive Officer and the Chief Financial Officer as a matter of course.

### The Remuneration Committee: main activities in 2013

The Remuneration Committee met five times during the financial year to 31 August 2013, at which the following key matters were considered.

#### Salaries

- Approving the 2013 salary increases of the Plc Executive Directors and Executive Committee members

## **Bonuses**

- Approving the total Company bonus payout for the five-month financial period to 31 August 2012
- Approving the individual bonus payments to all Plc Executive Directors and Executive Committee members for the five-month financial period to 31 August 2012
- Approving the structure of the annual bonus scheme for the financial year to 31 August 2013
- Approving the personal bonus objectives applicable to the bonuses of all Plc Executive Directors and Executive Committee members for the financial year to 31 August 2013

## **Share plans**

- Determining whether performance conditions had been met for the vesting of the 2009 and 2010 grants under the ASOS Performance Share Plan
- Approving awards to all eligible employees under the ASOS Performance Share Plan and the ASOS Share Incentive Plan
- Reviewing and approving the performance conditions which are applicable to the ASOS Performance Share Plan
- Overseeing the implementation of the ALTIP including seeking feedback from major shareholders with regard to the Plan, responding to questions raised, and then approving awards under that Plan

## **Other matters**

- Reviewing the impact of lifetime allowances on the Company's pension offering
- Reviewing and ensuring the suitability of the Committee's Terms of Reference
- Reviewing the ASOS Expenses Policy

## **REMUNERATION POLICY**

ASOS is focused on creating shareholder value through the achievement of our strategic objectives, and our remuneration policy is central to translating that focus through to our executives and employees.

The overall aim of ASOS's remuneration policy is therefore to attract, retain and motivate high calibre and high performing executives, by providing appropriate incentives that:

- encourage enhanced long-term performance that achieves the Group's strategic objectives and creates shareholder value
- reward individuals, over both the short and the long term, for their contributions to the success of the Group in a fair, consistent and reasonable manner
- reward high performance with high rewards, but do not reward failure.

To develop that policy, ASOS has crafted five supplementary remuneration principles:

- that rewards should be fair, appropriate and reflective of the Group's culture and values
- that incentives should be strategically aligned with our shareholders, over both the short and the long term
- that base pay should be competitive, with decisions being informed by market data
- that the total reward cost to the Company should be affordable and sustainable
- that employee communications around pay and rewards should be straightforward and effective.

The Remuneration Committee is satisfied that this policy and these principles successfully align the interests of Executive Directors, management and employees with those of shareholders, by ensuring that a significant proportion of total remuneration is directly linked to the Group's sustained performance over both the short and long term. A copy of this policy is available on [www.asosplc.com](http://www.asosplc.com).

In determining the practical application of the remuneration policy and principles, the Remuneration Committee takes into account all factors which it deems relevant, including packages offered in FTSE-listed, AIM-listed and other retail and internet-based companies, as well as local practices when recruiting employees internationally.

## **Remuneration policy components**

The Company's remuneration policy contains the following remuneration components.

### **Fixed remuneration components**

Fixed remuneration components play a key role in attracting, retaining and motivating high calibre and high performing executives. ASOS offers three broad components of fixed remuneration, as outlined below.

#### *Salary*

Within all relevant frames of reference (including the salaries paid in FTSE-listed, AIM-listed and other retail and internet-based companies), it is intended that basic pay should be at or near the median. To assess whether that policy is met, salaries for employees are reviewed once every financial year (along with other fixed remuneration components), firstly to identify any material changes in the scope of the relevant role, and secondly, in light of benchmarking data from other applicable roles internally and externally. The basic salaries of Executive Directors are determined by the Remuneration Committee and are not benchmarked on an annual basis, but rather as required.

Discretion is available for the Company to pay above market median salaries where it is felt necessary in order to secure or retain any particular employee.

#### *Pensions*

The Company operates a defined-contribution occupational pension scheme, with the Company contributing up to a maximum percentage of salary for any employee who wishes to join the scheme. The maximum percentage is dependent upon the employee's career level, and is matched to the level of contributions the employee chooses to make to the scheme. For the Executive Directors, the Company contributes up to a maximum of 15% of basic salary.



### Other taxable benefits

Executive Directors also receive taxable benefits including private medical insurance through the Company's flexible benefits scheme, 'ASOS extras'. The scheme offers all employees a fixed value depending upon the employee's career level, which can either be used to purchase a variety of benefits, or alternatively be taken in cash.

### Variable remuneration components

Variable remuneration components directly link an individual's reward, over both the short and the long term, to their contributions to the success of the Group in a fair, consistent and reasonable manner. The ASOS Review System ensures that only high performance is rewarded with high reward, that any development needs or concerns are managed appropriately and that failure is not rewarded.

### Annual bonus plan

The annual performance-related bonus plan provides a link between remuneration and both short-term personal and Company performance. This link is achieved by making the annual award of bonuses conditional upon the achievement of target and stretch performance thresholds which are set by reference to agreed Company financial performance measures and personal performance objectives.

This scheme is applicable to all employees, including Executive Directors, in each case with reference to a percentage of each individual's salary. The extent to which the financial performance measures and personal performance objectives for each of the Executive Directors have been met is determined by the Remuneration Committee, with discretion being available for that Committee to adapt those measures and objectives appropriately to take into account exceptional items.

The annual bonus plan applicable to all employees, including Executive Directors, is currently framed as follows (including and without limitation for the financial year to 31 August 2013).

- Financial performance is defined as profit before both tax and exceptional items, and targets are based on overall Company financial performance and divisional level financial performance, through the application of appropriate Company and department/division performance thresholds.
- Personal performance thresholds sit alongside the financial performance thresholds, with increased weighting applied to personal performance where individuals are less able to directly affect financial performance.
- Any stretch incentive opportunity awarded over and above the target threshold is to be self-funding via a bonus pool accumulated as a percentage of additional profit delivered above the target, although discretion is available for the Remuneration Committee to create a stretch bonus pool that is not self-funding in the event of exceptional circumstances.
- Discretion is also available to make spot awards to exceptional performers in the lower employee grades.
- Individuals who are deemed not to have adequately performed throughout the year as determined at their performance review are not eligible for a bonus.
- Annual bonus awards are in all cases capped at a maximum of 100% of the individual's basic pay.

The amounts received by the Executive Directors under the annual bonus plan are detailed in the remuneration implementation section of this report. Non Executive Directors do not participate in the annual bonus plan.

### Long-term incentive and share option plans

The Company strongly believes that employee share ownership strengthens the link between employees' personal interests and those of the Company and its shareholders, as well as strengthening employee retention and motivation. With this in mind, and with the aim of linking an individual's remuneration to Company performance over the longer term, the Company currently operates four long-term, share-based incentive plans, as detailed below. Outstanding awards granted under other historic share plans operated by ASOS under which previous awards remain outstanding are detailed on page 44, although no awards were made under those historic schemes during the financial year to 31 August 2013 and it is not proposed to make any future awards under those schemes.

The amounts received by the Executive Directors under the long-term, share-based incentive schemes and plans are detailed in the remuneration implementation section of this report. Non Executive Directors do not participate in any of the current long-term, share-based incentive schemes and plans.

#### 1. Save-As-You-Earn (SAYE) Scheme

ASOS introduced an HMRC-approved Save-As-You-Earn share option scheme (the 'SAYE Scheme') on 1 July 2008, which is open to all eligible employees. Those employees who choose to do so (during a specified grant window selected by the Company) enter an approved savings contract for a term of three years. Under the rules of the SAYE Scheme employees can contribute between £5 and £250 a month. On maturity, the employee has the option to use the total savings at the end of the term to buy shares in the Company at the market value at the commencement date of the applicable three-year term less a 20% discount. In common with most schemes of this type, there are no performance conditions applicable to options granted under the SAYE Scheme and, if an employee leaves the Group (other than for the good leaver provisions as defined in the Scheme rules), their savings contract ends and their contributions are returned to them.

# DIRECTORS' REMUNERATION REPORT continued

## 2. Share Incentive Plan (SIP)

To ensure that as many employees as possible have a stake in the Company's future success, ASOS introduced a new HMRC-approved Share Incentive Plan (SIP) during the financial year. Whilst not formally enshrined in the rules of the SIP, it is the intention of the Company that awards over a fixed number of free shares are made to all eligible employees, with this fixed number of shares depending upon a four-tier salary threshold. In keeping with the Company's desire to strengthen the link between employees' personal interests and those of its shareholders, and to enable all employees to share in the growth of the Company, the SIP is structured to provide the largest awards under the plan to employees earning less than £30,000 who would typically be in the lower career levels, with awards progressively decreasing in size up to the highest employee grade. The amount of the annual award is approved by the Remuneration Committee.

All employees are required to hold each award of free shares in trust for at least a three-year vesting period, to ensure that employees' interests are aligned to the long-term success of the Company. It is intended that awards will be satisfied through the market purchase of the relevant number of shares by an onshore Capita Trust (rather than through the issue of new shares), although the Company retains discretion in this regard.

## 3. Performance Share Plan (PSP)

In 2006, ASOS established the ASOS Performance Share Plan (PSP). It was designed to create a stronger link between the interests of senior employees, and those of the Company and our shareholders, and to support retention in key roles.

Under the PSP, selected employees may be awarded conditional entitlements to a fixed number of free shares in the Company (although participants in the ALTIP detailed below are not entitled to be granted awards under the PSP during the period from the implementation of that plan until the end of its performance period). Individuals who have not adequately performed throughout the year are also not eligible to receive a grant. Participants in the plan and the amount of shares awarded are approved by the Remuneration Committee.

The performance target condition for awards granted under the PSP is measured over a three-year period. The Remuneration Committee has the ability to review the performance conditions each time new awards are granted under the PSP, and may impose different performance conditions for subsequent awards, provided that, in the opinion of the Committee, the different performance conditions are not materially less challenging in light of the Company's circumstances than those set for the initial awards. The Remuneration Committee also has discretion to amend the performance conditions applying to existing awards under the PSP at any given time if an event occurs which causes the Committee to consider it appropriate to amend them, provided that, in the opinion of the Committee, the amended conditions are not materially less challenging in the changed circumstances than those originally set.

In the year, the Remuneration Committee reviewed and imposed amended performance conditions for awards granted from 1 September 2012, in light of the Company's performance. These are set out in the table below.

Annual compound fully diluted EPS growth of the Company over the performance period	Vesting percentage of the shares subject to an award
Less than 15% p.a.	0%
Equal to 15% p.a.	25%
Equal to 23% p.a.	70%
Between 15%, 23% and 30% p.a.	Between 25%, 70% and 100% pro rata on a straight-line basis
Greater than or equal to 30% p.a.	100%

All shares that vest pursuant to that award, depending on the extent to which the performance targets relating to that award have been met, are awarded to the participant as free shares.

Prior to August 2012, the Company explored the possibility of implementing a new HMRC-approved Company Share Option Plan (CSOP). The proposals were not deemed complementary to the ASOS remuneration policy, therefore the Company did not proceed with the implementation of this plan. As a result, the Company continues to rely on the PSP as its mechanic to link the personal interests of lower management and those of the Company and our shareholders, as well as to support retention of key roles.

## 4. ASOS Long-Term Incentive Plan (ALTIP)

Following consultation with some of its major shareholders, the new ALTIP for Executive Directors and senior management was implemented on 30 April 2013. The purpose of the ALTIP is to support the strategy and business plan for the three years from 1 September 2012 by incentivising and retaining the wider ASOS senior management team.

The base value of each participant's award is calculated as a fixed multiple of salary (as at 1 September 2012, or on joining, if later) and there is a maximum benefit restriction imposed on each participant. Under the terms of the ALTIP, awards may be structured in one or both of two ways. The structure used depends upon whether the participants in the ALTIP make an investment equivalent to the tax fair value of all or part of their respective awards.

Executive Directors are required to make a minimum investment of at least one-third of the tax fair value of their award. Senior management participants are invited to invest at their choosing, with a required minimum investment of one-third of the tax fair value of their awards. All participants also have the opportunity to increase the value of their investment voluntarily up to 100% of the tax fair value of their award. This upfront investment by ALTIP participants is designed to strengthen the link between their personal interests and those of the Company and its shareholders, providing a strong incentive to achieve the plan's performance targets. In return, for that part of their award for which an investment is made, capital gains tax (and potentially

entrepreneur's relief) should be payable by a participant on any gain made at vesting, as the invested award is purchased at the tax fair value. However, these investments will be forfeited if the performance conditions of the ALTIP are not met.

The proportion of any participant's award that is not covered by an upfront investment will be granted as conventional nil-cost options (Option Scheme Awards). Should a member of senior management choose not to make the minimum investment of one-third of the tax fair value of his or her award, the base value of that award will be reduced by 25%, to recognise the significantly lower risk profile, whilst still providing a market-competitive award value.

At the end of the three-year performance period on 31 August 2015, awards under the ALTIP will vest in two tranches, subject to the achievement of the performance conditions (which are set out in more detail below): Option Scheme Awards will vest on 31 October 2015 up to a maximum value of 50% of a participant's total award; and the investment, together with any remaining Option Scheme Award, on 31 October 2016.

The ALTIP is subject to challenging, interdependent earnings per share (EPS) and total shareholder return (TSR) targets, which are aligned to the strategic plans of the Company and designed to ensure growth is delivered in a profitable way. The extent to which an award will vest will depend on those interdependent EPS and relative TSR performance targets, measured over a performance period from 1 September 2012 to 31 August 2015 (the performance period). While the performance targets will be tested separately, both hurdles must be achieved for the awards to vest. There are three performance levels under the EPS performance target, as set out below.

- The 'threshold' performance level, which delivers a 6.7% maximum vesting (subject to any scale back as a result of the TSR performance), will not be met unless the compound rate of growth in fully-diluted underlying EPS (before exceptional items, but after the cost of the ALTIP) equals 17% per annum over the three years ending 31 August 2015. This equates to fully diluted EPS for the year to 31 August 2015 of 63.4p per share and implies sales of £0.9bn.

- The 'target' performance level, which delivers a 70% maximum vesting (subject to any scale back as a result of the TSR performance), will not be met unless the compound rate of growth in fully diluted underlying EPS (before exceptional items, but after the cost of the ALTIP) equals 23% per annum over the same period. This equates to fully diluted EPS for the year to 31 August 2015 of 73.7p per share and implies sales of £1.0bn, providing direct alignment with our previously communicated strategy.
- The 'stretch' performance threshold, which delivers a 100% maximum vesting (subject to any scale back as a result of the TSR performance), will not be met unless the compound rate of growth in fully-diluted underlying EPS (before exceptional items, but after the cost of the ALTIP) equals or exceeds 32% per annum over the same period. This equates to fully diluted EPS for the year to 31 August 2015 of 91.1p per share and implies sales of £1.3bn.

The TSR performance condition requires the comparison of TSR on an investment in ASOS with TSR on a notional investment in a comparator group during the performance period. The comparator group comprises all of the companies in the FTSE All-Share General Retailers Index, as constituted at the commencement of the performance period, plus Mulberry Group plc. The TSR performance will be applied to the outturn from the EPS performance condition and may scale back (potentially to zero) whatever would have vested solely under the EPS condition. There will be no scale back to the EPS outturn if the TSR of ASOS is at the upper quartile or above. The award will be scaled back progressively in the event that the TSR of ASOS is below upper quartile, such that there will be a scale back of up to one-third if ASOS's TSR is at median. There will be zero vesting if ASOS's TSR is below median.

Participants of the ALTIP will not receive any awards under the Company's existing PSP from implementation until the end of the performance period. Shareholding guidelines were also introduced at the same time as the implementation of the ALTIP, as set out below.

The actual operation of the ALTIP scheme is detailed in the remuneration implementation section of this report.

### Shareholding guidelines

Alongside the ALTIP, shareholding guidelines have been introduced to ensure a continuing link between Executive Directors' interests and those of shareholders following the ALTIP vesting.

These guidelines require Executive Directors to retain 50% of any shares acquired on vesting of the ALTIP, and any subsequent share awards thereafter (net of tax), until the following shareholdings are achieved:

- Chief Executive Officer: five times salary
- other Executive Directors: two times salary.

As at 31 August 2013, the Chief Executive Officer was already compliant with this policy. The other Executive Directors will become compliant when the ALTIP vests.

### Employee Benefit Trust

The ASOS.com Limited Employee Benefit Trust (EBT) and the Capita Trust (CT) are used to facilitate the acquisition of ordinary shares in the Company for the purpose of satisfying awards and options granted under the Company's share schemes, in particular the PSP, SAYE Scheme and the SIP. The EBT is a discretionary trust, the sole beneficiaries being employees (including Executive Directors) and former employees of the Group and their close relations, who have received awards under the PSP and SAYE Scheme. The Trustee is Ogier Employee Benefit Trustee Limited, an independent professional trustee company based in Jersey. Under the terms of the Trust Deed, the Company funds the EBT to purchase on the EBT's own account ordinary shares in the Company on the open market in return for the EBT agreeing to use the ordinary shares in the Company that it holds to satisfy certain outstanding awards and options made under the Company's share schemes. The CT holds shares awarded under the SIP solely for the benefit of current employees (including Executive Directors) who participate in the SIP. Under the terms of the Trust Deed the Company funds the CT to purchase the shares on the open market and retain those shares on behalf of the underlying beneficiaries until such time as they can be removed.

The EBT and CT are both recognised within the Employee Benefit Trust reserve for accounting purposes.

# DIRECTORS' REMUNERATION REPORT continued

As at 31 August 2013 the EBT and CT combined held 436,033 shares in ASOS Plc (31 August 2012: 505,374) to the value of £1,770,386 (31 August 2012: £2,464,000). The Group's accounting policy is detailed within note 1 to the financial statements and movements are detailed in the Consolidated Statement of Changes in Equity on page 50.

## Service contracts

All Executive Directors are employed under service contracts. It is the Company's policy that all Executive Directors should have rolling service contracts with an indefinite term but a fixed period of notice of termination. The services of all Executive Directors may be terminated by the provision of a maximum of 12 months' notice by the Company or the individual.

The Company's policy for Non Executive Directors is that, rather than having service contracts with the Company, they have letters of appointment, providing for a maximum of three months' notice of termination by the Company or the individual at any time, with no pre-determined amounts of compensation.

## Recruitment

When recruiting any Executive Director or senior executive, the Company seeks to apply consistent policies on fixed and variable remuneration components. For example, it is the Company's intention that salaries are set within benchmark parameters, and employee career levels are determined by a job evaluation process, with bonus entitlement, pension and flexible benefits allowance being automatically determined by that career level.

The granting of payments or share awards on joining in order to secure the appointment of an Executive Director or senior executive is limited. However where in exceptional circumstances such a payment or award might form part of a prospective employee's package, it would require the prior approval of the Remuneration Committee for Executive Directors and members of the Executive Board, and of the People Director for all other employees.

## Policy developments

Any revisions to the remuneration policy set out above require the approval of the Remuneration Committee, to whom responsibility for the policy has been delegated by the Board of Directors.

## REMUNERATION IMPLEMENTATION

Details of how the Company's remuneration policy as set out above has been applied in the financial year to 31 August 2013 are set out below. The following information to the foot of this page has been audited.

### Directors' remuneration table

The remuneration of the directors for the year ended 31 August 2013 and five months to 31 August 2012 is set out in the remuneration table below.

Director	Year to		Five months to			Total Remuneration £
	31 August 2013		31 August 2012			
	Fixed remuneration		Variable remuneration			
	Base salary £	Other taxable benefits £	Pensions £	Bonus £	Total Remuneration £	Total Remuneration £
Nick Robertson	500,000	3,843	–	300,000	<b>803,843</b>	276,738
Nick Beighton	350,000	3,154	41,302	210,000	<b>604,456</b>	211,105
Jon Kamaluddin	300,000	2,592	45,000	180,000	<b>527,592</b>	166,791
Robert Bready <sup>1</sup>	283,192	1,821	3,476	–	<b>288,489</b>	171,568
Kate Bostock	263,768	10,403	–	140,000	<b>414,171</b>	–
	1,696,960	21,813	89,778	830,000	<b>2,638,551</b>	826,202

<sup>1</sup> During the financial year to 31 August 2013, Robert Bready was paid £74,873 in compensation for loss of office.

### Non Executive Directors

Director	Year to			Basis for additional fee	Total £
	31 August 2013				
	Base fee £	Additional fee £	Total £		
Lord Alli <sup>1</sup>	25,000	–	<b>25,000</b>	Chairman of Board	62,500
Brian McBride <sup>2</sup>	158,333	–	<b>158,333</b>	Chairman of Board	–
Peter Williams	44,167	6,000	<b>50,167</b>	SID and Audit Chair	19,167
Karen Jones	44,167	5,000	<b>49,167</b>	Remuneration Chair	18,750
Mary Turner	44,167	–	<b>44,167</b>		16,667
	315,834	11,000	<b>326,834</b>		117,084

<sup>1</sup> Resigned 31 October 2012.

<sup>2</sup> Appointed 1 November 2012.

In accordance with his service agreement Brian McBride was granted 4,434 shares on 1 November 2012. This is the first of three share allotments as explained in the stock exchange announcement regarding Brian's appointment.

### Payments to past directors

During the financial year to 31 August 2013, no payments were made to any past directors who are not identified in this report.

### Directors' bonuses

Director	Year to 31 August 2014		Year to 31 August 2013			Five months to 31 August 2012	
	Base salary £	Max bonus potential £	Base salary £	Max bonus potential £	Actual bonus £	Base salary £	Actual bonus £
Nick Robertson	500,000	500,000	500,000	300,000	300,000	208,333	67,200
Nick Beighton	350,000	350,000	350,000	210,000	210,000	145,833	47,040
Jon Kamaluddin <sup>1</sup>	300,000	–	300,000	180,000	180,000	112,500	36,288
Robert Bready	–	–	283,192	–	–	115,875	37,377
Kate Bostock	–	–	263,768	158,261	140,000	–	–
	1,150,000	850,000	1,696,960	848,261	830,000	582,541	187,905

<sup>1</sup> Until resignation on 1 December 2013

## Directors' share options

### Management Incentive Plan (MIP)

For the performance period from 1 April 2009 to 31 March 2012, the Company put in place a MIP, full details of which are set out in the Directors' Remuneration Reports of the Annual Reports and Accounts for the year ended 31 March 2012 and the five months ended 31 August 2012. Under the MIP, participants became entitled on 31 May 2012 to a total of 4,000,822 newly issued shares in the Company, which they were able to trade in two tranches on 30 September 2012 and 30 September 2013 (in each case dependent on the individual remaining an employee of the Company at that date or being deemed to be a 'good leaver').

2,000,411 of these shares were traded by participants during the financial year to 31 August 2013, following the expiry of the restrictions on trading those shares, as set out in the table below. Participants will become free to trade the remaining 2,000,411 shares issued in relation to the MIP on 30 September 2013, again as detailed in the table, and assuming that all eligible individuals remain an employee of the Company on that date or are deemed to be a 'good leaver' (and at all times subject to any close period share dealing restrictions). A nominee holds those shares until that date.

	Number of shares received by participant on 30 September 2012	Gain made by participant on 30 September 2012	Number of shares due to the participant (assuming still employed or a 'good leaver') 30 September 2013
Nick Robertson	744,792	£15,942,650	744,792
Nick Beighton	365,094	£7,815,022	365,094
Jon Kamaluddin	305,217	£6,533,325	305,217
Robert Bready	394,302	£8,440,234	394,302

### ASOS Long-Term Incentive Plan

In the financial year to 31 August 2013, the Company granted awards under the ALTIP detailed above to Executive Directors and other senior managers. The base value of each participant's award was calculated as a multiple of salary (as at 1 September 2012). The awards made to the Executive Directors are set out in the table below.

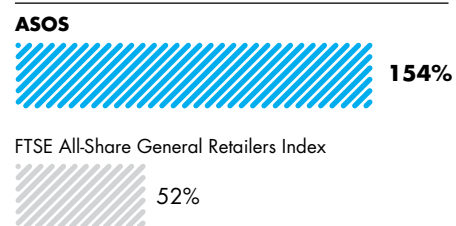
Director	Base award value
Nick Robertson	£5,000,000
Nick Beighton	£3,500,000
Kate Bostock	£4,000,000

Upon her resignation from the Company, Kate Bostock's award under the ALTIP was returned to the Company, and her initial investment in the ALTIP was refunded to her.

ASOS's total shareholder return (TSR) performance for the three-month period ending 31 August 2013 compared with the three-month period ended 31 August 2012 currently ranks the Company in third place within the FTSE All-Share General Retailers Index. Growth in TSR over this period of ASOS and of that Index is illustrated in the chart below.

There is a maximum benefit restriction imposed on each participant. Given that maximum benefit restriction, the Company expects the maximum dilution to existing shareholders due to awards under the ALTIP to be approximately 1.3 million ordinary shares (or c. 1.5% of issued share capital as at 31 August 2013).

### Total shareholder return performance<sup>1</sup>



<sup>1</sup> Growth in total shareholder return for the three months to 31 August 2013 compared with the three months to 31 August 2012. Source: *Datastream*.

# DIRECTORS' REMUNERATION REPORT continued

## Directors' interests in all share plans (excluding Management Incentive Plan)

Options held by directors under the Company's SAYE Scheme, PSP, EMI Share Option Scheme and the other share option scheme are shown in the table below (see also notes below).

Director	Share option scheme	Date of grant	31 August 2012 no. of shares	Granted during the year to 31 August 2013 no. of shares	Lapsed during the year to 31 August 2013 no. of shares	Exercised during the year to 31 August 2013 no. of shares	31 August 2013 no. of shares	Exercise price pence	Exercise period
Lord Alli <sup>a</sup>	Other <sup>b</sup>	06/12/00	<b>829,657</b>	–	–	(829,657)	–	12.67	16/01/01 – 01/01/14
Nick Robertson	SAYE <sup>c</sup>	06/12/11	<b>764</b>	–	–	–	<b>764</b>	1,177.0	01/03/15 – 31/08/15
	EMI <sup>d</sup>	30/07/04	<b>140,000</b>	–	–	–	<b>140,000</b>	56.5	30/07/06 – 29/07/14
	EMI	11/07/05	<b>500,000</b>	–	–	–	<b>500,000</b>	57.5	11/07/07 – 10/07/15
	EMI	04/07/06	<b>200,000</b>	–	–	–	<b>200,000</b>	98.0	04/07/08 – 03/07/16
Nick Beighton <sup>a</sup>	SAYE	18/12/09	<b>2,700</b>	–	–	(2,700)	–	336.0	01/03/10 – 31/08/13
	SAYE	07/06/13	–	250	–	–	<b>250</b>	2,955.0	01/08/16 – 31/01/17
Robert Bready <sup>a</sup>	SAYE	06/12/11	<b>764</b>	–	(510)	(254)	–	1,177.0	01/03/15 – 31/08/15

- a) Lord Alli exercised 829,657 share options during the year, with a total value on exercise of £17,732,503 and share price on exercise of £21.50. Nick Beighton exercised 2,700 share options during the year, with a total value on exercise of £87,507 and share price on exercise of £35.77. Robert Bready exercised 254 share options during the year with a total value on exercise of £4,079 and share price on exercise of £27.83.
- b) The other share option scheme is a historical scheme, under which unapproved options were granted with no performance conditions attached and only being dependent on continued employment. The exercise price of the options granted under the scheme was set equal to the market value of the Company's shares at the time of grant. All options granted under this scheme have now been exercised.
- c) SAYE Scheme option grants are settled on exercise through transfer of shares from the Employee Benefit Trust. Grants under the EMI Share Option Scheme and the other share option scheme are settled on exercise through the issue of new ordinary shares by the Company.
- d) The EMI Share Option Scheme is a historical scheme, with final options being granted under the scheme during the year ended 31 March 2009. The scheme awarded share options to Executive Directors and senior executives with vesting periods of between one and three years. Options granted under the EMI Share Option Scheme have no performance conditions attached and were only dependent on continued employment. The exercise price of the options granted under the scheme is set equal to the market value of the Company's shares at the time of grant.

The market price of ordinary shares at 31 August 2013 was £47.50 (31 August 2012: £18.30) and the range during the year to 31 August 2013 was from £17.96 to £50.19 (five months to 31 August 2012: £13.95 to £18.72).

## Long-Term Incentive Plans and Share Option Awards

### 1. SAYE Scheme

Since the introduction of the SAYE Scheme, the Company has opened six windows for employees to enter the scheme, further details of which are provided in note 22 to the accounts set out on page 71. Out of a total of 1,306 eligible employees, 639 currently participate in the SAYE Scheme. During the year to 31 August 2013, one new window for employees to enter the scheme was opened. The Company aims to open another window for employees to enter the scheme during the next financial year.

During the year to 31 August 2013, one of the SAYE Schemes vested as set out below.

#### SAYE Vesting – Grant 3

The vesting period for this grant was 1 March 2013 to 31 August 2013, during which time all of the participants exercised their options. There were 38 participants in the third SAYE Scheme at vesting. The average pre-tax gain for each participant in this grant (averaged over the six-month vesting window) is set out below.

Exercise dates	Saved £50 a month	Saved £250 a month
1 March 2013	£13,063.78	£65,318.94
1 August 2013	£23,986.80	£119,934.00

### 2. Share Incentive Plan (SIP)

During the year to 31 August 2013, awards of free shares to be held in trust were made under the SIP relating to a total of 17,372 ordinary shares in the Company. Awards were made of 26 shares to employees at the lowest grade, declining in amount to awards of six shares to employees at the highest grade, although all Executive Directors and members of the Executive Board declined to take up their awards.

### 3. Performance Share Plan (PSP)

During the year to 31 August 2013, awards were made under the PSP relating to a total of 49,001 ordinary shares in the Company. PSP awards are granted at nil cost.

### 4. EMI Share Option Scheme

There are no remaining participants with outstanding awards under this scheme, other than one Executive Director (Nick Robertson).

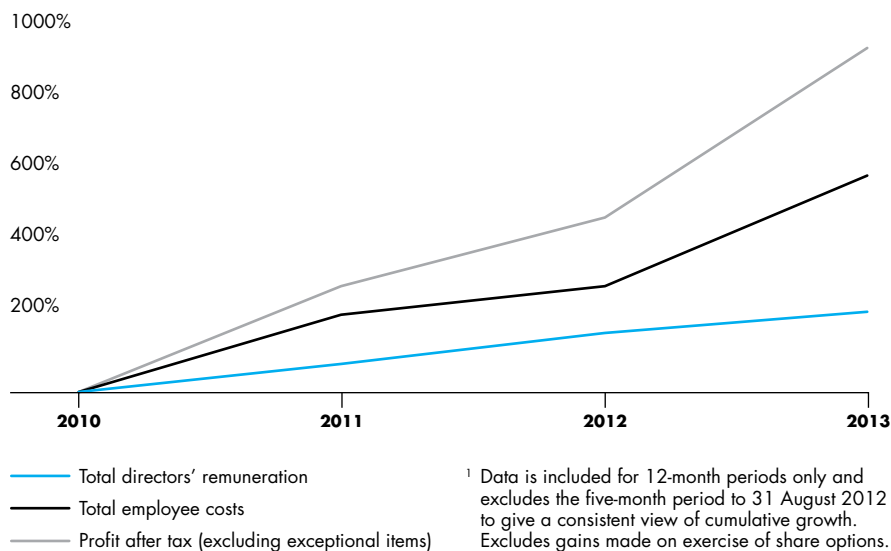
## Directors' shareholdings

The Directors who held office at 31 August 2013 had the following interests, including family interests, in the shares of the Company (excluding any entitlements that may become due under the MIP).

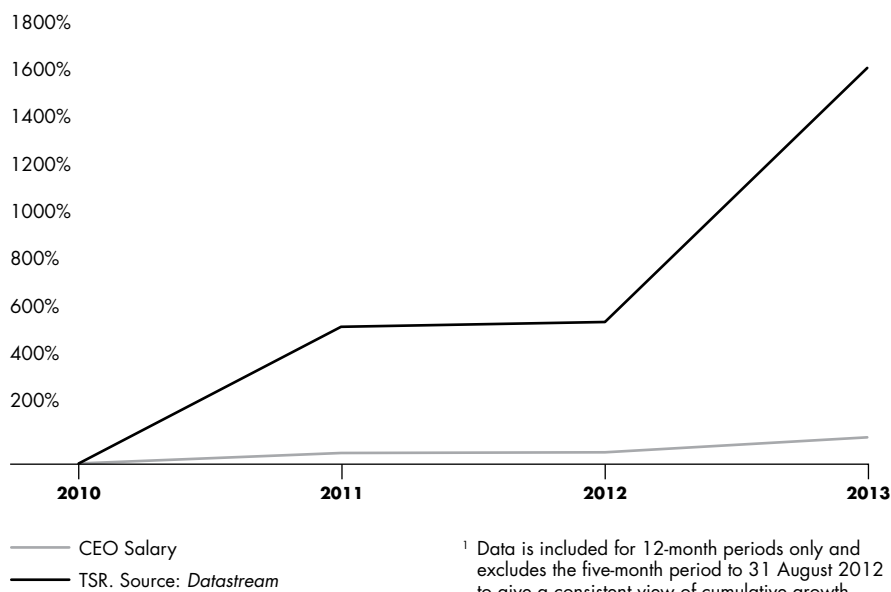
Ordinary shares 31 August 2013	
Brian McBride	4,434
Nick Robertson	7,744,600
Nick Beighton	2,700
Jon Kamaluddin	–
Peter Williams	20,000
Karen Jones	19,500
Mary Turner	–

## Additional remuneration perspectives

### Growth in total directors' remuneration, total employee costs and profit after tax and exceptional items<sup>1</sup>



### Growth in CEO salary and increase in total shareholder return (TSR)<sup>1</sup>



By order of the Board

**Karen Jones**  
Chairman of the Remuneration Committee  
22 October 2013

# STATEMENT OF DIRECTORS' RESPONSIBILITY

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

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

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements.

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 Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board

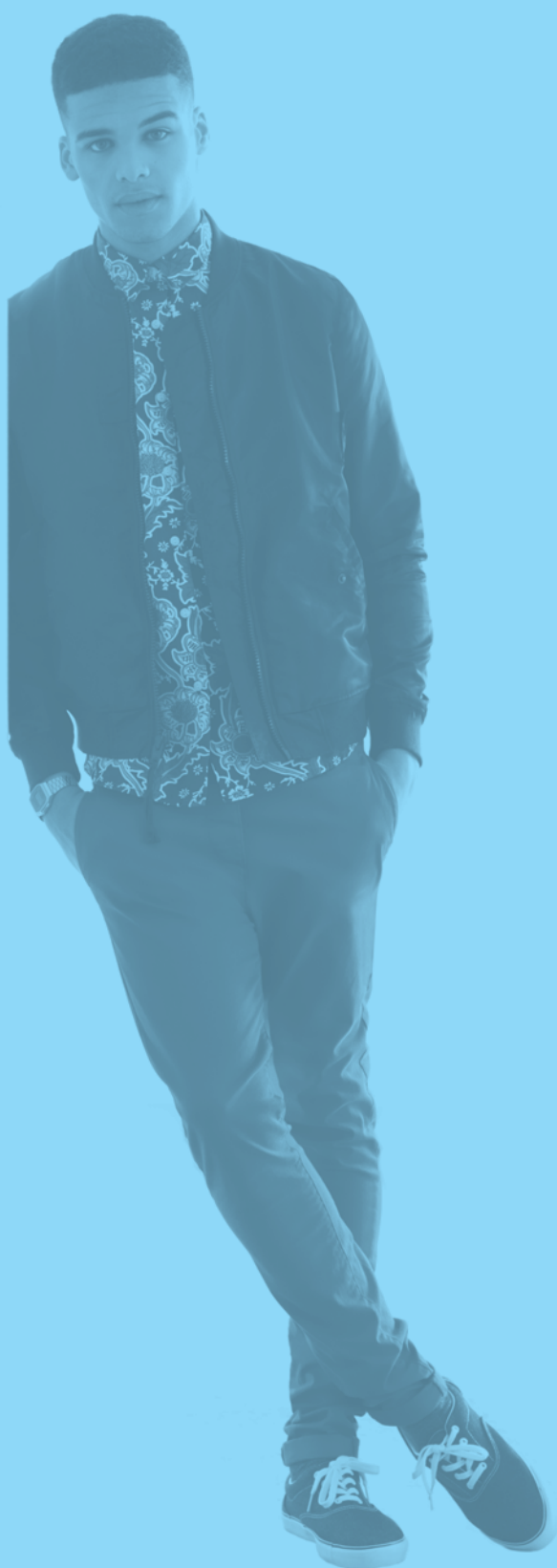


**Andrew Magowan**

*Company Secretary*

22 October 2013





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# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASOS PLC

**We have audited the Group financial statements of ASOS Plc for the year ended 31 August 2013 which comprise the Group Statement of Changes in Equity, the Group Statement of Financial Position, the Group Statement of Comprehensive Income, the Group Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.**

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibility set out on page 46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the

financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 August 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

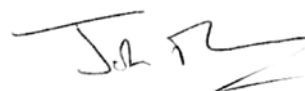
## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## OTHER MATTER

We have reported separately on the Parent Company financial statements of ASOS Plc for the year ended 31 August 2013.



**John Minards**  
Senior Statutory Auditor

for and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St. Albans  
22 October 2013

# CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 August 2013

	Note	Year to 31 August 2013 £'000	5 months to 31 August 2012 £'000
Revenue	2	769,396	238,023
Cost of sales		(370,816)	(117,892)
Gross profit		398,580	120,131
Distribution expenses		(115,172)	(35,906)
Administrative expenses		(228,953)	(70,883)
<b>Operating profit</b>	3	<b>54,455</b>	13,342
Finance income	5	283	–
Finance expense	6	(68)	(97)
<b>Profit before tax</b>		<b>54,670</b>	13,245
Income tax expense	7	(13,744)	(3,341)
<b>Profit for the period</b>		<b>40,926</b>	9,904
Net exchange adjustments offset in reserves		(45)	–
Fair value gains on derivative financial assets		225	–
<b>Other comprehensive income for the period</b>		<b>180</b>	–
<b>Total comprehensive income for the period</b>		<b>41,106</b>	9,904
<b>Profit for the period attributable to:</b>			
Owners of the Parent		40,928	9,904
Non-controlling interest	19	(2)	–
		<b>40,926</b>	9,904
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Parent		41,108	9,904
Non-controlling interest	19	(2)	–
		<b>41,106</b>	9,904
<b>Earnings per share</b>			
Basic	8	50.1p	12.5p
Diluted	8	49.2p	11.9p

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2013

	Note	Called up share capital £'000	Share premium £'000	Retained earnings <sup>1</sup> £'000	Employee Benefit Trust reserve £'000	Hedging reserve £'000	Translation reserve £'000	Equity attributable to owners of the Parent £'000	Non-controlling interest £'000	Total equity £'000
Balance as at 1 April 2012		2,699	5,749	89,719	(2,932)	-	-	95,235	-	95,235
Shares allotted in the period		155	356	-	-	-	-	511	-	511
Cash received on exercise of shares from Employee Benefit Trust		-	-	-	9	-	-	9	-	9
Transfer of shares from Employee Benefit Trust on exercise		-	-	(459)	459	-	-	-	-	-
Share-based payments charge		-	-	344	-	-	-	344	-	344
Profit for the period and total comprehensive income		-	-	9,904	-	-	-	9,904	-	9,904
Deferred tax on share options	14	-	-	(1,949)	-	-	-	(1,949)	-	(1,949)
Current tax on items taken directly to equity	7	-	-	1,933	-	-	-	1,933	-	1,933
<b>Balance as at 31 August 2012</b>		<b>2,854</b>	<b>6,105</b>	<b>99,492</b>	<b>(2,464)</b>			<b>105,987</b>		<b>105,987</b>
Shares allotted in the year		<b>36</b>	<b>263</b>	-	-	-	-	<b>299</b>	-	<b>299</b>
Net cash received on exercise of shares from Employee Benefit Trust		-	-	-	<b>160</b>	-	-	<b>160</b>	-	<b>160</b>
Transfer of shares from Employee Benefit Trust on exercise		-	-	<b>(534)</b>	<b>534</b>	-	-	-	-	-
Share-based payments charge		-	-	<b>4,005</b>	-	-	-	<b>4,005</b>	-	<b>4,005</b>
Profit/(loss) for the year		-	-	<b>40,928</b>	-	-	-	<b>40,928</b>	<b>(2)</b>	<b>40,926</b>
Other comprehensive income for the year		-	-	-	-	<b>225</b>	<b>(45)</b>	<b>180</b>	-	<b>180</b>
Deferred tax on share options	14	-	-	<b>991</b>	-	-	-	<b>991</b>	-	<b>991</b>
Current tax on items taken directly to equity	7	-	-	<b>7,251</b>	-	-	-	<b>7,251</b>	-	<b>7,251</b>
<b>Balance as at 31 August 2013</b>		<b>2,890</b>	<b>6,368</b>	<b>152,133</b>	<b>(1,770)</b>	<b>225</b>	<b>(45)</b>	<b>159,801</b>	<b>(2)</b>	<b>159,799</b>

<sup>1</sup>Retained earnings includes the share-based payments reserve.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2013

	Note	31 August 2013 £'000	31 August 2012 £'000
<b>Non-current assets</b>			
Goodwill	9	1,060	1,060
Other intangible assets	10	38,626	22,176
Property, plant and equipment	11	30,031	27,293
Deferred tax asset	14	8,902	8,111
		<b>78,619</b>	58,640
<b>Current assets</b>			
Inventories		143,348	100,263
Trade and other receivables	15	18,420	19,066
Derivative financial assets	21	225	–
Current tax asset		–	425
Cash and cash equivalents	20	71,139	27,884
		<b>233,132</b>	147,638
<b>Current liabilities</b>			
Trade and other payables	16	(149,511)	(100,291)
Current tax liability		(2,441)	–
		<b>(151,952)</b>	(100,291)
<b>Net current assets</b>		<b>81,180</b>	47,347
<b>Net assets</b>		<b>159,799</b>	105,987
<b>Equity attributable to owners of the Parent</b>			
Called up share capital	18	2,890	2,854
Share premium		6,368	6,105
Employee Benefit Trust reserve		(1,770)	(2,464)
Hedging reserve		225	–
Translation reserve		(45)	–
Retained earnings		152,133	99,492
<b>Total</b>		<b>159,801</b>	105,987
<b>Non-controlling interest</b>		<b>(2)</b>	–
<b>Total equity</b>		<b>159,799</b>	105,987

Notes 1 to 26 are an integral part of the financial statements.

The consolidated financial statements of ASOS Plc, registered number 4006623, on pages 47 to 74, were approved by the Board of Directors and authorised for issue on 22 October 2013 and were signed on its behalf by:



N Robertson



N Beighton

Directors

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 August 2013

	Note	Year to 31 August 2013 £'000	5 months to 31 August 2012 £'000
<b>Operating profit</b>		<b>54,455</b>	13,342
Adjusted for:			
Depreciation of property, plant and equipment	3	<b>7,005</b>	2,542
Amortisation of other intangible assets	3	<b>6,479</b>	2,511
Loss on disposal of non-current assets		<b>298</b>	–
Increase in inventories		<b>(42,882)</b>	(19,689)
Decrease in trade and other receivables		<b>787</b>	437
Increase in trade and other payables		<b>47,486</b>	18,068
Share-based payments charges		<b>4,005</b>	344
Other non-cash items		<b>(104)</b>	–
Income tax paid		<b>(3,353)</b>	–
<b>Net cash generated from operating activities before exceptional items</b>		<b>74,176</b>	17,555
Cash outflow relating to exceptional operating items		–	(935)
<b>Net cash generated from operating activities</b>		<b>74,176</b>	16,620
<b>Investing activities</b>			
Payments to acquire other intangible assets		<b>(21,770)</b>	(5,672)
Payments to acquire property, plant and equipment		<b>(9,558)</b>	(2,345)
Finance income		<b>240</b>	–
Acquisition of subsidiary		<b>36</b>	–
<b>Net cash used in investing activities</b>		<b>(31,052)</b>	(8,017)
<b>Financing activities</b>			
Proceeds from issue of ordinary shares		<b>299</b>	321
Net cash inflow relating to Employee Benefit Trust		<b>160</b>	9
Repayment of revolving credit facility		–	(5,000)
Finance expense		<b>(328)</b>	(364)
<b>Net cash generated from/(used in) financing activities</b>		<b>131</b>	(5,034)
<b>Net increase in cash and cash equivalents</b>	20	<b>43,255</b>	3,569
<b>Opening cash and cash equivalents</b>		<b>27,884</b>	24,315
<b>Closing cash and cash equivalents</b>		<b>71,139</b>	27,884

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Note	Year to 31 August 2013 £'000	5 months to 31 August 2012 £'000
<b>Net funds at beginning of the period</b>		<b>27,884</b>	19,315
Increase in cash and cash equivalents		<b>43,255</b>	3,569
Decrease in revolving credit facility liability		–	5,000
<b>Net funds at end of the period</b>	20	<b>71,139</b>	27,884

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2013

## 1 ACCOUNTING POLICIES

### a) General information

ASOS Plc ('the Company') and its subsidiaries (together, 'the Group') is a global fashion retailer. The Group sells products across the world and has websites targeting the UK, US, Australia, France, Germany, Spain, Italy, Russia and China. The Company is a public limited company which is listed on the Alternative Investment Market (AIM) and is incorporated and domiciled in the UK. The address of its registered office is Second Floor, Greater London House, Hampstead Road, London NW1 7FB.

### b) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. As at the year end these are the standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board (IASB) that have been endorsed by the European Union.

The financial statements have been prepared on a going concern basis as explained on page 36 of the Directors' Report.

#### **New standards**

##### *(i) New and amended standards adopted by the Group*

There are no IFRSs or IFRIC interpretations that were effective for the first time for the year beginning on or after 1 September 2012 that had a material impact on the Group.

##### *(ii) New standards, amendments and interpretations issued but not effective for the year beginning 1 September 2012 and not early adopted*

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective and were not applied in these financial statements:

IFRS 7 (amended 2011) Offsetting of Assets and Liabilities

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

#### **Accounting convention**

The financial statements are drawn up on the historical cost basis of accounting, excluding derivative financial instruments held at fair value through profit and loss. The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated. The principal accounting policies, which have been applied consistently throughout both periods, are set out below.

#### **Basis of consolidation**

The consolidated Group financial statements include the financial statements of ASOS Plc, all its subsidiaries, its joint venture and the Employee Benefit Trust and Capita Trust up to the reporting date. All intercompany transactions and balances between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

##### *(i) Subsidiaries*

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. A list of all the subsidiaries of the Group is included in note 3 of the Parent Company financial statements. All apply accounting policies which are consistent with those of the rest of the Group.

Subsidiary undertakings acquired during the period are recorded under the acquisition method of accounting and their results included from the date of acquisition. The results of subsidiaries which have been disposed of during the period are included up to the effective date of disposal.

Any non-controlling interest acquired on acquisition of a subsidiary is recognised at the proportionate share of the acquired net assets. Subsequent to acquisition, the carrying amount of non-controlling interest equals the amount of those interests at initial recognition plus the non-controlling share of changes in equity since acquisition. Total comprehensive income is attributed to a non-controlling interest even if this results in the non-controlling interest having a deficit balance.

##### *(ii) Employee Benefit Trust and Capita Trust*

The Employee Benefit Trust and Capita Trust ('the Trusts') are considered to be Special Purpose Entities (SPEs), where the substance of the relationship between the Group and the SPEs indicates that the SPEs are controlled by the Group. The activities of the Trusts are conducted on behalf of the Group according to its specific business needs in order to obtain benefits from its operation and, on this basis, the assets held by the Trusts are consolidated into the Group's financial statements.

## 1 ACCOUNTING POLICIES (continued)

### b) Basis of preparation (continued)

#### **Basis of consolidation (continued)**

##### *(iii) Joint ventures*

A joint venture is an entity in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more other venturers under a contractual agreement.

Investments in joint ventures are carried in the Group Statement of Financial Position at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures include acquired goodwill.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

If the Group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture.

### c) Business combinations

The Group applies the acquisition method of accounting to account for business combinations in accordance with IFRS 3 (R), 'Business Combinations'.

The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, equity instruments issued and liabilities incurred or assumed in exchange for control of the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income. Acquisition expenses are recognised in the Statement of Comprehensive Income as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration is recognised in accordance with IAS 39 in the Statement of Comprehensive Income.

### d) Intangible assets

#### **Goodwill**

Goodwill represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of acquisition. Goodwill is recognised as an asset and assessed for impairment at least annually. Any impairment is recognised immediately in the Statement of Comprehensive Income. For the purposes of impairment testing, goodwill is allocated to those cash-generating units that have benefited from the acquisition. If the recoverable amount of the cash-generating unit is less than its carrying amount, then the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

#### **Other intangible assets**

The costs of acquiring and developing software that is not integral to the related hardware is capitalised separately as an intangible asset. This does not include internal website development and maintenance costs which are expensed as incurred unless representing a technological advance leading to future economic benefit. Capitalised software costs include external direct costs of material and services and the payroll and payroll-related costs for employees who are directly associated with the project.

Capitalised software development costs are stated at historic cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over the assets' expected economic lives, normally between three to five years. Amortisation is included within administrative expenses in the Statement of Comprehensive Income. Software under development is held at cost less any recognised impairment loss.

### e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable in bringing the asset to its working condition for its intended use. Depreciation is provided to write down the cost of property, plant and equipment to their estimated residual values, based on current values at the reporting date, over their remaining useful lives using the straight-line method. Assets under construction are not depreciated. Residual values and useful lives are assessed at each reporting date.

The depreciation rates applicable are summarised as follows:

Fixtures and fittings	20% on cost/over the lease term
Computer equipment	20% – 33% on cost

At each reporting date, property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows of the relevant cash-generating unit or fair value, less costs to sell if higher. Any impairment in value is charged to the Statement of Comprehensive Income in the period in which it occurs.



## 1 ACCOUNTING POLICIES (continued)

### f) Inventories

Inventories are valued at the lower of cost and net realisable value, on a weighted average cost basis. Cost of purchase comprises the purchase price including import duties and other taxes, transport and handling costs and any other directly attributable costs, less trade discounts.

A provision is made to write down any slow-moving or obsolete inventory to net realisable value. The provision is £2.8m at 31 August 2013 (31 August 2012: £3.4m).

### g) Financial instruments

#### *Trade and other receivables*

Trade and other receivables are non-interest bearing and are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Any provision made against an impaired receivable is charged through the Statement of Comprehensive Income.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

#### *Trade and other payables*

Trade and other payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

#### *Bank borrowings*

Interest-bearing bank loans and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### *Derivative financial instruments and hedging activities*

The Group holds derivative financial instruments to hedge its foreign currency exposure. These derivatives are classified as cash flow hedges.

Derivatives are initially recognised at fair value; attributable transactions costs are recognised in the Statement of Comprehensive Income when incurred. Subsequent to initial recognition, derivatives are re-measured at fair value at the end of each reporting period.

At inception of a hedging relationship, the hedging instrument and the hedged item are documented and prospective effectiveness testing is performed. During the life of the hedging relationship, effectiveness testing is continued to ensure the instrument remains an effective hedge of the transaction. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Comprehensive Income.

Changes in the fair value of cash flow hedges are recognised in Other Comprehensive Income and any ineffective portion is recognised immediately 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 or liability is recognised, the associated gains or losses on the derivative that had previously been 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 a liability, amounts deferred in Other Comprehensive Income are recognised in the Statement of Comprehensive Income in the same period in which the hedged items affect net profit.

### h) Revenue

Revenue consists primarily of internet and advertising sales as well as postage and packaging receipts.

Retail sales and delivery receipts are recorded net of an appropriate deduction for actual and expected returns, relevant vouchers, and sales taxes and are recognised upon dispatch from the warehouse at which point title and risk passes to third parties.

Advertising revenue earned via the ASOS magazine is measured at the fair value of the consideration received or receivable, net of value added tax, and is recognised when the magazine is delivered to customers, at which date the service is completed.

The amount of revenue arising from sale of goods and provision of services has been disclosed in note 2 to the financial statements.

### i) Segmental reporting

The Group's operating segmental format is geographical by customer location, based on the Group's management and internal reporting structure. Segmental performance is assessed based on revenue and gross profit after distribution expenses, excluding administrative costs.

## **1 ACCOUNTING POLICIES (continued)**

### **j) Pension costs**

The Group contributes to the personal pension plans of 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.

### **k) Leased assets**

Rental payable under operating leases, where substantially all the benefits and risks of ownership remain with the lessor, is charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

### **l) Finance income**

Finance income receivable on cash and cash equivalents is recognised in the Statement of Comprehensive Income as it is earned.

### **m) Finance expense**

Finance expense is recognised in the Statement of Comprehensive Income as incurred and as part of cash flows generated from financing activities in the Statement of Cash Flows.

### **n) Share schemes**

#### ***ASOS Employee Benefit Trust and Capita Trust***

The shares held by the ASOS Employee Benefit Trust and Capita Trust are valued at the weighted average historical cost of the shares acquired. They are deducted in arriving at total equity and are presented within the Employee Benefit Trust reserve.

#### ***Share-based payments***

The Group issues equity settled share-based payments to certain employees, whereby employees render services in exchange for shares or rights over shares of the Parent Company.

Equity-settled awards are measured at fair value at the date of grant. The fair value is calculated using an appropriate option pricing model and is expensed to the Statement of Comprehensive Income on a straight-line basis over the vesting period after allowing for an estimate of shares that will eventually vest. The level of vesting is reviewed annually and the charge adjusted to reflect actual and estimated levels of vesting.

In accordance with IFRS 2, ASOS.com Limited is required to recognise share-based payment arrangements involving equity instruments where ASOS.com Limited has remunerated those providing services to the entity in this way. ASOS Plc makes contributions to ASOS.com Limited equal to the charge for the share-based payment arrangement which is reflected as an increase in ASOS Plc's investment in ASOS.com Limited.

Share options granted prior to 7 November 2002 fall outside the scope of IFRS 2 and therefore no charge has been recognised within the Statement of Comprehensive Income.

### **o) Taxation**

The tax expense included in the Statement of Comprehensive Income and Statement of Changes in Equity comprises current and deferred tax.

Current tax is the expected tax payable based on the taxable profit for the period, and the tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current and deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates (and laws) that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities and where there is an intention to settle the balances on a net basis.

## 1 ACCOUNTING POLICIES (continued)

### p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

### q) Foreign currency translation

The trading 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 year-end exchange rates. The resulting exchange differences are recognised in a separate Translation Reserve within Equity and are reported in Other Comprehensive Income.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange at the reporting date. Exchange differences on monetary items are recognised in the Statement of Comprehensive Income.

### r) Significant estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Significant items subject to such assumptions and estimates include the useful economic life of assets, the measurement and recognition of provisions and the valuation of inventory and share options. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available. The most critical accounting policies in determining the financial condition and results of the Group are those requiring the greatest degree of subjective or complex judgement. These relate to inventory valuation, deferred tax balances on share-based payments, refund accruals, share option valuation and legal contingencies.

#### **Inventory valuation**

Inventory is carried at the lower of cost and net realisable value, on a weighted average cost basis, which requires the estimation of the eventual sales price of goods to customers in the future. Any difference between the expected and the actual sales price achieved is accounted for in the period in which the sale is made.

#### **Deferred tax balances on share-based payments**

The Group recognises a deferred tax balance which reflects the temporary differences between the carrying value of outstanding share-based payment options on the Statement of Financial Position and the tax base of these options, being the estimated future tax deduction expected to crystallise on exercise of the option. The tax base is calculated by reference to the Company's share price at the reporting date and the number of share options which are outstanding and expected to vest.

#### **Refund accruals**

Accruals for sales returns are estimated on the basis of historical returns and are recorded so as to allocate them to the same period in which the original revenue is recorded. These accruals are reviewed regularly and updated to reflect management's latest best estimates, however, actual returns could vary from these estimates.

#### **Share option valuation**

Critical estimates and assumptions are made in particular with regard to the calculation of fair value of employee share options using appropriate valuation models. The inputs and assumptions of the model are detailed in note 22.

#### **Legal contingencies**

Where legal proceedings are brought against the Group and material future economic outflow is considered possible but not probable, or cannot be reliably measured, the Group discloses the nature of the contingent liability in the notes to the financial statements but does not recognise a liability in respect of the contingency. A liability is recognised only when a future economic outflow is probable and the amount of that outflow can be reliably measured. Judgement is required in both the probability determination and as to whether the Group's exposure can be reliably estimated.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 2) SEGMENTAL ANALYSIS

IFRS 8 'Operating Segments' requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been determined to be the Executive Board and has determined that the primary segmental reporting format of the Group is geographical by customer location, based on the Group's management and internal reporting structure.

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

	Year to 31 August 2013				
	UK £'000	US £'000	EU £'000	RoW £'000	Total £'000
Retail sales	276,027	77,678	177,708	222,394	753,807
Delivery receipts	5,314	1,456	2,212	3,028	12,010
Third-party revenues	3,579	-	-	-	3,579
Total revenue	284,920	79,134	179,920	225,422	769,396
Cost of sales	(148,685)	(32,687)	(88,865)	(100,579)	(370,816)
Gross profit	136,235	46,447	91,055	124,843	398,580
Distribution expenses	(26,140)	(27,804)	(27,046)	(34,182)	(115,172)
Segment result	110,095	18,643	64,009	90,661	283,408
Administrative expenses					(228,953)
Operating profit					54,455
Finance income					283
Finance expense					(68)
Profit before tax					54,670

	5 months to 31 August 2012				
	UK £'000	US £'000	EU £'000	RoW £'000	Total £'000
Retail sales	81,658	22,036	50,855	76,685	231,234
Delivery receipts	3,035	512	719	904	5,170
Third-party revenues	1,617	-	1	1	1,619
Total revenue	86,310	22,548	51,575	77,590	238,023
Cost of sales	(45,775)	(9,579)	(26,707)	(35,831)	(117,892)
Gross profit	40,535	12,969	24,868	41,759	120,131
Distribution expenses	(8,413)	(7,102)	(7,436)	(12,955)	(35,906)
Segment result	32,122	5,867	17,432	28,804	84,225
Administrative expenses					(70,883)
Operating profit					13,342
Finance expense					(97)
Profit before tax					13,245

Due to the nature of its activities, the Group is not reliant on any individual major 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) OPERATING PROFIT

Year to  
31 August 2013  
£'000

5 months to  
31 August 2012  
£'000

#### a) Operating profit is stated after charging/(crediting)

Depreciation of property, plant and equipment	7,005	2,542
Amortisation of other intangible assets	6,479	2,511
Loss on disposal of property, plant and equipment	143	–
Loss on disposal of other intangible assets	155	–
Cost of inventory recognised as an expense	373,274	118,958
Adjustment to inventories to net realisable value	(563)	807
Net foreign exchange (gains)/losses	(562)	372
Operating leases	4,539	1,940

#### b) Auditors' remuneration:

Audit and audit-related services		
Statutory audit of Parent Company and consolidated financial statements	39	24
Statutory audit of the Company's subsidiaries pursuant to legislation	148	116
Total	187	140

#### Other services:

Fees payable to Company's auditors for other services		
Taxation compliance	29	5
All other services	231	95
Total fees for other services	260	100

Costs relating to the audit and non-audit services of the Parent Company are borne by ASOS.com Limited.

The policy for the approval of non-audit fees is set out on page 31.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 4) STAFF COSTS INCLUDING DIRECTORS' REMUNERATION

	Year to 31 August 2013 Number of employees	5 months to 31 August 2012 Number of employees
By activity:		
Fashion	386	321
Operations	638	549
Technology	140	123
	<b>1,164</b>	993

The employee costs, including directors, for the Group during the current and prior period were as follows:

	Year to 31 August 2013 £'000	5 months to 31 August 2012 £'000
Wages and salaries	50,251	14,311
Social security costs	4,600	1,501
Other pension costs	1,102	349
Share-based charges (note 22)	4,005	344
	<b>59,958</b>	16,505

The aggregate amount of salaries deemed to relate exclusively to capital projects was £4.6m (5 months to 31 August 2012: £1.5m).

This amount has been capitalised and is not included above.

The aggregate compensation to key management personnel, being the directors of ASOS Plc (Executive and Non Executive) plus the members of the Executive Board of ASOS.com Limited, was as follows:

	Year to 31 August 2013 £'000	5 months to 31 August 2012 £'000
Short-term employee benefits	5,390	1,452
Post-employment benefits	223	100
Share-based payments charges	1,925	38
	<b>7,538</b>	1,590

Three directors of ASOS Plc and one member of the Executive Board of ASOS.com Limited exercised share options during the period. Aggregate gains made by key management personnel on the exercise of share options during the period were £27.6m (5 months to 31 August 2012: £1.7m). In addition, four directors of ASOS Plc and one member of the Executive Board exchanged shares in ASOS.com Limited for shares in ASOS Plc under the terms of the Management Incentive Plan. Aggregate gains made by key management personnel as a result of this share exchange were £39.7m. The highest paid director made gains of £15.9m as a result of share exchange under the Management Incentive Plan and did not exercise any other share options during the year.

Directors' aggregate emoluments and pension payments are detailed in the Directors' Remuneration Report along with share interests and share options during the year.

### 5) FINANCE INCOME

	Year to 31 August 2013 £'000	5 months to 31 August 2012 £'000
Interest receivable on cash and cash equivalents	283	-

## 6) FINANCE EXPENSE

Year to  
31 August 2013  
£'000

5 months to  
31 August 2012  
£'000

Interest payable on bank overdraft	68	97
------------------------------------	----	----

## 7) INCOME TAX EXPENSE

Year to  
31 August 2013  
£'000

5 months to  
31 August 2012  
£'000

Tax on profit	13,633	3,525
Adjustment in respect of prior year corporation tax	(89)	–
<b>Total current tax charge</b>	<b>13,544</b>	<b>3,525</b>
Deferred tax		
– Origination and reversal of temporary differences	285	(178)
– Effect of restatement of deferred tax opening balances to substantially enacted tax rate <sup>1</sup>	(22)	1
– Adjustment in respect of prior year	(63)	(7)
<b>Total deferred tax charge/(credit)</b>	<b>200</b>	<b>(184)</b>
<b>Tax on profit</b>	<b>13,744</b>	<b>3,341</b>
<i>Effective tax rate</i>	<b>25.1%</b>	25.2%

### RECONCILIATION OF TAX CHARGE

The tax on the Group's profit before tax differs from the income tax expense as follows:

Year to  
31 August 2013  
£'000

5 months to  
31 August 2012  
£'000

Profit before tax	54,670	13,245
Tax on profit at a standard rate of UK corporation tax of 23.6% (5 months to 31 August 2012: 24.0%)	12,891	3,179
Effects of:		
Expenses not deductible for taxation purposes	926	138
Rate differences: overseas tax	16	–
Rate differences: UK tax	(17)	1
Deferred tax assets not provided	34	22
Tax adjustments on share-based payments	55	8
Unpaid consortium relief not paid for	(9)	–
Adjustment in respect of prior years	(152)	(7)
<b>Tax on profit</b>	<b>13,744</b>	<b>3,341</b>

### TAX ON RECOGNISED INCOME AND EXPENSES NOT INCLUDED IN THE STATEMENT OF COMPREHENSIVE INCOME

Year to  
31 August 2013  
£'000

5 months to  
31 August 2012  
£'000

Current tax credit on exercise of share options	7,251	1,933
Deferred tax credit/(charge) on movement in tax base of share options	991	(1,949)
	<b>8,242</b>	<b>(16)</b>

These amounts have been recognised in equity and are included in the Consolidated Statement of Changes in Equity on page 50.

<sup>1</sup> 5 months to 31 August 2012: restatement of opening balances from 24% as at 31 March 2012 to 23% as at 31 August 2012. Year to 31 August 2013: restatement of opening balances from 23% as at 31 August 2012 to 21% as at 31 August 2013 where items are expected to be settled between 1 April 2014 and 31 March 2015, and to 20% where items are expected to be settled on or after 1 April 2015.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 8) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Parent Company by the weighted average number of ordinary shares in issue during the period. Own shares held by the ASOS Employee Benefit Trust and Capita Trust are eliminated from the weighted average number of ordinary shares.

Diluted earnings per share is calculated by dividing the profit attributable to the owners of the Parent Company by the weighted average number of ordinary shares in issue during the period, adjusted for the effects of potentially dilutive share options.

	Year to 31 August 2013 Number of shares	5 months to 31 August 2012 Number of shares
Weighted average shares in issue for basic earnings per share	<b>81,751,253</b>	79,078,431
Effect of dilutive options	<b>1,374,566</b>	3,951,661
Weighted average shares in issue for diluted earnings per share	<b>83,125,819</b>	83,030,092
Earnings attributable to owners of the Parent (£'000)	<b>40,928</b>	9,904
<b>Basic earnings per share</b>	<b>50.1p</b>	12.5p
<b>Diluted earnings per share</b>	<b>49.2p</b>	11.9p

4,000,822 shares issued on 31 May 2012 under the Management Incentive Plan are included within weighted average shares in issue for basic earnings per share. At 31 August 2012, 2,405,723 of these shares were included in weighted average shares in issue for basic earnings per share and the remainder were included in weighted average shares in issue for diluted earnings per share.

### 9) GOODWILL

	Year to 31 August 2013 £'000	5 months to 31 August 2012 £'000
<b>Carrying value at start and end of the period</b>	<b>1,060</b>	1,060

Goodwill relates to the historic acquisition of ASOS.com Limited, a 100% subsidiary of ASOS Plc.

Goodwill has been tested for impairment by comparing the carrying amount of each cash-generating unit (CGU), including goodwill, with the recoverable amount determined from value-in-use calculations. The CGUs comprise geographical business segments (UK, US, EU and Rest of World as described in note 2).

The key assumptions for the value-in-use calculations include those regarding operating profit, discount rates and growth rates. Value-in-use was calculated from cash flow projections for five years using data from the Group's latest results and financial forecasts approved by the Board. No reasonably possible change in assumptions could cause an impairment trigger in relation to goodwill. The budgeted cash flow assumes a growth rate which is higher than the long-term growth rate of the UK economy and this is based on the current performance expectations of the Group.

Management has determined that no impairment was necessary in the current financial period (5 months to 31 August 2012: £nil).



## 10) OTHER INTANGIBLE ASSETS

	Other intangible assets £'000	Assets under construction £'000	Total £'000
<b>Cost</b>			
At 1 April 2012	23,871	1,144	25,015
Additions	4,728	–	4,728
Transfers	414	(414)	–
Disposals	(469)	–	(469)
At 31 August 2012	28,544	730	29,274
Additions	<b>8,326</b>	<b>14,758</b>	<b>23,084</b>
Transfers	<b>2,799</b>	<b>(2,799)</b>	–
Disposals	<b>(606)</b>	<b>(24)</b>	<b>(630)</b>
<b>At 31 August 2013</b>	<b>39,063</b>	<b>12,665</b>	<b>51,728</b>
<b>Accumulated amortisation</b>			
At 1 April 2012	5,056	–	5,056
Charge for the period	2,511	–	2,511
Disposals	(469)	–	(469)
At 31 August 2012	7,098	–	7,098
Charge for the year	<b>6,479</b>	–	<b>6,479</b>
Disposals	<b>(475)</b>	–	<b>(475)</b>
<b>At 31 August 2013</b>	<b>13,102</b>	–	<b>13,102</b>
<b>Net book amount</b>			
<b>At 31 August 2013</b>	<b>25,961</b>	<b>12,665</b>	<b>38,626</b>
At 31 August 2012	21,446	730	22,176

Other intangible assets comprise capitalised software costs that are not deemed to be an integral part of the related hardware (which is classified within property, plant and equipment). The amortisation period for capitalised software costs is normally between three and five years. Assets under construction are not subject to amortisation until the asset is brought into use.

Amortisation is included in administrative expenses in the Statement of Comprehensive Income.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 11) PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
<b>Cost</b>				
At 1 April 2012	23,322	14,469	1,165	38,956
Additions	1,656	273	212	2,141
Transfers	130	385	(515)	–
Disposals	–	(271)	(141)	(412)
At 31 August 2012	25,108	14,856	721	40,685
Additions	<b>6,209</b>	<b>122</b>	<b>3,555</b>	<b>9,886</b>
Transfers	<b>943</b>	<b>–</b>	<b>(943)</b>	<b>–</b>
Disposals	<b>(1,689)</b>	<b>(2,622)</b>	<b>(52)</b>	<b>(4,363)</b>
<b>At 31 August 2013</b>	<b>30,571</b>	<b>12,356</b>	<b>3,281</b>	<b>46,208</b>
<b>Accumulated depreciation</b>				
At 1 April 2012	4,608	6,649	5	11,262
Charge for the period	68	2,333	141	2,542
Disposals	–	(271)	(141)	(412)
At 31 August 2012	4,676	8,711	5	13,392
Charge for the year	<b>5,117</b>	<b>1,893</b>	<b>(5)</b>	<b>7,005</b>
Disposals	<b>(1,609)</b>	<b>(2,611)</b>	<b>–</b>	<b>(4,220)</b>
<b>At 31 August 2013</b>	<b>8,184</b>	<b>7,993</b>	<b>–</b>	<b>16,177</b>
<b>Net book amount</b>				
<b>At 31 August 2013</b>	<b>22,387</b>	<b>4,363</b>	<b>3,281</b>	<b>30,031</b>
At 31 August 2012	20,432	6,145	716	27,293

Depreciation is included in administrative expenses in the Statement of Comprehensive Income.

### 12) INTEREST IN JOINT VENTURE

#### Interest in joint venture

	31 August 2013 £'000	31 August 2012 £'000
Initial equity investment in joint venture	–	150
Brought forward share of post-tax losses in joint venture	–	(150)
Interest in joint venture	–	–

The Group previously held a 50% interest in the ordinary shares of one joint venture, the online retailer Crooked Tongues Limited ('Crooked Tongues'), a company registered in the UK. On 31 May 2013, the Group acquired an additional 45% of the issued share capital of Crooked Tongues and hence, from that date, Crooked Tongues is accounted for as a subsidiary of the Group. See Note 13 for details.

### 13) ACQUISITION OF SUBSIDIARY

On 31 May 2013, the Group acquired 45% of the issued share capital of Crooked Tongues in exchange for cash consideration of £1. Prior to this date, the Group held 50% of the issued share capital of Crooked Tongues and accounted for the joint venture under the equity method. The carrying value and fair value of the joint venture was £nil at 31 May 2013.

Crooked Tongues is based in the UK and is an online footwear retailer. The controlling shareholding was acquired to allow the Group to exercise increased influence in developing the Crooked Tongues business.

The following table gives details of the fair values of the assets and liabilities acquired and the total consideration paid:

	Fair value £'000
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>	
Cash and cash equivalents	36
Property, plant and equipment	1
Inventory	209
Net receivables	50
Current liabilities	(296)
Total identifiable net liabilities	-
Goodwill	-
Total consideration	-
<b>Satisfied by:</b>	
Fair value of original investment	-
Cash consideration	-
Amount of non-controlling interest	-
<b>Total</b>	<b>-</b>
<b>Net cash inflow arising on acquisition:</b>	
Cash and cash equivalent balances acquired	36
Less: cash consideration	-
Cash and cash equivalent balances acquired	36

Gross trade receivables as at the acquisition date amount to £49,711. The best estimate at the acquisition date of the contractual cash flows not expected to be collected is £nil. This is represented in the fair value of the identifiable assets listed above.

There were no acquisition-related costs.

The total contribution of revenue and operating loss to the Group's results for the year to 31 August 2013 is £409,813 and £29,314 respectively. If the results of Crooked Tongues had been consolidated for the period of the Group's full financial year, the total contribution of revenue and operating loss to the Group's results for the year to 31 August 2013 would have been £1,785,878 and £65,110 respectively.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 14) DEFERRED TAX ASSET

	Accelerated capital allowances £'000	Share-based payments £'000	Other £'000	Total £'000
At 1 April 2012	(901)	10,462	315	9,876
Credit/(charge) to the Statement of Comprehensive Income	303	(26)	(94)	183
Effect of change of rate on deferred tax opening balances to 23% <sup>1</sup>	38	(23)	(14)	1
Charge to equity	–	(1,539)	–	(1,539)
Effect of change of rate on deferred tax opening balances to 23% <sup>2</sup>	–	(410)	–	(410)
At 1 August 2012	(560)	8,464	207	8,111
<b>(Charge)/credit to the Statement of Comprehensive Income</b>	<b>(109)</b>	<b>(167)</b>	<b>54</b>	<b>(222)</b>
<b>Effect of change of rate on deferred tax opening balances to 20/21%<sup>1</sup></b>	<b>60</b>	<b>(16)</b>	<b>(22)</b>	<b>22</b>
<b>Credit to equity</b>	<b>–</b>	<b>1,354</b>	<b>–</b>	<b>1,354</b>
<b>Effect of change of rate on deferred tax opening balances to 20/21%<sup>2</sup></b>	<b>–</b>	<b>(363)</b>	<b>–</b>	<b>(363)</b>
<b>At 31 August 2013</b>	<b>(609)</b>	<b>9,272</b>	<b>239</b>	<b>8,902</b>

<sup>1</sup> Statement of Comprehensive Income.

<sup>2</sup> Statement of Changes in Equity.

The deferred tax assets and liabilities have been offset as they are due to reverse in the same jurisdiction.

The Company has losses of £246,000 (5 months to 31 August 2012: £246,000) which are available for offset against future taxable profits. These have not been recognised at the year end. The Group has other losses which are available to be carried forward against future taxable profits of £508,000.

The deferred tax asset on share-based payments is created by the temporary difference between the carrying value of outstanding share-based payment options on the Statement of Financial Position and the tax base of these options, being the estimated future tax deduction expected to crystallise on exercise of the option. The tax base is calculated by reference to the Company's share price at the reporting date and the number of share options outstanding, which has decreased during the period to 31 August 2013.

It is estimated that deferred tax assets of £717,103 (31 August 2012: £471,559) will be recovered within one year.

The rate of corporation tax will change to 21% from 1 April 2014 and to 20% from 1 April 2015. As deferred tax assets and liabilities are measured at the tax rates that are expected to apply in periods of reversal, and we expect a portion of the above deferred tax assets and liabilities as at 31 August 2013 to be realised after 1 April 2014, where relevant, deferred tax closing balances have been restated using the above rates. The change of rate in the year to 31 August 2013 decreased the deferred tax asset by £363,000 (5 months to 31 August 2012: £410,000).

## 15) TRADE AND OTHER RECEIVABLES

31 August 2013  
£'000

31 August 2012  
£'000

Trade receivables	4,967	2,896
Provision for doubtful debts	(314)	(231)
Trade receivables net of provision for doubtful debts	4,653	2,665
Prepayments	3,419	5,482
Receivables from related parties (note 26)	-	791
Other receivables	10,348	10,128
	<b>18,420</b>	<b>19,066</b>

Included in other receivables are VAT receivables of £7,220,387 (31 August 2012: £7,902,591).

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

Trade and other receivables fall into the 'loans and receivables' category of the Group's financial assets.

At 31 August 2013 trade receivables with a gross value of £320,829 were individually determined to be impaired (31 August 2012: £1,080,219) and the provision for impairment of these trade receivables was £313,751 (31 August 2012: £230,916).

Movements on the provision for impairment of trade receivables are as follows:

Year to  
31 August 2013  
£'000

5 months to  
31 August 2012  
£'000

At start of period	(231)	-
Charged during the period	(83)	(231)
<b>At end of period</b>	<b>(314)</b>	<b>(231)</b>

Movement in the provision for impaired receivables is included within revenue in the Statement of Comprehensive Income. Amounts are generally written off where there is no expectation of recovery. The other classes within trade and other receivables do not contain impaired assets.

As at 31 August 2013, trade receivables of £466,495 were past due but not impaired (31 August 2012: £846,564). These relate to a number of independent third parties for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

31 August 2013  
£'000

31 August 2012  
£'000

3 to 6 months	354	684
Over 6 months	112	162
	<b>466</b>	<b>846</b>

Management believe that all unimpaired receivables are fully recoverable.

All other receivables are non-interest bearing.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The Group does not hold any collateral as security.

## 16) TRADE AND OTHER PAYABLES

31 August 2013  
£'000

31 August 2012  
£'000

Trade payables	59,948	41,696
Taxation and social security	6,325	7,669
Accruals	57,116	32,127
Other payables	26,122	18,799
	<b>149,511</b>	<b>100,291</b>

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

## NOTES TO THE FINANCIAL STATEMENTS continued

### 17) PROVISIONS

	Property £'000
At 1 April 2012	935
Utilised during the period	(935)
<b>At 31 August 2012 and 31 August 2013</b>	<b>-</b>

The Group historically provided for excess property costs to be incurred in its vacant legacy warehouse until lease expiry. This provision was utilised during the five months to 31 August 2012.

### 18) CALLED UP SHARE CAPITAL

	31 August 2013 £'000	31 August 2012 £'000
Authorised:		
100,000,000 (31 August 2012: 100,000,000) ordinary shares of 3.5p each	<b>3,500</b>	3,500
Allotted, issued and fully paid:		
82,581,006 (31 August 2012: 81,524,877) ordinary shares of 3.5p each	<b>2,890</b>	2,854

During the year 1,051,695 (5 months to 31 August 2012: 402,820) ordinary shares of 3.5p each were issued as a result of exercise of employee share options. Total consideration received in respect of exercise of employee share options was £299,680 (5 months to 31 August 2012: £320,582). A further 4,434 shares were issued to the Chairman on his appointment.

### 19) NON-CONTROLLING INTERESTS

	31 August 2013 £'000	31 August 2012 £'000
At start of period	-	-
Share of loss for the period	(2)	-
<b>At end of period</b>	<b>(2)</b>	<b>-</b>

### 20) RECONCILIATION OF NET FUNDS

	31 August 2013 £'000	31 August 2012 £'000
Net movement in cash and cash equivalents	<b>43,255</b>	3,569
Repayment of revolving credit facility	-	5,000
Net movement in net funds	<b>43,255</b>	8,569
Opening net funds	<b>27,884</b>	19,315
<b>Closing net funds</b>	<b>71,139</b>	27,884
<b>Closing net funds comprises:</b>		
Cash and cash equivalents	<b>71,139</b>	27,884

The Group has in place a £20.0m revolving loan credit facility which includes an ancillary £10.0m guaranteed overdraft facility and which is available until July 2015.

## 21) FINANCIAL INSTRUMENTS

### Categories of financial instruments

	31 August 2013 £'000	31 August 2012 £'000
<b>Financial assets</b>		
Financial assets at fair value through profit and loss	225	–
Loans and receivables	86,140	41,468
<b>Financial liabilities</b>		
Amortised cost	(143,186)	(100,291)

Loans and receivables includes trade and other receivables and cash and cash equivalents, and excludes prepayments.

Included in financial liabilities at amortised cost are trade payables, accruals and other payables.

### Risk management

The Group's Treasury function seeks to reduce exposures to capital risk, liquidity risk, credit risk, interest rate risk and foreign currency risk, to ensure liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments and transacts only in relation to underlying business requirements. The Group's treasury policies and procedures are periodically reviewed and approved by the Audit Committee.

### Capital risk

The Group's objectives when managing capital (defined as net funds<sup>1</sup> plus equity) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders through an appropriate balance of debt and equity funding, whilst maintaining a strong credit rating and sufficient headroom. The Group makes adjustments to its capital structure in light of changes to economic conditions and the Group's strategic objectives.

### Liquidity risk

The Group manages its exposure to liquidity risk by continuously monitoring short- and long-term forecasts and actual cash flows and ensuring it has the necessary banking and reserve borrowing facilities available to meet the requirements of the business. At 31 August 2013 the Group has an undrawn revolving loan credit facility of £20.0m which includes an ancillary £10.0m guaranteed overdraft facility and is available until July 2015. Borrowings under the revolving loan credit facility bear interest at a rate of 1.20% per annum above LIBOR plus 0.25% if between 33% and 66% utilised, and plus 0.50% if over 66% utilised. Borrowings under the overdraft bear interest at 1.40% above base rate. Commitment interest of 0.48% per annum is payable on the daily undrawn balance of the total facility. Any surplus cash is placed on deposit to maximise returns on cash balances.

The Group's financial liabilities all have remaining contractual liabilities of less than one year.

### Credit risk

Credit risk is the risk that a counterparty may default on its obligation to the Group in relation to lending, hedging, settlement and other financial activities. The Group's principal financial assets are trade and other receivables, bank balances and cash in hand. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts included in the Statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The Group has a low retail credit risk due to transactions being principally of a high volume, low value and short maturity. The Group's trade receivables are primarily with large advertising companies with whom the Group has a long-standing relationship, the risk of default is considered to be low and write-offs due to bad debts are extremely low. The Group has no significant concentration of credit risk, as exposure is spread over a large number of counterparties and customers.

The credit risk on liquid funds is considered to be low, as the Board-approved Group Treasury Policy limits the value that can be placed with each approved counterparty to minimise the risk of loss. These limits are based on a minimum Standard and Poor's credit rating of A-.

### Interest rate risk

The Group is exposed to cash flow interest rate risk on its floating rate bank overdraft and revolving credit facilities.

At 31 August 2013, the Group has no drawings under its revolving loan credit facility. The Group may draw down periodically on the revolving loan credit facility in the future if required but no drawdown will be long-term in nature and therefore the Group has not entered into interest rate derivatives to mitigate the interest rate risk.

<sup>1</sup>Cash and cash equivalents less bank borrowings

**21) FINANCIAL INSTRUMENTS (continued)**
**Foreign currency risk**

The Group operates internationally and is therefore exposed to foreign currency transaction risk, primarily on purchases and sales denominated in US dollars, euros and Australian dollars. The Group's presentational currency is sterling therefore the Group is also exposed to foreign currency translation risks due to movements in foreign exchange rates on the translation of non-sterling assets and liabilities.

The Group's policy is to match foreign currency transaction exposures where possible. Where appropriate, the Group uses financial instruments in the form of forward foreign exchange contracts to hedge future foreign currency cash flows.

The fair value of forward foreign exchange contracts recognised in the Statement of Financial Position within derivative financial assets at 31 August 2013 was £225,000 (31 August 2012: £nil). Cashflows related to these contracts will occur during the year to 31 August 2014, and gains or losses will be recognised in the Statement of Comprehensive Income during the same period.

**Sensitivity analysis**

At 31 August 2013, a 5% movement in sterling against the US dollar or euro, which is deemed to represent a reasonable possible change, would not be deemed to have a material impact on the profit before tax for the period or on total equity as at 31 August 2013.

A 5% movement in interest rates, which is deemed to represent a reasonable possible change, would not be deemed to have a material effect on net interest costs based on the Group's interest bearing liabilities as at 31 August 2013.

**22) SHARE-BASED PAYMENTS**
**Summary of movements in awards**

Number of shares	Sharesave Schemes	Performance Share Plan	Share Incentive Plan	EMI and other	Total	Weighted average exercise price Pence
Outstanding at 1 April 2012	232,708	275,484	–	2,299,920	2,808,112	120.07
Granted during the period	–	9,800	–	–	9,800	–
Lapsed during the period	(16,898)	(8,891)	–	(5,405)	(31,194)	493.20
Exercised during the period	(4,440)	(89,643)	–	(402,820)	(496,903)	66.46
Outstanding at 31 August 2012	211,370	186,750	–	1,891,695	2,289,815	126.69
Exercisable at 31 August 2012	–	–	–	1,891,695	1,891,695	46.50
Outstanding at 1 September 2012	<b>211,370</b>	<b>186,750</b>	<b>–</b>	<b>1,891,695</b>	<b>2,289,815</b>	<b>126.69</b>
Granted during the period	<b>83,376</b>	<b>49,001</b>	<b>17,372</b>	<b>–</b>	<b>149,749</b>	<b>1,645.26</b>
Lapsed during the period	<b>(12,913)</b>	<b>(43,141)</b>	<b>(269)</b>	<b>–</b>	<b>(56,323)</b>	<b>262.64</b>
Exercised during the period	<b>(50,380)</b>	<b>(73,925)</b>	<b>–</b>	<b>(1,051,695)</b>	<b>(1,176,000)</b>	<b>40.94</b>
<b>Outstanding at 31 August 2013</b>	<b>231,453</b>	<b>118,685</b>	<b>17,103</b>	<b>840,000</b>	<b>1,207,241</b>	<b>390.51</b>
<b>Exercisable at 31 August 2013</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>840,000</b>	<b>840,000</b>	<b>66.98</b>

In addition to the share options detailed above, certain Executive Directors and members of senior management have also been granted awards under the ASOS Long-Term Incentive Plan (ALTIP). The total face value of awards approved under the scheme is £33,600,946. The final number of ordinary shares required to satisfy the awards will depend upon both the extent to which the scheme's performance conditions are met and the Company's share price at the vesting date on 31 October 2016. Further details are provided below.

The Group recognised a total expense of £4.0m during the year (5 months to 31 August 2012: £0.3m) relating to equity-settled share-based payment transactions. The weighted average share price at date of exercise of shares exercised during the year was 2,797p (31 August 2012: 1,773p).

The weighted average remaining contractual life of outstanding options at the end of the year was 2.0 years (31 August 2012: 2.2 years). The aggregate fair value of options granted in the year was £3.1m (31 August 2012: £0.2m).



## 22) SHARE-BASED PAYMENTS (continued)

### Save-As-You-Earn (SAYE) Scheme

Under the terms of the current SAYE Scheme, the Board 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 normally exercisable for a period of six months after completion of the SAYE contract.

Date of grant	1 September 2012 no. of shares	Granted during the year no. of shares	Lapsed during the year no. of shares	Exercised during the year no. of shares	31 August 2013 no. of shares	Exercise price pence	Exercise period
18/12/09	48,816	-	-	(48,816)	-	336.0	01/03/13 – 31/08/13
08/12/10	57,244	-	(3,905)	(652)	52,687	1,073.0	01/03/14 – 31/08/14
06/12/11	105,310	-	(9,008)	(912)	95,390	1,177.0	01/03/15 – 31/08/15
12/06/13	-	83,376	-	-	83,376	2,955.0	01/08/16 – 31/01/17
	211,370	83,376	(12,913)	(50,380)	231,453		

These option grants are settled on exercise through transfer of shares from the Employee Benefit Trust.

The SAYE options granted during the period were valued using a Black-Scholes model. The inputs to the Black-Scholes model are as follows:

	Year to 31 August 2013
Share price – pence	4,032
Exercise price – pence	2,955
Expected volatility	44.4%
Expected life – years	3
Risk-free rate	0.67%
Dividend yield	-
Weighted average fair value of options – pence	1,694

No options were granted during the 5 months to 31 August 2012.

Volatility has been estimated by taking the historical volatility in the Company's share price over a three-year period.

### Performance Share Plan (PSP)

Under the terms of the PSP, Executive Directors and selected senior executives may be granted conditional awards to acquire ordinary shares in the Company (in the form of nil cost options) which will only vest and become exercisable to the extent that the related performance targets are met. These performance targets are detailed in the Directors' Remuneration Report on page 40.

Date of grant	1 September 2012 no. of shares	Granted during the year no. of shares	Lapsed during the year no. of shares	Exercised during the year no. of shares	31 August 2013 no. of shares	Exercise price pence	Exercise period
02/12/09	11,111	-	-	(11,111)	-	nil	02/12/12
27/01/10	15,642	-	(534)	(15,108)	-	nil	27/01/13
30/03/10	3,184	-	(265)	(2,919)	-	nil	30/03/13
30/06/10	65,658	-	(23,570)	(42,088)	-	nil	30/06/13
22/07/10	3,391	-	(692)	(2,699)	-	nil	22/07/13
24/11/10	15,294	-	(4,972)	-	10,322	nil	24/11/13
28/01/11	3,726	-	-	-	3,726	nil	28/01/14
06/07/11	35,530	-	(6,366)	-	29,164	nil	06/07/14
28/09/11	15,584	-	(5,041)	-	10,543	nil	28/09/14
08/02/12	7,830	-	(645)	-	7,185	nil	08/02/15
28/05/12	9,800	-	-	-	9,800	nil	28/05/15
18/12/12	-	49,001	(1,056)	-	47,945	nil	18/12/15
	186,750	49,001	(43,141)	(73,925)	118,685		

These option grants are settled on exercise through transfer of shares from the Employee Benefit Trust.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 22) SHARE-BASED PAYMENTS (continued)

The PSP awards granted in the current and prior period have been valued using a Black-Scholes model.

The inputs to the Black-Scholes model are as follows:

	Year to 31 August 2013	Year to 31 August 2012
Share price – pence	2,582	1,709
Exercise price – pence	–	–
Expected volatility	45.9%	46.2%
Expected life – years	3	3
Risk-free rate	0.53%	0.3
Dividend yield	–	–
Weighted average fair value of options – pence	2,582	1,709

Volatility has been estimated by taking the historical volatility in the Company's share price over a three-year period.

#### Share Incentive Plan (SIP)

Under the terms of the SIP, the Board grants 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.

Date of grant	1 September 2012 no. of shares	Granted during the year no. of shares	Lapsed during the year no. of shares	Exercised during the year no. of shares	31 August 2013 no. of shares	Exercise price pence	Exercise period
28/12/12	–	17,372	(269)	–	17,103	nil	Post 28/12/15

These option grants are settled on exercise through transfer of shares from the Capita Trust.

The SIP options granted during the year were valued using a Black-Scholes model.

The inputs to the Black-Scholes model are as follows:

	Year to 31 August 2013
Share price – pence	2,628
Exercise price – pence	–
Expected volatility	45.8%
Expected life – years	3
Risk-free rate	0.45%
Dividend yield	–
Weighted average fair value of options – pence	2,628

Volatility has been estimated by taking the historical volatility in the Company's share price over a three-year period.

#### EMI Share Option Scheme

Details of options granted under the Company's EMI Share Option Scheme are shown below.

Date of grant	1 September 2012 no. of shares	Granted during the year no. of shares	Lapsed during the year no. of shares	Exercised during the year no. of shares	31 August 2013 no. of shares	Exercise price pence	Exercise period
30/07/04	140,000	–	–	–	140,000	56.50	30/07/06 – 29/07/14
29/04/05	61,440	–	–	(61,440)	–	49.50	29/04/07 – 28/04/15
11/07/05	500,000	–	–	–	500,000	57.50	11/07/07 – 10/07/15
26/04/06	100,000	–	–	(100,000)	–	93.25	26/04/09 – 25/04/16
04/07/06	200,000	–	–	–	200,000	98.00	04/07/09 – 03/07/16
30/04/07	60,598	–	–	(60,598)	–	117.00	23/04/10 – 22/04/17
	<b>1,062,038</b>	–	–	<b>(222,038)</b>	<b>840,000</b>		

These option grants are settled on exercise through issue of new ordinary shares by the Company. For further details see note 18.

## 22) SHARE-BASED PAYMENTS (continued)

### Other share option scheme

Details of options granted under another share option scheme are shown below.

Date of grant	1 September 2012 no. of shares	Granted during the year no. of shares	Lapsed during the year no. of shares	Exercised during the year no. of shares	31 August 2013 no. of shares	Exercise price pence	Exercise period
06/12/00	829,657	-	-	(829,657)	-	12.67	16/01/01 – 01/01/14

These option grants are settled on exercise through issue of new ordinary shares by the Company. For further details see note 18.

### Management Incentive Plan (MIP)

Under the terms of the ASOS MIP, Executive Directors and certain senior employees were given the opportunity to invest their own money to buy new subordinated shares issued in a subsidiary company, ASOS.com Limited ('the Subsidiary'). The total number of shares acquired by employees in ASOS.com Limited at commencement of the scheme was 203,161.

The MIP had a three-year performance period which ended on 31 March 2012. As a result of the performance against the scheme's vesting conditions, upon the recommendation of the Remuneration Committee, the Company approved the exchange of eligible shares in the Subsidiary for 4,000,822 ordinary shares in the Company (after application of the maximum dilution cap) of an equal tax market value (based on an independent valuation of the Subsidiary) as at the average share price of ASOS Plc for the week ending on 18 May 2012. On 30 September 2012, participants became free to trade 2,000,411 of these new shares and participants will become free to trade the remaining 2,000,411 shares on 30 September 2013 (assuming that all eligible individuals remain an employee of the Company or are deemed to be a 'good leaver' and subject to any close period dealing restrictions).

### ASOS Long-Term Incentive Plan (ALTIP)

The Company implemented a new long-term incentive plan on 30 April 2013, covering the performance period from 1 September 2012 to 31 August 2015. The base value of each participant's award under the ALTIP is calculated as a fixed multiple of salary and will only vest to the extent that the related performance targets are met. These performance targets are detailed in the Directors' Remuneration Report on page 37. There is also a maximum benefit restriction imposed on each participant. All awards granted to date under the ALTIP will vest on 31 October 2016. The final number of ordinary shares required to satisfy the awards will depend upon both the extent to which the scheme's performance conditions are met and the Company's share price on 31 October 2016.

The face value of awards approved under the ALTIP was £33,600,946, of which £4,972,224 lapsed during the year.

Participants can choose to make an upfront investment equivalent to the tax fair value of all or part of their award. Non-executive participants are offered a loan by ASOS.com Limited to fund their investment, of which 75% is non-recourse. All current participants have chosen to make an upfront investment equivalent to the tax fair value of their full award.

The ALTIP awards granted in the current period have been valued using a Black-Scholes model. The inputs to the Black-Scholes model are as follows:

	Upfront investment	Loan
Share price – pence	3,268	3,268
Exercise price – pence	-	686
Expected volatility	45%	45%
Expected life – years	3.5	3.5
Risk-free rate	0.36%	0.36%
Dividend yield	-	-
Weighted average fair value of options – pence	2,233	1,925

Whilst under the rules of the ALTIP there is no exercise price payable on vesting, investments made by participants via non-recourse loans from ASOS.com Limited are treated as an exercise price in the Black-Scholes valuation model.

Volatility has been estimated by taking the historical volatility in the Company's share price over a three-year period.

These options will be settled on exercise through issue of new ordinary shares by the Company.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 23) CAPITAL COMMITMENTS

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

	31 August 2013 £'000	31 August 2012 £'000
Fixtures and fittings	17,886	–
Intangible assets	796	–
	<b>18,682</b>	–

### 24) OPERATING LEASE COMMITMENTS

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 August 2013 £'000	31 August 2012 £'000
Within one year	5,819	3,477
Within two to five years	29,883	13,244
In over five years	6,437	7,154
Total	<b>42,139</b>	23,875

The Group's operating leases relate to warehousing and office space.

### 25) CONTINGENT LIABILITIES

From time to time, the Group can be subject to various legal proceedings and claims that arise in the ordinary course of business which, due to the fast growing nature of the Group and its e-commerce base, may include cases concerning the Group's brand and trading name. All such cases brought against the Group 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 that outflow can be reliably measured. As at 31 August 2013, there are no pending claims or proceedings against the Group which are expected to have a material adverse effect on its liquidity or operations.

At 31 August 2013, the Group had contingent liabilities of £3.5m (31 August 2012: £6.7m) in relation to supplier standby letters of credit, rent deposit deeds and other bank guarantees. The likelihood of cash outflow in relation to these contingent liabilities is considered to be low.

### 26) RELATED PARTY TRANSACTIONS

#### Transactions with key management personnel

During the year, the Group received cash payments of £1,050,000 from Nick Robertson, £840,000 from Kate Bostock and £735,000 from Nick Beighton in respect of participation in the ALTIP. The cash received from Kate Bostock was returned to her after the reporting date as a result of her resignation from the Company. The Company also entered into aggregate loan agreements of £2,256,450 with seven other members of the Executive Board as a result of participation in the ALTIP. There were no other material transactions or balances between the Group and its key management personnel or members of their close family.

#### Transactions with ASOS.com Limited Employee Benefit Trust

During the year the Group made a loan of £21,283 (31 August 2012: £nil) to the ASOS.com Limited Employee Benefit Trust to acquire shares in the Company to satisfy grants made under the rules of the Group's share schemes. This loan was offset by £181,752 (31 August 2012: £9,304) received by the ASOS.com Limited Employee Benefit Trust on exercise of employee share options.

#### Transactions with other related parties

At 31 August 2013 the amount due to the Group from related parties was £nil (31 August 2012: £791,000), of which £nil (31 August 2012: £788,000) was provided against.

During the year the Group made purchases totalling £7,320,215 (5 months to 31 August 2012: £3,687,516) from Aktieselskabet af 5.5.2010, a company which has a significant shareholding in the Group. At 31 August 2013, the amount due to Aktieselskabet af 5.5.2010 was £198,702 (31 August 2012: £743,257).

**We have audited the Parent Company financial statements of ASOS for the year ended 31 August 2013 which comprise the Company Statement of Changes in Equity, the Company Statement of Financial Position, the Company Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.**

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibility set out on page 46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON FINANCIAL STATEMENTS

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2013 and of its cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

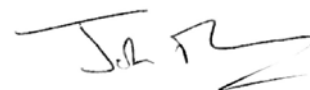
## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

## OTHER MATTER

We have reported separately on the Group financial statements of ASOS Plc for the year ended 31 August 2013.



**John Minards**  
Senior Statutory Auditor

for and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St. Albans  
22 October 2013

## COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2013

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance as at 1 April 2012	2,699	5,749	730	9,178
Shares allotted in the period	155	356	–	511
Loss for the period and total comprehensive loss	–	–	(244)	(244)
Share options credit	–	–	344	344
<b>Balance as at 31 August 2012</b>	<b>2,854</b>	<b>6,105</b>	<b>830</b>	<b>9,789</b>
Shares allotted in the year	<b>36</b>	<b>263</b>	<b>–</b>	<b>299</b>
Profit for the year and total comprehensive loss	<b>–</b>	<b>–</b>	<b>(304)</b>	<b>(304)</b>
Share options credit	<b>–</b>	<b>–</b>	<b>4,005</b>	<b>4,005</b>
<b>Balance as at 31 August 2013</b>	<b>2,890</b>	<b>6,368</b>	<b>4,531</b>	<b>13,789</b>

# COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 August 2013

	Note	31 August 2013 £'000	31 August 2012 £'000
<b>Non-current assets</b>			
Investments	3	11,055	7,050
<b>Current assets</b>			
Other receivables	4	2,205	346
Cash and cash equivalents		633	2,491
		<b>2,838</b>	2,837
<b>Current liabilities</b>			
Other payables	5	(104)	(98)
<b>Net current assets</b>			
		<b>2,734</b>	2,739
<b>Net assets</b>			
		<b>13,789</b>	<b>9,789</b>
<b>Equity</b>			
Called up share capital	7	2,890	2,854
Share premium		6,368	6,105
Retained earnings		4,531	830
<b>Total equity</b>			
		<b>13,789</b>	<b>9,789</b>

Notes 1 to 8 are an integral part of the financial statements.

The financial statements of ASOS Plc, registered number 4006623, on pages 75 to 82, were approved by the Board of Directors and authorised for issue on 22 October 2013 and were signed on its behalf by:



N Robertson



N Beighton

Directors

# COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 August 2013

	Year to 31 August 2013 £'000	5 months to 31 August 2012 £'000
<b>Operating loss</b>	<b>(304)</b>	(200)
Adjusted for:		
(Increase)/decrease in other receivables	<b>(1,859)</b>	2,004
Increase in other payables	<b>6</b>	44
<b>Net cash (used in)/ generated from operating activities</b>	<b>(2,157)</b>	1,848
<b>Investing activities</b>		
Dividend income	-	250
<b>Net cash generated from investing activities</b>	<b>-</b>	250
<b>Financing activities</b>		
Proceeds from issue of ordinary shares	<b>299</b>	321
<b>Net cash generated from financing activities</b>	<b>299</b>	321
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,858)</b>	2,419
<b>Opening cash and cash equivalents</b>	<b>2,491</b>	72
<b>Closing cash and cash equivalents</b>	<b>633</b>	2,491



# NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 August 2013

## 1 ACCOUNTING POLICIES

### a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. As at the year end, these are the standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board (IASB) that have been endorsed by the European Union.

The financial statements are prepared under the historical cost convention. The accounting policies have been applied consistently in the current period and prior year.

The financial statements have been prepared on a going concern basis as explained on page 36 of the Directors' Report.

### New standards

#### (i) New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that were effective for the first time for the year beginning on or after 1 September 2012 that had a material impact on the Company.

#### (ii) New standards, amendments and interpretations issued but not effective for the year beginning on or after 1 September 2012 and not early adopted.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective, and were not applied in these financial statements:

IFRS 7 (amended 2011) Offsetting of Assets and Liabilities  
IFRS 9 Financial Instruments  
IFRS 10 Consolidated Financial Statements

### b) Financial instruments

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

#### Financial assets and liabilities

Financial assets and liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

### c) Investments

Investments in subsidiary companies are stated at cost and are subject to review for impairment. In accordance with IFRS 2, ASOS.com Limited is required to recognise share-based payment arrangements involving equity instruments where ASOS.com Limited has remunerated those providing services to the entity in this way. ASOS Plc makes contributions to ASOS.com Limited equal to the charge for the share-based payment arrangement which is reflected as an increase in ASOS Plc's investment in ASOS.com Limited.

### d) Taxation

Current tax is the expected tax payable based on the taxable profit for the period, and the tax laws that have been enacted or substantively enacted at the date of the Statement of Financial Position.

### e) Dividend income

Dividend income is recognised when the right to receive payment is established.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

### 2) LOSS FOR THE YEAR

The Company has not presented its own Statement of Comprehensive Income as permitted by section 408 of the Companies Act 2006.

The loss for the year and total comprehensive loss attributable to shareholders was £304,000 (5 months to 31 August 2012: loss of £244,000).

### 3) INVESTMENTS

	Investment £'000	Capital contribution £'000	Total £'000
<b>Cost</b>			
At 1 April 2012	3,575	5,001	8,576
Additions	190	344	534
Disposals	(2,060)	–	(2,060)
At 31 August 2012	1,705	5,345	7,050
Additions	<b>1,706</b>	<b>4,005</b>	<b>5,711</b>
Disposals	<b>(1,706)</b>	–	<b>(1,706)</b>
<b>At 31 August 2013</b>	<b>1,705</b>	<b>9,350</b>	<b>11,055</b>
<b>Impairment</b>			
At 1 April 2012	1,766	–	1,766
Disposals	(1,766)	–	(1,766)
<b>At 31 August 2012 and 31 August 2013</b>	–	–	–
<b>Net book amount</b>			
<b>At 31 August 2013</b>	<b>1,705</b>	<b>9,350</b>	<b>11,055</b>
At 31 August 2012	1,705	5,345	7,050

Additions and disposals of investment balances during the year to 31 August 2013 are a result of internal group restructuring following the grant of the ALTIP and relate only to Group entities. Disposals during the period to 31 August 2012 related to investments in dormant companies which were dissolved. The impairment of £1,766,000 relating to one of these companies was reversed during the period to 31 August 2012.

The Directors believe the carrying value of investments is supported by their underlying net assets.

### 3) INVESTMENTS (continued)

At 31 August 2013, the Company's subsidiaries were as follows:

Name of company	Country of incorporation	Proportion of ordinary shares held	Nature of business
ASOS Intermediate Holdings Limited	UK	100%	Holding company
Mornington & Co (No. 1) Limited	UK	100%	Vehicle for implementation of ALTIP
Mornington & Co (No. 2) Limited	UK	100%	Vehicle for implementation of ALTIP
ASOS.com Limited	UK	100%	Internet retailer
Crooked Tongues Limited	UK	95%	Internet retailer
ASOS Marketplace Limited	UK	100%	Internet marketplace
ASOS Global Limited	UK	100%	Employer of marketing staff based in Australia
ASOS US, Inc	US	100%	Employer of marketing staff based in the US
ASOS Germany GmbH	Germany	100%	Employer of marketing staff based in Germany
ASOS France SAS	France	100%	Employer of marketing staff based in France
ASOS Australia Pty Limited	Australia	100%	Employer of marketing staff based in Australia
ASOS Brand Services Limited	UK	100%	Holding company
ASOS Canada Services Limited	Canada	100%	Non-trading company
ASOS Transaction Services Limited	UK	100%	Holding company
ASOS Transactions Services Australia Pty Limited	Australia	100%	Payment processing company
ASOS Projects Limited	UK	100%	Holding company
ASOS (Shanghai) Commerce Co. Ltd	China	100%	Internet retailer

All operating subsidiaries' results are included in the consolidated financial statements. The accounting reference date of all subsidiaries of ASOS Plc is 31 August, except for ASOS (Shanghai) Commerce Co. Ltd which has an accounting reference date of 31 December due to Chinese statutory requirements.

### 4) OTHER RECEIVABLES

	31 August 2013 £'000	31 August 2012 £'000
Prepayments	24	16
Receivables from subsidiary undertakings	2,181	330
	<b>2,205</b>	<b>346</b>

The fair value of other receivables is not materially different to their carrying value.

As at 31 August 2013, receivables from subsidiary undertakings of £2,181,000 (31 August 2012: £330,000) were fully recoverable. Receivables from subsidiary undertakings that are less than three months past due are not considered impaired. As at 31 August 2013, receivables of £2,649,000 (31 August 2012: £72,000) were more than three months past due but not impaired. These relate to subsidiary undertakings for which there is no history of default. The ageing analysis of these receivables is as follows:

	31 August 2013 £'000	31 August 2012 £'000
3 to 6 months	(30)	3
Over 6 months	2,679	69
	<b>2,649</b>	<b>72</b>

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Management believe that all unimpaired receivables are fully recoverable.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

### 5) OTHER PAYABLES

	31 August 2013 £'000	31 August 2012 £'000
Accruals	104	98

All accruals are due within one year.

### 6) FINANCIAL INSTRUMENTS

	31 August 2013 £'000	31 August 2012 £'000
<b>Financial assets</b>		
Loans and receivables	2,814	2,821
<b>Financial liabilities</b>		
Amortised cost	104	98

Loans and receivables includes cash and cash equivalents and receivables due from subsidiary undertakings, and excludes prepayments.

Included in financial liabilities at amortised cost are accruals.

### 7) CALLED UP SHARE CAPITAL

	31 August 2013 £'000	31 August 2012 £'000
Authorised:		
100,000,000 (31 August 2012: 100,000,000) ordinary shares of 3.5p each	3,500	3,500
Allotted, issued and fully paid:		
82,581,006 (31 August 2012: 81,524,877) ordinary shares of 3.5p each	2,890	2,854

During the year 1,051,695 (5 months to 31 August 2012: 402,820) ordinary shares of 3.5p each were issued as a result of exercise of employee share options. Total consideration received in respect of exercise of employee share options was £299,680 (5 months to 31 August 2012: £320,582). A further 4,434 shares were issued to the Chairman on his appointment.

### 8) RELATED PARTY TRANSACTIONS

During the period, the Company entered into transactions in the ordinary course of business with related parties as follows:

	£'000	£'000
Costs recharged by subsidiary undertakings	304	200
Dividends received from subsidiary undertakings	-	(250)

# FIVE-YEAR FINANCIAL SUMMARY (UNAUDITED)

## GROUP STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March				5 months to	Year ended
	2009 £'000	2010 £'000	2011 £'000	2012 £'000	31 August 2012 £'000	31 August 2013 £'000
Revenue	165,395	222,999	339,691	494,957	238,023	<b>769,396</b>
Cost of sales	(83,184)	(111,803)	(173,042)	(242,987)	(117,892)	<b>(370,816)</b>
Gross profit	82,211	111,196	166,649	251,970	120,131	<b>398,580</b>
Distribution costs	(10,512)	(18,060)	(34,959)	(65,840)	(35,906)	<b>(115,172)</b>
Administrative expenses	(57,764)	(72,825)	(102,840)	(144,346)	(70,883)	<b>(228,953)</b>
<b>Operating profit before exceptional items</b>	13,935	20,311	28,850	41,784	13,342	<b>54,455</b>
Exceptional items	-	-	(12,943)	(10,585)	-	-
<b>Operating profit after exceptional items</b>	13,935	20,311	15,907	31,199	13,342	<b>54,455</b>
Share of post-tax losses of joint venture	(78)	(69)	(3)	-	-	-
Finance income	268	97	16	-	-	<b>283</b>
Finance expense	-	-	(215)	(850)	(97)	<b>(68)</b>
<b>Profit before tax</b>	14,125	20,339	15,705	30,349	13,245	<b>54,670</b>
Income tax expense	(4,116)	(5,759)	(4,856)	(8,070)	(3,341)	<b>(13,744)</b>
<b>Profit for the period</b>	10,009	14,580	10,849	22,279	9,904	<b>40,926</b>
Net exchange adjustments offset in reserves	-	-	-	-	-	<b>(45)</b>
Derivative financial assets	-	-	-	-	-	<b>225</b>
<b>Other comprehensive income for the period</b>	-	-	-	-	-	<b>180</b>
<b>Profit attributable to:</b>						
Owners of the Parent	10,009	14,580	10,849	22,279	9,904	<b>40,928</b>
Non-controlling interest	-	-	-	-	-	<b>(2)</b>
	10,009	14,580	10,849	22,279	9,904	<b>40,926</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Parent	10,009	14,580	10,849	22,279	9,904	<b>41,108</b>
Non-controlling interest	-	-	-	-	-	<b>(2)</b>
	10,009	14,580	10,849	22,279	9,904	<b>41,106</b>
<b>Underlying earnings per share</b>						
Basic	13.6p	20.0p	27.3p	39.8p	12.5p	<b>50.1p</b>
Diluted	12.8p	18.7p	25.6p	36.3p	11.9p	<b>49.2p</b>
<b>Earnings per share</b>						
Basic	13.6p	20.0p	14.6p	29.3p	12.5p	<b>50.1p</b>
Diluted	12.8p	18.7p	13.7p	26.7p	11.9p	<b>49.2p</b>

## FIVE-YEAR FINANCIAL SUMMARY (UNAUDITED) continued

### GROUP STATEMENT OF FINANCIAL POSITION

	As at 31 March				As at	As at
	2009 £'000	2010 £'000	2011 £'000	2012 £'000	31 August 2012 £'000	31 August 2013 £'000
Non-current assets	16,362	24,544	52,359	58,589	58,640	<b>78,619</b>
Current assets	45,076	58,226	83,809	126,410	147,638	<b>233,132</b>
Assets of disposal group classified as held-for-sale	-	-	2,800	-	-	-
<b>Total assets</b>	<b>61,438</b>	<b>82,770</b>	<b>138,968</b>	<b>184,999</b>	<b>206,278</b>	<b>311,751</b>
Equity attributable to owners of the Parent	25,709	45,478	72,120	95,235	105,987	<b>159,801</b>
Non-controlling interest	-	-	-	-	-	<b>(2)</b>
Current liabilities	35,729	37,292	64,947	83,829	100,291	<b>151,952</b>
Revolving credit facility	-	-	-	5,000	-	-
Provisions for liabilities and charges	-	-	1,901	935	-	-
<b>Total liabilities, capital and reserves</b>	<b>61,438</b>	<b>82,770</b>	<b>138,968</b>	<b>184,999</b>	<b>206,278</b>	<b>311,751</b>

### GROUP STATEMENT OF CASH FLOWS

	Year ended 31 March				5 months ended	Year ended
	2009 £'000	2010 £'000	2011 £'000	2012 £'000	31 August 2012 £'000	31 August 2013 £'000
Net cash generated from operating activities after exceptional items	13,041	10,708	15,282	37,500	16,620	<b>74,176</b>
Net cash used in investing activities	(8,172)	(8,402)	(25,727)	(21,587)	(8,017)	<b>(31,052)</b>
Net cash (used in)/generated from financing activities	(1,651)	(248)	(521)	3,723	(5,034)	<b>131</b>
Net movement in cash and cash equivalents	3,218	2,058	(10,966)	19,636	3,569	<b>43,255</b>
Opening cash and cash equivalents	10,369	13,587	15,645	4,679	24,315	<b>27,884</b>
Closing cash and cash equivalents	13,587	15,645	4,679	24,315	27,884	<b>71,139</b>

# COMPANY INFORMATION

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## Directors

B McBride (Chairman)  
*(appointed 1 November 2012)*  
N Robertson  
N Beighton  
J Kamaluddin  
P Williams  
K Jones  
M Turner  
Lord Alli (Chairman)  
*(resigned 31 October 2012)*  
R Bready  
*(resigned 9 October 2012)*  
K Bostock  
*(appointed 15 January 2013,  
resigned 16 July 2013)*

## Company Secretary

A Magowan

## Registered office

Greater London House  
Hampstead Road  
London NW1 7FB

Registered in England, number 4006623

## Independent auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory  
Auditors  
10 Bricket Road  
St. Albans  
Hertfordshire AL1 3JX

## Lawyers

Lawrence Graham LLP  
4 More London Riverside  
London SE1 2AU

## Financial adviser, nominated adviser and joint broker

J.P. Morgan Cazenove  
25 Bank Street  
London E14 5JP

## Joint broker

Numis Securities Limited  
5th Floor  
10 Paternoster Square  
London EC4M 7LT

## Financial PR

College Hill Limited  
The Registry  
Royal Mint Court  
London EC3N 4QN

## Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

