asos

discover fashion online

ANNUAL REPORT AND ACCOUNTS 2016

ASOS is a global fashion destination for 20-somethings. We sell cutting-edge fashion and offer an unrivalled variety of fashion-related content, making ASOS.com the hub of a thriving global fashion community. We sell more than 85,000 branded and own-label products through localised mobile and web experiences, delivering from our fulfilment centres in the UK, US and Europe to almost every country in the world.

In 2016, we continued to invest in prices while accelerating investment in technology and logistics. We further localised content and continued to expand our delivery service proposition, including launching free returns across the EU. Our sales trajectory accelerated, with retail sales up 26% and we also delivered on our profit expectations, laying the foundations for this success to continue into the coming year.

We have built a business model that allows us to be nimble, restless, brave and innovative, and as a result, respond to our customers' ever-changing habits.

6.5m followers[2]

2.8m followers[2]

7.4m followers[2]

1.5m followers[2]

12.4m active customers[1]

1 As at 31 August 2016; defined as having shopped in the past 12 months.
2 As at 31 August 2016.

Where we do it

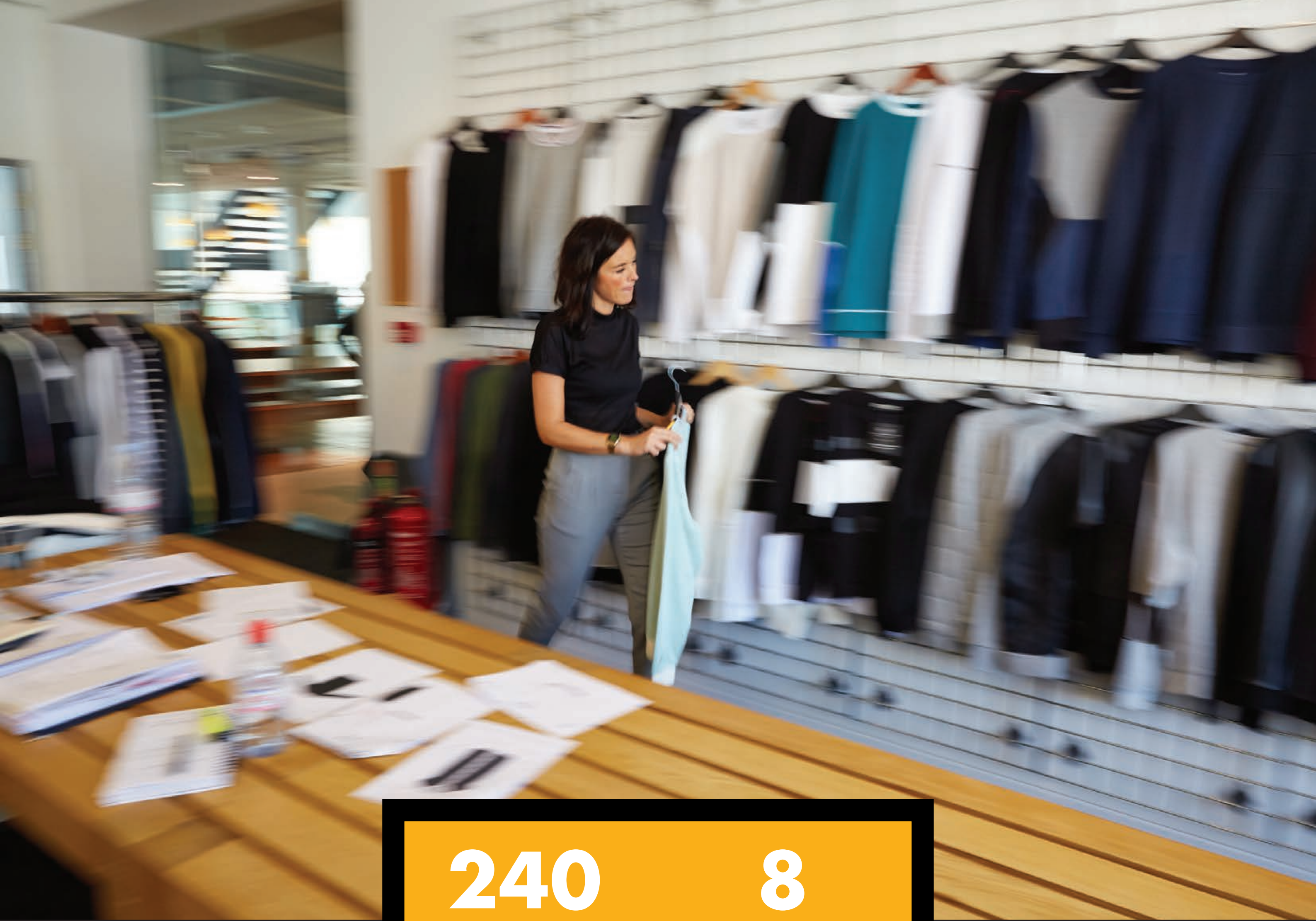
1 US warehouse: Ohio, US
2 Marketing services office and press showroom: New York, US
3 24-hour customer care office: Hemel Hempstead, UK
4 Central distribution centre: Barnsley, UK
5 Additional IT support: Birmingham, UK
6 Headquarters: London, UK
7 Marketing services office: Berlin, Germany
8 European warehouse: Grossbeeren, Germany
9 Marketing services office: Paris, France
10 Returns processing centre: Swiebodzin, Poland
11 Marketing services office: Sydney, Australia
12 Returns processing centre: Sydney, Australia

Global positioning according to Comscore[3]

Our ranking in the Retail – Apparel category for monthly visitors aged 15 to 34 (August 2016)

#1 Australia
#3 France
#6 Germany
#3 Italy
#8 Russia
#12 Spain
#1 UK
#14 US
#6 Worldwide

3 Relates to desktop visits only

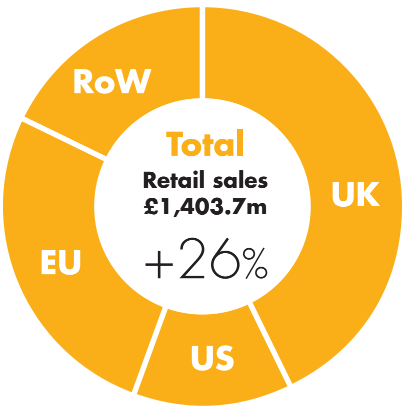


240
countries and territories shipped to

8
ASOS.com local country sites: UK, France, Germany, Italy, Spain, Australia, US, and Russia

UK
Retail sales £603.8m
+27%

US
Retail sales £179.2m
+50%



EU
Retail sales £374.9m
+28%

RoW
Retail sales £245.8m
+9%

CONTENTS

Strategic Report
02 Financial and Operational Highlights
03 Chairman's Statement
04 Our Business Model
06 Our Performance
07 Top talent for our growing business
11 Discovering what makes ASOS special
13 Putting technology to work for our customers
16 Thanking customers – and deepening our relationship with them
20 Risk Report
25 Corporate Responsibility

Governance Report
38 Board of Directors
40 Corporate Governance Report
44 Audit Committee Report
47 Directors' Remuneration Report
56 Directors' Report
58 Statement of Directors' Responsibility

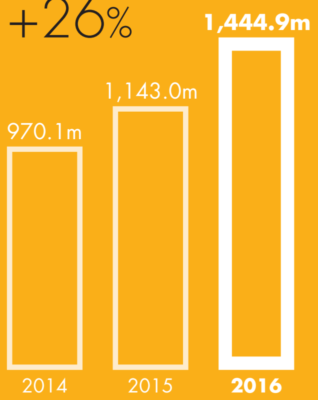
Financial Statements
60 Independent Auditors' Report to the Members of ASOS Plc
65 Consolidated Statement of Total Comprehensive Income
66 Consolidated Statement of Changes in Equity
67 Consolidated Statement of Financial Position
68 Consolidated Statement of Cash Flows
69 Notes to the Financial Statements
89 Independent Auditors' Report to the Members of ASOS Plc
91 Company Statement of Changes in Equity
92 Company Statement of Financial Position
93 Company Statement of Cash Flows
94 Notes to the Company Financial Statements
98 Five-Year Financial Summary (unaudited)
100 Company Information

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- **Revenue growth of 26% (UK revenue up 27%, international revenue up 25%).**
- **International retail sales 57% of total retail sales.**
- **Price, product and proposition improvements, coupled with continued investment in our logistics and technology capabilities, led to EBIT margin for continuing operations before exceptional items of 4.4% (2015: 4.0%).**
- **Robust closing cash balance of £173.3m (2015: £119.2m).**

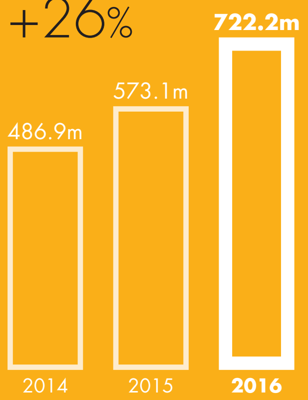
REVENUE[1] (£)

+26%



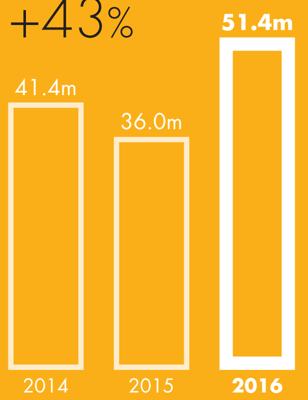
GROSS PROFIT[1] (£)

+26%



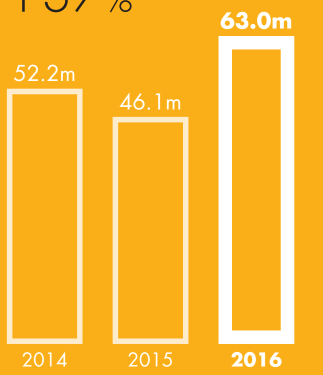
PROFIT AFTER TAX[1] (£)

+43%



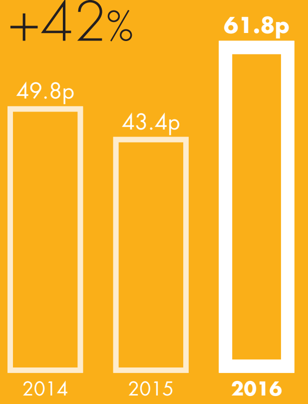
OPERATING PROFIT[1] (£)

+37%



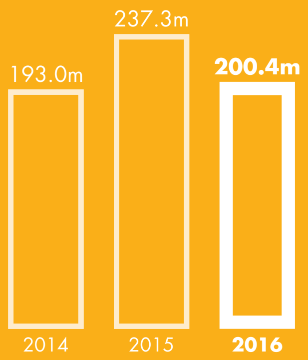
DILUTED EPS[1] (p)

+42%



NET ASSETS (£)

–16%



1 The figures for 2014, 2015 and 2016 exclude exceptional items in relation to the warehouse fire in 2014 and legal settlement in 2016, and the discontinued operations in China.

CHAIRMAN'S STATEMENT

I said in my last statement that I was looking forward to seeing what the new management team with Chief Executive Officer Nick Beighton and Chief Financial Officer Helen Ashton, who took up their roles at the beginning of this financial year, would achieve, together with all the ASOS team. Twelve months later, the short answer to that is: a lot. We have maintained the momentum from the end of the 2015 financial year, and the business has continued to seize the opportunities ahead of it, again through continued investment and a strong customer ethos.

Strategy

Our market has continued to grow this year and the pace at which ASOS needs to move to stay on top will only increase – a challenge we embrace. That requires an ever greater focus on what really helps us win – namely delivering what our customers want, to keep them engaged with our proposition, particularly in our key markets. To do that, we reached two major decisions that we firmly believe will aid us in this endeavour.

The first was to close our China operation in May, which wasn't a decision we took lightly. It was difficult to lose so many talented and hard-working employees, but after three years we weren't convinced that our operations in China were going to become profitable within a reasonable timeframe and we concluded that this investment could be deployed far more effectively elsewhere. The move has allowed us to concentrate on our priority territories – UK, continental Europe and the US – where there are many exciting opportunities and where we can better leverage our growing logistical footprint.

The second decision was to settle some long-running trademark infringement disputes. While we had successfully defended the claims against us so far, there was no certainty that we could continue to do so and this settlement provides absolute clarity for our business on a global basis and in key trading areas such as athleisure and fashion sportswear which we intend to pursue in the coming year.

Investment

These two significant decisions enabled us to sharpen our focus, and to continue to invest in our customer proposition. We've focused on positioning our international pricing to where it should be, and further improving our delivery options in our major markets. We continue to make them simpler, faster, more convenient and trackable, just as our customers expect them to be.

We've also invested significantly in technology, which underpins everything we do at ASOS. We're making our systems more adaptable and better able to cope with our pace of change. It's exciting to see the extent to which investment in the platform is beginning to pay off. It's removed some issues that have constrained us and is really transforming the capabilities of the business.

We've also continued to invest in retail propositions and new categories, such as more gifting options, third-party branded specialist maternity range, and beauty and grooming.

ASOS people

ASOS is nothing without its people and everything we achieve is down to them. Their passion for the brand is incredible. 'ASOSers' are an amazing asset for the business and we never take them or their passion for granted. The Board and I offer all the team our heartfelt thanks, as always.

A change to the Board

Karen Jones, a Non-Executive Director, stood down at our last AGM. Karen had been with us for six years and was Chair of the Remuneration Committee. She steered us through some significant remuneration changes, particularly new share schemes, and, on behalf of the entire Board, I'd like to thank her for the entrepreneurial flair and insights she brought to ASOS.

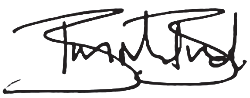
Dividend

The Board has again decided not to declare a dividend. We generate a high return on invested capital and currently have no shortage of places to invest our surplus cash to improve our customer proposition. We believe the right thing to do is to keep growing the business by focusing on our customers.

The year ahead

In our market, standing still is not an option. Everyone at ASOS knows that to stay ahead we need to make life even harder for our competitors and better for our customers. They will only engage with and commit to us if we commit to them. That's very exciting and must continue. If we're to become the world's no.1 fashion destination for 20-somethings, as we fully intend to, our products need to be at the forefront of fashion, the price needs to be right for the market and we have to make it as convenient as possible for people to shop with us.

It's been a good year, and the hard work has paid off, but we've still got plenty to do. We're all up for the challenge.



Brian McBride
Chairman

OUR BUSINESS MODEL

Our aim is to build an increasingly desirable, defendable and differentiated business model, with a customer experience to match. From fashion advice, stories and inspiration, to more than 85,000 products available to buy across any device, ASOS, with its unbeatable service, is a true home for young fashion lovers.

Our mission remains unchanged: to be the world's no.1 fashion destination for 20-somethings. We have made great progress towards this over the past financial year against our four strategic pillars.

GROUP KEY PERFORMANCE INDICATORS

12.4m (+25%)
Total active customers[1]

7.7m (+28%)
International active customers[1]

1,348.7m (+22%)
Total visits

908.6m (+25%)
International visits

38.3m (+30%)
Total orders

19.4m (+30%)
International orders

3.08 (+4%)
Average order frequency

48.5% (-30bps)
Retail gross margin

4.4% (+40bps)
PBT margin from continuing operations before exceptional items

1 As at 31 August 2016, defined as having shopped in the past 12 months.

1 GREAT FASHION, GREAT PRICE

We are customer obsessed: we inspire 20-somethings around the world to look, feel and be their best. We are inclusive and believe fashion should be accessible to everyone, irrespective of their shape or size.

We offer a combination of ASOS own-label and a curated edit of brands, from familiar high street names to lesser known brands that are new to the market. In essence, we offer the latest trends, of the best quality, at the right price.

Key risks[2]
- Retail market position and 'fashionability'
- Inadequate product quality or Ethical Trading Standards.

2 AWESOME ON MOBILE

Our vision is to fundamentally change the way our customers live and shop for fashion on mobile. We do this through our mobile strategy: (1) customer engagement – delighting our customers, providing them with inspiration and exciting news about fashion; (2) technology innovation – staying ahead both of our customers' expectations, and the curve in mobile; (3) shopping experience – delivering the most enjoyable and seamless shopping experience available on mobile.

Key risks[2]
- Change in primary ways customers go online
- IT capability fails to keep pace with growth of business.

3 ENGAGING CONTENT AND EXPERIENCE

We understand our customers, what inspires them and what interests them. We reach them by producing great content and we know how to make our content matter to them. This elevates us from being a shop to being a fashion destination and the customer's experience of our content turns a simple sale into a loyal customer, who returns to us more frequently. We make sure we are in the forefront of our customers' minds so that when they buy fashion, they buy ASOS.

Key risks[2]
- Poorly engaging digital experience
- Change in primary ways customers go online
- Market forces increase cost of ecommerce drivers.

4 BEST-IN-CLASS SERVICE

Our customers have high expectations and we aim to offer a friction-free online shopping experience. We deliver this through an ever-expanding list of free, quick and reliable delivery options and hassle-free returns (free in most of our key territories), allowing customers the flexibility of trying on the latest fashion in the comfort of their own homes. Our Customer Service Team helps with any questions along the way.

Key risks[2]
- Security of customer data
- Robustness of IT systems and infrastructure
- Logistics and fulfilment.

2 For further information on risks, please see the Risk Report on pages 20 to 24.

Strategic developments in FY16	Key performance indicators
■ Continuation of our 'first price, right price' strategy resulting in the launch of thousands of new styles in an ever-changing brand portfolio to provide the best edit of the latest trends to customers, including the addition of upcoming brands such as Young Bohemians, Nocozo and Sixth June, as well as more famous names from Matthew Williamson to Kendall and Kylie and a host of new and exclusive specialist brands. ■ Extension of our own-label range through the launch of the ASOS Bridal collection and expansion of ASOS White and ASOS Red Carpet collections. ■ Our strategy to focus on newness has driven sales growth, improved our full price sell-through and resulted in faster stock turn.	**85,000** (+6%) **Number of product lines** **4,000** (+30%) **Number of new styles each week** **850** (+6%) **Number of brands** **56% Branded vs 44% Own-label mix** **Over 50,000 Own-label styles designed in-house** **Over 60% of styles are exclusive to ASOS**
■ Achieved record levels of active installations with customers using our apps on average eight times a month. ■ Re-launched iOS ASOS mobile app with a complete refresh using the latest technology and boosting the user experience. ■ Updated our Android app multiple times to improve quality and performance; Android is also our platform of choice for the initial roll-out of our new checkout experience, the ASOS New Digital Platform.	**66%** (+760bps) **Percentage of visits on a mobile device** **8m Number of active app users on iOS and** **2m on Android** **Our apps are constantly rated 5 stars** **72mins Customer time spent on average on our apps each month**
■ Rolled out our new ASOS A-LIST rewards scheme in the UK. ■ Introduced online destinations such as The Holiday Shop and The Wedding Shop to help edit customer experiences. ■ Rolled out our student validation tool across our key markets running local on-campus events and creating student-targeted content for the audience. ■ Launched 'As Seen On Me' in Germany, France, Australia and the US, enabling customers to share images of themselves wearing ASOS products on social media and on our websites. ■ Unveiled the first French and German editions of the ASOS magazine, sent to more than 60,000 loyal customers in each market.	**19.3m** (+54.4%) **Social media followers** **60,000** (0%) **Pieces of inspiring fashion and lifestyle content published per month** **£70.84** (+3%) **Average basket value** **2.82** (+1%) **Average units per basket** **£25.09** (+2%) **Average selling price per unit** **10bps Increase in conversion**
■ Reduced EU standard delivery from nine to five days. ■ Launched next-day delivery in 14 additional EU countries. ■ Launched free returns across all EU countries. ■ Reduced US standard delivery times from six to four days. ■ Introduced express delivery to 66 new countries and territories. ■ Implemented a Customer Care Contact Centre Platform, enabling our advisers to deliver a seamless customer experience across multiple channels. ■ Hit new pick-and-pack records at Barnsley over the summer sale period with our new sorter and pack module. ■ Eurohub 2 build underway, on time and budget.	**29** (+23) **Number of countries offering free returns** **96.5%** (+300bps) **Percentage tracked deliveries** **97.0%** (+1,000bps) **Percentage tracked returns** **15mins** (0%) **Social media customer care response times** **147 units per man hour** (+43%) **Picked at our Barnsley warehouse** **39 units per man hour** (+4%) **Returns processed across our warehouses**

OUR PERFORMANCE

The Group has delivered a strong set of results for the year to 31 August 2016 with retail sales growth of 26% to £1,403.7m (2015: £1,112.2m) driven by strong product, delivery improvements and further price investments across our major markets.

Nick Beighton
Chief Executive Officer

Helen Ashton
Chief Financial Officer

Our sales momentum strengthened across all regions as the year progressed, most notably in the US following our decision to fully invest in our US customers through both price and proposition improvements.

In line with guidance, the Group gross retail margin decreased by 30bps to 48.5% (2015: 48.8%) as price investments in the US, Europe and RoW were offset by a higher full price mix. Delivery receipts grew 35% aided by higher next-day delivery usage and the expansion of Premier globally. We also saw an increase of 29% in third-party revenues which had a positive impact on gross margin, which at 50.0% (2015: 50.1%) was only 10bps down compared to last year.

Continuing profit before tax and exceptional items grew by 37% to £63.7m (2015: £46.4m), as investments in delivery proposition, marketing and depreciation were offset by warehouse automation efficiencies and the non-recurrence of last year's £4.9m fixed asset write-offs.

The Group discontinued its in-country China operation which incurred an operating loss before tax of £3.6m up to the point of closure in May 2016 (2015: £5.2m) and one-off exceptional closure costs before tax of £6.5m, of which £4.4m was non-cash. Previously planned investment in China was re-deployed elsewhere.

In September 2016, the Group settled its trademark infringement disputes. This resulted in a one-off exceptional legal settlement of £20.9m (including associated legal fees) representing full, final and global settlement of all outstanding litigation. Importantly this settlement now allows us to more actively target the significant and growing sportswear market. The settlement will be paid in the new financial year. Within the comparative results for the year to 31 August 2015, one-off business interruption reimbursements of £6.3m in respect of a warehouse fire in 2014 are also reported as an exceptional item.

Our Eurohub 2 site was handed over to us on 29 September 2016, and we remain on track to commence live operations in March 2017 with costs in line with expectations.

After taking into account exceptional items and discontinued operations, the Group generated profit before tax of £32.7m (2015: £47.5m).

GREAT FASHION, GREAT PRICE

At ASOS, our product offer is truly unique, combining our in-house designed ASOS own-label with the best curated edit of third party brands. We do not proactively manage our own label and branded mix: we let our customers choose, ensuring we offer the best quality at the right price. We launch approximately 4,000 new styles each week, now stocking over 85,000 product lines. In order to provide this level of newness, the way we plan and trade is constantly evolving and our growing UK and European supply base allows us to turn new stock buys in weeks, rather than months, giving our customers what they want earlier and improving full price sell-through.

CASE STUDY
Top talent for our growing business

One thing's for certain – we know how to attract talent. In June 2016, LinkedIn named ASOS the sixth most attractive employer in the UK, based on how we engage with people on our LinkedIn page, how we retain our talent and how audiences engage with our content on social career channels.

To give potential applicants a better idea of what it's like to work for us, we release videos on social media for many of the key roles we recruit for. It's making a real difference in helping us attract the right quality of people and giving them an authentic insight into our culture.

"We're a destination employer," says Peter Collyer, People Director at ASOS. "A lot of people are interested in working for us – partly because of our brand name, partly because we're in fashion and partly because of our unique culture."

Last year, we recruited more than 500 people into brand new roles, particularly in technology, which of course is a massive and growing part of our business. We're particularly pleased that five of our Technology Team recruits came through the Prince's Trust, the charity that helps young people get into jobs, education and training, following a series of workshops we ran with young people in London. "We were so impressed, we hired them practically on the spot!" he comments. We also look to the long term in our hiring, and this year continued to build strategic partnerships with key universities across the UK, attending career events and delivering workshops and masterclasses.

"We've worked hard to be in a privileged position where we can attract really talented, capable and fun-loving people who want to be part of something special," says Peter. "Investing further in future talent in the UK and globally will continue to be a key focus for us over the next 12 to 18 months. Recruitment isn't just about new people, though – internal development really matters to us, and we promoted more than 500 employees throughout 2016. We are really excited about the future, about how we are evolving, and about the opportunities we can create for great people."

Our ASOS own-label offers an unparalleled width of product for 20-somethings, catering for all customer segments and sizes, across all categories and price points. Alongside the core own-label offer, we also work on collaborations and sub-brands such as the ASOS Bridal collection, ASOS White and ASOS Africa, which augment the range by adding a point of difference with a new aesthetic and a different story.

Our third party branded edit spans from some of the largest global retailers to small, new and emerging brands. This year we added 233 new brands, including upcoming ones such as Young Bohemians, Nocozo and Sixth June, as well as more famous names like, Kendall and Kylie. Each selection forms an integral part of the whole ASOS offer, bringing something new, different and relevant to each season. To satisfy the appetite for something different, we also work with brands to develop exclusive ranges, including unique colours and styles as well as exclusive collections. This year we have launched The Noak and Heart & Dagger labels on Menswear and a globally exclusive swimwear range with Monki on Womenswear. As a result, nearly 60% of our product offer is totally exclusive and unique to ASOS.

We enter the new financial year with exciting plans for the continued growth of specialist departments in Womenswear and we will be launching 'Big' and 'Tall' specialist ranges in Menswear. We can also now fully realise the sportswear opportunities in the market following global settlement of the trademark infringement disputes, with new categories and brands becoming available in our branded edit alongside a new own-label sportswear range. Alongside this we will be expanding gifting, beauty and grooming, lifestyle and loungewear ranges. We remain customer obsessed, continuously developing our retail offer to deliver the greatest possible choice of relevant fashion at the best price, whatever their shape or size.

AWESOME ON MOBILE

Mobile continues to be critical to our success and the vision is to fundamentally change the way customers live and shop for fashion on mobile. We now have more than 10m active installs of our app, with 7.5m new downloads during the financial year. On average, ASOS customers shop on the app eight times a month, spending more than 70 minutes online during that time. As a result, 66% of traffic now comes from mobile devices and 51% of orders are now being placed on our mobile platforms.

During the year, we launched the brand new iOS ASOS mobile app which was built completely from scratch using the latest technologies and incorporated a new homepage and design, easier navigation and innovative features such as spotlight search and 3D touch for iPhone 6S users. We have also improved the quality of product imagery and the performance of our Video Catwalk function. Customer feedback and engagement has been very positive, with the new app earning a 5-star rating in App Stores worldwide.

As part of our mobile checkout programme, we have rolled out a brand new localised checkout experience on our Android apps, powered by the new digital platform. This has allowed us to remove third party proxy solutions for language, thereby making the customer experience far more responsive. This feature was introduced to our Russian customers in June 2016, and post year-end deployment is now largely complete across both Android and iOS in all markets.

We constantly look to improve our mobile offering and during the new financial year, we plan to double investment in this area, delivering a number of initiatives to further improve customer engagement.

ENGAGING CONTENT AND EXPERIENCE

We understand our customers, what inspires them and what interests them. We reach out to them by producing great content, which makes us much more than just a place to shop. By becoming a fashion destination offering a unique customer experience, we turn a sale into a loyal customer, who returns to us frequently. This is evidenced in our increasing customer engagement metrics, with visits growth of 22%, order growth of 30%, average basket value up 3% and average order frequency up 4%. We exited the year with active customers of 12.4m, an increase of 25% in comparison to last year.

In the UK, we launched 'ASOS A-LIST', our loyalty programme, giving customers the opportunity to build up points from purchases which are then exchanged for vouchers for use on our platforms. Customer engagement with 'ASOS A-LIST' has been strong and we are starting to see increases in key metrics such as basket size and order frequency from participating customers.

We continue to encourage participation across all our social platforms and now have over 19m followers, up 54% compared to last year. We always focus on being on the platforms where our customers are and moving nimbly as these platforms evolve. This year we have been testing new formats like Instagram Stories, Facebook Live Video and Snapchat filters and our customers have responded positively. We publish over 60,000 pieces of inspirational fashion and lifestyle content every month to build awareness and brand engagement. Other key highlights this year include launching the first French and German editions of the ASOS magazine, which we sent out to over 60,000 loyal customers in both countries, with a US version soon to follow in November 2016. We have local Snapchat channels going live in Australia, France and Germany and new Instagram accounts tailored to Menswear for France and the US.

BEST-IN-CLASS SERVICE

Our customers have high expectations. We aim to offer a friction-free online shopping experience, every time.

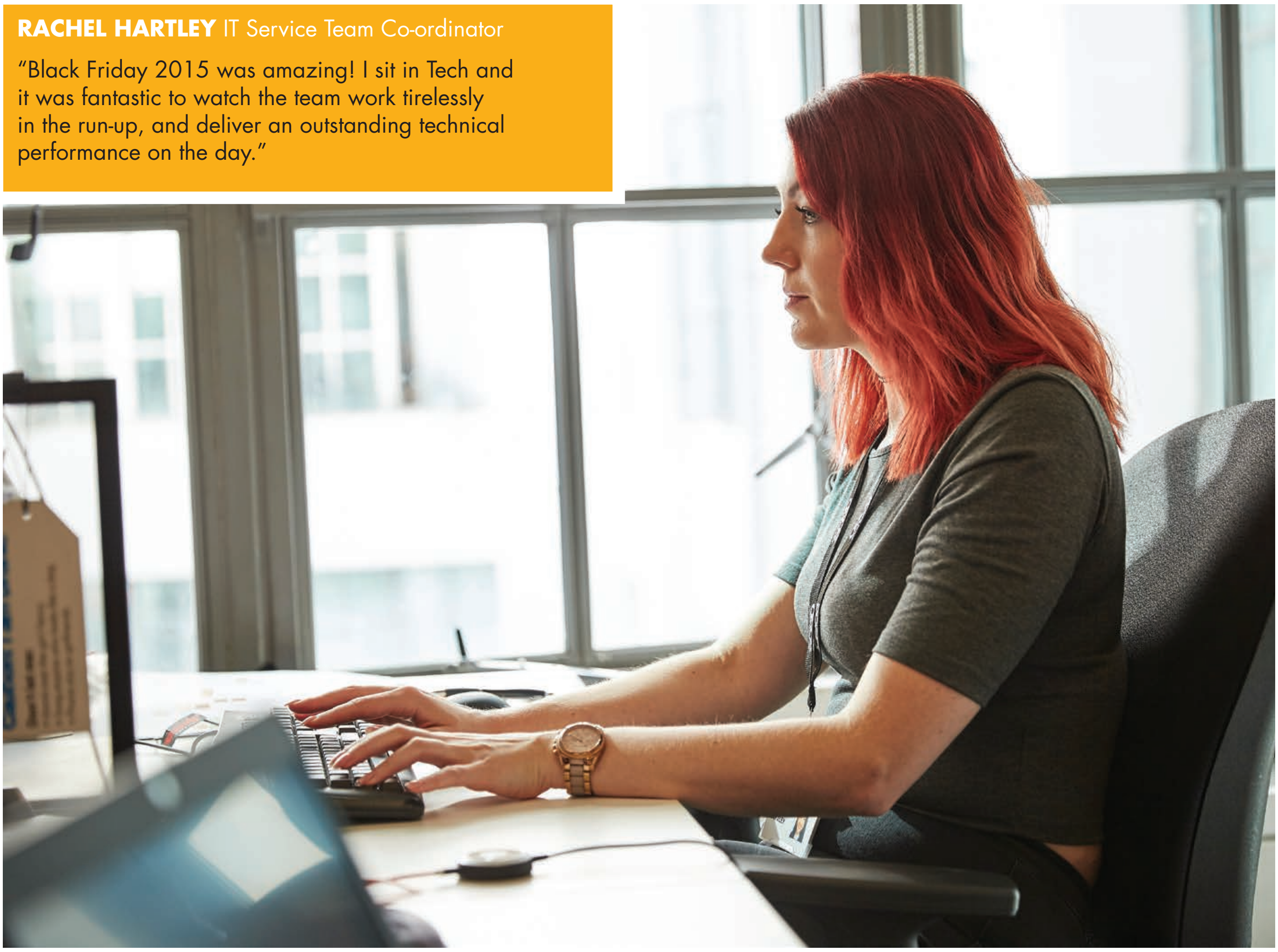
Delivery and returns

Continually enhancing the range of delivery and returns options enables us to move towards our goal of providing a best-in-class customer proposition. We have stepped up the pace of change in this area during the financial year.

In the UK, we introduced a four-hour estimated delivery window for standard delivery and returns collections as well as a mobile label-less returns solution in 3,000 locations. We have extended Click & Collect cut-offs from 5.00pm to 6.00pm, next

RACHEL HARTLEY IT Service Team Co-ordinator

"Black Friday 2015 was amazing! I sit in Tech and it was fantastic to watch the team work tirelessly in the run-up, and deliver an outstanding technical performance on the day."



day delivery cut-offs on Saturday and Sunday from 5.00pm to 7.00pm, and also launched 'Precise Delivery' where customers can select a one-hour delivery window.

Internationally, we introduced unlimited free next-day delivery to both home and store for French Premier customers and free next-day delivery for German and Northern Irish Premier customers. We launched next-day delivery in 14 additional EU countries, including Austria, Cyprus, Finland, Greece, Luxembourg, Portugal and several Eastern European countries, making next day delivery available to all 29 EU member states. Free returns are a key part of our customer proposition and during the year we extended this to the whole of the EU, and to Australia in August 2016.

We introduced Express services to 66 new countries and also reduced the cost of this service in several territories. We improved standard delivery in the US, Estonia, Latvia, Lithuania, Russia, Canada and Israel, with all orders now being sent via a tracked solution. A mid-tier delivery service was launched in Hong Kong and in Singapore and South Korea our delivery lead time was also improved.

We are always looking at ways to develop our Pick-Up-Drop-Off (PUDO) network and in the UK, customers have nearly 6,000 deliver-to-store locations to choose from. We have extended our Click & Collect service with Boots and now deliver to 61 stores across several major cities nationwide. We have also introduced Doddle Click & Collect into 24 London stores and in January 2016 launched a returns solution where customers can drop their returns into any Asda store.

Customers in Italy, the Netherlands and Poland now benefit from a next-day deliver-to-store option at over 4,300 locations. Internationally we now have over 16,500 deliver-to-store locations. We expect to offer this service in the US, Germany, Austria, Denmark, Sweden and Finland during the next 12 months and continue to seek further PUDO solutions in all our key territories.

Customer care

Providing help to customers whenever and wherever they need it is essential to delivering a best-in-class service and we continue to provide support across social media, live chat, email and telephony. We are delivering this service 24/7, 365 days a year across key local languages to our English, French, German, Spanish, Italian and Russian customers, with local language speaking support also available in Dutch and Korean. We have upheld service levels during the year, responding to all emails within one hour, all social media communications from customers within 15 minutes and all live chat or telephony within 30 seconds.

We have continued to invest in our technical capabilities, enabling a reduction in the overall cost per contact while enhancing the service we offer. During the year, we have upgraded the self-serve functionality for customers with the launch of an updated help section, making more advice and information available on both desktop and mobile sites. It is now easier to contact customer advisers with the continued development of our live chat offering and social capabilities.

Logistics

UK

During the year, we added a further packing module to the mechanised picking solution at our Barnsley warehouse which allowed us to achieve record levels of despatch during the summer sale period. The building of a second despatch sorter is underway which will further automate processes and increase capacity.

Planning permission has been granted for an extension to the Barnsley building in order to add extra office space as well as to further enhance facilities for our people who work there. This includes a gym, training rooms, a wellbeing suite and further offices. We will be investing a further c.£20.0m in this warehouse in the new financial year.

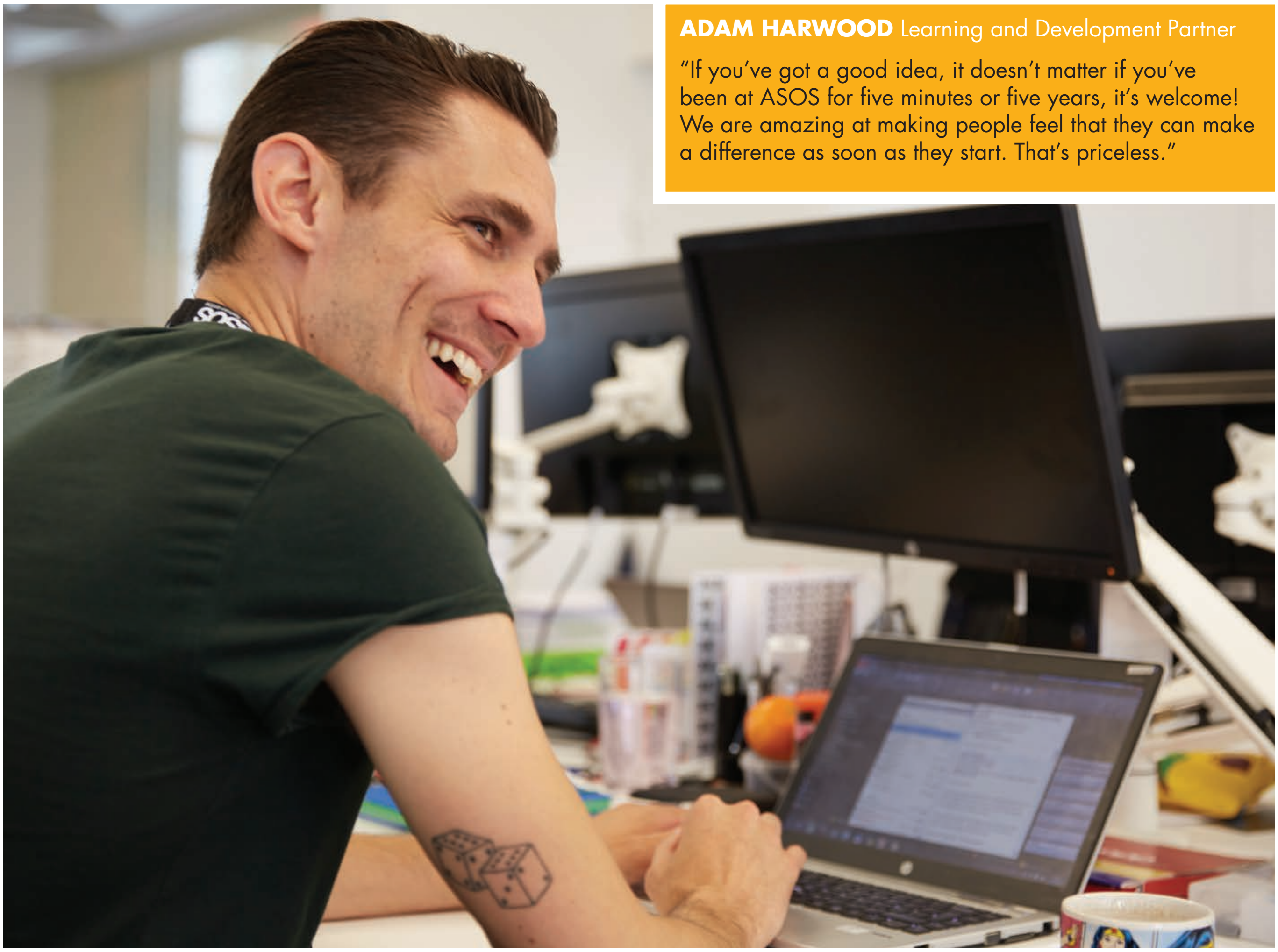
There has been comment recently in the media and elsewhere on working conditions in our warehouse which are inaccurate and misleading. For example, contrary to what has been alleged, we do currently pay above the National Living Wage for all employees and are committed to migrating towards the living wage foundation level over the next 18 months. We do not use, and have never used, zero-hours contracts. There is a full statement on these and other issues on our Plc website http://www.asosplc.com/~/media/Files/A/ASOS/global-news/asos-and-our-people-04-10-2016.pdf.

International

Our existing German Eurohub operation continues to expand in line with our strategy of fulfilling more EU orders from Berlin and we exited the year holding over 3.5m units of stock and despatching just over 50% of total EU orders from this site. During the year, Belgium, the Netherlands, Spain, Denmark and Luxembourg were added to the local despatch list and we are looking to add further countries in the new financial year as we integrate with more carriers. Our returns processing facility in Poland processes nearly all returns from the EU and continued to increase throughput during the year.

Ground works at Eurohub 2 were completed in February 2016 with the foundations and columns for all halls finished in April 2016. The site was handed over to us on 29 September 2016 and we remain on track to commence live operations in March 2017 with costs in line with expectations.

Our US warehouse consistently fulfils over 25% of US orders. During the year, we commenced a review of the US market with the purpose of designing a supply chain that will underpin our growth plans in this country. We will communicate the conclusion of this review at the appropriate time.



ADAM HARWOOD Learning and Development Partner

"If you've got a good idea, it doesn't matter if you've been at ASOS for five minutes or five years, it's welcome! We are amazing at making people feel that they can make a difference as soon as they start. That's priceless."

CASE STUDY
Discovering what makes ASOS special

We've evolved enormously since we started in 2000 and, as we grow and move into new markets, it's vital that we know what makes us different.

From August last year, we spent six months interviewing more than 1,000 staff about what we stand for and why ASOS is so special. We spoke to people in eight cities in three countries, ran 13 consumer focus groups, asked 25 consumers to fill in online diaries and interviewed 41 consumers face-to-face at home or in their favourite cafés. We also surveyed more than 3,000 20-somethings online from all over the world.

"A really clear brand purpose came out of it," says Eve Williams, Brand Experience Director. "It's to empower 20-somethings to look and feel their best so they can achieve amazing things."

The resulting brand story now defines where we're coming from, who we are, what we do and why we do it.

As for where we're coming from, bravery has always been in our blood. We started to sell fashion online when most people said it couldn't be done – and we proved that it could. And we're still risk-takers – we back new trends, new brands and people we believe in.

So who are we? We're creative and authentic to our core. We apply our creativity to everything we do, whether an embellishment on a dress or the way we develop new technology.

What we do is grow fresh talent and keep fashion moving forward. Nothing excites us more than spotting new trends or finding young talent.

And as for why we do it, it's because we believe that fashion thrives on individuality and should be fun for everyone.

Knowing our brand story is vital to our business strategy. "Our brand story will help act as our filter for everything we do to help us stand out from the competition," says Eve. "We're an ecommerce platform that's more than just a shop, so we need to stand out, especially in our international markets. We want to build a long-term sustainable brand that acquires customers and online advocates rather than just sales, so it's important that we talk to our customers confidently about what we stand for and give them something to believe in."

TECHNOLOGY

Our technology continues to evolve at pace. Over the course of the year we completed the development of a completely new microservice-based digital platform which is deployed in the Cloud. The new platform delivers globally consistent high performance, resilience, business flexibility and supports complete freedom to innovate in the way we interact with customers. Every aspect of our customer experience – identity, content, product, search, price, stock, checkout, payment and order processing – is now supported by independently deployable and enhanceable platform services. Through the global reach of the Cloud, we can roll-out new services worldwide so they are hosted as close as possible to our customers, in the configuration needed to deliver high performance.

This new platform has been designed in anticipation of our future global ambitions. This agility will allow us to continue to invest at pace, delivering new customer experiences and innovations to delight our customers. We have extensive plans to invest further in our mobile app and web experiences, personalisation, community and content technologies, many of which are underpinned by our rich data insights.

We have recently mobilised our global fulfilment programme which will optimise global stock management and warehouse fulfilment plans. The programme will deliver the fulfilment logic which sits between country websites and warehouses and will underpin the fulfilment from our Barnsley and Eurohub distribution centres.

We have also explored new ways of bringing technology-led innovation to customers and have partnered with a global tech start-up accelerator to co-invest and co-accelerate three fashion tech start-ups. Development work with each will take place during the new financial year. We have also tested visual search and size prediction technologies on our platform and plan to extend these further.

We will be increasing investment in core operational systems. These include new end-to-end merchandising and planning systems for our retail teams (Truly Global Retail), plus a new finance system which will support the ability to buy, sell and account for stock in multiple locations and in local currencies. These new retail and finance systems are multi-year investments and will enable our teams to operate at an even greater scale across all global fulfilment centres.

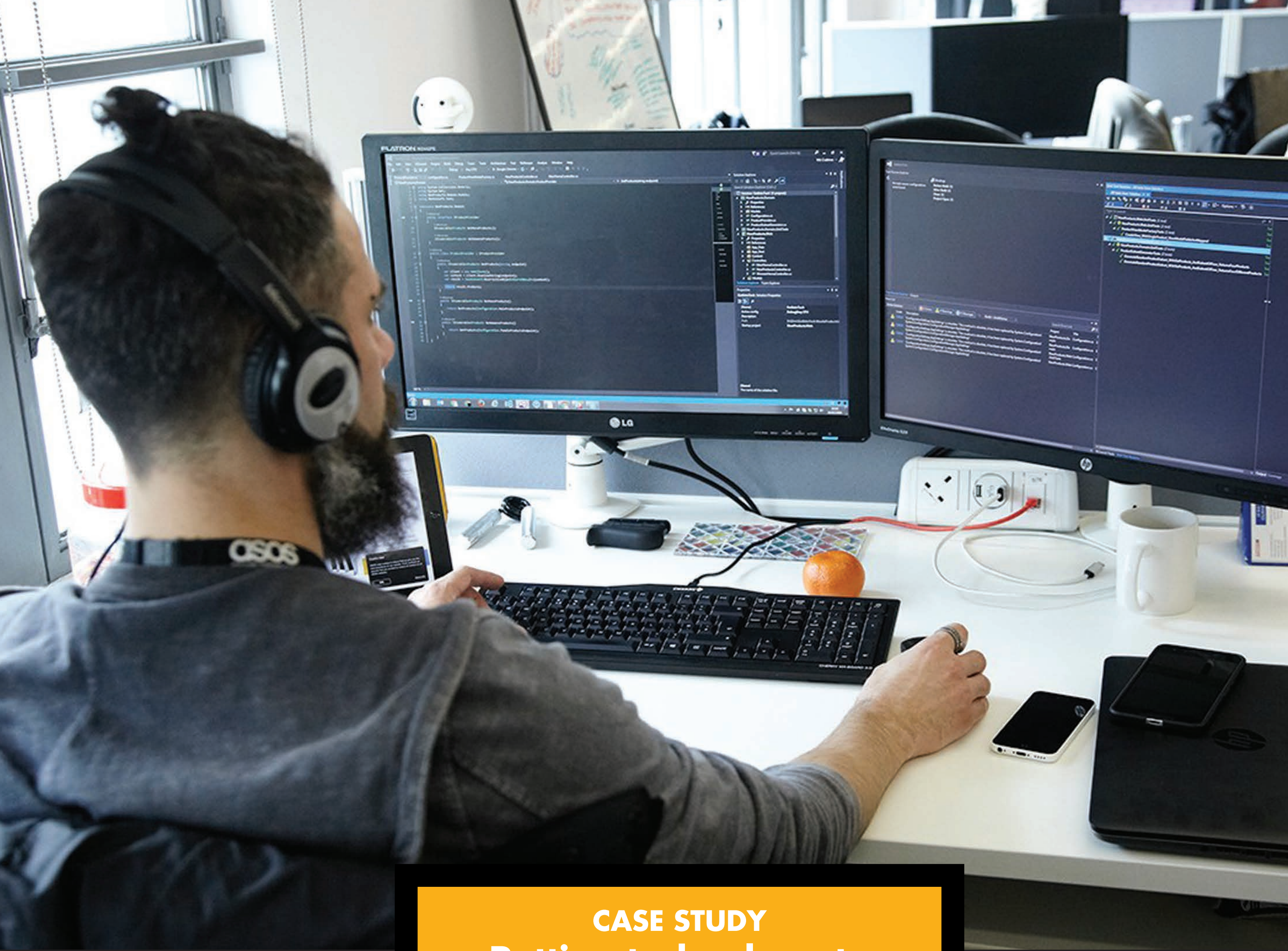
In order to support the increased investment in technology we have continued to develop and grow our Technology Team. This year the team grew by c.45% giving us the strongest bench strength we have ever had. We plan to continue to grow this capability in a similar way next year.

INVESTMENT

ASOS headcount increased to 2,664 direct employees as at 31 August 2016 (2015: 2,038) primarily as a result of additions in the Retail, Technology and Customer Care teams.

We will commence a 36-month refit at our head office at Greater London House (GLH) during the new financial year. We have recently extended our lease there for a further 15 years and over this time, we will invest up to £40.0m to support the growth of the business and provide the very best environment for our people. The total space will increase from 180,000 ft^2 to 232,000 ft^2 which combined with the very latest technology, will provide us with sufficient flexibility to accommodate future headcount growth. The plans for GLH include an ASOS training academy, showroom facility, event spaces that will accommodate up to 1,000 people and new catering and meeting facilities.

Given the increasing momentum within the business, we have decided to accelerate investment in both logistics and technology capabilities to ensure we capture the growth opportunities available to us. We now anticipate capital expenditure in the range of £120.0m to £140.0m in the new financial year compared to the £87m invested during the year just ended. Within technology we are progressing at speed with both Truly Global Retail and global fulfilment programmes. This is in addition to continuing with our fundamental replatforming work and upgrading our finance systems. Within supply chain we will add a fifth sorter at Barnsley, further extending the facility and enhancing its inbound capacity. At Eurohub 2 we will complete the fit out of Phase 1 of this development and commence Phase 2.



CASE STUDY
Putting technology to work for our customers

Our customers are at the heart of everything we do and technology is no exception. To make things even easier for them, we have built a new digital platform, underpinning all the technology that our customers see and touch when they browse and buy great products on our websites and our apps.

"This is our next-generation platform and it will support our global growth," says Cliff Cohen, Chief Information Officer. "It will enable us to continue to grow at our current pace and will enable us to quickly change our digital experience, which allows us to keep innovating for our customers."

We completed the development of our new digital platform last year, and launched the pilot in July 2016 through our Android app.

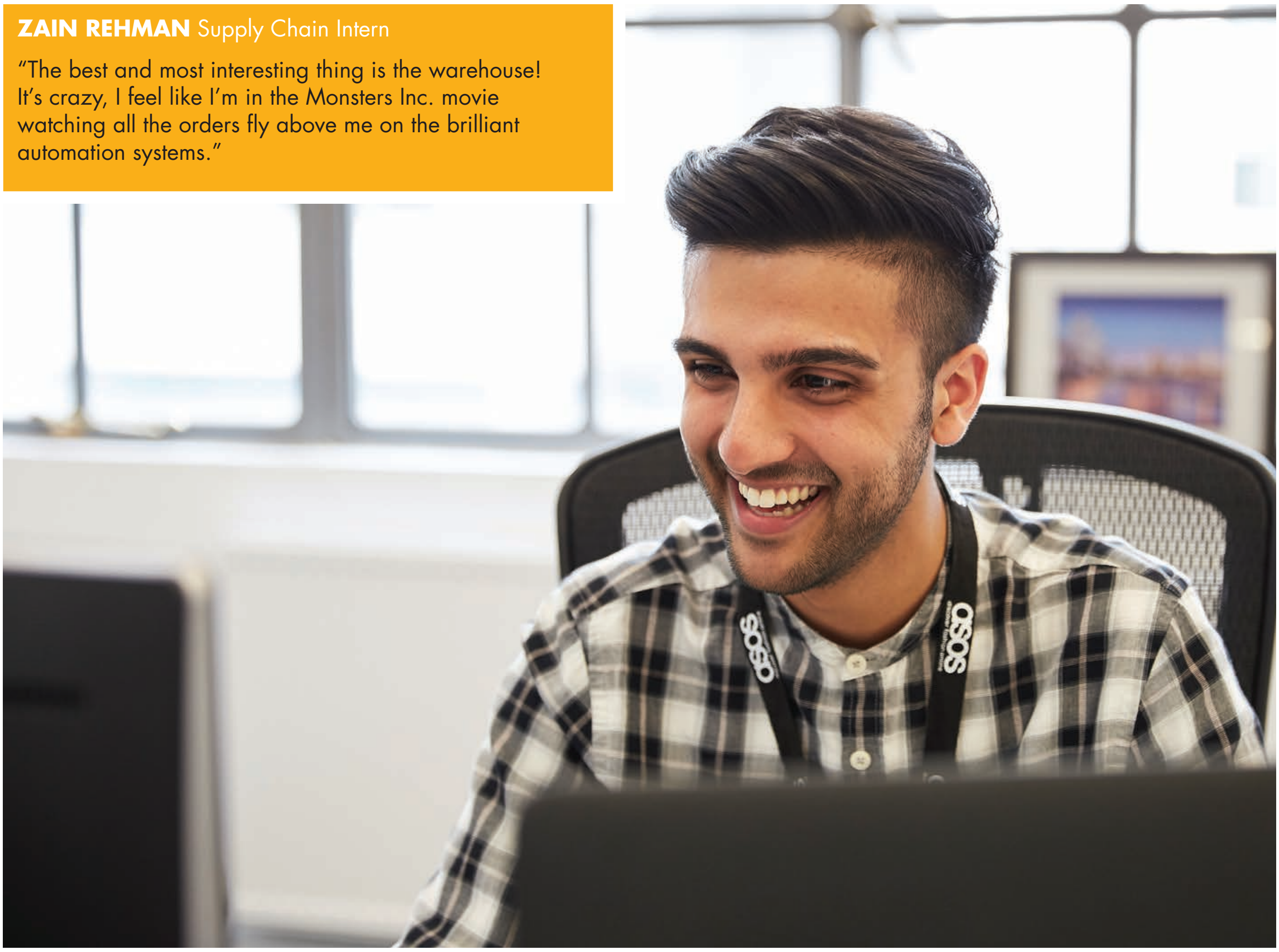
Our new platform has a number of really important design features:

1. It is based on a micro-service architecture which ensures our future flexibility and agility as we are able to easily modify individual elements without major technical dependencies and plug in new solutions wherever required.
2. We'll be able to scale faster and further than before. For example, last Black Friday, our systems handled 28,000 orders an hour and at one point we were taking nine orders a second. We're testing our new platform to operate at three times that volume.
3. It is deployed in the Cloud which gives us even greater resilience and global reach. Our customers will find it easier to access our products anywhere in the world and they'll have a globally consistent performance on our sites and apps.

"Our new platform is really special," says Cliff, whose tech team expanded by c.45% last year. "It's a huge, huge achievement and it will underpin our future technology innovation."

ZAIN REHMAN Supply Chain Intern

"The best and most interesting thing is the warehouse! It's crazy, I feel like I'm in the Monsters Inc. movie watching all the orders fly above me on the brilliant automation systems."



FINANCIAL REVIEW

Year to 31 August 2016 £m[1]	Group total	UK	US	EU	RoW	International total
Retail sales	**1,403.7**	603.8	179.2	374.9	245.8	799.9
Growth	***26%***	*27%*	*50%*	*28%*	*9%*	*25%*
Growth at constant exchange rate	***26%***	*27%*	*40%*	*28%*	*14%*	*25%*
Delivery receipts	**34.5**	15.3	5.5	7.3	6.4	19.2
Growth	***35%***	*33%*	*49%*	*43%*	*21%*	*36%*
Third party revenues	**6.7**	6.4	0.1	0.1	0.1	0.3
Growth	***29%***	*46%*	*(88%)*	*100%*	*100%*	*(63%)*
Total revenues	**1,444.9**	**625.5**	**184.8**	**382.3**	**252.3**	**819.4**
Growth	***26%***	***28%***	***49%***	***28%***	***10%***	***25%***
Growth at constant exchange rate	***26%***	***28%***	***40%***	***28%***	***14%***	***26%***

1 All numbers subject to rounding and exclude results from the discontinued operations in China unless otherwise stated

Revenue

The Group generated retail sales growth of 26% during the year, with growth of 27% in the UK and 25% in our international markets, where we continue to see the benefits of price and proposition investments. International retail sales accounted for 57% (2015: 57%) of total retail sales.

Retail sales in the UK increased by 27%, following the continual improvement to our market-leading proposition in this territory including the launch of ASOS A-LIST. We retained our first place position for unique visitors to apparel retailers in the 15 to 34 age range (Comscore, August 2016).

US retail sales grew by 50% (40% in constant currency) as a result of duty savings being reinvested into improving our price proposition, further expansion of our range of locally relevant brands and reduction of standard delivery days from six days to four days in April 2016. We expect to see the full benefit of the delivery improvements during the new financial year.

EU retail sales grew by 28% (28% in constant currency) driven by substantial price investments, introduction of next day delivery in all member states as well as free returns going live across the EU during the second half of the financial year.

We also saw retail sales growth of 9% (14% in constant currency) in the Rest of World segment, driven by Russia and Australia. We made many proposition improvements and invested in prices across several countries within this segment during the year and this, together with currency benefit particularly in Russia, has underpinned a reacceleration in the sales trajectory.

Delivery receipts increased by 35% as we continued to expand our range of paid delivery options and uptake in our Premier delivery scheme grew by 50%. Third party revenues, which mainly comprise advertising revenues, increased by 29% as we undertook more campaigns.

Customer engagement

We have seen a significant increase in active customers[1], exiting the financial year with 12.4m; up 25% compared to last year. Our engaging content and investments in technology platforms have helped drive this growth as well as increases in visits of 22%, orders of 30% and average basket value of 3%. Conversion[2] increased by 10bps and average order frequency increased by 4%, both reflecting the compelling nature of our proposition.

	Year to 31 August 2016	Year to 31 August 2015	**Change**
Active customers[1] (m[3])	**12.4**	9.9	25%
Average basket value (including VAT)	**£70.84**	£68.74	3%
Average units per basket	**2.82**	2.79	1%
Average selling price per unit (including VAT)	**£25.09**	£24.63	2%
Total orders (m[3])	**38.3**	29.5	30%
Total visits (m[3])	**1,348.7**	1,102.1	22%

1 Defined as having shopped during the last 12 months
2 Calculated as total orders divided by total visits
3 All numbers subject to rounding and exclude results from the discontinued operations in China unless otherwise stated

Gross profitability

Group retail gross margin decreased by 30bps to 48.5% compared with last year (2015: 48.8%) driven by price investments and increased returns rates, particularly within the EU, offset by a higher full price mix. Gross margin (including delivery receipts and third-party revenues) decreased by 10bps to 50.0% (2015: 50.1%).

Operating expenses

The Group increased its investment in operating resources by 25% to £659.2m, while the total operating costs to revenue ratio improved by 50bps.

£m[1]	**Year to 31 August 2016**	Year to 31 August 2015	**Change**
Distribution costs	**(216.0)**	(168.2)	(28%)
Payroll and staff costs[2]	**(132.6)**	(104.7)	(27%)
Warehousing	**(114.3)**	(96.9)	(18%)
Marketing	**(76.6)**	(55.7)	(38%)
Production	**(6.3)**	(4.9)	(29%)
Technology costs	**(24.5)**	(19.2)	(28%)
Other operating costs	**(57.3)**	(54.5)	(5%)
Depreciation and amortisation	**(31.6)**	(22.9)	(38%)
Total operating costs	**(659.2)**	(527.0)	(25%)
Operating cost ratio (% of sales)	**45.6%**	46.1%	50bps

1 All numbers subject to rounding and exclude results from the discontinued operations in China and exceptional items unless otherwise stated
2 Inclusive of non-cash share-based payment charges

Distribution costs increased by 30bps to 14.9% of revenue, driven by the expansion of the delivery proposition globally, particularly in relation to EU free returns and US standard delivery days.

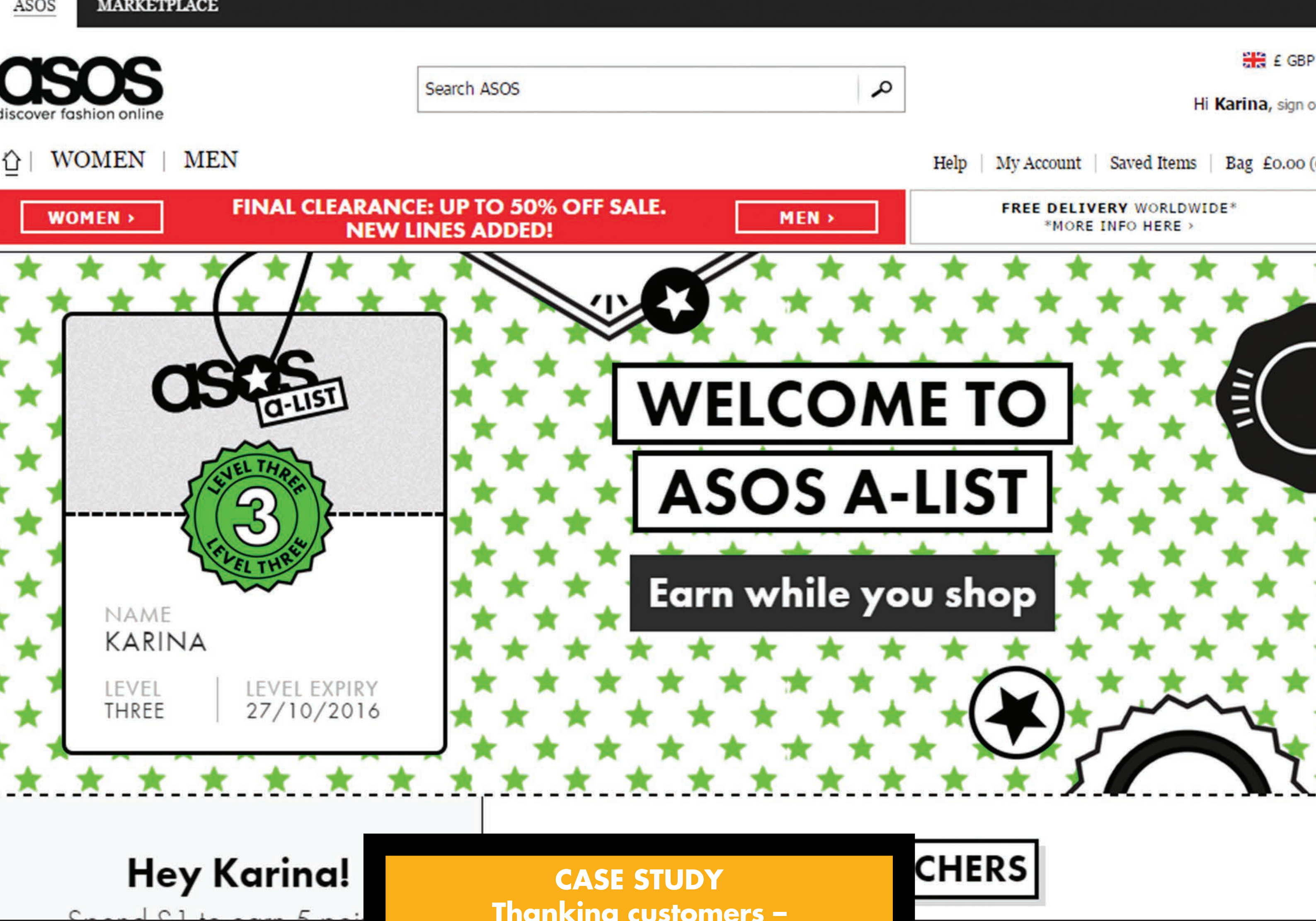
Staff costs remained in line with last year at 9.2% of revenue as average headcount increased by 26% in line with business growth. Share-based payment charges included within this cost line amounted to £4.5m (2015: £2.2m) as our second Long-Term Incentive Scheme was granted to senior management during the year.

Warehousing costs decreased by 60bps to 7.9% of revenue due to increased efficiency at Barnsley as our automation technology operated effectively for the full financial year.

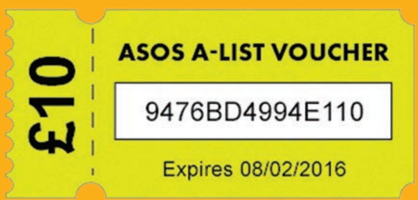
Marketing costs have increased by 40bps to 5.3% of sales. This is based off a low comparative figure as last year we reduced spend on campaigns whilst we focused on price reinvestments. This year we increased the digital marketing mix and shifted towards more mobile channels. This spend was partly offset by savings generated from changes to our magazine distribution strategy, which reduced the number of editions from ten to four.

Year to 31 August 2016 £m[1]	**Group total**	**UK**	**US**	**EU**	**RoW**	**International total**
Gross profit (£m)	**722.2**	294.5	111.9	179.8	136.0	427.7
Growth	***26%***	*29%*	*50%*	*22%*	*12%*	*24%*
Retail gross margin	**48.5%**	45.2%	59.3%	46.0%	52.7%	51.0%
Growth	***(30bps)***	*20bps*	*50bps*	*(240bps)*	*80bps*	*(60bps)*
Gross margin	**50.0%**	47.1%	60.6%	47.0%	53.9%	52.2%
Growth	***(10bps)***	*30bps*	*40bps*	*(230bps)*	*90bps*	*(50bps)*

1 All numbers subject to rounding and exclude results from the discontinued operations in China unless otherwise stated



CASE STUDY
Thanking customers – and deepening our relationship with them



Everyone likes to be thanked, and in February 2016 we launched our first loyalty scheme – ASOS A-LIST – as a thank-you to our customers in the UK.

When customers shop they earn points that convert to vouchers. They also move up levels depending on how many points they have earned, and gain access to special benefits like exclusive points offers, birthday discounts, free next-day delivery codes and partner offers, like free access to Spotify. Our platform has an integrated dashboard that displays a customer's points balance and shows how far away they are from the next tier.

"ASOS A-LIST gives customers a much richer experience of ASOS and allows us to thank them for their loyalty, deepening the relationship they have with us" says Andy Berks, Director of Performance Marketing. "We want every customer to be rewarded for their shopping and feel like they're part of a community – as a result the way they engage with and relate to ASOS will change. While other businesses have loyalty schemes, it's rare for a fashion company to have one that combines both points and tiers in this way.

"From a business perspective, we hope the programme will incentivise customers to shop more often and stay with us longer because they have more of a relationship with us than if they just shopped and didn't get thanked in return."

The scheme is a natural progression from a trial previously run in the UK for around 18 months, involving half a million customers. Now millions of UK customers are ASOS A-LISTers and more than half a million vouchers have already been issued. Customers in the UK are automatically enrolled into the programme and it's hoped that international roll-out will follow in due course. People can opt out of the scheme, but very few have chosen to do so.

It's already obvious that customers love the programme. One said on Twitter: "ASOS has launched a rewards scheme and it's probably the best thing to ever happen to me." Another said: "A-LIST IS AMAZING best idea ever! You have made my day."

"We are confident that A-LIST will have a positive impact on sales and we already have in excess of 12 million active customers globally, with a significant proportion of these in the UK. Clearly any programme that incentivises those customers to spend more with us, or stay with us for longer, is good for our business."

Other operating costs decreased by 80bps to 4.0% of revenue due principally to the non-recurrence of the one-off £4.9m fixed asset write-offs in the prior year. Removing the impact of this from the comparatives, other operating costs would have improved by 30bps compared to last year driven by savings from the inclusion of legal costs associated with the settlement of the trademark disputes, within exceptional items.

Depreciation increased by 20bps to 2.2% of revenue following recent acceleration of investments in our logistics and technology infrastructure.

Exceptional Items

In September 2016 the Group settled its trademark infringement disputes with high-performance cycle wear manufacturer Assos of Switzerland GmbH, and German menswear retailer Anson's Herrenhaus KG. This resulted in a one-off exceptional legal settlement cost of £20.9m (including associated legal fees) representing full, final and global settlement of all outstanding litigation.

In the comparative period to 31 August 2015, we received final business interruption insurance reimbursements of £6.3m as a result of a fire in our Barnsley warehouse in June 2014.

Discontinued Operations

In May 2016 the Group discontinued its in-country China operation which incurred an operating loss before tax of £3.6m up to the point of closure (2015: £5.2m) and one-off exceptional closure costs before tax of £6.5m, of which £4.4m was non-cash relating principally to the impairment of fixed assets.

Income statement

The Group generated continuing profit before tax and exceptional items of £63.7m, up 37% compared to last year, due to investment in gross margin being offset by operating expense leverage.

£m[1]	**Year to 31 August 2016** Before exceptional items £m	**Year to 31 August 2016** Exceptional items (Note 4) £m	**Year to 31 August 2016** After exceptional items £m	Year to 31 August 2015 Before exceptional items £m	Year to 31 August 2015 Exceptional items (Note 4) £m	Year to 31 August 2015 After exceptional items £m
Continuing operations						
Revenue	**1,444.9**	**–**	**1,444.9**	1,143.0	–	1,143.0
Cost of sales	**(722.7)**	**–**	**(722.7)**	(569.9)	–	(569.9)
Gross profit	**722.2**	**–**	**722.2**	573.1	–	573.1
Distribution expenses	**(216.0)**	**–**	**(216.0)**	(168.2)	–	(168.2)
Administrative expenses	**(443.2)**	**(20.9)**	**(464.1)**	(358.8)	6.3	(352.5)
Operating profit	**63.0**	**(20.9)**	**42.1**	46.1	6.3	52.4
Net finance income	**0.7**	**–**	**0.7**	0.3	–	0.3
Profit before tax	**63.7**	**(20.9)**	**42.8**	46.4	6.3	52.7
Income tax expense	**(12.3)**	**4.2**	**(8.1)**	(10.4)	(1.3)	(11.7)
Profit after tax from continuing operations	**51.4**	**(16.7)**	**34.7**	36.0	5.0	41.0
Effective tax rate	***19.3%***	***(20.1%)***	***18.9%***	*22.4%*	*20.6%*	*22.2%*
Discontinued operations						
Loss before tax from discontinued operations	**(3.6)**	**(6.5)**	**(10.1)**	(5.2)	–	(5.2)
Tax on discontinued operations	**0.3**	**(0.5)**	**(0.2)**	1.0	–	1.0
Loss after tax from discontinued operations	**(3.3)**	**(7.0)**	**(10.3)**	(4.2)	–	(4.2)
Group results						
Group profit before tax	**60.1**	**(27.4)**	**32.7**	41.2	6.3	47.5
Income tax expense	**(12.0)**	**3.7**	**(8.3)**	(9.4)	(1.3)	(10.7)
Group profit after tax	**48.1**	**(23.7)**	**24.4**	31.8	5.0	36.8
Effective tax rate	***20.0%***	***(13.5%)***	***25.2%***	*22.8%*	*20.6%*	*22.5%*

1 All numbers subject to rounding

Stephanie Pimley Procurement Administrator

"I was forever pestering my old boss to let me know if there were any jobs going in procurement after she left to join ASOS. Lucky for me something came up! I'm always introduced to new people as 'Steph, the one who works at ASOS."

Taxation

The effective tax rate from continuing operations before exceptional items decreased by 310bps to 19.3% (2015: 22.4%). This is principally due to prior year adjustments relating to amendments to capital allowance claims and R&D reliefs finalised for the years ending 31 August 2014 and 2015. The effective tax rate from continuing operations after exceptional items decreased by 330bps to 18.9% (2015: 22.2%). The Group effective tax rate (including discontinued operations) for the year is 25.2% (2015: 22.5%).

Going forward, we expect the effective tax rate for continuing operations to be approximately 100bps higher than the prevailing rate of UK corporation tax due to permanently disallowable items.

Earnings per share

Basic and diluted earnings per share from continuing operations before exceptional items increased by 43% and 42% to 61.9p and 61.8p respectively (2015: 43.4p and 43.4p). This was driven by the increase in continuing profit before tax and exceptional items of 37% combined with the reduced effective tax rate. Basic and diluted earnings per share from continuing operations after exceptional items decreased by 15% to 41.8p and 41.7p respectively (2015: 49.4p and 49.4p).

Basic and diluted loss per share from discontinued operations were 12.4p and 12.4p respectively (2015: 5.0p and 5.0p). Basic and diluted earnings per share for the Group after exceptional items and discontinued operations decreased by 34% to 29.4p and 29.3p (2015: 44.4p and 44.4p).

Statement of financial position

The Group continues to enjoy a robust financial position including a closing cash balance of £173.3m (2015: 119.2m).

Net assets decreased by £36.9m to £200.4m during the year (2015: £237.3m) due to the Group's profit after tax of £24.4m being more than offset by a fair value decline of £82.3m in our outstanding forward contracts as at 31 August 2016 following adverse exchange rate movements, particularly in the US dollar and Euro. The summary statement of financial position is shown below.

£m[1]	**Year to 31 August 2016**	Year to 31 August 2015
Goodwill and other intangible assets	**113.5**	76.2
Property, plant and equipment	**77.2**	64.4
Derivative financial assets	**–**	0.2
Deferred tax asset	**13.3**	–
Non-current assets	**204.0**	140.8
Inventories	**257.7**	193.8
Net current payables	**(355.7)**	(214.5)
Cash and cash equivalents	**173.3**	119.2
Derivative financial (liabilities)/assets	**(76.0)**	6.1
Current tax liability	**(2.9)**	(3.6)
Deferred tax liability	**–**	(4.5)
Net assets	**200.4**	237.3

1 All numbers subject to rounding

Statement of cash flows

The Group's cash balance increased by £54.1m to £173.3m during the year (2015: £119.2m) as capital expenditure of £79.2m was offset by a cash inflow from operating activities of £130.7m. Our working capital inflow is driven by trade and other payable increases, particularly as our trade payable days increased following the extension of our supplier terms towards the end of last financial year. In addition, our accrual balances have increased due to inclusion of the trademark infringement legal settlement as this was not paid before the year end, increases in various trade-related accruals due to business growth and following the introduction of free returns in the EU and Australia, as well as timing of payments at the year end. These increases are offset by an outflow from stock due to earlier intake of our new season compared to last year end. The summary statement of cash flows is shown below.

£m[1]	**Year to 31 August 2016**	Year to 31 August 2015
Operating profit from continuing operations	**42.1**	52.4
Loss before tax from discontinued operations	**(10.1)**	(5.2)
Operating profit	**32.0**	47.2
Depreciation and amortisation	**31.7**	23.1
Losses on disposal of assets – continuing	**0.8**	4.9
Losses on disposal of assets – discontinuing	**4.3**	–
Working capital	**69.1**	17.8
Share-based payments charge	**4.5**	2.3
Other non-cash items	**(1.7)**	0.7
Tax paid	**(10.0)**	(2.8)
Cash inflow from operating activities	**130.7**	93.2
Capital expenditure	**(79.2)**	(50.4)
Net finance income received	**0.7**	0.2
Net cash inflow relating to Employee Benefit Trust	**0.7**	0.9
Total cash inflow	**52.9**	43.9
Opening cash and cash equivalents	**119.2**	74.3
Effect of exchange rates on cash and cash equivalents	**1.2**	1.0
Closing cash and cash equivalents	**173.3**	119.2

1 All numbers subject to rounding

Fixed asset additions

£m[1]	**Year to 31 August 2016**	Year to 31 August 2015
Technology	**60.1**	33.7
Office fixtures and fit-out	**2.5**	1.1
Warehouse	**24.4**	14.6
Total	**87.0**	49.4

1 All numbers subject to rounding and exclude results from the discontinued operations in China unless otherwise stated

We continue to invest in our technology and logistics infrastructure to support our future growth ambitions. The majority of technology spend related to the replatforming programme and the new global fulfilment and Truly Global Retial programmes, while our warehousing spend related to the Eurohub 2 fit-out and improvements to our Barnsley automation technology.

Outlook

The pace at ASOS is continuing into the new financial year, which we are looking forward to with confidence: we expect growth in sales to remain in the previously guided range of 20% to 25%. Our margins will remain broadly stable as we continue to reinvest in customers through product, price and proposition, moving quickly to leverage opportunities in our markets. We will accelerate capital expenditure to between £120.0m and £140.0m, supporting our unwavering focus on delivering the great customer experience that defines and differentiates ASOS, while ensuring our infrastructure provides the resilience required as we continue to scale at pace.

Nick Beighton
Chief Executive Officer

Helen Ashton
Chief Financial Officer

RISK REPORT

Risk management is critical to the achievement of our strategic objectives and to the long-term growth of our business. At ASOS, we have developed a risk management process that applies to every part of our Group. It enables us to determine what our key risks are and how to manage them appropriately.

HOW WE MANAGE RISK

At ASOS, we understand that risk is an inherent part of realising reward, and that it's only through effective risk management and internal controls that the Company is able to maintain a good understanding of our business performance and decision-making processes. Risk management is therefore critical to the achievement of our strategic objectives and to the long-term growth of our business. We deliberately seek to manage – but not eliminate – risk, so as to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has overall responsibility for risk management and for reviewing the effectiveness of our process for managing risk; responsibility for reviewing specific risk controls is delegated to the Audit Committee. The Executive Board and management are responsible for implementing processes to put the Board's policies on risk and control into effect, and for providing assurance on compliance with these policies and processes.

The General Counsel & Company Secretary is responsible for the day-to-day operation of the Group risk management process. The framework for this process is the Business Risk Register, through which we consolidate risk information and determine our strategy for risk management. The Register is reviewed regularly by both the Executive Board and the Audit Committee.

During the year, the Executive Board identified the need for a dedicated Business Assurance function. For more information on this see page 45 of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors confirm that, through their most recent review of the Business Risk Register, they have carried out a robust assessment of the principal risks and uncertainties facing the Group. This includes risks that would threaten the Group's business model, future performance, solvency or liquidity. These principal risks are set out in the table on the following pages along with explanations of how they are mitigated. In addition, as explained in the Audit Committee report on page 45, a Black Swan assessment was undertaken by the Executive team. The Board remains committed to ensuring that the key risks are managed on an ongoing basis and that the Group operates within an acceptable level of risk appetite. We also recognise that risks change constantly, especially in a high-growth company like ASOS, and there may be other, as yet unidentified risks or others currently deemed immaterial, that could have an impact on our ability to achieve our objectives. We reassess the risks affecting our business on a periodic basis to ensure we continue to manage risk appropriately.

Please also see the viability assessment statement on page 57.

Risk	Mitigating activities	Change
MARKET RISKS		
Change in the primary ways customers go online The big technology players are increasingly seeking to keep internet users within their own environment, while enabling them to still carry out all the other online activities they currently do in third-party online ecosystems. Our performance therefore depends upon our ability to provide an engaging, unique experience that overrides any convenience that comes from remaining within a different online environment.	■ Our business model is specifically based around engagement with customers, to include a range of fashion services in addition to great fashion retail. ■ We ensure that we price appropriately for our market, and that our customer proposition around deliveries and returns keeps pace with customers' expectations, reducing the reasons for customers to look for other online destinations. ■ Our own-label ASOS products are only available from our online platforms and not through third parties. ■ We continue to invest in making sure that our user experience, particularly on mobile, is intuitive and easy for our customers to use.	UP
Market forces increase cost of ecommerce drivers Fashion – and in particular online fashion retail – is an increasingly competitive space, with very big ecommerce players moving in, while existing bricks-and-mortar retailers continue to improve and better assimilate their ecommerce offerings. This potentially increases the cost and/or reduces the effectiveness of key ecommerce drivers (in particular digital marketing activities).	■ Our business model is specifically based around engagement with customers, including providing them with a range of fashion services and content in addition to great fashion retail, which in turn reduces the reliance of the business on ecommerce drivers such as digital marketing. ■ Having been one of the first movers in online fashion retail, we have greater experience in how to best use ecommerce drivers such as digital marketing in a fashion context than newer entrants to the market, and we continue to drive greater effectiveness and seek more efficiencies with our platform.	UP
Retail market position and 'fashionability' The retail fashion industry and market are subject to changing consumer tastes. Our performance depends on our ability to predict and respond quickly to changing consumer demands, and to translate market trends into saleable merchandise at the right price.	■ A proactive approach to monitoring consumer trends including regular attendance at all major fashion weeks, catwalk shows, festivals, trips to fashion cities, signing up to blogs, as well as the use of freelance fashion experts to refresh internal knowledge to ensure we offer a well-balanced, diverse product range to meet the demands of different customers. ■ Employing and investing in experienced buyers, merchandisers and designers, and developing a pipeline of up-and-coming talented individuals. The ASOS Retail Brilliance Scheme was re-launched in January 2016 to provide a technical skills training programme for new starters in our retail teams. ■ Regular review of product design and selection by senior members of our retail teams. ■ Use of a diverse, multifaceted sourcing and supply chain involving many different suppliers, so that products are produced at a range of prices, and rapid speed to market, in order to be able to get our customers the fashion they want when they want it. ■ Use of zonal pricing to enable us to price appropriately for, and remain competitive in, each key market.	SAME
Poorly engaging digital experience As an online retailer, our digital experience is our shop window and the core way we engage with our customers (whether that's on a computer, tablet, mobile or any other device). Failure to effectively predict and respond to user experience/IT/website/application/market demands or trends, or to offer our customers both the core user-experience they expect in any given market, will result in a poorer customer experience.	■ Customer Experience Team more focused on creating and recreating a consistently engaging ASOS digital experience. ■ Improved customer relationship management activities ensure more engaging and relevant contacts with customers at more appropriate times. ■ Programme of rolling upgrades and ongoing improvements to all elements of our digital experience, with a particular focus on our mobile propositions for the last 18 months, given the increasing importance of mobile to our 20-something customer demographic. ■ We have customer user groups to give direct feedback on all elements of our digital experience, and our internal team increasingly focuses on the latest market and tech developments to ensure we identify and adopt new developments as quickly as we can. ■ Customer Care Team now working more closely with the Customer Experience Team to ensure a seamless customer experience.	SAME

Risk	Mitigating activities	Change
REPUTATIONAL RISKS		
Brand name Internet-only businesses depend on their brand name. Failure or inability to support, protect and defend our trademarks, brands and online domain names in all relevant business locations, given that they are the ASOS shop window and the primary mechanism by which customers buy our products, could have a materially detrimental effect on the Group's performance, reputation and brand positioning in each of its key markets.	■ The Company was the first to use the ASOS brand name both for online retailing and on clothing labels. ■ Robust strategy for actively pursuing and defending the ASOS brand name and all supporting trademarks, domain names and other intellectual property in all key markets in all relevant classes. ■ Continued to expand our team of highly experienced intellectual property legal experts, headed by the Brand & IP Director and overseen by the General Counsel & Company Secretary, to proactively execute that strategy and manage the ASOS trademark and domain name portfolios. ■ Ever-increasing number of trademarks and domain names applied for and registered across the world. ■ Global settlement reached of all existing litigation against the Company (see page 56).	DOWN
Security of customer data As an online retailer, ASOS needs to gather and use customers' personal data in order to process orders, receive payment, effectively engage its customers and carry on its business. Unauthorised access to our customer data – either from external attack or internal control weaknesses – could lead to reputational damage, compliance issues, substantial regulatory fines and a loss of customer confidence.	■ Strengthened our dedicated, discrete IT Security Team, headed by the Chief Information Strategy Officer, both in terms of expertise, experience and numbers to increase the team's capability to consider and mitigate internal and external IT and data security threats. ■ Controls and processes, both within the website and with our key service partners, regularly reviewed and enhanced to ensure that all handling and use of customer data is appropriate and complies with all applicable laws and customer expectations. ■ Invested in greater technical and physical security controls (including secured infrastructure and firewalls) to mitigate unauthorised access to customer data held on the Group's servers, including access restrictions and encryption of customer credit card data, with regular testing of those systems. ■ Enhanced alert systems, particularly in case of attempted unauthorised access. ■ Greater liaison across the business between key IT Security Team members and relevant employees in all key departments, including Executive Board members and members of the Audit Committee, to ensure IT and data security is more proactively considered in all relevant business decisions. ■ References taken for all employees to check character, and physical security passes required to enter non-public areas of all buildings.	UP
Inadequate or incorrectly adhered to Product Quality or Ethical Trading standards Ultimately, ASOS depends on the products it sells – having an engaging, exciting customer experience and a first-class customer proposition is worthless if the products do not match our customers' expectations. Our fashion must make them feel great. That depends on us setting appropriate product quality and ethical trading standards, and our suppliers meeting and adhering to those standards – something which becomes more and more crucial the bigger our brand gets and the greater our customers' expectations become.	■ Continued to expand our Sourcing and Ethical Trading Teams, headed by our Sourcing Director and overseen by Womenswear and Menswear Directors, to ensure we continue to increase our focus on product quality and ethical trading standards. ■ Enhanced our work with suppliers to support them in achieving our sustainable sourcing and ethical trade principles and targets, including holding conferences and workshops in China, Mauritius, Turkey and the UK, where 88% of the factories making our products are located. ■ Strengthened our existing sourcing manual and supply chain policies and standards, and established a cross-functional Modern Slavery Group as part of continuing our long-standing ethical trade programme to protect workers against modern slavery within our product supply chains. Our suppliers are obliged to sign up to our policies. ■ Carried out a wider programme of supplier visits to monitor how factories are performing against our standards and to provide support where required, including implementing improvement plans to help our suppliers and factories reach our required standards, particularly when they are finding it difficult to meet all of them (see Corporate Responsibility Report on pages 25 to 36 for more details). ■ Strengthened our Garment Technology and QA testing teams to provide increased surety that the products we receive from our suppliers meet our product quality standards and expectations.	SAME

Risk	Mitigating activities	Change
TECHNOLOGICAL RISKS		
Inability to recover sufficiently quickly in the event of a loss of the main Data Centre A large number of ASOS' systems and capabilities depend on our main external Data Centre in London Docklands remaining online. Any failure or interruption in the availability of that Data Centre could cause serious business interruption.	■ Replatforming our systems to become more Cloud-based. ■ External Data Centre and its operators have recently extended the number of power units serving the Centre. ■ Additional uninterrupted power supplies (UPSs) put in place for our servers in the Data Centre. ■ The Data Centre is used by 'economy critical' industries, which encourages the operator to make sure its systems are robust.	SAME
Robustness of other IT systems and infrastructure As an online retailer, the Group is particularly dependent on its IT infrastructure, and any system performance issues or shortcomings, or reduction or loss of operational IT capability (for example, system, software or infrastructure failure or damage, or denial of access) could cause serious business interruption.	■ Continued investment in IT systems, infrastructure, security and people (including increased server capacity) to ensure that they are sufficient for the needs of the business and do not become obsolete or compromised. ■ Third-party resources available to assist with additional demand when and where necessary, with increased use of Cloud-based providers to increase capacity. ■ 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 the effects of damage or denial of access to infrastructure or systems. ■ IT Security Team overhauled and upgraded, including a new Chief Information Security Officer, to significantly increase the robustness of all systems and infrastructure.	SAME
IT capacity and capability fail to keep pace with growth and increasing complexity of the business ASOS continues to grow at a fast pace. Such growth requires ever more complex and sizeable technological systems. At the same time, technology itself continues to develop. Any failure to ensure that IT capacity and capability keep pace with the business could act as a drag on the Group's ability to grow.	■ Detailed tech roadmap looking ahead across all areas produced and agreed with the business to ensure capacity for growth. ■ Senior IT management team substantially strengthened, including a new Chief Technology Officer, Director of Retail, Finance & People Systems, and new Heads of Technology for each of eCommerce, Data, Mobile and Digital Experience, all with vast experience of much bigger operational requirements. ■ Cross-functional Truly Global Retail transformation project now established and under way to upgrade retail technology systems to match ASOS' future retail requirements. ■ Continued use of third-party expertise where we do not have the internal capability or capacity to ensure all roadmaps and plans can be met. ■ Continued substantial capital expenditure investment in IT.	DOWN

Risk	Mitigating activities	Change
FINANCIAL RISKS		
Foreign exchange movement We are a UK-based global retailer and sell products to customers across the world in many different currencies, while recognising our revenues in pounds sterling. The Group therefore has potential exposure to changes in interest and foreign exchange rates. Note: 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 19 to the financial statements.	■ Our Treasury Department takes responsibility for reducing exposure to this risk and other financial risks to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. ■ We take out forward contracts to hedge key currencies in proportion to our calculated net exposure in line with our hedging policy, which is approved and overseen by the Audit Committee. Following Brexit, we took the decision to increase the percentage of our net exposure that is hedged from 80% to 100% over the next 12 months to protect the business during this period of uncertainty and market volatility. ■ Foreign currency balances are monitored regularly, with margins frequently reviewed by the Executive Board so any required adjustments can be made quickly when required. ■ Zonal pricing capability enables us to take into account the variability in costs including foreign exchange rates.	UP

Risk	Mitigating activities	Change
SUPPLY CHAIN RISKS		
Logistics and fulfilment ASOS delivers to 240 countries and territories and has agreements with several logistics providers to fulfil deliveries to customers. The interruption, deterioration or loss of delivery services from suppliers to the Group's warehouses, and from our warehouses to our customers, may affect our ability to complete sales.	■ ASOS has multiple delivery routes and options, and uses many delivery service providers (particularly with the completion of additional warehousing capacity in Germany and the US), to reduce dependency on any one provider to fulfil a particular subset of orders. ■ We have relationships with many more providers than we currently use in case we need extra support.	DOWN
Insufficient warehouse capacity ASOS continues to grow at a fast pace, particularly internationally. This means we need ever more warehousing space that is close enough to customers to enable us to serve them in line with their expectations. Failure to ensure that warehouse capacity and capability keep pace with the business could limit the Company's ability to grow.	■ We continue to maximise the available capacity in our main fulfilment centre in Barnsley by investing in further automation. ■ We are expanding further our international fulfilment centres in the US and Germany (our new Eurohub 2 warehouse is due to become operational in 2017), so that we have sufficient warehouse capacity in place or under construction to accommodate expected future growth in order volumes. ■ Collaboration and communication between the Retail, Supply Chain and Commercial Finance Departments to adapt to the changing business needs. ■ Retail Department now operating with a tighter stock model as we continue to identify and realise the opportunities and advantages of our ecommerce-only business model.	DOWN
Warehouse disruption Any disruption to the Group's warehousing facilities due to physical property damage, breakdown in warehouse systems, capacity shortages, poor logistics management or staff-wide personnel issues could have a detrimental effect on our ability to complete customers' orders.	■ All warehouses are managed by large multinational companies specialising in the provision of these services. ■ Continuous monitoring of service levels and warehouse handling to ensure goods are handled, packed and delivered in a timely manner. ■ Continued improvements to worker pay, conditions and practices in our warehouses, including a substantial investment in air conditioning in our Barnsley warehouse. ■ Frequent communication and engagement with workers in our warehouses, including active liaison with the formal Employee Forum at Barnsley. ■ Business recovery plans in place to minimise effects of any material disruption within any of our warehouses. ■ The expansion of our existing international fulfilment centres in the US and Germany will provide alternative stock pools to which demand could ultimately be transferred in the event of long-term disruption at Barnsley. ■ All products are on relatively short lead times, with a steady flow of products into the warehouse, enabling the supply chain to be diverted to alternative locations if necessary within a manageable timeframe.	UP

Risk	Mitigating activities	Change
PEOPLE RISKS		
Reliance on key personnel Almost all the sectors that are relevant to our business are very competitive, and our people across all departments are frequently targeted by other companies for recruitment. Our performance depends on our ability to attract, motivate and retain key staff.	■ The Remuneration Committee monitors the structure and levels of remuneration and seeks to ensure that, as a whole, remuneration is 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.	DOWN

FASHION WITH INTEGRITY

Our corporate responsibility programme, 'Fashion with Integrity', epitomises our approach to business. For ASOS, Fashion with Integrity means managing all aspects of our business transparently, so our customers can enjoy their fashion in the knowledge that they are buying from a responsible company that is actively working to minimise the negative effects of the fashion industry on people, animals and the environment.

Our Fashion with Integrity strategy is designed to support the delivery of ASOS' core business strategy and focuses on four pillars: Our Products, Our Customers, Our Business and Our Community.

Corporate Responsibility, Ethical Trade and Sourcing Teams work in partnership to deliver Fashion with Integrity

A year in review with Louise McCabe, Head of Corporate Responsibility

During the past 12 months, we have seen the growth of our Fashion with Integrity teams, with investment in additional skills and resource in our Sourcing and Corporate Responsibility departments, alongside increasing engagement from colleagues across the business.

We have actively acknowledged our responsibilities in relation to climate change with a programme of investment in resource-efficient technology and processes. Our carbon footprint continued to rise overall as a result of business growth, but we are seeing our second consecutive annual decrease in the carbon intensity of business operations (measured by grams of CO_2 per customer order). This is largely due to the work we have been doing with our transport partners to reduce emissions, improving energy efficiency at our data centre and the quality of our data collection. We expect to see our carbon intensity further reduce next year as energy savings from a 100% low carbon LED lighting installation at our Barnsley fulfilment centre are realised. We continue to explore ways of maximising energy efficiency and the use of renewable energy in our operations.

As signatories to the UN Global Compact, we continue to support important global initiatives such as the 2030 Sustainable Development Goals and UN Guiding Principles on Business and Human Rights. We will work on further embedding these across the business in the coming year.

We welcome the UK Government's 2015 Modern Slavery Act, which provides a legislative framework for tackling modern slavery. We have a long-standing ethical trade programme to protect workers against modern slavery within our product

Our Products
Respecting people and the planet with great products that our customers can trust

Our Customers
Helping young people look, feel and be their best

FASHION – WITH – INTEGRITY – asos

Our Business
Achieving growth in a way that adds social value and minimises environmental impacts

Our Community
Investing time and resource to make a real difference

Highlights of the year

- **Strengthened our Ethical Code, policies and guidelines to better protect migrant workers and those at risk of all forms of modern slavery.**
- **Held supplier workshops in China, Mauritius, Turkey and the UK for 76 suppliers to explain our sourcing standards, industry information and training on high-risk country-specific labour rights issues.**
- **Launched our 'Sustainable Leaders at ASOS' training programme for retail and marketing employees, in collaboration with the Sustainable Fashion Academy.**
- **Made accelerated progress towards our 2020 goal of 50% more sustainable cotton in our collections – our 2016 autumn/winter range contains 40% more sustainable cotton as defined by the Better Cotton Initiative.**
- **Converted all the lighting at our Barnsley fulfilment centre to low emission LED alternatives, cutting our lighting electricity consumption by 76%.**
- **Reduced our carbon intensity by approximately 4% (measured by grams of CO_2 per customer order) by significantly lowering flight and courier emissions, improving energy efficiency at our data centre and implementing more accurate data-capture methods.**
- **Set up a customer clothes recycling scheme in partnership with Doddle, a package delivery company, and TRAID, a UK charity which is reducing the social and environmental cost of the textile industry.**
- **Partnered with the British Paralympic Association and athletes to design and fit ceremonial and formal wear.**
- **Opened our first Udayan Care home for 12 orphaned or abandoned girls in India.**
- **Provided fresh water to an additional 3,800 people in rural Kenya by installing a 6km water pipeline.**

supply chains. Over the past year, as well as strengthening our existing supply chain policies and standards, we established a cross-functional Modern Slavery Group to ensure that all areas of the business understand modern slavery risks and develop processes to mitigate them.

We continue to work closely with our suppliers in order to support them in achieving our sustainable sourcing and ethical trade principles and targets. Over the past year, we have held conferences and workshops in sourcing regions around the world for 76 supplier companies in China, Mauritius, Turkey and the UK. Our suppliers have also enabled us to make significant progress in sourcing more sustainable materials. We're close to reaching our 2020 target of 50% more sustainable cotton (our 2016 autumn/winter collection already contains 40%) and we're currently working with our denim suppliers to implement more resource-saving technologies.

As a business, we were immensely proud to see the ParalympicsGB team wearing the formal and ceremonial kit we designed for the Rio 2016 Paralympics, and would like to congratulate ParalympicsGB on their achievements. This is an ongoing partnership which, as part of our Celebrating Diversity programme, seeks to raise the profile of young adults with disabilities.

On a more personal note, I was delighted to attend the opening of our Udayan Care family home for 12 orphaned or abandoned girls in India. The first of five homes planned, it was funded by the ASOS Foundation through the generosity of ASOS employees, suppliers and customers.

"I'm fully committed to ensuring Fashion with Integrity continues to provide the framework for how we do business at ASOS as our global operations continue to expand rapidly. The successes highlighted in this report are testament to the dedication and ambition of our colleagues, suppliers, customers and all of the expert organisations we work with to create a more sustainable and ethical industry."

Nick Beighton
Chief Executive Officer

OUR PRODUCTS

Respecting people and the planet with great products that our customers can trust.

Alongside commercial criteria, our sourcing strategy also focuses on ethical trading, sustainable sourcing and animal welfare.

ETHICAL TRADING

ASOS views ethical trade as being our responsibility to ensure that every worker in our supply chain is respected and protected. By this, we mean that everyone in our supply chain should be safe at work, financially secure and respected by their employers and fellow workers. To achieve this, we set high ethical standards, assess and support suppliers to help them meet our standards and collaborate with others to bring about long-lasting improvements in supply-chain working conditions.

Our standards and sourcing practices

We explain our own responsibilities and the standards we expect our suppliers to meet in a set of core documents.

- **ASOS Supplier Ethical Code:** defines the minimum standards that we require from all our suppliers – updated this year to include a separate section on forced or compulsory labour and a number of clauses throughout the Code to protect migrant and contract workers.
- **ASOS Young Worker and Child Labour Policy:** sets out the steps suppliers need to take to protect young workers and to ensure children are not involved in the manufacture of any of our products.
- **Migrant and Contract Worker Policy:** newly developed in 2015, sets out supplier requirements for the recruitment and management of migrant and contract workers, two groups vulnerable to exploitation.

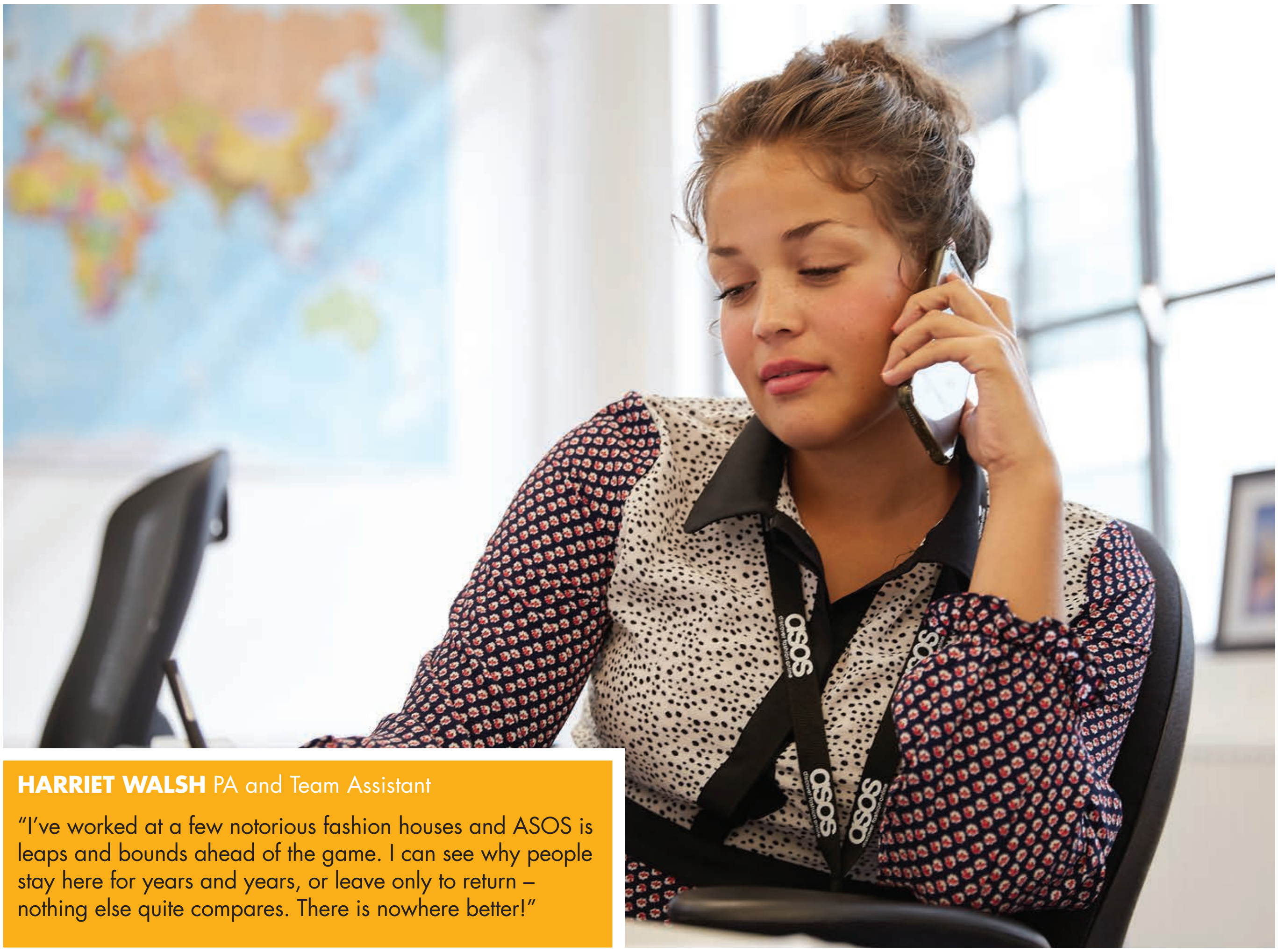
Our UK-based Ethical Trade Management Team is expanding year on year and sits within the Sourcing Department to ensure ethical trade remains central to our sourcing strategy. We understand that our commercial actions have a direct impact on our suppliers' ability to meet our standards, so part of the team's remit is to review our purchasing practices each year so that we can identify ways to strengthen our supplier relationships. The team also provides our Buying, Merchandising and Technical Departments with training, factory visits, resources such as supplier scorecards and regular opportunities to discuss supplier performance to improve supply base understanding and to help make more-informed sourcing decisions.

Monitoring and supporting suppliers

We only work with suppliers who share our ethical vision and are committed to meeting our standards and improving conditions for the 98,000 people working in our supply chain. We currently have 188 suppliers, who between them use 512 factories across 28 countries. Our regional ethical trade teams are based in our main sourcing regions – China, Eastern Europe, India, Turkey and the UK – where 88% of the factories making our products are located. We are also investing in our regional teams to increase our local monitoring and support capabilities, helping suppliers reach the standards needed to grow commercially with ASOS. Some of the teams' work in this area includes:

- **supply chain mapping:** working closely with the Sustainable Sourcing Team to map our supply chain beyond tier one suppliers to increase our understanding of the full supply chain and help us better understand and address ethical and environmental impacts
- **regular factory assessments:** carrying out 382 visits between September 2015 and July 2016 to monitor how factories are performing against our standards and to provide support where required. In June 2016, we started to carry out unannounced audits. Suppliers were not made aware of our visit in advance, allowing us to obtain a more realistic picture of actual day-to-day working conditions. We plan to increase the number of unannounced and semi-announced audits we carry out over the next year to cover all main sourcing regions
- **improvement plans:** implementing improvement plans to help our suppliers and factories reach our required standards, particularly when they are finding it difficult to meet all of them. We believe that automatically de-listing a factory or supplier as a result of a breach often only displaces the issue, rather than fixes it, at the same time as potentially making things worse for the workers in those factories. Instead, we try to make things better on the ground
- **training:** delivering targeted training to 56 suppliers through workshops or conferences in the UK, China, Turkey and Mauritius.

Freshly picked cotton



HARRIET WALSH PA and Team Assistant

"I've worked at a few notorious fashion houses and ASOS is leaps and bounds ahead of the game. I can see why people stay here for years and years, or leave only to return – nothing else quite compares. There is nowhere better!"

Collaborating with others to improve supply chain practices

Over the past year, we have partnered with a number of organisations on projects designed to help us better understand the reasons behind poor labour practices and to ultimately create long-term improvements in workers' lives.

- We have been a member of an alliance of companies, non-governmental organisations and trade unions called the Ethical Trading Initiative (ETI) since 2009. We regularly attend ETI meetings and participate in the following working groups set up to address labour rights issues: Apparel and Textiles Group, Medium and Large Companies Group, China Corporate Caucus, Mauritius, Turkey and UK Groups.
- We are one of 17 brands participating in ACT (Action, Collaboration and Transformation), an initiative between international brands and retailers, manufacturers and trade unions to address the issue of living wages in the textile and garment supply chain.
- We are a founder member of Fast Forward, an initiative involving a number of brands aimed at addressing UK-specific garment supply chain issues. As part of this initiative, we require our entire UK supply base to attend Fast Forward training sessions which explain minimum UK standards and process requirements, and also include a session on modern slavery.
- We identified that the factories supplying our product in Mauritius employ the highest number of migrant workers in our supply chain. Following consultation with Verité, a human and labour rights organisation, we conducted detailed factory reviews and identified a number of opportunities to improve factory recruitment and employment practices. We are currently working with suppliers to act upon findings and recommendations to better protect migrant workers.

SUSTAINABLE SOURCING

Our four pillars of sustainable sourcing continue to define our focus.

- **Traceability of raw materials:** mapping our commodities to better understand and influence how they are sourced.
- **Lower environmental impact:** increasing the conversion from traditional materials and processes to lower-impact alternatives.
- **Craftsmanship:** investing in suppliers and projects that support local skills and community development.
- **Engaging customers on sustainability:** offering an increasingly broad range of sustainable fashion and beauty products under the ASOS Eco Edit section of our website.

The continued growth of our Sustainable Sourcing Team reflects the level of engagement and ambition throughout ASOS to fully embed sustainability into the way we do business. Our achievements this year included:

- launching our 'Sustainable Leaders at ASOS' training programme for retail and marketing employees, in collaboration with the Sustainable Fashion Academy
- holding a supplier summit for 20 suppliers to communicate our sustainable sourcing goals and set out how our suppliers will help us achieve them

- driving increased customer engagement and sales of sustainable fashion and beauty products through our Eco Edit platform and associated Instagram account
- collaborating with the industry on initiatives such as the WWF Ganges Leather Buyers Platform, to make a bigger impact, faster, on key environmental issues
- making accelerated progress towards our 2020 goal of 50% more sustainable cotton in our collections – our 2016 autumn/winter range contains 40% more sustainable cotton as defined by the Better Cotton Initiative.

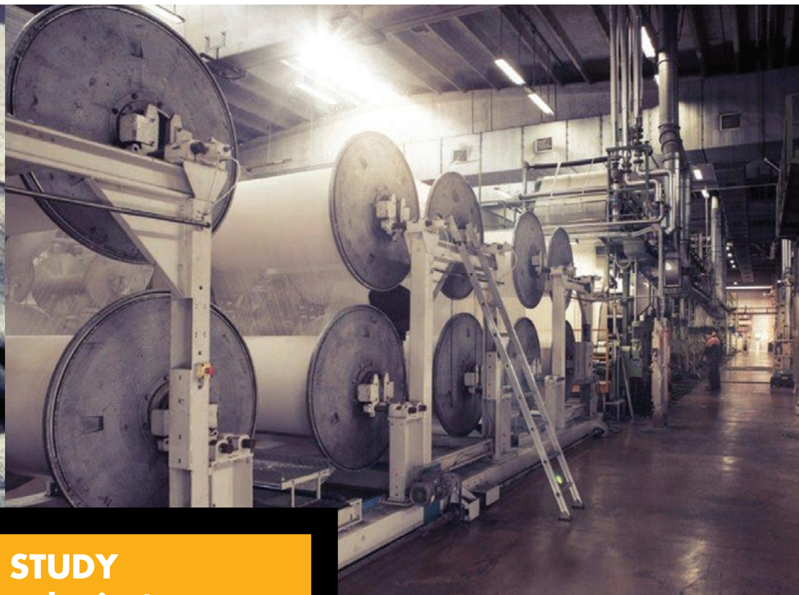
ANIMAL WELFARE

ASOS firmly believes that animals should not suffer in the name of fashion or cosmetics. As well as regularly reviewing our animal welfare policy and guidelines for buyers and suppliers to ensure we continue to advance animal welfare standards within our supply chain, we also raise customer awareness of alternatives to animal-derived materials, by featuring 'faux fur', 'non-leather' and synthetic down products in our collections.

"This year has been a hotbed of engagement and innovation across our teams – individuals wanting to do the right thing and teams making meaningful commitments. Our customers remain at the heart of everything we do – fuelling us to change our buying habits so that our customers don't have to change theirs."

Simon Platts
Sourcing Director

A lower-impact denim product
Image © Italdenim



Denim fabric dyeing

CASE STUDY
Reducing denim's environmental impact

As a signatory to Sustainable Clothing Action Plan's 2020 Commitment (SCAP) we are aiming to reduce the carbon, waste and water footprint of our clothing by 15% by 2020. Led by WRAP, the not-for-profit recycling and waste organisation, SCAP aims to make clothing production less wasteful, and to reduce its carbon and water footprints. This year we have focused our efforts on minimising the environmental impacts of denim production which involves a number of water, chemical and energy-intensive processes. We use a lot of denim, particularly in menswear, and there are various opportunities to improve the way it is produced. For example, by switching from traditional laundry processes to ozone finishing we expect to save 12 litres of water per pair of jeans.

Our Sustainable Sourcing and Buying Teams worked closely with eight suppliers to better understand the denim production lifecycle and to identify where we could save water, energy and waste, and reduce the use of chemicals. Two of these suppliers are leading the way in embracing less resource-intensive technologies such as laser and ozone finishing, reducing water and chemical usage. This project, alongside the work we have been doing to source more sustainable cotton, has helped us develop a proven blueprint which we will adapt to our other product ranges in support of our 2020 commitment.

OUR CUSTOMERS

Helping young people to look, feel and be their best.

At ASOS, we focus relentlessly on reflecting the needs of our customers all over the world. We do this in two ways: ensuring that our products and communications are inclusive, responsible and recognise cultural and physical differences; and providing the best possible customer care 24/7.

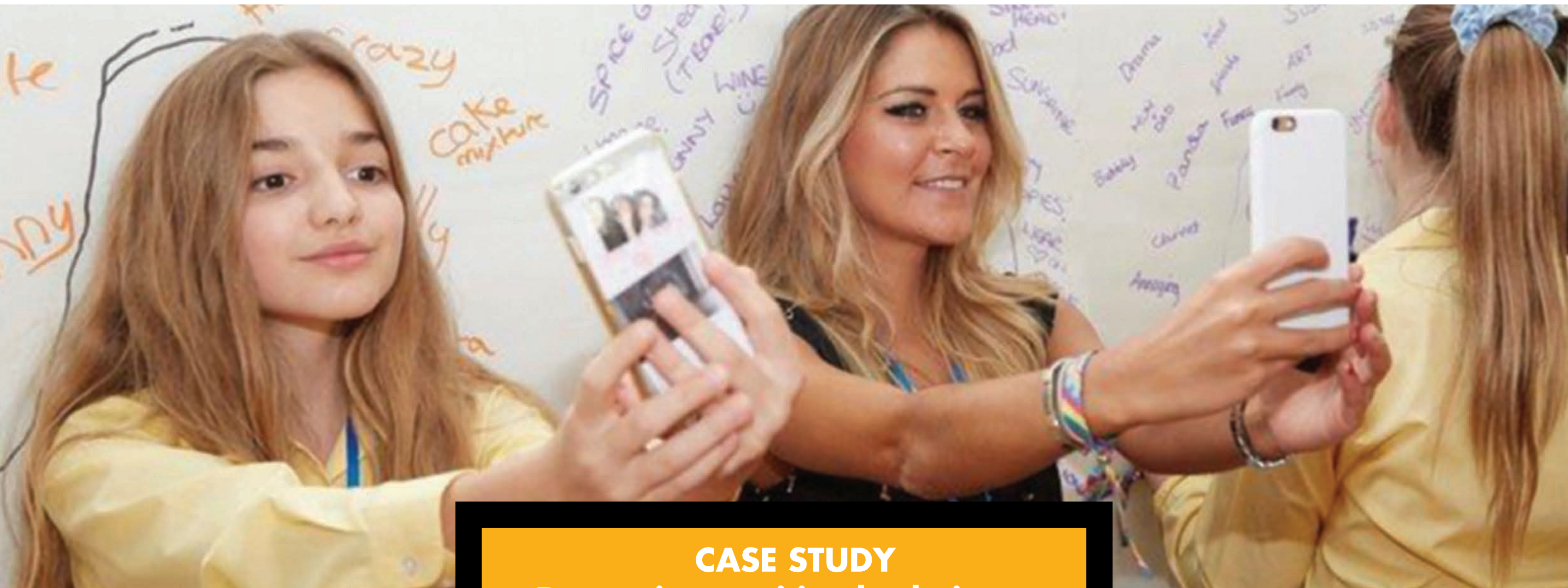
Inclusive products and communications

We celebrate and promote the diversity of our customers through our clothing ranges, our social media presence, our editorial content and our website.

Positive body image

We want to use our influence among young fashion lovers in a responsible way by promoting a healthy, positive body image to our customers. We do this by:

- ensuring our own Model Welfare policy and guidelines on digital manipulation are fully applied to protect our models and our customers
- bringing in experts to train our employees on body image and health
- publishing articles on diverse and inspirational young women in our ASOS magazine, focusing on their achievements not their looks
- communicating with customers about issues such as body image and mental health
- working with the anti-bullying charity, the Diana Award, to produce teaching resources to help open up discussions with young people about body image issues
- partnering with eating disorders charity, Beat, to provide an online support service which helped more than 7,000 young adults with eating disorders during the period June 2015 to May 2016
- supporting small charity boutiques, for example Ditch the Label, who use their profits to help young people overcome bullying, and sell garments featuring positive body image messages
- enabling our customers to post images of themselves wearing the clothes they have bought through our #AsSeenOnMe feature.



CASE STUDY
Promoting positive body image through #MySenseOfSelf

Launch of #MySenseOfSelf at ASOS Head Office

We know that to effectively tackle the issue of body image, young people need to feel comfortable with their own appearance and have the skills and tools to educate their peers. So we have partnered with the Diana Award, an anti-bullying charity, to create a teaching resource, #MySenseOfSelf, which has the potential to open up discussions with over 50,000 young people about self-esteem and body confidence issues. Since its launch in September 2015, the resource has been downloaded more than 19,000 times.

A student using the resource commented: "I learned to be proud of who I am".

Over the next year we plan to reach more young people across the UK by developing a My True Selfie app and by scaling up our work in schools with the launch of the #MySenseOfSelf roadshow.

GARY MCGIBBON Facilities Manager

"I've done quite a bit of volunteering – a sponsored walk, an 'Apprentice' style workshop with East Barnet School students, helping out with the Paralympics. Not every business supports so many different causes on a daily basis and gets their staff involved so much!"

Focusing on disability

Our 'Celebrating Diversity' disability programme aims to raise awareness of disability internally, improve access to our products and services for customers with disabilities, and create opportunities for young people with disabilities. Some of the activities we have undertaken this year include:

- partnering with the British Paralympics Association and Paralympian athletes to design and fit formal and ceremonial wear for the Rio 2016 Paralympics
- working with the Royal National Institute of Blind People to audit our websites and mobile sites to identify ways that we can improve accessibility for customers with visual impairments
- donating products to disability charity, Scope, to raise funds for employment accessibility programmes for young adults
- providing Business Disability Forum training to employees on disability awareness
- reviewing the equality of opportunities for potential and current employees with disabilities.

Customer care

We provide a 24/7/365 customer care service. This year we handled 12.6m contacts including telephone calls, social media, emails and live chat. We also provide up-to-date information on our website Help pages, and 92% of customers who use these pages find the answers to their questions without needing to get in touch.

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 1.2% for manual review by the Profit Protection Team, which works 24 hours a day, seven days a week to ensure threats are mitigated as efficiently and effectively as possible. This year, our profit protection measures prevented £10.3m of fraud on 69,953 orders. We also have technical and physical security controls to prevent unauthorised access to customer data, including access restrictions, encryption of certain customer data, and alert systems.

OUR BUSINESS

Achieving growth in a way that adds social value and minimises environmental impacts.

We believe in growing our Company in a sustainable way, while ensuring our long-term commercial viability. We do this by focusing on two things: our people and the environment.

OUR PEOPLE

At ASOS, we work hard to create a unique culture where people can feel valued, respected, enjoy their work, understand that they make a real difference each day and also have some fun along the way. We want ASOS to lead the way as a diverse, inclusive and inspiring place to work which attracts the very best talent.

All our employees and third-party colleagues are central to the Group's success. As at 31 August 2016, we employed 2,700 people, including 2,590 full-time and 110 part-time employees. The majority of our employees are based at our headquarters in Camden, North London, and our Customer Care site in Hemel Hempstead, with smaller teams in Paris, Birmingham, Berlin, New York and Sydney. To support our operations, people are employed through our outsourced partners at our Barnsley fulfilment centre, and at our International Customer Care centres based in Gateshead, Glasgow, Lisbon and Vladimir.

We communicate regularly about our Group's performance and objectives, and we encourage employees to contribute their own ideas on where we can make improvements and fast track our business. The past year has seen the largest employee engagement project to date, in which we invited everyone in the Company to provide feedback and ideas to help us review our Company Values in preparation for the next stage of our growth. Being true to our values of being authentic, brave and creative is at the heart of what we strive for. We regularly include our third-party colleagues in Group communications and show our belief in their contribution to the business by including them in our employee discount programme.

Having strong, ethical standards is important to us. We expect all our employees and third-party colleagues to act with integrity and behave ethically in everything they do.

Attracting talent and investing in our people

Attracting, developing and retaining the best talent that will thrive in our fast-paced environment remains our number one priority. Over the past 12 months, we have strengthened our senior team in critical areas with the promotion of Eve Williams to Brand Experience Director, and with eight additional key appointments/promotions in technology, our People Team, Supply Chain, Content and Engagement, Brand Experience and Legal. More widely across the business, apprenticeships and internships remain important ways of attracting more junior talent, and we continue to build partnerships with a variety of universities and colleges.

Once we've brought the best talent on board, we work hard to develop and retain our people by offering opportunities that match both their professional and personal aspirations. We have a robust learning offer to support them through their journey here at ASOS, focusing on employability and personal development. An immersive induction greets people on their first day, and includes a history of the business, meeting the Executive and a tour of the HQ covering all departments from Technology to the Catwalk. Once people have settled into their roles, the learning offer is varied, covering all levels throughout the business. Soft skills are the focus in the #TrainYourBrain programme. Leadership and Management development takes place in-house and during awaydays, and we're also offering our programmes on a mobile platform so people can access their training on demand. We offer everyone support for professional qualifications, as well as role- and departmental-specific training in a variety of coaching, classroom, psychometric, informal and social learning avenues, specific to the ASOS culture.

We believe in encouraging our employees to be involved with the community, and provide various opportunities for them to do so (see Our Community section on pages 35 to 36). As well as being good things to do in their own right, this kind of voluntary participation also helps people feel more involved and gives them a stronger connection with our brand. Our overall aim is to 'ignite the passion' which so clearly exists throughout the Company, creating an environment where fulfilling one's true potential is a given.

Equal opportunities

ASOS is committed to encouraging diversity and inclusion, ensuring that discrimination of any form has no place in our business. We want each person to feel respected and able to perform to the best of their ability. This means recognising their individuality – their personal styles and ways of working. ASOS will treat all employees equally regardless of age, disability, sex, sexual orientation, gender reassignment, marital or civil partner status, family status, race, nationality, ethnic or national origin, religion or belief. Should an employee develop a long-term health concern or disability, we do our best to support him or her to return to work.

We are particularly keen to ensure that women have equal opportunities to have fulfilling careers and rise to the top of the business. As at 31 August 2016, the seven members of our Board comprised three women and four men. Across the business, 65% of full-time employees are women and 35% men (2015: 67% women; 33% men), while 93% of the part-time workforce are women and 7% men (2015: 96% women; 4% men).

Safety

Our employees and people working on behalf of ASOS are entitled to work in a safe environment. We carry out health and safety risk assessments regularly and review our Safety Policy, 'Be Smart', frequently. During the 2016 financial year, we had no reportable work-related incidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR) (2015: none).

ENVIRONMENT

As an online business, ASOS delivers products directly to customers without the need for bricks and mortar stores. We ship to customers in 240 countries and territories from our fulfilment centres in Germany, the UK and the US, and have offices in Berlin, New York, Paris, Sydney and the UK. As such, the biggest environmental impacts from our business activities are carbon emissions from customer deliveries and the running of our buildings, and waste from our packaging, so this is where we are largely focusing our efforts to improve operational and resource efficiency.

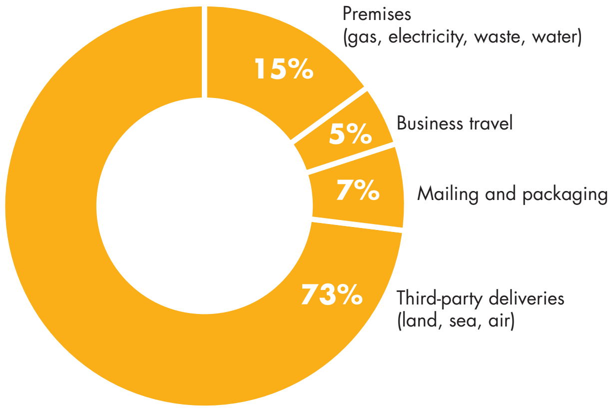
Carbon footprint

Although our carbon footprint continues to increase in line with our business growth, we have seen a decrease in the intensity of our carbon impact as we implement more efficient processes and technologies.

We are only able to publish emissions data from the previous year in this report due to differing reporting timeframes. For the year ended 31 August 2015, our total carbon footprint rose to 48,336 tonnes of CO_2 (2014: 44,331 tonnes). Overall, emissions have increased by 13% compared to the previous year, primarily due to improvements in data quality and an expansion of our reporting scope.

However, we have reduced our carbon intensity by approximately 4% (measured by grams of CO_2 per customer order) by significantly lowering flight and courier emissions, improving energy efficiency at our data centre and implementing more accurate data-capture methods. Intensity metrics for the past five years were recalculated this year due to the inclusion of data centre and packaging assessment emissions within our carbon footprint measurement for the first time.

Breakdown of our carbon footprint



CASE STUDY
LED lighting cuts carbon at Barnsley

LED installation gives more light for less energy

An energy savings audit of our Barnsley fulfilment centre revealed that lighting accounted for more than 3m kWh (34%) of total electricity consumed on site per year – the fulfilment centre operates 24 hours a day and has a building footprint equal to eight football pitches. The audit findings recommended we update the lighting at the site, replacing all the existing fluorescent bulbs with lower-carbon LED alternatives. Following sign-off on a detailed business case, work to replace all 7,013 lights in the fulfilment centre began in June 2016 and took eight weeks to complete. We calculate that the new lighting will save 4.46m kWh per year, result in a 76% reduction in lighting electricity consumption, and cut annual carbon emissions by more than 2,300 tonnes.

Customer deliveries

Third-party deliveries (the delivery of parcels to customers) make up the largest proportion of our footprint, accounting for 73% of emissions, with air freight comprising 97% of this figure. Reducing delivery emissions is an ongoing business priority for ASOS.

We are in the process of mapping out international transport modes and routes to all our key territories so that we can more accurately measure carbon emissions in this area and identify further opportunities to cut the size of our footprint.

We are continuing to increase the amount of stock we hold in our German fulfilment centre (Eurohub) where 45% of European orders, excluding the UK, are now fulfilled, further helping us to reduce stock and vehicle movements across Europe and lower emissions as a result.

Energy efficiency in buildings

Emissions from our buildings make up the second largest proportion of our carbon footprint, which is 15%. The measures we have taken to improve building energy efficiency over the past year include:

- completing energy audits of all our buildings, as required under the UK Energy Savings Opportunity Scheme, to identify where our biggest energy efficiency gains can be made
- replacing all the lighting at our Barnsley fulfilment centre with low-emission LED alternatives
- carrying out a renewables appraisal at Eurohub 2 so that renewable energy generation can be factored into the building design
- reducing data centre emissions by 43% through the procurement of more energy-efficient equipment.

Low-waste photography backgrounds in ASOS studios

"We are working hard to ensure that any new premises we build are constructed with environmental savings in mind. Energy sustainability has been, and continues to be, a key consideration in our plans for our new fulfilment centre, Eurohub 2, in Germany."

Gary Beveridge
Director of Supply Chain Development

Waste

As well as continually reviewing our packaging options with suppliers so that we use the most effective solutions with the least environmental impact, we also recycle all packaging from customer returns with the exception of any returns forms which are currently not recyclable. Our returns processing site in Selby recycled 298 tonnes of cardboard and sent 388 tonnes of plastic to be transformed into manufacturing pellets between September 2015 and July 2016.

To help us achieve our goal of zero waste from all our offices, we are using organisations such as London Re-use to collect our unwanted office furniture so that it can be re-used instead of sent to landfill. We also switched from paper to lino coloramas (photographic backgrounds for our studios) saving us on average 653m^2 of paper a month.

We are also helping our customers to cut waste by setting up a customer clothes recycling scheme in partnership with Doddle, a package delivery company, and TRAID, a UK charity who is reducing the social and environmental cost of the textile industry. TRAID will receive funds from clothes donated by ASOS customers that are sold in its shops. So far, ASOS customers have donated more than half a tonne of garments.

Employee travel

Business travel flight emissions decreased by 8% compared with 2014 due to a reduction in long-haul flights and a change in our flight class policy – in general we fly economy rather than business class.

In the UK, we have implemented an employee car-sharing scheme at our Barnsley and Hemel Hempstead premises. Employees taking part in the scheme have collectively saved 2,241 miles, equating to 738kg of CO_2 (1 September 2015 to 30 June 2016).

OUR COMMUNITY

Making a positive difference to young people's lives in the communities where we operate.

Our community programmes aim to create opportunities for young adults to 'be their best' and achieve their potential. Supported by the Company, our employees and the ASOS Foundation – an independent charity (charity number 1153946) – most of our community work takes place in the UK, particularly around the four areas where we employ the most people (London, Hemel Hempstead, Barnsley and Birmingham).

We also contribute funds, resources and expertise to community projects in Kenya (where the ASOS Africa range is manufactured) and India (where some product and IT suppliers are based). The ASOS Foundation works with long-term charity partners including the Prince's Trust and Centrepoint in the UK, SOKO Community Trust and Wildlife Works Carbon Trust in rural Kenya and Udayan Care in New Delhi, India.

UK

- We set up a new partnership with Centrepoint, funding mental health services for homeless young adults in London.
- We partnered with Barnsley College to fund the Enterprise Programme to develop young people's business ideas and employability skills, and iTrust which provides local business start-ups with grant and mentor support.
- We delivered our second Prince's Trust 'Get Into IT' technology programme, resulting in six graduates being offered 12-month contracts in ASOS' IT Department and three from the pilot programme being offered permanent roles.
- We trained 66 young people through our 'Get Started with Fashion', 'Get Started with Customer Care' and 'Get Into Web Design' programmes in partnership with the Prince's Trust.
- The Prince's Trust awarded 49 young people development grants for equipment to enable them to access work or training.
- We provided ongoing support to 'Call to Create' at the Roundhouse in Camden including circus, dance, poetry and music for young adults, and running two more coding clubs for 11- to 14-year-olds.
- We supported the delivery of Arrival Education's 'Success for Life' programme for young people with potential for success who are disengaged from school and learning due to challenging circumstances in their personal lives, and we set up ASOS employee mentoring opportunities.

CASE STUDY
ASOS Foundation-funded Udayan Care home opens in India

Opening ceremony for the new ASOS Udayan Care home, January 2016

We have been supporting the New Delhi-based charitable trust, Udayan Care, since 2009. Udayan Care aims to provide a family-style home, a good education and career mentoring to some of the 31m orphans in India, as well as disadvantaged young women. We launched The Big Challenge in 2014 to raise funds to build a new Udayan Care home in Greater Noida for 12 orphaned or abandoned girls. ASOS employees fundraised for more than 18 months, supporting a variety of sponsored challenge events, bake sales, supplier and staff sample sales and our first golf day. The girls moved into their new home in April 2016. But we're not stopping there – we are now committed to building four new homes by 2020. We have already bought the land for our second home, which will have a community mentoring centre attached to it.

"The children have moved in and are enjoying the beauty and space of their new home. The staff, mentors and teachers are finding these creative spaces really inspiring to work in – thank you ever so much, ASOS Foundation, your support is phenomenal."
Kiran Modi, Founder, Udayan Care.

CASE STUDY
ASOS volunteers kit out Paralympians for Rio

In 2015, ASOS proudly partnered with the British Paralympic Association (BPA) to design formal and ceremonial wear for the ParalympicsGB team to wear at the Rio 2016 Paralympics. Our Design and Garment Technology teams worked closely with Paralympian athletes to design a capsule wardrobe suitable for a range of physiques as well as Rio's hot climate. In collaboration with the BPA, we held two fitting weeks in May and June 2016 for 600 athletes and team staff to be individually fitted and measured. Over 70 volunteers from across ASOS took part in the fitting roadshows at ASOS head office and in Stockport. This involved welcoming athletes, collecting their outfits in the correct size, advising on sizing and working with tailors to arrange bespoke alterations to ensure the best fit for each person. Our Barnsley fulfilment centre then packed and dispatched everything to the athletes, team by team.

Our Paralympics legacy forms part of our Celebrating Diversity programme which seeks to raise awareness of disability and to increase the equality of opportunities available for potential and current employees with disabilities. We shared our Paralympic experience with young people close to our Camden head office when ParalympicsGB wheelchair basketball coaches and ASOS volunteers hosted a 'come and try' sports day for students at Haverstock School.

"Helping out at the Paralympics fittings was a really rewarding experience. Getting to meet such a range of different athletes, and hear their stories about how they got to where they are today, was a real highlight for me." Brittany Warrington, ASOS volunteer.

Kenya – Project Pipeline

- A 6km pipeline was installed to provide fresh drinking water to another 3,800 people in the Kasigau region, including two schools.
- We equipped 62 students who attended our Kenyan Stitching Academy with professional manufacturing skills that will enable them to get jobs in the industry or to establish small businesses.
- Extra classroom space was created at Buguta Secondary School and a rainwater catchment system was installed on the roof.
- We set up a Stitching Academy Hub which offers programme graduates low-cost space and equipment to rent so they can start up their own businesses.
- We launched the 'Pipeline Roadshow', a programme of community workshops in rural villages including women's health, free eye-care clinics and training in financial management for women and families.

India – Udayan Care

- Through the ASOS Foundation, we supported 72 children at Udayan Care homes throughout Delhi and Greater Noida.
- We opened our first purpose-built Udayan Care family home in Greater Noida for 12 abandoned or orphaned girls in April 2016.
- We bought land for our second Udayan Care home in Kurukshetra which will include space for a community mentoring centre.
- Ten ASOS employees got the opportunity to volunteer in India at Udayan Care, refurbishing living space and running workshops for the children as part of our third 'Give a Week Away'.

EMPLOYEE INVOLVEMENT

We encourage our employees to be more involved with the community and offer them various ways to donate, fundraise and volunteer. During the year, ASOS employees have been engaged in:

- Payroll Giving: more than 17.5% of employees make regular donations to charity from their pay – we received our fourth Platinum Quality Mark for Payroll Giving in April
- Payday Pennies: launched in 2014, 11% of employees now donate the pennies from their salary directly to the ASOS Foundation
- Give a Day Away: our employees volunteered 2,258 hours to give time and expertise to our community programme partners or to their chosen charity or community group
- ASOS Active and ASOS Engage: employees undertaking sponsored challenges and organising fundraising events contributed more than £34,000 to the ASOS Foundation
- Employee sample sales: sample sales raised more than £134,000 for the ASOS Foundation.

38 Board of Directors
40 Corporate Governance Report
44 Audit Committee Report
47 Directors' Remuneration Report
56 Directors' Report
58 Statement of Directors' Responsibility

GOVERNANCE REPORT

BOARD OF DIRECTORS

Brian McBride
Chairman

Appointed: Chairman of ASOS Plc in November 2012.

Experience: Brian is Chairman of Wiggle Ltd, a private-equity owned online cycling and apparel business. He sits on the Board of the UK Government's Digital Advisory Board, facilitating the delivery of world-class public services through emerging technologies and digital trends. Brian is a Senior Non-Executive Director at AO World PLC, an online retailer specialising in household appliances and a Senior Adviser at Lazard. He is also a member of the Court (Governing Body) of the University of Glasgow. Prior to joining ASOS, Brian was the UK Managing Director of Amazon.co.uk from 2006 to 2011.

Committees: N*

Nick Beighton
Chief Executive Officer

Appointed: Chief Financial Officer in 2009 and Chief Executive Officer in September 2015.

Experience: 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 before his appointment to the Company's retail board in 2003. Nick was Finance Director of Luminar Group Holdings PLC. In March 2016, Nick became a Director of Raging Bull Group Ltd, a new leisure clothing company. He is a member of the EU e-Commerce Task Force and the Future Fifty Programme Advisory Panel.

Rita Clifton
Non-Executive Director

Appointed: April 2014.

Experience: Rita is Chairman of BrandCap, the global brand consultancy, and of Populus, the research consultancy. She is also a Non-Executive Director of Nationwide Plc and, in May 2016, she joined the board of Ascential plc, the international business-to-business media company, as Senior Independent Director and as a member of the Audit and Nominations Committees. Previous non-executive directorships include Bupa, Dixons Retail Plc and Emap Plc. Rita started her career in advertising, becoming Vice Chairman and Strategy Director at Saatchi & Saatchi. She joined Interbrand as Chief Executive Officer of the London office in 1997, becoming Chairman in 2002. She is a Fellow of WWF-UK, the conservation and environmental protection charity, and has been a member of the Government's Sustainable Development Commission. Rita also chairs the sustainability charity TCV and sits on the Advisory Board for BP's carbon offsetting programme Target Neutral. In 2014, Rita was awarded a CBE for services to the advertising industry.

Committees: A R N

Hilary Riva
Chair of the Remuneration Committee

Appointed: Non-Executive Director in 2014 and Chair of the Remuneration Committee in January 2016.

Experience: Hilary joined Shepherd Neame, Britain's oldest brewer as a Non-Executive Director in April 2016. She is also a Non-Executive Director of Shaftesbury Plc and London & Partners, and a Director of The Alexander Centre Community Interest Company. Between 1996 and 2001, Hilary was a member of the Management Board of Arcadia serving as Managing Director of Evans, Top Shop, Principles, Wallis, Dorothy Perkins and Warehouse. In 2001, as Managing Director of Rubicon Retail, she jointly led the management buy-out of Principles, Hawkshead, Warehouse and Racing Green from Arcadia. Following the sale of Rubicon in 2005, Hilary joined the British Fashion Council as Chief Executive on a pro bono basis. Hilary stood down in 2009 having put in place the industry engagement, strategic plan, financial resources and management structure to provide a sustainable future for the organisation. Hilary was awarded an OBE for services to the fashion industry in 2008.

Committees: R* A N

Helen Ashton
Chief Financial Officer

Appointed: September 2015.

Experience: Helen is a chartered management accountant with 20 years of post-qualification experience, including more than ten years working at senior director level. She has spent ten years within regulated financial services businesses driving major change and growth programmes both in Managing Director and Finance Director roles. This included consumer-facing roles at Barclays, Lloyds Banking Group and as Chief Executive Officer of a private equity-backed UK consumer debt purchaser, Capquest. Prior to this, Helen held senior finance roles at ASDA and GUS.

Ian Dyson
Senior Independent Director and Chairman of the Audit Committee

Appointed: October 2013.

Experience: Ian is the Senior Independent Director of PaddyPowerBetfair Plc, Chairman of the Audit Committees of Intercontinental Hotels Group Plc and SSP Group Plc, and is a Non-Executive Director of Punch Taverns Plc. He has more than 20 years' 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 Group Plc from 2005 to 2010 before becoming Chief Executive of Punch Taverns Plc in 2010. Prior to that, Ian was Group Finance Director of Rank Group Plc and was formerly a Non-Executive Director and Chair of the Audit Committee of Misys Plc.

Committees: A* R N

Nick Robertson
Founder and Non-Executive Director

Appointed: Co-founded ASOS.com Ltd in 2000, and served as its Chief Executive Officer until September 2015, when he became a Non-Executive Director.

Experience: Nick's 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 Ltd, a marketing services business. Nick was awarded an OBE in 2011 for his achievements in the world of fashion retailing. He is also Chairman of the ASOS Foundation, a registered charity, funded by ASOS which seeks to improve the lives of young people in the UK and overseas through long-term partnerships with established local charities.

Andrew Magowan
General Counsel & Company Secretary

Appointed: January 2012.

Experience: before joining ASOS, Andrew was Legal Director of helicopter operator Bristow Group's Global Operations division, and prior to that was General Counsel for FTSE-listed Alpha Airports Group Plc. He qualified and worked as a corporate lawyer with Berwin Leighton Paisner, and moved in-house with Associated British Foods Plc.

A – Audit Committee
N – Nomination Committee
R – Remuneration Committee
* – Committee Chair

CORPORATE GOVERNANCE REPORT

It is the Board's job to ensure the Company, its subsidiaries and all its businesses (together 'the Group') are managed for the long-term benefit of all shareholders. The application of standards of corporate governance that are appropriate for the Group's nature, status, profile, size and circumstances is an important part of that job. How the Board has delivered on that commitment in the last financial year is set out below.

THE BOARD

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

- reviewing and approving the Group's overall strategy and direction
- determining, maintaining and overseeing controls, audit processes and risk management policies to ensure the Company operates effectively and sustainably in the long term
- approving the financial statements, as well as revenue and capital budgets and plans
- approving material agreements and non-recurring projects
- reviewing and approving remuneration policies.

The Board delegates specific responsibilities to the Board Committees, as detailed in this Corporate Governance Report, with the role and responsibilities of each Committee set out in clearly defined Terms of Reference.

Board composition

As at 17 October 2016, the Board comprised the Chairman, two Executive Directors and four other Non-Executive Directors.

During the financial year to 31 August 2016, the following Board changes took place: on 2 September 2015, Nick Beighton was appointed Chief Executive Officer of the Company, while Nick Robertson, the previous Chief Executive Officer, became a Non-Executive Director; Helen Ashton was also appointed as Chief Financial Officer on 1 September 2015; and on 3 December 2015, Karen Jones resigned as a Non-Executive Director and Chair of the Remuneration Committee. Short biographies of each of the Board Directors in office at the year end are set out on pages 38 to 39.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including (without limitation) in the areas of retailing, fashion, finance, innovation, international trading operations, ecommerce and marketing. The Board is also satisfied that it has a suitable balance between independence (of both character and judgement) on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

The Company is committed to encouraging diversity among its workforce and 43% of the ASOS Plc Board are women (three of seven). For further information on diversity within ASOS, see the People section in the Corporate Responsibility Report on page 32.

Appointment, removal and re-election of Directors

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation; that all Directors must stand for re-election at least once every three years; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment. However, to underline their accountability to shareholders and the Board's commitment to appropriate corporate governance, each Director will now offer themselves for re-election by shareholders annually, with effect from the next Annual General Meeting.

With regard to all the Directors who are offering themselves for re-election at the next AGM, the Board unanimously believes that each of their contributions continues to be effective and that the Company and its shareholders should support their re-election.

Roles of the Chairman and Chief Executive Officer

There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Board.

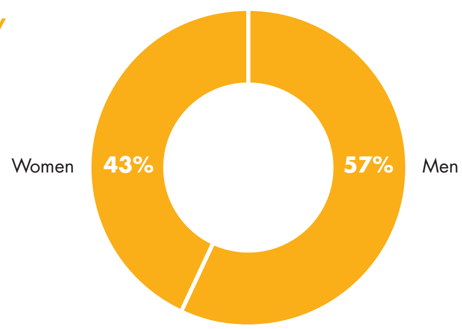
Board meetings

The Board manages the Company through a formal schedule of matters reserved for its decision, with a minimum of eight meetings scheduled each year. Prior to the start of each financial year, a schedule of dates for that year's eight Board meetings is compiled to align as far as reasonably practicable with the Company's financial calendar on the one hand, and its trading calendar on the other, while also ensuring an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings as and when required. During the year to 31 August 2016, the Board met for its eight scheduled meetings.

The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are 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, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

To check the efficacy of the Board process, the Company's internal auditors carried out a review into the Board reporting processes during the financial year to 31 August 2016.

Board diversity



Key Board actions during the year

The Board recognises that cyber-crime continues to be a threat to all businesses and has ensured that additional investment has been made during the year with the recruitment of a Chief Information Security Officer, the building out of the IT Security team and additional capital expenditure on the information security infrastructure to upgrade and strengthen our systems.

During the year, we have continued our open dialogue with the investment community with a comprehensive schedule of visits, roadshows and meetings and a Capital Markets event in June.

We have considered the recently introduced Modern Slavery Act 2015 and we are able to confirm that to the best of our knowledge there is no modern slavery or human trafficking within our supply chain; and we will continue to monitor measures to protect workers from abuse or exploitation in our business or supply chain.

There is no requirement for AIM-listed companies to present a viability statement, however the Board considered it appropriate to provide guidance, and a viability statement has been considered by the Audit Committee, working with the Directors. This involved the Committee reviewing the business model alongside the principal risks and satisfying itself that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities over the three-year period to 31 August 2019. Further details are set out in the Director's Report on pages 56 and 57.

Board performance

The performance of the Board is fundamental to the Company's success. The performance of the Board and its Committees, including individual members, is evaluated regularly, with the aim of improving their effectiveness. The last evaluation was carried out in August 2016, and was facilitated internally, involving a questionnaire to each Board Director. The review produced a number of key actions that have been implemented to help the Board work together more effectively, including:

- Nomination Committee meetings scheduled for 2017 to consider Board composition and succession planning
- Board meetings to be held occasionally at sites other than head office.

Board Committees

The Board is supported by the Audit, Remuneration and Nomination Committees.

Each Committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the Committee to discharge its duties. The Terms of Reference of each Committee are available at www.asosplc.com. Each Committee is responsible for reviewing the effectiveness of its own Terms of Reference and for making recommendations to the Board for changes when necessary. Executive Directors are not members of the Board Committees, although they may be invited to attend meetings. The General Counsel & Company Secretary acts as secretary to all the Committees. The minutes of Committee meetings are circulated to all Committee members and reports on each are given by the relevant Committee Chairman to the Board.

The specific responsibilities of each of the Committees are set out below.

Audit Committee

The composition, responsibilities and activities of the Audit Committee are set out in the separate Audit Committee Report on pages 44 to 46

Remuneration Committee

The composition, responsibilities and activities of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 47 to 53, along with the Company's Remuneration Policy and details of how that policy was implemented during the year to 31 August 2016.

Nomination Committee

The Nomination Committee currently comprises three independent Non-Executive Directors – Rita Clifton, Ian Dyson and Hilary Riva; and the Company's Chairman, Brian McBride, who is the Committee Chair. The Chief Executive Officer is also invited to attend meetings unless he has a conflict of interest. Other Directors, and the General Counsel & Company Secretary, are invited only as appropriate (and only if they do not have a conflict of interest). The Committee is also assisted by executive search consultants as and when required.

The Committee's principal responsibility is to evaluate the Board's requirements and ensure that appropriate procedures are in place for the nomination, selection and succession of Directors to meet those requirements. Given that the Board had just gone through an extensive succession process for Executive Directors at the end of the previous year, the Committee did not meet during the year to 31 August 2016. However, looking ahead, a minimum of one Nomination Committee meeting has been scheduled in the Board calendar going forward to consider succession planning. External search consultants were used for the appointments of Nick Beighton as Chief Executive Officer and Helen Ashton as Chief Financial Officer.

Attendance at Board/Committee meetings

The table below shows the attendance record of individual Directors at Board meetings and relevant Committee meetings.

	Board meetings		Committees					
			Audit		*Remuneration*		*Nomination*	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Brian McBride	8	8	–	–	–	–	*No meetings held*	
Nick Beighton	8	8	–	–	–	–	*see page 41*	
Helen Ashton	8	8	–	–	–	–		
Rita Clifton	8	8	4	4	4	4		
Ian Dyson	8	8	4	4	4	4		
Hilary Riva	8	8	4	4	4	4		
Nick Robertson	8	7	–	–	–	–		
Karen Jones*	3	2	1	1	1	1		

*Karen Jones resigned on 3 December 2015

At the date of this Annual Report, the Board had met twice since 31 August 2016, the end of the financial year. The Remuneration Committee also met twice, and the Audit Committee met once, since 31 August 2016.

Advice, support and professional development

The Directors have access to the advice and services of the Company Secretarial team, including the General Counsel & Company Secretary, who is responsible for ensuring that all Board procedures have been complied with. Individual Directors are also able 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 plus, where appropriate, external parties. Appropriate training is also available to all Directors 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.

Directors' conflicts of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

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 formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's business and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. It also manages and oversees key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the Board on issues, progress and recommendations for change that come out of the Executive Board's meetings. As at 17 October 2016, 28% of the Executive Board are women (two of seven).

Internal control procedures are delegated by the Board to the Executive Board. The controls applied by the Executive Board to financial and non-financial matters are set out below, and the effectiveness of these controls regularly reported to the Audit Committee and the Board.

Financial controls

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Board, the Audit Committee and the Board in light of an ongoing assessment of significant risks facing the Company.

- As outlined in this Corporate Governance Report, 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, tax and dividend policy. Monthly results and variances from plans and forecasts are reported to the Board.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and 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 and internal auditors through regular meetings.
- The Board has established an organisational authority structure, with clearly defined lines of responsibility and approval thresholds, to specify the transactions requiring its approval. The Chief Financial Officer is responsible for the functional leadership and development of the Company's finance activities, including compliance with this organisational authority structure.
- There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover profits, cash flows, capital expenditure and balance sheets. Monthly results are reported against budget and compared with the prior year, and forecasts for the current financial year are regularly revised in light of actual performance.
- The Company has a consistent system of prior appraisal for investments, overseen by the Chief Financial Officer, with defined financial controls and procedures with which each business area is required to comply in order to be granted investment funds for development. Regular post-investment reviews are also carried out to check the extent to which investment cases were delivered in line with plans.

Non-financial controls

ASOS has a number of non-financial controls covering areas such as legal and regulatory compliance, business integrity, health and safety, risk management, business continuity and corporate responsibility (including ethical trading, supplier standards, environmental concerns and employment diversity). The key elements of those non-financial controls are set out below.

- **Appropriate standards and policies:** the Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include 'Fashion With Integrity', the Company's corporate responsibility framework standards, which include objectives relating to the impact that the Group's activities have on the environment, workplace, marketplace and community (further details of which are set out on pages 25 to 36) of this report; the ASOS Supplier Standards (which set out the core trading requirements expected of all ASOS suppliers); and 'Do The Right Thing', the Company's Code of Integrity (designed to ensure that all those who work for and on behalf of ASOS act with integrity, behave ethically and work within best practice).
- **Appropriate approvals:** all material contracts are required to be reviewed by the Procurement and Legal Departments, and signed by a senior executive of the Company.
- **Appropriate oversight:** as businesses change, so too do their challenges and risks. Given ASOS' continued growth, the Board regularly reviews all standards and policies to ensure they remain appropriate to ASOS as its size and shape change. The most significant of these is the Company's risk management process, which is centred around the Business Risk Register. Through its review, and the implementation of business continuity plans to address those key risks that have an immediate impact, risks facing the business are re-assessed, and potential mitigating actions are considered and implemented to help protect against those risks and prepare the business to handle them should they arise.
- **Appropriate assistance:** each year, Deloitte, our internal auditors, carry out reviews of our internal processes in a number of different areas to assist with our risk management processes, provide an objective independent view of the effectiveness of various procedures and policies, and identify where improvements could be made. Deloitte report to the Audit Committee; with the day-to-day relationship managed by the General Counsel & Company Secretary and the Chief Financial Officer. The internal audit plan for each year is compiled after consultation with the Executive Board members approved by the Audit Committee; and the reports and recommendations from each audit are reviewed by the relevant business department, the Executive Board and the Audit Committee.
- **Appropriate engagement:** recognising that, where standards and policies apply across ASOS, they are only effective if their intended audiences fully engage with them, and that ASOS has a non-traditional but effective culture, we dedicate a lot of time and effort to ensure that all ASOS-wide standards and policies in all areas (including business integrity, anti-bribery, gifts, intellectual property and design rights) are written and communicated to the organisation in the way that is likely to result in the greatest engagement from ASOSers.
- **Appropriate internal disclosure:** with a business as large as ASOS, we know we rely on our employees to be our eyes and ears on what is going on across the organisation. So, under the banner of 'Say It', ASOS has a number of ways in which ASOSers can provide us with feedback on any matter, including anything that just doesn't feel right. One of those – called 'We're Listening' – is through an external provider which anyone connected to ASOS can contact to disclose any concerns about the business. This service, which is anonymous, multilingual and independent, can be contacted by a website portal or by calling a local-rate telephone number. The Audit Committee is advised of any significant concerns raised through this service and subsequent investigations. To ensure that all ASOSers, new or long-serving, know of these feedback channels and to encourage their use across the Company, an awareness programme for Say It was kicked off in August 2016.
- **Appropriate focus:** the Executive has identified the need for a dedicated Business Assurance function to give increased focus on risk management and compliance, as suits the needs of a growing and maturing business. Recruitment is underway and this resource will further enhance the existing controls in place to protect the business.

RELATIONS WITH SHAREHOLDERS

The Company remains committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, trading updates and the Annual General Meeting (AGM), and encourages their participation in face-to-face meetings. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company's corporate website, www.asosplc.com.

Private shareholders

The AGM is the principal forum for dialogue with retail shareholders, and the Company encourages all shareholders to attend and participate. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. 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. Shareholders vote on each resolution, and this year this will be done by way of a poll rather than by a show of hands, which is considered best practice. For each vote, the number of proxy votes received for, against and withheld is announced. The results of the AGM are subsequently published on the Company's corporate website.

Institutional shareholders

The Directors actively seek to build a mutual understanding of objectives with institutional shareholders. Shareholder relations are managed primarily by the Chief Financial Officer and Director of Investor Relations, supported by the Chief Executive Officer, as appropriate. 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 institutional investors frequently through a combination of formal meetings, participation at investor conferences and informal briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views. In June 2016, a 'Capital Markets' event was held in London and attended by 150 sell-side analysts to enhance their understanding of the business.

The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the Chief Financial Officer, supported by the Director of Investor Relations when required. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Directors, including the Senior Independent Non-Executive Director, are available to meet with major shareholders if required to discuss issues of importance to them.

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE CHAIRMAN'S STATEMENT

The Board has overall responsibility for managing the risks facing the business to protect as far as possible the long-term success of ASOS. The Audit Committee plays a crucial role in assisting the Board to discharge that duty by monitoring, reviewing and challenging the effectiveness of the Group's systems of control and processes concerning financial reporting; risk management and business continuity; and business assurance around areas such as fraud, bribery and corruption detection, and whistleblowing. The Committee also monitors and reviews the appointment of the Company's external and internal auditors (including the nature and scope of their work), as well as the external auditors' independence and effectiveness, audit fees and the provision of non-audit services.

AUDIT COMMITTEEE COMPOSITION

The Audit Committee currently comprises three independent Non-Executive Directors: Ian Dyson (Committee Chair), Rita Clifton and Hilary Riva. During the year to 31 August 2016, Karen Jones resigned as a Non-Executive Director and therefore stood down as a member of the Audit Committee. The table below sets out each member's attendance record at Committee meetings during the financial year.

Committee member	Role	Attendance record
Ian Dyson	Committee Chair	4/4
Rita Clifton	Non-Executive Director	4/4
Hilary Riva	Non-Executive Director	4/4
Karen Jones*	Non-Executive Director	1/1

*Karen Jones resigned as a Non-Executive Director on 3 December 2015 and so was only eligible to attend one meeting

Although not members of the Audit Committee, the Company Chairman, the Chief Executive Officer, the Chief Financial Officer, the General Counsel & Company Secretary and the Group Financial Controller are also invited to attend meetings (unless they have a conflict of interest), as are the external and internal auditors. Other senior members of the Finance Team are invited to attend meetings as appropriate, unless there is any potential conflict of interest.

The Audit Committee Chair and members also regularly meet with both the external and internal auditors, without the Executive Directors or members of the Finance Team present.

The Board is satisfied that the Chair of the Committee, Ian Dyson, has recent and relevant financial experience. He is a chartered accountant, has held executive roles in financial positions in other companies and has chaired audit committees for a number of other listed companies. The Committee's other members have all played an active role in Committee meetings held throughout the year.

The Committee has engaged the following external advisers to assist it in meeting its responsibilities: PricewaterhouseCoopers LLP (PwC) act as external auditors to ASOS and Deloitte LLP act as internal auditors to the Company. The Company also receives advice as required from PwC and Slaughter and May LLP on tax and legal issues relating to corporate matters.

The Audit Committee: responsibilities

The Committee's principal responsibilities are:

- monitoring the integrity of the Company's financial statements in relation to the Company's financial performance
- reviewing the effectiveness of the internal and external audit process
- reviewing the effectiveness of the Group's financial and internal controls, including the process for the evaluation, assessment and management of risk.

The full Terms of Reference for the Committee are available on the Company's corporate website, www.asosplc.com. They were last updated on 18 March 2014 and reviewed again on 13 January 2016.

The Audit Committee met four times for scheduled meetings during the year. Its activities included:

- reviewing and approving the Annual Report and Accounts to 31 August 2015 and half-year results to 28 February 2016
- considering reports from the external auditors and identifying any accounting or judgemental issues requiring its attention
- overseeing the appointment of and relationship with the external auditors, including an assessment of their independence and a review of the policy for use of external auditors to provide non-audit services
- reviewing and considering reports on the work of the internal audit function
- reviewing and approving the Group's tax and treasury strategies and policies, as well as the Auditor Rotation policy and the Delegated Authority levels
- receiving regular reports on IT security processes and systems, and the work of the IT Security Team
- reviewing the Company's Business Risk Register and the risk mitigation actions undertaken during the year
- considering reports on the Company's Gifts and Corporate Hospitality Policy
- reviewing the Committee's Terms of Reference
- agreeing an appropriate period for a viability statement
- approval of a new dedicated Business Assurance function to provide better focus on and oversight of risk management, compliance and business continuity.

FINANCIAL REPORTING

The Board has discussed areas of risk with the auditors and agree for the following areas of heightened risk to be reviewed and assessed in the audit of the Company's performance in the financial year to 31 August 2016.

- **Risk of fraud in revenue recognition:** the greatest risk of revenue recognition fraud is at the financial statement level, through the posting of manual journals. There is also a potential revenue recognition risk for goods in transit over the year end.

- **Capitalisation of costs may not be appropriate:** given the significant levels of capital expenditure and internal IT costs capitalised, there is a risk that additions may be incorrectly capitalised.

- **Risk of share option schemes being incorrectly accounted for:** due to the complexity of IFRS 2 'Share-based Payment', the number of schemes available for ASOS employees and additional grants under the ASOS Long-Term Incentive Scheme in the year, there is a heightened risk of error from incorrect accounting treatment.
- **Tax provisions and exposure may not be accurately accounted for:** due to the complexity of tax in a number of smaller areas, such as tax related to share option schemes, VAT and overseas tax exposure, there is a risk of material misstatement in relation to tax accounting.
- **Stock not recorded correctly:** as a result of the increased stock holding in the overseas warehouses, there is a heightened risk that the closing stock is not accurately recorded in the financial statements.
- **Risk of ASOS loyalty scheme accounting being inaccurate:** given the complexity of accounting for loyalty schemes under IFRIC 13 'Customer Loyalty Programmes' and IAS 18 'Revenue Recognition', there is a risk that the accounting for the ASOS A-LIST scheme is not appropriate. Following the launch of the full scheme during the year, there is also the risk that sufficient information is not available to reliably estimate assumptions required in the calculation of the fair value of the award or the revenue requiring deferral.
- **Incorrect presentation and disclosure of discontinued operations:** following the decision to cease operations in China, there is a risk that costs relating to the ongoing Group are incorrectly classified as discontinued or exceptional.

The Committee reviewed the appropriateness of management's accounting in relation to each of these significant risks and PwC reported to the Committee on the work they had performed in assessing each during their audit. Details of this work are provided in PwC's Audit Report on pages 60 to 64.

EXTERNAL AUDIT

The external auditors, PwC, were first appointed in the financial year to 31 March 2008. The fees paid to PwC for the financial year to 31 August 2016 were £259,000. 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 each year, seeking the views of the Board, together with those of relevant members of the Executive Board.

The Board is satisfied that the Company has adequate policies and safeguards in place to ensure PwC maintain their objectivity and independence. The external auditors report to the Audit Committee annually on their independence from the Company. Periodic rotation of key audit partners is also required and, in line with that policy, having overseen ASOS' external auditing for five years, the current Group audit partner from PwC will be standing down and will be replaced with another PwC partner for the financial year ending 31 August 2017.

The Board has a formal policy on the Company's relationship with PwC in respect of non-audit work. Proposals for all non-audit services above £50,000 must be approved by the Audit Committee before any such work is carried out, and PwC may only provide such services if their advice does not conflict with their statutory responsibilities and ethical guidance.

Following the most recent review, the Audit Committee recommended the reappointment of PwC as auditors of the Company, and PwC expressed their willingness to continue in office. A resolution to reappoint PwC and a resolution to enable the Directors to determine their remuneration will be proposed at the 2016 AGM.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has a policy of continuous identification and review of principal business risks and oversees risk management. This includes the use of key internal controls and processes to identify key risks, consider how those risks may affect the achievement of business objectives and determine appropriate mitigation actions, taking into account the Company's risk appetite.

The Executive Board is delegated the task of implementing the internal controls and processes to put the Board's policies on risk and control into effect, and for providing assurance on compliance with these policies and processes. On a day-to-day basis, the Group risk management process is managed and co-ordinated by the General Counsel & Company Secretary. The framework for this process is the Business Risk Register, which is prepared and regularly reviewed using consistent risk factors and identifies the business impact and likelihood, as well as any mitigating factors or controls. In the financial year to 31 August 2016, the Business Risk Register review was supplemented for the first time by a 'Black Swan' review carried out by the Executive Board to identify, among other things, those events where ASOS' reputation may be greater than is warranted, those events (however unlikely) that could materially impact the business's viability, and those events which it is no longer acceptable for a business of ASOS' size and profile to tolerate. Progress and issues coming out of both the Risk Register and Black Swan review are reported on a regular basis to the Executive Board, the Audit Committee and, going forward, the ASOS Leadership Team.

Where those controls and processes apply across ASOS, particular effort is made to ensure that they are written, positioned and refreshed in such a way that they are understood and engaged with by everyone connected with ASOS. Such an understanding is essential for those controls to be effective and the recent roll-out of both ASOShome, the Company's new intranet, and Facebook@Work provides a great opportunity to further deepen all ASOSers' awareness and understanding of the key controls and processes, and to further embed the Board's policy on risk management across our business.

During the financial year, the Board carried out an evaluation of the effectiveness of the risk management and internal controls systems for all parts of the business, which covered all material controls including financial, operational and compliance controls. While the Board is satisfied that these controls operated effectively for the financial year to 31 August 2016 and up to and including the date of this report, as mentioned above, the Executive Board has identified the need for a dedicated Business Assurance function to ensure an increased focus on applying and evolving risk management and internal controls, and this proposal was approved by the Audit Committee in July. This reflects the needs of a maturing business and will ensure a more integrated, deeper approach to the management of risk.

INTERNAL AUDIT

Our internal audit function is outsourced to Deloitte, who update the Committee at each meeting on their ongoing reviews. The fees paid to Deloitte for the financial year to 31 August 2016 were £243,000. The Committee reviewed the schedule of planned internal audits undertaken during the year and assessed the processes in place to track and monitor progress in fixing the management actions highlighted by these audits. Key internal audits conducted included a review of our core controls across accounts payable and stock accounting, our end-to-end order to cash process, our margin analysis and reporting, our payroll process including key HR controls, our risk management, corporate governance and Board reporting and a review of our IT data security. As a result of these reviews, we set up working groups to take forward any findings regarding our control framework, including implementing better controls and processes. These groups were also required to provide progress updates regularly to the Audit Committee.

This review ensures that the Committee is able to give assurances that the Group has an effective risk management framework. At the time of reporting, there are no actions that are overdue regarding this timeframe.

The key actions to increase the effectiveness of the internal audit function that were identified in the effectiveness review carried out during summer 2015 were duly implemented during the financial year to 31 August 2016, including a revised three-year schedule of internal audit review projects.

COMMITTEE EVALUATION

The effectiveness of the Committee is monitored and regularly assessed using internal evaluation questionnaires, and we have concluded that the Audit Committee is operating effectively.

OUR PRIORITIES FOR THE YEAR AHEAD

During 2017, the Committee will continue to focus both on the integrity of the financial controls, risk management systems, particularly through the establishment of the new Business Assurance department, and on the robustness of the Company's IT security arrangements to ensure that they reflect the changing risks of our high-growth business. We recognise in particular that cyber-crime is a growing threat to all businesses, as set out in our Risk Report on pages 20 to 24. Therefore we will continue to review IT security regularly, and keep the associated risks under close review.

Ian Dyson
Audit Committee Chair
17 October 2016

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

Dear shareholder

On behalf of the Board, I am delighted to present the Remuneration Committee's report for the year to 31 August, 2016. This is my first report as Chair of the Remuneration Committee since I took over the role on 1 January 2016. I would like to thank my predecessor, Karen Jones, for her contribution and leadership of the Committee throughout her time.

Going forward, I will continue to be joined on the Remuneration Committee by fellow Board members Rita Clifton and Ian Dyson. We will continue to support, on behalf of shareholders, the ongoing development and effective governance of a remuneration framework appropriate for a dynamic and high-growth business such as ASOS.

Remuneration and business strategy

At ASOS, we remunerate our executives in a way which:

- aims to align executive interests with shareholders
- is sufficiently competitive in the marketplace to enable us to attract, retain, and motivate exceptional people
- encourages and rewards the behaviours and outcomes that will deliver business success and a good return for our shareholders.

To achieve this, we pay a fixed salary, and link a significant part of executive remuneration to the delivery both of annual targets and the long-term business strategy. We set challenging targets and monitor performance against them closely.

The year under review

For the year to 31 August 2016, the business performed well under the leadership of a new management team with both the Chief Executive Officer, Nick Beighton, and Chief Financial Officer, Helen Ashton, appointed at the start of the financial year. With the financial results in excess of the business plan, the level of bonus payable to the Executive Directors and all other eligible employees was just above the target pay-out level. The specific targets and the annual bonus payments against them are disclosed on page 53 of this report.

This year, we have reviewed several aspects of ASOS' people management processes, to ensure they are able to support the next phase of business growth. In addition, we have increased our focus on 'pay for performance' framework so that high performers are rewarded, while ensuring that those needing development are supported to enhance their skills.

We made awards under our ASOS Long-Term Incentive Scheme (ALTIS) in October of this year to Executive Directors and senior managers. This means we now have two sets of annual awards in place to assist with the long-term retention of key individuals and to incentivise long-term business performance.

The year ahead

The Remuneration Committee recognises the unique challenges that exist within ASOS with its high-growth environment, coupled with the fast-moving nature of the business sector within which it operates. We continue to review our remuneration policy to ensure that it remains competitive and able to attract appropriate talent into the business.

For the forthcoming year, we have agreed the following changes to the way we implement our policy:

- We have strengthened the connection between our key reward metrics and our business strategy by adapting the performance conditions used for our annual bonus scheme and the ALTIS. We remain committed to the use of stretching performance metrics, and now recognise the importance of having performance conditions that are linked to customer engagement. For the annual bonus, we have introduced the metric of sales growth into the financial component of the plan in addition to profit; the non-financial measures rewarded under the plan remain in line with current practice. Under the ASOS Long-Term Incentive Scheme (ALTIS), we have introduced additional measures into the performance criteria. Any awards granted during FY17 will vest based on performance against four performance criteria (30% on TSR; 30% on EPS; 30% on sales growth and 10% on a customer engagement metric – Net Promoter Score (NPS).)

- We have developed a new remuneration philosophy to support the ASOS market positioning and aspirations as a desirable employer, by ensuring that all future remuneration decisions are assessed against a consistent set of principles and objectives. This philosophy is linked to the ASOS values that were reviewed and updated by the business during the year, having gathered feedback from employees across the business.

Concluding remarks

As a Committee, we continue to monitor best practice developments in executive compensation and corporate governance. While we are an AIM-listed company, we do seek voluntary shareholder approval for the Remuneration Report. The Committee is appreciative of the level of support received from shareholders.

At the AGM last year, 84% of shareholders voted in favour of the Directors' Remuneration Report, providing an important level of public accountability for the Board with the suitability of our remuneration policy and its implementation. We hope that you find this year's Remuneration Report equally informative around how ASOS leadership is remunerated, and some of the changes that we have made during the year. I look forward to seeing shareholders at the AGM, and hope that I can count on your continued support on our pay arrangements.

Hilary Riva

Hilary Riva
Chair of the Remuneration Committee

REMUNERATION GOVERNANCE

The Remuneration Committee: composition

The Remuneration Committee comprises three independent Non-Executive Directors: Hilary Riva (Committee Chair), Rita Clifton and Ian Dyson. During the year to 31 August 2016, Karen Jones resigned as a Non-Executive Director, and therefore stood down as a member and Chair of the Remuneration Committee. The table below sets out each member's attendance record at Committee meetings during the financial year.

Committee member	Role	Attendance record
Hilary Riva*	Non-Executive Director	4/4
Rita Clifton	Non-Executive Director	4/4
Ian Dyson	Non-Executive Director	4/4
Karen Jones*	Committee Chair	1/1

*Karen Jones resigned on 3 December 2015. Hilary Riva was appointed as Chair of the Committee with effect from 1 January 2016.

Appropriate members of the management team, as well as the Committee's advisers, are invited to attend meetings as appropriate, unless there is a potential conflict of interest.

The Remuneration Committee: responsibilities

The Committee's principal responsibilities are to:

- determine and recommend to the Board the Company's overall remuneration policy, and then monitor the ongoing effectiveness of that policy
- determine and recommend to the Board the remuneration of Executive Directors, the other members of the Executive Board, and the Chairman
- monitor, review and approve the levels and structure of remuneration for other senior managers and employees
- determine the headline targets for any performance-related bonus or pay schemes
- determine specific targets and objectives for any performance-related bonus or pay schemes for the Executive Directors and the other members of the Executive Board
- review and approve any material termination payment.

The full Terms of Reference of the Remuneration Committee are available on the Company's corporate website, www.asosplc.com. These were last updated on 11 June 2014.

The remuneration of Non-Executive Directors other than the Chairman is determined by the Chairman of the Board and the Executive Directors.

The Remuneration Committee: advisers

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

- New Bridge Street, part of Aon Plc, have been appointed as independent advisers to the Committee, and provided advice encompassing all elements of our remuneration packages. For that advice, New Bridge Street received fees totalling £56,000 in the financial year to 31 August 2016. Aon Plc, the parent company of New Bridge Street, also provide insurance broking services to the Company. New Bridge Street are signatories to the Remuneration Consultants' Code of Conduct, and the Committee is satisfied that the advice that it receives is objective and independent.
- When required, the Company also receives advice relating to remuneration from Willis Towers Watson, PricewaterhouseCoopers LLP, KPMG LLP and Slaughter and May LLP on reward, tax and legal matters respectively.

As a matter of course, the Committee also receives advice and assistance as required from the People Director, the Head of Reward, the General Counsel & Company Secretary, the Chief Executive Officer and the Chief Financial Officer.

REMUNERATION POLICY

The overall aim of our Remuneration Policy is to provide appropriate incentives that reflect the Group's high performance culture and values through a number of specific remuneration components (detailed in the table on the following pages). In summary, we aim to:

- attract, retain and motivate high-calibre, high-performing engaged employees
- encourage strong performance and engagement, both in the short and long term, to enable the Group to achieve its strategic objectives and create sustainable shareholder value
- reward individuals in a fair and responsible manner, over both the short and long term, for their contributions to the success of the Group
- reward high performance with high rewards, while also recognising when performance does not meet our expectations or the required standards
- ensure that the total reward cost to the Company should be affordable and sustainable
- issue employee communications around pay and rewards that are straightforward, effective and easy to understand.

In determining the practical application of the policy, the Remuneration Committee considers a range of internal and external factors, including pay and conditions for employees generally, shareholder feedback and appropriate market comparisons with remuneration practices in FTSE-listed, AIM-listed and other retail and internet-/technology-based companies.

The Remuneration Committee is satisfied that this policy successfully aligns the interests of Executive Directors, senior managers and other employees with the long-term interests of shareholders by ensuring that an appropriate proportion of total remuneration is directly linked to the Group's performance over both the short and long term, with an emphasis for Executive Directors and senior managers on share-based remuneration and long-term shareholding.

Remuneration policy components

Each component forms part of an overall competitive remuneration package designed to attract and retain appropriate talent with the necessary skills to implement the Company's strategy in order to create long-term value for shareholders.

FIXED REMUNERATION ELEMENTS

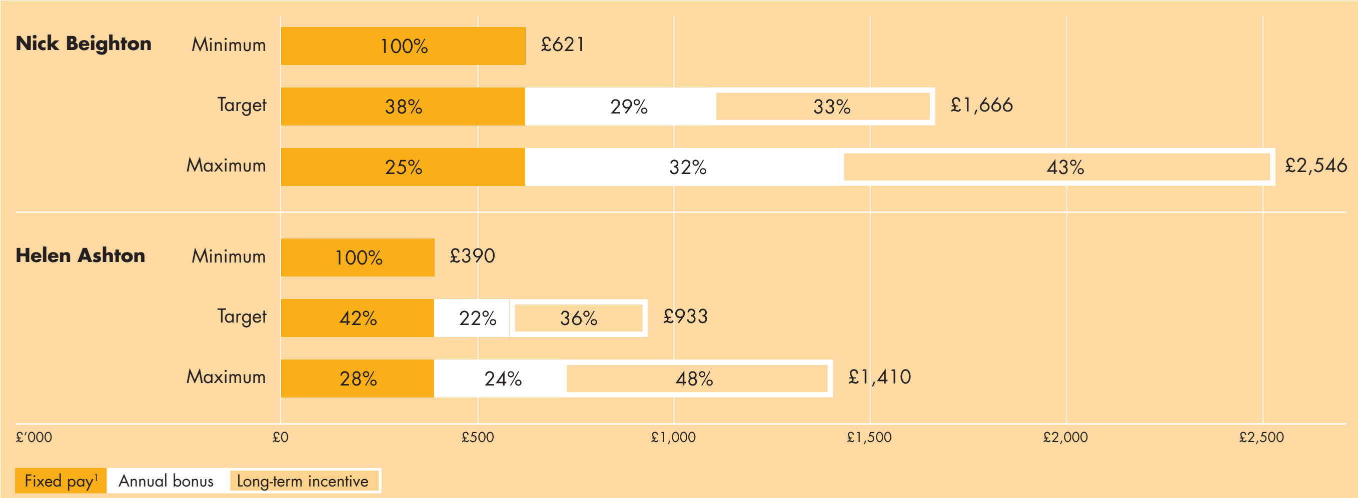
Element	Purpose	How it operates	Maximum opportunity	Performance-related framework
Base salary	Reflects an individual's responsibilities, experience and performance in their role.	Reviewed annually, normally with effect from 1 September, with any changes taking effect from that date. Salaries are normally paid monthly. Decisions on salary levels are influenced by: ■ responsibilities, abilities, experience and performance of an individual ■ the performance of the individual in the period since the last review ■ the Company's salary and pay structures and general workforce salary increases. Salaries are benchmarked periodically against FTSE-listed, AIM-listed and other retail and internet-/technology-based companies.	There is no prescribed maximum annual base salary or salary increase. The Committee is guided by the general increase for the broader employee population but has discretion to decide to award a lower or higher increase to Executive Directors to recognise, for example, an increase in the scale, scope or responsibility of the role and/or take account of relevant market movements.	The performance of the individual in the period since the last review is considered when their salary is being reviewed.
Pension	To contribute financially post retirement.	Defined contribution arrangement or salary supplement. Only base salary is pensionable. The Company's contribution depends on the employee's seniority and may be matched to the level of contributions the employee chooses to make.	The Company may contribute up to 15% of base salary (in the case of the Chief Executive Officer) and up to 12.5% of base salary (in the case of other Executive Directors). The Committee has discretion to amend the contribution level should market conditions change.	Not applicable.
Other benefits	To support the personal health and wellbeing of employees. To reflect and support the Company's culture.	Package of taxable benefits offered through the Company's flexible benefits scheme, 'ASOS Extras', which offers all employees a fixed value depending upon the employee's seniority, which can be used either to buy a variety of benefits or be taken in cash. Benefits include private medical insurance and life assurance. Other benefits may be added to the package where appropriate.	There is no overall maximum level of benefits provided to Executive Directors, and the level of some of these benefits is not pre-determined but may vary from year to year based on the overall cost to the Company.	Not applicable.

VARIABLE REMUNERATION ELEMENTS

Element	Purpose	How it operates	Maximum opportunity	Performance-related framework
Annual bonus	Provides a link between remuneration and both short-term Company and individual performance.	The annual bonus plan is applicable to all employees, including Executive Directors, in each case with reference to a percentage of each individual's base salary. The bonus is earned based on performance against targets set and assessed by the Committee. Targets are reviewed annually and the Committee has discretion to adapt the targets appropriately to take into account exceptional items. Bonus payments are normally awarded in cash and are not pensionable.	150% of base salary for the Chief Executive Officer and 100% of base salary for other Executive Directors. 60% of that maximum is payable for on-target performance.	Normally measured over a one-year performance period, based on a mix of financial targets (e.g. profit before tax and exceptional items), non-financial performance and personal objectives relevant to the year, which are set taking into account the Company's strategic objectives over that period.
Long-term incentive – ASOS Long-Term Incentive Scheme (ALTIS)	Supports the strategy and business plan by incentivising and retaining the ASOS senior management team in a way that is aligned both with the Company's long-term financial performance and with the interests of shareholders.	Annual awards of shares to selected employees, which vest after three years subject to the achievement of performance conditions. Clawback and malus provisions allow awards to be recouped in certain circumstances.	200% of base salary (300% in exceptional circumstances) in any financial year. The value of any dividends paid by the Company over the vesting period will be payable on vesting, to the extent that awards vest.	Subject to three-year performance conditions linked to the business strategy and ensuring strong alignment with the long-term interests of shareholders. Performance conditions for awards granted from FY17 onwards are based on a blend of financial metrics: sales growth and earnings per share (EPS), and a customer engagement measure; net promoter score (NPS).
Share ownership guidelines	Increases alignment between the Board of Directors and shareholders. Shows a clear commitment by all Board Directors to creating value for shareholders in the long term.	Guidelines require Executive Directors to retain 50% of any shares acquired on vesting of the ALTIS, and any subsequent share awards thereafter (net of tax), until the required shareholdings are achieved. The guideline limit for the Chief Executive Officer and other Executive Directors is 500% and 200% of salary respectively.	Not applicable.	Not applicable.
All-employee share plans – SAYE and SIP	Increase alignment between employees and shareholders in a tax-efficient manner. Support retention of employees.	Two HMRC-approved all-employee share schemes encourage employees to take a stake in the business, aligning their interests with those of shareholders: ■ Save As You Earn share option scheme (SAYE) ■ Share Incentive Plan (SIP).	Consistent with prevailing HMRC limits.	Not applicable.
Non-Executive Directors	Provide fees appropriate to time commitments and responsibilities of each role.	Cash fee normally paid on a monthly basis. Fees are reviewed periodically.	There is no prescribed maximum annual fee or fee increase. The Board is guided by the general increase for the broader employee population and takes into account relevant market movements.	Not applicable.

Total potential remuneration for Executive Directors in the 2017 financial year

The chart below shows the potential remuneration of each Executive Director in the 2017 financial year from the remuneration opportunity granted to them by the Company's remuneration policy at different levels of performance.



1 Fixed pay comprises the Director's salary, benefits and pension as at 1 September 2016.

Changes to incentive arrangements for Executive Directors in the 2017 financial year

The Committee reviewed the effectiveness and relevance of the ASOS remuneration policy this year to ensure it continues to create alignment with both the business strategy and shareholder interests.

To help reinforce the business strategy even more effectively, several changes to the performance criteria in both the Annual Bonus and ASOS Long-Term Incentive Plan (ALTIS) have been approved.

Annual bonus:

An additional financial metric has been incorporated into the scheme, with 70% of the bonus plan now based on the achievement of a blend of stretching sales growth and Profit Before Tax (PBT) targets. This blend helps reinforce the high-growth focus of the Company while also ensuring that investment made to drive sales is executed while delivering a sustainable profit margin for shareholders. With the additional non-financial elements (30% based on achievement of customer engagement targets, and personal objectives based around the business strategy), the Annual Bonus remains a critical component within the ASOS executive remuneration policy for helping drive strong business performance and the targeted levels of growth for ASOS's shareholders.

ALTIS:

For awards granted in 2017 onwards, two additional performance measures have been incorporated into the vesting condition. Sales growth over the three-year performance period will now determine vesting of up to 30% of the award, resulting in 30% vesting on Sales growth, 30% on EPS, and 30% based on relative TSR. The remaining 10% weighting within the vesting condition will be based on improvement in Net Promoter Score over the three-year performance period. Stretching targets will be attached to all four components of the ALTIS vesting condition. Most notably, the EPS performance condition will now comprise an even more demanding growth target than the current performance conditions in place, with a minimum of 15% growth per annum to trigger threshold vesting rising on a straight-line basis to 25% growth per annum for full vesting (compared to 10% per annum rising to 20% per annum growth under the current performance condition).

Executive Directors' service contracts and payments for loss of office

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 on a maximum of 12 months' notice by the Company or the individual. The Company's approach to remuneration in each of the circumstances in which an Executive Director may leave is set out in the table below, with an individual's status being determined by the Remuneration Committee in accordance with the rules of any applicable scheme.

Remuneration component	'Bad' leaver situation	'Good' leaver situation
Salary in lieu of notice	Provided up to the effective leaving date.	Up to a maximum of one year's worth of salary; normal practice is to make a phased payment.
Pension and other benefits	Provided up to the effective leaving date. No benefits would be provided after that date, unless it is in the interests of ASOS to do so.	Up to one year's worth of pension and benefits.
Bonus	None.	Paid in accordance with bonus scheme terms. Normal practice would be for payment to be time pro-rated to the effective leaving date.
Long-term incentives	Awards lapse.	May vest in accordance with scheme rules. Normal practice would be for the vested award to be time pro-rated to the effective leaving date.
Other payments	None.	Disbursements such as contributions to legal costs and outplacement fees.

Non-Executive Directors' letters of appointment

Non-Executive Directors do not have service contracts with the Company; instead they have letters of appointment, which provide 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 remuneration level will take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual. Where possible, the Company seeks to apply consistent policies on fixed and variable remuneration components, in line with the remuneration policy set out in the table above, so that any new Executive Director or senior executive is on the same remuneration footing as existing Executive Directors or senior executives respectively.

The granting of payments or share awards on joining in order to secure the appointment of an Executive Director or senior executive is normally limited to the value of any deferred remuneration that would be forfeited at the previous employer. Any such proposal for Executive Directors requires the prior approval of the Remuneration Committee.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

On 1 September 2015, Helen Ashton joined the Company as Chief Financial Officer. Her base salary was set at £340,000, with an annual bonus and long-term incentive opportunity of 100% and 200% of base salary respectively. In addition, to secure her recruitment it was necessary to buy out a proportion of her existing long-term incentives from her then employer, by making a one-off cash payment of £204,000 and a grant of a long-term incentive award under the ASOS Long-Term Incentive Scheme, worth £340,000 as at the date of grant, subject to the same three-year EPS and TSR performance conditions as for the award made to other senior executives in January 2015. The Committee took the view that these payments were necessary to secure the appointment of a candidate of Helen's calibre.

Policy developments

Revisions to the Remuneration Policy and its implementation require the approval of the Remuneration Committee, to whom responsibility for the policy has been delegated by the Board. The Directors' Remuneration Report is submitted for shareholder approval each year.

REMUNERATION POLICY IMPLEMENTATION

Details of how the Company's Remuneration Policy has been applied in the year to 31 August 2016 are set out below. Certain information within this section has been audited as highlighted.

Directors' remuneration table (audited)

The remuneration of the Directors for the years to 31 August 2016 and 31 August 2015 is set out in the table below.

Executive Directors

	Year to 31 August 2016						Year to 31 August 2015
	Fixed remuneration			*Variable remuneration*			
Director	Base salary £	Benefits £	Pensions £	Bonus £	LTIP £	Total remuneration £	Total remuneration £
Nick Beighton	**550,000**	**4,623**	**71,115**	**573,782**	**–**	**1,199,520**	804,398
Helen Ashton[1]	**340,000**	**14,868**	**36,635**	**440,924**[2]	**–**	**832,427**	–
	890,000	**19,491**	**107,750**	**1,014,706**	**–**	**2,031,947**	804,398

1 Appointed with effect from 1 September 2015.
2 Includes a one-off cash payment of £204,000 to buy out a portion of Helen Ashton's long-term incentives from her previous employer.

Non-Executive Directors

The fees for Non-Executive Directors were reviewed during the year and approval was given to the increases as set out below, and these took effect from 1 January 2016.

	Year to 31 August 2016					Year to 31 August 2015
Director	Base fee £	Additional fee £	Other taxable benefits £	Total remuneration £	Basis for additional fee	Total remuneration £
Brian McBride	**190,000**	**–**	**–**	**190,000**	Chair of Board	190,000
Ian Dyson	**53,334**	**13,333**	**–**	**66,667**	SID and Audit Chair	60,000
Hilary Riva[1]	**53,334**	**6,667**	**–**	**60,001**	Remuneration Chair	50,000
Rita Clifton	**53,333**	**–**	**–**	**53,333**		50,000
Nick Robertson[2]	**53,333**	**–**	**–**	**53,333**		N/A
Karen Jones[3]	**16,667**	**1,667**	**–**	**18,334**	Remuneration Chair	55,000

1. Hilary Riva took over as Remuneration Committee Chair on 1 January 2016.
2. Nick Robertson donated all of his base service fee to the ASOS Foundation.
3. Karen Jones resigned on 3 December 2015.

Payments to past Directors

During the year to 31 August 2016, no payments were made to any past Directors.

Directors' bonuses

For both Nick Beighton and Helen Ashton, the annual bonus plan for 2016 was based 70% on a sliding scale range of PBT targets (2015: 80%) and 15% on personal objectives (2015: 20%) and 15% on net promoter score (NPS) (2015: 0%).

The PBT targets and the extent of their achievement is summarised in the table below (straight-line interpolation between points in the range).

	Target bonus	Maximum bonus
PBT target for 2016	**£58.0m**	**£69.0m**
Percentage of CEO bonus potentially payable subject to personal performance	**90%**	**150%**
Percentage of CFO bonus potentially payable subject to personal performance	**60%**	**100%**
Actual PBT for 2016 includes operating losses from discontinued operations but before exceptional items	**£60.1m**	

Personal objectives were set for each Director and assessments were made by the Committee at the end of the year. Both Nick Beighton's and Helen Ashton's objectives included:

- maintaining and driving focus on customer engagement and satisfaction, as evidenced by the Company's NPS. A total of 15% of their bonus was based on NPS, with 5% being payable for maintaining the same score as the previous financial year, and a maximum of 15% being payable for increasing the previous year's score by two basis points
- a total of 15% of their bonus is based on improving and reshaping the leadership behaviours within the business.

Following careful consideration, the Committee determined that, taking into account the PBT outcome and the achievement of those personal objectives:

- out of the maximum 150% of base salary, Nick Beighton's annual bonus was 104% of his annual salary as Chief Executive Officer
- out of the maximum 100% of base salary, Helen Ashton's annual bonus was 70% of her annual salary as Chief Financial Officer.

Directors' interests in share plans (audited)

Director	Share option scheme	Date of grant	31 August 2015 (no. of shares)	Granted during the year to 31 August 2016 (no. of shares)	Lapsed during the year to 31 August 2016 (no. of shares)	Exercised during the year to 31 August 2016 (no. of shares)	31 August 2016 (no. of shares)	Exercise price (pence)	Exercise date/period
Nick Beighton	SAYE	12/06/13	304	–	–	–	304	2,955.0	01/08/16 – 31/01/17
	SAYE	08/05/14	255	–	–	–	255	3,519.0	01/07/17 – 31/12/17
	ALTIS[1]	16/01/15	33,923		–	–	33,923	–	31/10/17 – 15/01/25
	ALTIS[2]	30/10/15	–	36,194	–	–	36,194	–	31/10/18 – 15/01/26
Helen Ashton	SAYE	06/06/16		620	–	–	620	2,901.0	01/07/19 – 31/12/19
	ALTIS[1]	30/09/15	–	11,406	–	–	11,406	–	31/10/17 – 15/01/25
	ALTIS[2]	31/10/15	–	22,374	–	–	22,374	–	31/10/18 – 15/01/26
Nick Robertson	SAYE	08/05/14	255	–	–	–	255	3,519	01/07/17 – 31/12/17

1 The performance conditions applying to the awards granted under the ALTIS to the Company's Executive Directors for the performance period from 1 September 2014 to 31 August 2017 comprise two independent conditions based on:
(a) compound annual fully diluted EPS growth over the three financial years of the Company (the EPS Condition) ending on or around 31 August 2017 (the 2017 financial year)
(b) a relative TSR-based condition measuring the Company's TSR performance against that of a comparator group of companies comprising the constituents of the FTSE All-Share General Retailers Index (the Comparator Group) over a period of three years starting on 1 September 2014 (the TSR Condition).

The EPS Condition applies to 70% of the total number of shares held under that award. The part of an award subject to the EPS Condition shall only vest if compound annual fully diluted EPS growth over the three years to the 2017 financial year is at least equal to 10%; thereafter, the part of such awards subject to the EPS Condition shall vest in accordance with the table below.

Compound annual EPS growth	Percentage of award subject to the EPS Condition that vests
Below 10%	0%
10%	25%
Between 10% and 20%	Between 25% and 100%
20% or more	100%

The TSR Condition applies to 30% of the total number of shares held under such awards. For the purposes of the TSR Condition, the Committee will compare the TSR of the Company over the performance period against the TSR performance of each member of the Comparator Group over the same period, calculated by reference to a three-month averaging period prior to the start and to the end of the performance period. If, at the end of the performance period, the Company is notionally ranked at least median against the members of the Comparator Group, the part of such awards subject to the TSR Condition shall vest in accordance with the table below.

Rank of the Company	Percentage of award subject to the TSR Condition that vests
Below median	0%
Median	25%
Between median and upper quartile	Pro rata between 25% and 100% based on rankings plus interpolation between intermediate rankings
Upper quartile or above	100%

2 The performance conditions applying to the awards granted under the ALTIS to the Company's Executive Directors for the performance period from 1 September 2015 to 31 August 2018 comprise two independent conditions based on:
(a) compound annual fully diluted EPS growth over the three financial years of the Company (the EPS Condition) ending on or around 31 August 2018 (the 2018 financial year)
(b) a relative TSR-based condition measuring the Company's TSR performance against that of a comparator group of companies comprising the constituents of the FTSE All-Share General Retailers Index (the Comparator Group) over a period of three years starting on 1 September 2015 (the TSR Condition).

The EPS Condition applies to 70% of the total number of shares held under that award. The TSR Condition applies to 30% of the total number of shares held under such awards. Both conditions vest on the same basis as set out in footnote 1 above.

Share price during the financial year to 31 August 2016

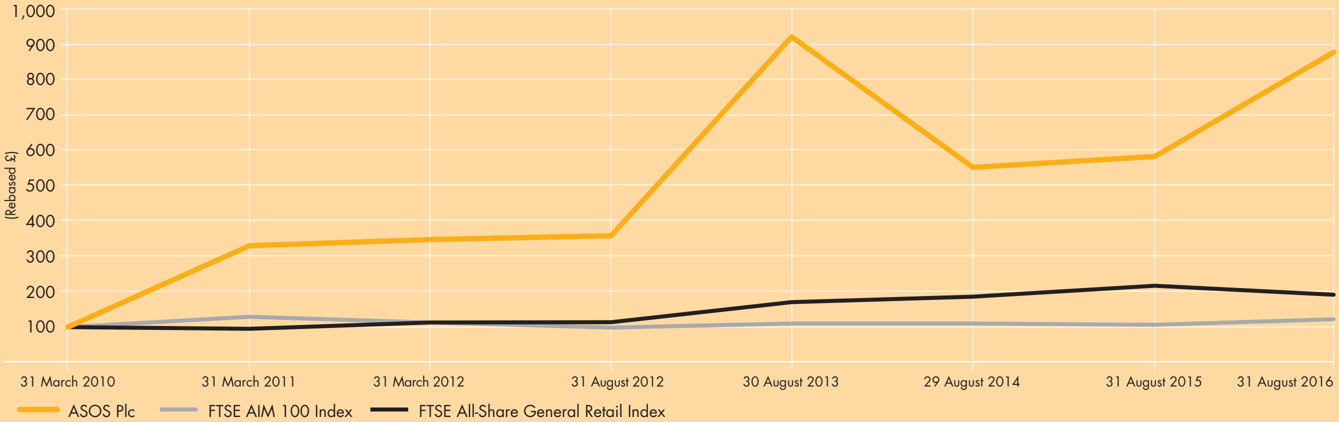
The market price of ordinary shares at 31 August 2016 was £45.30 (31 August 2015: £29.94) and the range during the year to 31 August 2016 was from £24.73 to £48.32 (year to 31 August 2015: £17.84 to £41.94).

Directors' shareholdings

The Directors who held office at 31 August 2016 had the following interests, including family interests, in the shares of the Company.

Director	Beneficially owned as at 31 August 2016 (no. of shares)	Beneficially owned as at 31 August 2015 (no. of shares)	Outstanding share options (SAYE/ALTIS) (no. of shares)	Shareholding guideline met
Brian McBride	13,302	13,302	–	N/A
Nick Beighton	149,944	149,944	70,676	Yes
Helen Ashton	–	–	34,400	No
Rita Clifton	–	–	–	N/A
Ian Dyson	–	–	–	N/A
Hilary Riva	227	227	–	N/A
Nick Robertson	5,496,414	7,000,000	255	N/A

ASOS Plc vs FTSE AIM 100 and FTSE All-Share General Retail Indices – total shareholder return index



This graph shows the value, by 31 August 2016, of £100 invested in ASOS Plc on 31 March 2010 compared with that of £100 invested in the FTSE AIM 100 and the FTSE All-Share General Retail Indices. The other points plotted are the values at the intervening financial year ends, including the five-month period to 31 August 2012. *Source: Thompson Reuters*

Chief Executive Officer's remuneration over the past seven years

	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2012	Year to 31 August 2013	Year to 31 August 2014	Year to 31 August 2015	Year to 31 August 2016[2]
Salary (£)	340,000	340,000	350,200	500,000	333,333	77,420	550,000
Other taxable benefits (£)	1,596	1,706	3,320	3,843	3,860	3,860	4,623
Pension (£)	–	–	–	–	–	–	71,115
Annual bonus (£)	–	–	210,120	300,000	–	–	573,782
Long-term incentive (£)[1]	1,742,914	1,399,115	54,646,748	–	–	–	
Total remuneration (£)	2,084,510	1,740,821	55,210,388	803,843	337,193	81,280	1,199,520
Annual bonus %	–	–	60%	60%	–	–	120%
Long-term incentive %	100%	100%	100%	–	–	–	100%

1 Gains made under long-term incentive plans are recognised above in the final year of the performance period to which they relate. The gain in the year to 31 March 2012 is the sum of two tranches of the Management Incentive Plan, which covered the performance period from 1 April 2009 to 31 March 2012.
2 During the year to 31 August 2016, the Chief Executive Officer changed from Nick Robertson to Nick Beighton. During the year to 31 August 2015, Nick Robertson opted to waive receipt of £442,580 of his base salary, and any entitlement to bonus.

Note that the data above is for 12-month periods only and excludes the five-month period to 31 August 2012 to give a consistent view of the Chief Executive Officer's annual remuneration.

Percentage change in Chief Executive Officer's remuneration

The table below shows the percentage change in the Chief Executive Officer's salary, benefits and annual bonus between the financial years ended 31 August 2016 and 31 August 2015, compared with all employees of the Group.

	Salary change	Benefits change	Bonus change
Chief Executive Officer[1]	10%	19%	100%
All employees	(0.2%)	(1.7%)	(5.5%)

1 The numbers shown are the change year on year for the Chief Executive Officer, Nick Robertson in 2015 and Nick Beighton in 2016. As noted above, Nick Robertson waived his entitlement to a bonus.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends and retained profit.

	2016	2015	Change
Staff costs (£m)	**108.1**	87.7	23%
Dividends (£m)	**–**	–	–
Profit before tax from continuous operations before exceptional items (£m)	**63.7**	46.4	37%

APPROVAL

By order of the Board

Hilary Riva
Chair of the Remuneration Committee
17 October 2016

DIRECTORS' REPORT

Much of the information previously provided as part of the Directors' Report is now required, under company law, to be presented as part of the Strategic Report. This Directors' Report includes the information required to be included under the Companies Act or, where provided elsewhere, an appropriate cross-reference is given. The Corporate Governance Report approved by the Board is provided on pages 40 to 43 and incorporated by reference herein.

SUBSIDIARIES

The Company has 21 subsidiaries, a complete list is provided at Note 8 of the Parent Company Financial Statements on page 97.

DIVIDENDS

As last year, the Directors do not recommend the payment of a dividend (2015: £nil).

STRATEGIC REPORT

This is set out on the pages 2 to 36 of the Annual Report and includes an indication of likely future developments.

SIGNIFICANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 2 September 2016, the Company announced that it had entered into agreements with Assos and Anson's to pay £20.2m in full and final settlement of certain intellectual property claims, and this has been treated as an exceptional item. See Note 4 to the financial statements on page 71.

RISK MANAGEMENT AND PRINCIPAL RISKS

A description of risk management and the principal risks facing the business is on pages 20 and 24.

DIRECTORS

The Directors as at the date of this Report, together with short biographical details, are set out on pages 38 and 39.

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 47 to 55. 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 year and up to the date of approval of the financial statements.

ARTICLES OF ASSOCIATION

The Company's Articles of Association may only be amended by special resolution and are available on the Company's website at www.asosplc.com/shareholder information – under corporate governance.

SHARE CAPITAL

The authorised and issued share capital of the Company, together with the details of shares issued during the year to 31 August 2016, are shown in Note 16 to the financial statements on page 80. The issued share capital of the Company at 31 August 2016 was 83,429,874 ordinary shares of 3.5p.

EMPLOYEE BENEFIT TRUST

ASOS uses an employee benefit trust 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 SAYE Scheme and the SIP. During the financial year, the Company used both the ASOS.com Limited Employee Benefit Trust (EBT) and the Capita Trust (CT) to satisfy awards granted under the Company's different share schemes.

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 SAYE Scheme. The Trustee of the EBT is Capita Trustees 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 it. Under the terms of the Trust Deed, the Company funds the CT to buy the shares on the open market and retain those shares on behalf of the underlying beneficiaries until such time as they are given to the employee.

The EBT and CT are both recognised within the EBT reserve for accounting purposes. As at 31 August 2016, the EBT and CT (combined) held 395,185 shares in ASOS Plc (2015: 421,561 shares) to the value of £2.7m (2015: £3.6m). The Group's accounting policies are detailed within Note 25 to the financial statements and movements are detailed in the Consolidated Statement of Changes in Equity on page 66.

SUBSTANTIAL SHAREHOLDER

As at 1 October 2016, the Company was aware of the following interests in 3% or more of the Company's ordinary share capital:

Holder	Number	Percentage as at date of notification
Aktieselskabet af 5.5.2010	23,025,522	27.60
The Capital Group Companies, Inc.	7,714,375	9.24
Baillie Gifford & Co	7,258,672	8.70
Nick Robertson	5,496,414	6.59
Sands Capital Management LLC	5,287,947	6.34
Tybourne Capital Management (HK) Ltd	3,578,090	4.29

DIRECTORS' INTERESTS

The interests of the Directors in the share capital of ASOS Plc as at 31 August 2016 are set out on page 54.

GOING CONCERN

The Group's business activities, financial position and cash flows, together with the factors that are likely to affect its future performance and position, are set out in the Strategic Report on pages 2 to 24. In addition, details of the Group's objectives and policies on financial risk management are set out in Note 19 to the financial statements on pages 81 and 82.

The Group continues to have a strong financial position including cash and cash equivalents of £173.3m at 31 August 2016 and an undrawn £20m revolving credit facility, including an ancillary £10m guaranteed overdraft facility, available until October 2018. The Directors have reviewed current performance and cash flow forecasts, and are satisfied that the Group's forecasts and projections, taking account of potential changes in trading performance, show that the Group will be able to operate within the level of its current facilities for the foreseeable future and at a minimum for twelve months from the date of signing the Group financial statements. The Directors have therefore continued to adopt the going concern basis in preparing the Group's financial statements.

VIABILITY STATEMENT

The Directors have assessed the Group's prospects and viability over a three-year period to 31 August 2019. This three-year assessment period was selected as it corresponds with the Board's strategic planning horizon as well as the time period over which senior management are remunerated via long-term incentive plans.

In making this assessment, the Directors took account of the Group's current financial position, annual budget, three-year plan forecasts and sensitivity testing. The Board also considered a number of other factors, including the Group business model (page 4), its strategy (pages 4 to 5), risks and uncertainties (pages 20 to 24) and internal control effectiveness (page 45), and while the principal risks and uncertainties could impact future performance, none of them is considered likely, individually or collectively, to affect the viability of the business during the three-year assessment period. The Group is operationally strong with a robust balance sheet and cash position, and has a track record of delivering profitable and sustainable growth, which is expected to continue.

Based on this assessment, the Directors have a reasonable expectation that the Group will continue in operation and meet all its liabilities as they fall during the period up to 31 August 2019.

STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS

The Directors confirm that, so far as each is aware, there is no relevant audit information of which the Group'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 Group's auditors are aware of that information.

POLITICAL DONATIONS

No political donations have been made during this financial year.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 12.00pm on 1 December 2016 at the Company's offices at Greater London House, Hampstead Road, London NW1 7FB. The Notice of Meeting will be available to view on the Company's corporate website, www.asosplc.com, sufficiently in advance of that meeting.

By order of the Board

Andrew Magowan
Company Secretary
17 October 2016

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 (IFRS) as adopted by the European Union (EU). 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 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 IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names, functions and short biographies are set out on pages 38 and 39, confirms that, to the best of his or her knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- the Strategic Report on pages 2 to 36 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Andrew Magowan
Company Secretary
17 October 2016

60 Independent Auditors' Report to the Members of ASOS Plc
65 Consolidated Statement of Total Comprehensive Income
66 Consolidated Statement of Changes in Equity
67 Consolidated Statement of Financial Position
68 Consolidated Statement of Cash Flows
69 Notes to the Financial Statements
89 Independent Auditors' Report to the Members of ASOS Plc
91 Company Statement of Changes in Equity
92 Company Statement of Financial Position
93 Company Statement of Cash Flows
94 Notes to the Company Financial Statements
98 Five-Year Financial Summary (unaudited)
100 Company Information

FINANCIAL STATEMENTS

REPORT ON THE GROUP FINANCIAL STATEMENTS

Our opinion

In our opinion, ASOS Plc's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31 August 2016 and of its profit and cash flows for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

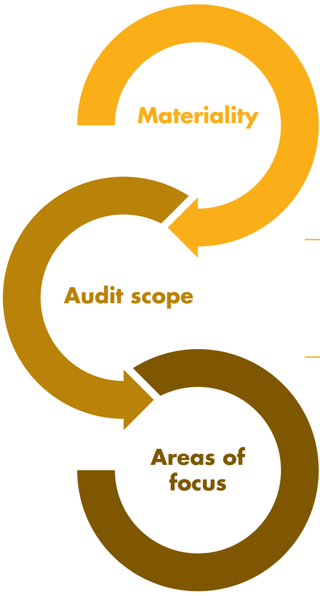
The financial statements, included within the Annual Report, comprise:

- the Consolidated Statement of Financial Position as at 31 August 2016
- the Consolidated Statement of Total Comprehensive Income for the year then ended
- the Consolidated Statement of Cash Flows for the year then ended
- the Consolidated Statement of Changes in Equity for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

Our audit approach

Overview



- Overall Group materiality: £3,000,000 which represents 5% of profit before tax before exceptional items.

- Full scope audit of ASOS.com, the main Group trading entity.

- Risk of fraud in revenue recognition
- Capitalisation of assets
- Accounting for ASOS Share Option Schemes
- Tax accounting
- Inventory existence and valuation
- Loyalty scheme accounting
- Presentation of discontinued operations.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK and Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Risk of fraud in revenue recognition	
Refer to page 70 (Note 3), page 86 (Accounting Policies). We have identified a risk of fraud in relation to the potential misstatement of revenue for the year. Due to the nature of ASOS' core sales, transactions are individually low in value and are highly automated through the website and related systems. As a result the risk of manipulation is highest at the financial statement level, as management may seek to inflate results through the posting of fictitious sales transactions by way of manual journals, or by manipulating the provision for sales returns. While there are no significant sales around the year-end compared to the remainder of the year, there is judgement involved in management's policy of recognising revenue on despatch, rather than on receipt of the goods by the customer, at which point the customer assumes the risks and rewards of the goods. There is therefore a risk that revenue recognised by the Group relating to goods in transit to customers over the year-end period may overstate the revenue recognised in the year to 31 August 2016.	We used computer assisted auditing techniques to identify any revenue transactions which were not settled by cash or had a corresponding debtor outstanding at the year-end, which may have indicated that the transaction is unusual. For material unusual transactions identified, we understood the business rationale for the transaction and traced the related amount to supporting documentation, such as invoice and bank statement, which in all cases corroborated our understanding of the transaction and its validity. We discussed the revenue recognition policy with management and obtained management's calculation to assess the estimated financial impact of recognising sales at despatch rather than on receipt. We determined the profit impact for the year of recognising revenue on despatch rather than on receipt was not material. We obtained management's calculation of the provision for returns recognised against revenue and performed detailed testing over the reports detailing the historical trends from which the returns provision is calculated. We also considered historical accuracy, and compared the provision to actual returns processed in September 2016. The methodology used to calculate the provision is consistent with prior year and we noted no discrepancies from our testing performed.
Capitalisation of assets	
Refer to pages 76 and 77 (Notes 11 and 12), page 88 (Accounting Policies). During the year the Group has continued to invest heavily in assets by way of software improvement and warehouse development with £63.7m of costs capitalised for intangibles and £23.3m for tangible assets for the year ended 31 August 2016. Given the significance of the capital expenditure during the year, there is a risk that both external and internally generated expenditure relating to these projects was incorrectly capitalised instead of being written off as an expense. With respect to the internally generated expenditure capitalised, there is also a risk that staff costs capitalised in relation to the website and software-related projects were incorrectly allocated to capital projects and do not meet the criteria for capitalisation under IAS 38 'Intangible Assets'.	We tested management's operational controls in relation to the review of significant capital expenditure and 'dead' projects, which are designed to ensure that only valid project spend which will generate future economic inflows to the Group is capitalised, and that all significant assets capitalised must be approved. We were able to place reliance on these controls for the purpose of our audit. In relation to asset additions relating to warehouse development, we tested a number of items capitalised during the year, focusing on those items that we considered significant due to their amount or nature, by tracing them to third-party invoices to check that they had been appropriately capitalised in line with the criteria of IAS 16 'Property, Plant and Equipment'. In relation to the capitalisation of internal staff costs relating to software improvements, we tested a sample of costs by assessing whether the nature of the project was in line with IAS 38 and agreeing the amounts allocated to the project to payroll records and timesheets. We also understood the nature of the project to which the staff costs related, challenged management on their rationale for capitalisation and independently assessed whether economic benefits were likely to flow from the project. Our testing did not identify any costs that had been inappropriately capitalised.
Accounting for ASOS Share Option Schemes	
Refer to pages 83 and 84 (Note 20), page 87 (Accounting Policies). Management have a number of share schemes in place and due to the complexity of IFRS 2 'Share-based Payment', there is a heightened risk of error from incorrect accounting treatment in the current year.	We obtained the valuations prepared by management's experts for the purposes of calculating the IFRS 2 charge and evaluated the assumptions and methodology used in the valuations, in light of those which we would use to independently perform a valuation of this kind. In addition, we independently recalculated the value of awards granted during the year. The methodology applied and the assumptions adopted by management were in line with those expected in the industry.

Area of focus	How our audit addressed the area of focus
Tax accounting	
Refer to pages 73 and 79 (Notes 7 and 15), page 87 (Accounting Policies). ASOS ships to 240 countries and territories globally and has bases in 7 countries outside of the UK through their marketing offices, warehouses and returns centres. Due to this growing international presence there is increased complexity in accounting for international tax, both in the realms of VAT and corporation tax. As a result of this global expansion and the resultant number of currencies in which the Group trades, management have increased hedging activity, which exposes them to further tax implications in respect of their derivative financial instruments. In addition, as noted above, the number of existing and past share schemes means there is an increased risk of incorrect accounting for the related tax entries.	We obtained management's detailed calculation for deferred tax and corporation tax, and agreed the inputs to the financial statements and underlying records. Using both our accumulated knowledge of the Group and cross-border tax legislation, we questioned whether management's calculation considered the impact of all likely tax exposures. We considered whether the company's presence in each overseas location represented a tax nexus, and therefore whether tax liabilities should be recorded based on local tax regulations and the activities ASOS performs in each territory. We recalculated the year-end EU VAT position based on the sales in each territory and applicable rates, and tested the inputs into the VAT returns filed, noting no exceptions. With regards to hedging activity and the derivative financial instruments, we tested the deferred tax recognised in relation to these and agreed that it is appropriate. With regards to the share schemes, we considered the tax implications of the scheme and agreed that it is adequately reflected in the financial statements.
Inventory existence and valuation	
Refer to page 87 (Accounting Policies). The level of retail sales to overseas customers is increasing and as such the business is increasing its stock holding in overseas locations to meet this demand, which increases the risk of existence. ASOS has three warehouses, one in Barnsley, one in Ohio and one in Berlin, together with additional return hubs, each managed by third parties. There are different warehouse management systems in place at each location which increases the number of interfaces and reconciliations performed and therefore increases the risk of error.	We obtained confirmations from each of the third parties managing the warehouses confirming stock levels at 31 August 2016 and identified no exceptions. We attended five inventory cycle counts throughout the year (three in Barnsley, one in Ohio and one in Berlin) and re-performed counts by testing a sample of items from sheet to floor. We have performed detailed walkthroughs at the two most significant locations being Barnsley and Berlin. We agreed the inventory balance at 31 August 2016 to management's reconciliation and tested any material reconciling items. In respect of inventory valuation, we tested a sample of the inputs to the manual average weighted cost calculation to supplier invoice and recalculated the cost for a sample of SKUs. We also obtained management's inventory provision calculation, tested that the inputs agreed to the inventory listing and performed a sensitivity analysis over the provisioning policy to check for any material variances. None were noted.
Loyalty scheme accounting	
Refer to page 69 (Significant accounting judgements and sources of estimation of uncertainty). ASOS introduced the 'ASOS A-LIST' a loyalty scheme in February 2016 which includes both voucher and tiered benefits points schemes. Accounting for loyalty schemes under IFRIC 13 'Customer Loyalty Programmes' and IAS 18 'Revenue Recognition' is complex and relies on a number of estimates which increase the risk of error. In addition, as the scheme is new during the year there is limited historical information available to reliably estimate assumptions required in the calculation of the fair value of the award or the revenue requiring deferral.	We performed a walkthrough of the monthly process in place to defer an element of revenue relating to the loyalty scheme. We obtained management's calculations for the revenue deferral for underlying vouchers and tiered benefits and performed sensitivity analysis over the assumptions used including the redemption rate and expected participation rates. We performed detailed testing over the data inputs used in management's calculations including agreeing loyalty points and vouchers to underlying sales data. We found the methodology to be consistent with the requirements of IFRIC 13 and IAS 18 and the assumptions to be materially reasonable.

Area of focus	How our audit addressed the area of focus
Presentation of discontinued operations	
Refer to page 74 (Note 8). ASOS ceased operations in China in April 2016 and has presented any costs relating to the closure and the results of the China business as discontinued operations for the year ended 31 August 2016 along with restated comparatives for the year ended 31 August 2015. There is a risk that not all closure costs are disclosed and that the operations do not meet the definition of discontinued operations under the requirements of IFRS 5.	We understood the assumptions applied by management in reporting China as discontinued operations for the year ended 31 August 2016 and challenged management in relation to these. While there is judgement involved in determining whether China represents a separate major line of business, we agree that China was a separate geographical area of operations and its financial reporting could be clearly distinguished from the rest of the Group and as such can be presented as discontinued operations under the requirements of IFRS 5. We performed analytical procedures over material elements of the China balance sheet and income statement to support the loss for the period and did not identify any unusual items or material misstatements. We obtained a breakdown of costs associated with the closure of China and performed detailed testing of a sample of these to supporting documentation to ensure that they directly relate to the closure and that they should be disclosed as exceptional items.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

ASOS Plc trades internationally through the ASOS.com website. All trading activity is recorded in the ASOS.com entity with the exception of transactions in China, which were recorded in a separate entity until April 2016 when trading in China ceased. The central accounting function and financial reporting procedures are performed by the UK HQ.

Our scoping considerations for the Group audit were based both on financial information and risk. ASOS.com represents the majority of the trading results for the Group and, as such, is the only reporting unit which we considered required an audit of its complete financial information. We also performed specific procedures in relation to the ASOS China discontinued operations.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£3,000,000 (2015: £2,061,000).
How we determined it	5% of profit before tax before exceptional items.
Rationale for benchmark applied	We have applied a profit-before-tax based benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate. As the legal case settlement and closure costs related to discontinued operations represent non-recurring events for the Group and, hence, are not in the ordinary course of business, we have excluded these from our materiality calculation. These items have been disclosed as exceptional in the Annual Report and separate materiality has been assigned to these.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £100,000 (2015: £103,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 opinion

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK and Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ('ISAs (UK and Ireland)') we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK and Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

We have nothing material to add or to draw attention to.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 58, 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 ISAs (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 parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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
- the overall presentation of the financial statements.

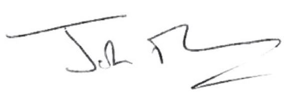
We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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

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

OTHER MATTER

We have reported separately on the parent company financial statements of ASOS Plc for the year ended 31 August 2016 and on the information in the Directors' Remuneration Report that is described as having been audited.



John Minards
Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
17 October 2016

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year to 31 August 2016

	Note	**Year to 31 August 2016** Before exceptional items £m	Exceptional items (Note 4) £m	After exceptional items £m	Year to 31 August 2015 (restated) Before exceptional items £m	Exceptional items (Note 4) £m	After exceptional items £m
Continuing operations							
Revenue	3	**1,444.9**	**–**	**1,444.9**	1,143.0	–	1,143.0
Cost of sales		**(722.7)**	**–**	**(722.7)**	(569.9)	–	(569.9)
Gross profit		**722.2**	**–**	**722.2**	573.1	–	573.1
Distribution expenses		**(216.0)**	**–**	**(216.0)**	(168.2)	–	(168.2)
Administrative expenses		**(443.2)**	**(20.9)**	**(464.1)**	(358.8)	6.3	(352.5)
Operating profit	4	**63.0**	**(20.9)**	**42.1**	46.1	6.3	52.4
Finance income	6	**0.7**	**–**	**0.7**	0.3	–	0.3
Profit before tax		**63.7**	**(20.9)**	**42.8**	46.4	6.3	52.7
Income tax expense	7	**(12.3)**	**4.2**	**(8.1)**	(10.4)	(1.3)	(11.7)
Profit from continuing operations		**51.4**	**(16.7)**	**34.7**	36.0	5.0	41.0
Discontinued operations							
Loss before tax from discontinued operations	8	**(3.6)**	**(6.5)**	**(10.1)**	(5.2)	–	(5.2)
Tax on discontinued operations	7	**0.3**	**(0.5)**	**(0.2)**	1.0	–	1.0
Loss after tax from discontinued operations		**(3.3)**	**(7.0)**	**(10.3)**	(4.2)	–	(4.2)
Profit for the year attributable to owners of the parent company		**48.1**	**(23.7)**	**24.4**	31.8	5.0	36.8
Net translation movements offset in reserves		**(1.4)**	**–**	**(1.4)**	(0.1)	–	(0.1)
Net fair value gains on derivative financial assets	19	**(82.3)**	**–**	**(82.3)**	4.1	–	4.1
Income tax relating to the items	7	**16.2**	**–**	**16.2**	–	–	–
Other comprehensive (loss)/income for the year[1]		**(67.5)**	**–**	**(67.5)**	4.0	–	4.0
Total comprehensive (loss)/income for the year attributable to owners of the parent company		**(19.4)**	**(23.7)**	**(43.1)**	35.8	5.0	40.8
Earnings per share from continuing and discontinued operations attributable to the owners of the parent during the year:							
Basic earnings per share							
From continuing operations	9	**61.9p**	**(20.1p)**	**41.8p**	43.4p	6.0p	49.4p
From discontinued operations	9	**(3.9p)**	**(8.5p)**	**(12.4p)**	(5.0p)	–	(5.0p)
Total		**58.0p**	**(28.6p)**	**29.4p**	38.4p	6.0p	44.4p
Diluted earnings per share							
From continuing operations	9	**61.8p**	**(20.1p)**	**41.7p**	43.4p	6.0p	49.4p
From discontinued operations	9	**(4.0p)**	**(8.4p)**	**(12.4p)**	(5.0p)	–	(5.0p)
Total		**57.8p**	**(28.5p)**	**29.3p**	38.4p	6.0p	44.4p

1 All items of other comprehensive income may subsequently be reclassified to profit or loss.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year to 31 August 2016

	Note	Called up share capital £m	Share premium £m	Retained earnings[1] £m	Employee Benefit Trust reserve £m	Hedging reserve £m	Translation reserve £m	Equity attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
At 1 September 2015		**2.9**	**6.9**	**225.1**	**(3.6)**	**6.3**	**(0.3)**	**237.3**	**–**	**237.3**
Profit for the year		**–**	**–**	**24.4**	**–**	**–**	**–**	**24.4**	**–**	**24.4**
Other comprehensive loss for the year		**–**	**–**	**–**	**–**	**(66.3)**	**(1.2)**	**(67.5)**	**–**	**(67.5)**
Total comprehensive income/(loss) for the year		**–**	**–**	**24.4**	**–**	**(66.3)**	**(1.2)**	**(43.1)**	**–**	**(43.1)**
Net cash received on exercise of shares from Employee Benefit Trust	16	**–**	**–**	**–**	**0.7**	**–**	**–**	**0.7**	**–**	**0.7**
Transfer of shares from Employee Benefit Trust on exercise		**–**	**–**	**(0.3)**	**0.3**	**–**	**–**	**–**	**–**	**–**
Share-based payments charge	20	**–**	**–**	**5.0**	**–**	**–**	**–**	**5.0**	**–**	**5.0**
Deferred tax	15	**–**	**–**	**0.5**	**–**	**–**	**–**	**0.5**	**–**	**0.5**
Balance as at 31 August 2016		**2.9**	**6.9**	**254.7**	**(2.6)**	**(60.0)**	**(1.5)**	**200.4**	**–**	**200.4**
At 1 September 2014		2.9	6.9	186.9	(5.3)	2.2	(0.2)	193.4	(0.4)	193.0
Profit for the year		–	–	36.8	–	–	–	36.8	–	36.8
Other comprehensive income/(loss) for the year		–	–	–	–	4.1	(0.1)	4.0	–	4.0
Total comprehensive income/(loss) for the year		–	–	36.8	–	4.1	(0.1)	40.8	–	40.8
Net cash received on exercise of shares from Employee Benefit Trust	16	–	–	–	0.9	–	–	0.9	–	0.9
Transfer of shares from Employee Benefit Trust on exercise		–	–	(0.8)	0.8	–	–	–	–	–
Share-based payments charge	20	–	–	3.5	–	–	–	3.5	–	3.5
Acquisition of non-controlling interest in Covetique Limited		–	–	(0.4)	–	–	–	(0.4)	0.4	–
Deferred tax	15	–	–	(1.3)	–	–	–	(1.3)	–	(1.3)
Current tax on items taken directly to equity	7	–	–	0.4	–	–	–	0.4	–	0.4
Balance as at 31 August 2015		2.9	6.9	225.1	(3.6)	6.3	(0.3)	237.3	–	237.3

1 Retained earnings includes the share-based payments reserve.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2016

	Note	31 August 2016 £m	31 August 2015 £m
Non-current assets			
Goodwill	10	**1.1**	1.1
Other intangible assets	11	**112.4**	75.1
Property, plant and equipment	12	**77.2**	64.4
Derivative financial assets	19	**–**	0.2
Deferred tax asset	15	**13.3**	–
		204.0	140.8
Current assets			
Inventories		**257.7**	193.8
Trade and other receivables	13	**15.0**	18.0
Derivative financial assets	19	**–**	6.1
Cash and cash equivalents	18	**173.3**	119.2
		446.0	337.1
Current liabilities			
Trade and other payables	14	**(370.7)**	(232.5)
Current tax liability		**(2.9)**	(3.6)
Deferred tax liability	15	**–**	(1.2)
Derivative financial liability	19	**(55.0)**	–
		(428.6)	(237.3)
Net current assets		**17.4**	99.8
Non-current liabilities			
Deferred tax liability	15	**–**	(3.3)
Derivative financial liability	19	**(21.0)**	–
		(21.0)	(3.3)
Net assets		**200.4**	237.3
Equity attributable to owners of the parent			
Called up share capital	16	**2.9**	2.9
Share premium		**6.9**	6.9
Employee Benefit Trust reserve		**(2.6)**	(3.6)
Hedging reserve		**(60.0)**	6.3
Translation reserve		**(1.5)**	(0.3)
Retained earnings		**254.7**	225.1
Total equity		**200.4**	237.3

Notes 1 to 25 are an integral part of the financial statements.
The consolidated financial statements of ASOS Plc, registered number 4006623, on pages 65 to 88, were approved by the Board of Directors and authorised for issue on 17 October 2016 and were signed on its behalf by:

Nick Beighton
Director

Helen Ashton
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year to 31 August 2016

	Note	Year to 31 August 2016 £m	Year to 31 August 2015 (restated) £m
Operating profit from continued operations		**42.1**	52.4
Loss before tax from discontinued operations		**(10.1)**	(5.2)
Operating profit		**32.0**	47.2
Adjusted for:			
Depreciation of property, plant and equipment	4	**10.5**	8.3
Amortisation of other intangible assets	4	**21.2**	14.8
Loss on disposal of non-current assets from continuing operations	4	**0.8**	4.9
Loss on disposal of non-current assets from discontinued operations		**4.3**	–
Increase in inventories		**(63.8)**	(32.1)
Decrease in trade and other receivables		**4.2**	2.3
Increase in trade and other payables		**128.7**	47.6
Share-based payments charge	20	**4.5**	2.2
Other non-cash items		**(1.7)**	0.8
Income tax paid		**(10.0)**	(2.8)
Net cash generated from operating activities		**130.7**	93.2
Investing activities			
Payments to acquire other intangible assets		**(55.7)**	(32.5)
Payments to acquire property, plant and equipment		**(23.5)**	(17.9)
Finance income		**0.8**	0.3
Net cash used in investing activities		**(78.4)**	(50.1)
Financing activities			
Net cash inflow relating to Employee Benefit Trust		**0.7**	0.9
Finance expense		**(0.1)**	(0.1)
Net cash generated from financing activities		**0.6**	0.8
Net increase in cash and cash equivalents		**52.9**	43.9
Opening cash and cash equivalents		**119.2**	74.3
Effect of exchange rates on cash and cash equivalents		**1.2**	1.0
Closing cash and cash equivalents	18	**173.3**	119.2

NOTES TO THE FINANCIAL STATEMENTS

For the year to 31 August 2016

1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the course of preparing the financial statements, management necessarily makes estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Actual results may differ from the initial estimate or judgement and any subsequent changes are accounted for with an effect on the financial statements at the time such updated information becomes available. The Audit Committee considers estimates and judgements made by management, as detailed in the Audit Committee Report on page 44 to 46.

The estimates and assumptions which have the most significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities are:

Accounting estimates

Inventory valuation

Inventory is carried at the lower of cost and net realisable value, on a weighted average cost basis, which requires an estimation of products' future selling prices. A provision is also made to write down any slow-moving or obsolete inventory to net realisable value. The provision is £4.7m at 31 August 2016 (2015: £5.1m).

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, although actual returns could vary from these estimates. See Note 3 on page 70.

Loyalty scheme deferral

An accrual is made to defer the fair value of consideration received on loyalty scheme sales. This revenue is subsequently recognised over the period that the awards are redeemed. The fair value of loyalty awards is determined with reference to the fair value to the customer and considers factors such as future redemption rates. Assumptions included in this fair value calculation are reviewed regularly and updated to reflect management's latest best estimates, although actual redemption rates could vary from these estimates. At 31 August 2016 £2.7m (2015: £0.3m) has been provided against future expected redemption of outstanding points and vouchers.

Calculation of share-based payment charges

The charge related to equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date they are granted, using an appropriate valuation model selected according to the terms and conditions of the grant. Judgement is applied in determining the most appropriate valuation model and in determining the inputs to the model. Third-party experts are engaged to advise in this area where necessary. Judgements are also applied in relation to estimations of the number of options which are expected to vest, by reference to historic leaver rates and expected outcomes under relevant performance conditions. See Note 20 on page 83.

Depreciation of property, plant and equipment and amortisation of other intangible assets

Depreciation and amortisation are provided to write down assets to their residual values over their estimated useful lives. The determination of these residual values and estimated lives requires the exercise of management judgement. See Notes 11 and 12 on pages 76 and 77.

Impairment of property, plant and equipment and other intangible assets

Property, plant and equipment and other intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an impairment is required, the recoverable amount is determined based on value-in-use calculations prepared using management's assumptions and estimates. See Notes 11 and 12 on pages 76 and 77.

Accounting judgements

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. See Note 23 on page 85.

2 CHANGES TO ACCOUNTING POLICIES

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year to 31 August 2015. Various new accounting standards and amendments were issued during the year, none of which have an impact on the current year. The impact of new standards which are not yet effective are currently under review by the Group.

Accounting policy references are included in the relevant notes throughout the financial statements and also in Note 25.

3 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 who receive information on the basis of the Group's operations in key geographical territories, 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.

See Note 25 for the Group's accounting policy on revenue recognition.

	Year to 31 August 2016				
	UK £m	**US £m**	**EU £m**	**RoW £m**	**Total £m**
Retail sales	**603.8**	**179.2**	**374.9**	**245.8**	**1,403.7**
Delivery receipts	**15.3**	**5.5**	**7.3**	**6.4**	**34.5**
Third-party revenues	**6.4**	**0.1**	**0.1**	**0.1**	**6.7**
Internal revenues	**–**	**–**	**–**	**3.0**	**3.0**
Total segment revenues	**625.5**	**184.8**	**382.3**	**255.3**	**1,447.9**
Eliminations	**–**	**–**	**–**	**(3.0)**	**(3.0)**
Total revenues	**625.5**	**184.8**	**382.3**	**252.3**	**1,444.9**
Cost of sales	**(331.0)**	**(72.9)**	**(202.5)**	**(116.3)**	**(722.7)**
Gross profit	**294.5**	**111.9**	**179.8**	**136.0**	**722.2**
Distribution expenses	**(72.8)**	**(46.8)**	**(54.2)**	**(42.2)**	**(216.0)**
Segment result	**221.7**	**65.1**	**125.6**	**93.8**	**506.2**
Administrative expenses					**(443.2)**
Exceptional items					**(20.9)**
Operating profit from continuing operations					**42.1**
Finance income					**0.7**
Profit before tax from continuing operations					**42.8**
Loss before tax from discontinued operations					**(10.1)**
Profit before tax					**32.7**

	Year to 31 August 2015 (restated[1])				
	UK £m	US £m	EU £m	RoW[1] £m	Total £m
Retail sales	473.9	119.5	294.0	224.8	1,112.2
Delivery receipts	11.5	3.7	5.1	5.3	25.6
Third-party revenues	4.4	0.8	–	–	5.2
Internal revenues	–	–	0.3	3.1	3.4
Total segment revenues	489.8	124.0	299.4	233.2	1,146.4
Eliminations	–	–	(0.3)	(3.1)	(3.4)
Total revenues	489.8	124.0	299.1	230.1	1,143.0
Cost of sales	(260.7)	(49.3)	(151.8)	(108.1)	(569.9)
Gross profit	229.1	74.7	147.3	122.0	573.1
Distribution expenses	(52.8)	(38.4)	(40.8)	(36.2)	(168.2)
Segment result	176.3	36.3	106.5	85.8	404.9
Administrative expenses					(358.8)
Exceptional items					6.3
Operating profit from continuing operations					52.4
Finance income					0.3
Profit before tax from continuing operations					52.7
Loss before tax from discontinued operations					(5.2)
Profit before tax					47.5

1 On 5 May 2016, the Group discontinued its local operations in China which were undertaken by ASOS (Shanghai) Commerce Co. Limited (ASOS.cn). The prior year RoW segment has been restated to remove the revenues and expenses in relation to the China operations, as disclosed in Note 8.

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.

4 OPERATING PROFIT

	Year to 31 August 2016 £m	Year to 31 August 2015 (restated) £m
a) Operating profit from continuing operations is stated after charging/(crediting):		
Depreciation of property, plant and equipment	**10.5**	8.3
Amortisation of other intangible assets	**21.2**	14.8
Loss on disposal of property, plant and equipment	**–**	0.1
Loss on disposal of other intangible assets	**0.8**	4.8
Cost of inventory recognised as an expense	**722.0**	570.6
Adjustment of inventories to net realisable value	**(0.3)**	(0.5)
Net foreign exchange gains	**5.9**	1.4
Operating leases	**8.8**	8.7
Exceptional items	**20.9**	(6.3)
b) Auditors' remuneration:		
Audit and audit-related services:		
Statutory audit of parent company and consolidated financial statements	**0.1**	0.1
Statutory audit of the Company's subsidiaries pursuant to legislation	**0.2**	0.2
Total	**0.3**	0.3

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 in the Audit Committee Report on pages 44 to 46.

	Year to 31 August 2016 £m	Year to 31 August 2015 £m
Exceptional items		
– Trademark infringement settlement	**20.9**	–
– Insurance reimbursements	**–**	(6.3)
Total	**20.9**	(6.3)

Exceptional items in relation to discontinued operations are included in Note 8.

On 2 September 2016, ASOS reached a full and final global settlement of £20.2m for the trademark infringement disputes brought against it by Assos of Switzerland (a high-performance cycle-wear brand), and Anson's Herrenhaus (a German menswear retailer) which has been presented, along with associated legal fees of £0.7m, as an exceptional item in the financial statements.

Exceptional items recognised during the year to 31 August 2015 related to final business interruption reimbursements as a result of a fire in the Group's main distribution centre in June 2014.

5 STAFF COSTS INCLUDING DIRECTORS' REMUNERATION

The Group's monthly average number of employees during the year was as follows:

	Year to 31 August 2016	Year to 31 August 2015
By activity:		
Fashion	**631**	526
Operations	**1,400**	1,089
Technology	**350**	277
	2,381	1,892

The Group's employee costs, including Directors, during the year were as follows:

	Year to 31 August 2016 £m	Year to 31 August 2015 £m
Wages and salaries	**97.1**	78.6
Social security costs	**8.4**	6.8
Other pension costs	**2.6**	2.3
Share-based payment charge (Note 20)	**4.5**	2.2
	112.6	89.9

Wages and salaries in the year to 31 August 2015 included a charge of £0.7m related to a waiver of excess loan balances due from participants in the ASOS Long-Term Incentive Plan, following the modification of this plan in July 2014 (see further details in Note 20). No charge has been incurred in the year to 31 August 2016.

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 Total Comprehensive Income on an accruals basis as they become payable under the scheme rules.

The aggregate amount of salaries deemed to relate exclusively to capital projects was £15.6m (2015: £11.6m). 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 2016 £m	Year to 31 August 2015 £m
Short-term employee benefits	**5.3**	4.1
Post-employment benefits	**0.2**	0.2
Share-based payment charge	**0.9**	–
	6.4	4.3

In the year to 31 August 2015, one Director of ASOS Plc exercised share options, but no gain was made as these shares were gifted to the ASOS Foundation.

The highest paid Director did not exercise any share options during the year (2015: nil); all other components of the highest paid Director's remuneration are detailed in the Directors' Remuneration table on page 53.

Directors' aggregate emoluments and pension payments are detailed in the Directors' Remuneration Report on pages 47 to 55, along with Directors' interests in issued shares and share options on page 54.

6 FINANCE INCOME

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

	Year to 31 August 2016 £m	Year to 31 August 2015 £m
Interest receivable on cash and cash equivalents	**0.7**	0.3

7 INCOME TAX EXPENSE

See Note 25 for the Group's accounting policy on taxation.

	Year to 31 August 2016 £m	Year to 31 August 2015 £m
Continuing operations		
Tax on profit	**8.0**	9.3
Adjustment in respect of prior year corporation tax	**1.2**	0.1
Total current tax charge	**9.2**	9.4
Deferred tax		
– Origination and reversal of temporary differences	**0.7**	1.2
– Adjustment in respect of prior year	**(1.8)**	1.1
Total deferred tax charge	**(1.1)**	2.3
Tax on profit – continuing operations	**8.1**	11.7
Tax on profit – discontinued operations (Note 8)	**0.2**	(1.0)
Tax on profit	**8.3**	10.7
Effective tax rate	***25.2%***	*22.5%*

The income tax credit related to items included in other comprehensive income is £(16.2)m (2015: debit of £1.2m).

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 2016			Year to 31 August 2015		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Profit before tax	**42.8**	**(10.1)**	**32.7**	52.7	(5.2)	47.5
Tax on profit at standard rate of UK corporation tax of 20.00% (2015: 20.58%)	**8.5**	**(2.0)**	**6.5**	10.8	(1.0)	9.8
Effects of:						
Expenses not deductible for taxation purposes	**0.2**	**–**	**0.2**	0.7	–	0.7
Non-taxable income	**(0.1)**	**(0.1)**	**(0.2)**	(1.3)	–	(1.3)
Rate differences: overseas tax	**0.1**	**(0.3)**	**(0.2)**	–	(0.1)	(0.1)
Rate differences: UK tax	**(0.1)**	**–**	**(0.1)**	–	–	-
Deferred tax assets not provided	**–**	**1.3**	**1.3**	0.3	–	0.3
Deferred tax asset written back	**–**	**1.2**	**1.2**	–	–	-
Adjustment in respect of prior years	**(0.5)**	**0.1**	**(0.4)**	1.2	0.1	1.3
Tax on profit	**8.1**	**0.2**	**8.3**	11.7	(1.0)	10.7

TAX RECOGNISED IN THE STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Year to 31 August 2016 £m	Year to 31 August 2015 £m
Deferred tax charge on net translation movements	**0.2**	–
Deferred tax charge on movement of derivative financial instruments	**16.0**	–
	16.2	–

TAX RECOGNISED IN THE STATEMENT OF CHANGES IN EQUITY

	Year to 31 August 2016 £m	Year to 31 August 2015 £m
Current tax credit on exercise of share options	**–**	0.4
Deferred tax charge on movement of derivative financial instruments	**–**	(1.2)
Deferred tax charge on movement in tax base of share options	**0.5**	(0.1)
	0.5	(1.1)

Amounts which have been recognised in equity are included in the Consolidated Statement of Changes in Equity on page 66.

8 DISCONTINUED OPERATIONS

On 5 May 2016, the Group discontinued its local operations in China which were undertaken by ASOS (Shanghai) Commerce Co. Limited (ASOS.cn). This decision was made in order to serve the Group's growing China customer base via ASOS.com where they can benefit from the full ASOS product range in a more efficient, less costly manner.

ASOS.cn was not a discontinued operation or classified as held for sale at 31 August 2015 and the comparative consolidated Statement of Total Comprehensive Income has been restated to show the discontinued operation separately from continuing operations.

	31 August 2016 £m	31 August 2015 £m
Results of China discontinued operations		
Revenue	**6.3**	7.8
Expenses	**(9.9)**	(13.0)
Operating loss before exceptional items	**(3.6)**	(5.2)
Exceptional items	**(6.5)**	–
Loss before tax from discontinued operations	**(10.1)**	(5.2)
Tax	**(0.2)**	1.0
Loss for the year from discontinued operations	**(10.3)**	(4.2)
Basic loss per share from discontinued operations	**(12.4p)**	(5.0p)
Diluted loss per share from discontinued operations	**(12.4p)**	(5.0p)

The exceptional items of £6.5m relate to costs incurred as a result of closing down the local business operations in China and includes £4.3m loss on disposal of non-current assets. All cashflows relating to discontinued operations are shown below.

	31 August 2016 £m	31 August 2015 £m
Cash flows from discontinued operations		
Operating cash flows	**(4.0)**	(5.2)
Investing cash flows	**(0.3)**	(0.3)
Financing cash flows	**–**	3.5
Total cash flows	**(4.3)**	2.0

9 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 year. Own shares held by the 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 2016	Year to 31 August 2015
Weighted average shares in issue for basic earnings per share (no. of shares)	**82,972,285**	82,963,517
Weighted average effect of dilutive options (no. of shares)	**224,372**	70,742
Weighted average shares in issue for diluted earnings per share (no. of shares)	**83,196,657**	83,034,259
Earnings attributable to owners of the parent company (£m):		
From continuing operations before exceptionals (£m)	**51.4**	36.0
From exceptionals (£m)	**(16.7)**	5.0
From discontinued operations (£m)	**(10.3)**	(4.2)
	24.4	36.8
Basic earnings per share:		
From continuing operations before exceptionals	**61.9p**	43.4p
From exceptionals	**(20.1p)**	6.0p
From discontinued operations	**(12.4p)**	(5.0p)
	29.4p	44.4p
Diluted earnings per share:		
From continuing operations before exceptionals	**61.8p**	43.4p
From exceptionals	**(20.1p)**	6.0p
From discontinued operations	**(12.4p)**	(5.0p)
	29.3p	44.4p

10 GOODWILL

See Note 25 for the Group's accounting policy on goodwill.

	Total £m
Cost	
At 1 September 2014, 31 August 2015 and 31 August 2016	**1.4**
Accumulated impairment losses	
At 1 September 2014, 31 August 2015 and 31 August 2016	**(0.3)**
Carrying value	
At 31 August 2016	1.1
At 31 August 2015	1.1

Goodwill is not amortised, but tested annually for impairment with the recoverable amount being determined from value-in-use calculations.

Goodwill has been allocated for impairment testing purposes to cash-generating units (CGUs), which include the geographical business segments as described in Note 3. The key assumptions for the value-in-use calculations are the long-term growth rate and the discount rates. Value-in-use was calculated from cash flow projections for three years using data from the Group's latest results and financial forecasts approved by the Board. The budgeted cash flow assumes a growth rate which is higher than the long-term growth rate of the UK economy, based on the Group's recent performance and current performance expectations. No reasonably possible change in the assumptions used in the value-in-use calculations could result in a material impairment of goodwill.

During the prior year, Covetique Limited (then a 30% subsidiary of the Group) ceased to trade and the goodwill recognised on acquisition of £0.3m was impaired to nil. On 12 June 2015, the Group acquired the remaining 70% of Covetique's share capital for consideration of £5 in order to retain its brand name.

The remaining Group goodwill balance relates to the historic acquisition of ASOS.com Limited, a 100% subsidiary of the Group.

11 OTHER INTANGIBLE ASSETS

See Note 25 for the Group's accounting policy on intangible assets.

	Domain names £m	Other intangible assets £m	Assets under construction £m	Total £m
Cost				
At 1 September 2014	0.1	61.1	24.0	85.2
Additions	0.1	10.2	21.8	32.1
Transfers	–	12.6	(12.6)	–
Disposals – continuing operations	–	(2.3)	(4.3)	(6.6)
At 31 August 2015	0.2	81.6	28.9	110.7
Additions	**–**	**30.4**	**33.3**	**63.7**
Transfers	**–**	**16.0**	**(16.0)**	**–**
Disposals – discontinued operations	**–**	**(6.4)**	**(0.3)**	**(6.7)**
Disposals – continuing operations	**–**	**–**	**(0.8)**	**(0.8)**
At 31 August 2016	**0.2**	**121.6**	**45.1**	**166.9**
Accumulated amortisation				
At 1 September 2014	–	22.6	–	22.6
Charge for the year	–	14.8	–	14.8
Disposals – continuing operations	–	(1.8)	–	(1.8)
At 31 August 2015	–	35.6	–	35.6
Charge for the year	**–**	**21.3**	**–**	**21.3**
Disposals – discontinued operations	**–**	**(2.4)**	**–**	**(2.4)**
At 31 August 2016	**–**	**54.5**	**–**	**54.5**
Net book amount				
At 31 August 2016	**0.2**	**67.1**	**45.1**	**112.4**
At 31 August 2015	0.2	46.0	28.9	75.1

All domain names have been determined to have an indefinite useful life as they relate to ongoing use of the ASOS brand, and are assessed for impairment annually based on their value-in-use. Domain names have been allocated for impairment testing based on the territory to which they relate. No impairment charge in respect of domain names has been recognised during the year (2015: £nil).

Other intangible assets and assets under construction as at 31 August 2016 relate to internal and external costs incurred for the development of software (essentially management information system software) for internal use. The majority of assets under construction are expected to go live by March 2017.

During the comparative year to 31 August 2015, other intangible assets of £4.8m were written off following a review by management of assets no longer generating economic benefits for the Group. The impairment charge has been included within administrative costs in the Statement of Total Comprehensive Income.

12 PROPERTY, PLANT AND EQUIPMENT

See Note 25 for the Group's accounting policy on property, plant and equipment.

	Fixtures, fittings, plant and machinery £m	Computer equipment £m	Assets under construction £m	Total £m
Cost				
At 1 September 2014	36.6	11.9	26.2	74.7
Additions	10.7	1.9	4.8	17.4
Transfers	26.1	–	(26.1)	–
Disposals	(0.3)	(0.9)	–	(1.2)
At 31 August 2015	73.1	12.9	4.9	90.9
Additions	**9.0**	**2.5**	**11.8**	**23.3**
Transfers	**4.4**	**0.1**	**(4.5)**	**–**
Disposals	**(0.1)**	**–**	**–**	**(0.1)**
At 31 August 2016	**86.4**	**15.5**	**12.2**	**114.1**
Accumulated depreciation				
At 1 September 2014	10.9	8.4	–	19.3
Charge for the year	6.5	1.8	–	8.3
Disposals	(0.3)	(0.8)	–	(1.1)
At 31 August 2015	17.1	9.4	–	26.5
Charge for the year	**8.3**	**2.2**	**–**	**10.5**
Disposals	**(0.1)**	**–**	**–**	**(0.1)**
At 31 August 2016	**25.3**	**11.6**	**–**	**36.9**
Net book amount				
At 31 August 2016	**61.1**	**3.9**	**12.2**	**77.2**
At 31 August 2015	56.0	3.5	4.9	64.4

Assets under construction as at 31 August 2016 comprise mainly of costs incurred in building the new Eurohub 2 warehouse in Germany.

13 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 amounts will not be recovered. 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 recognised within revenue in the Statement of Total Comprehensive Income.

	31 August 2016 £m	31 August 2015 £m
Trade receivables	**4.8**	9.1
Provision for doubtful debts	**–**	(0.4)
Trade receivables net of provision for doubtful debts	**4.8**	8.7
Prepayments	**9.3**	8.1
Other receivables	**0.9**	1.2
	15.0	18.0

All other receivables are non-interest bearing. The other receivables balance includes £nil UK and overseas VAT receivables (2015: £0.5m).

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 2016, trade receivables with a gross value of £nil (2015: £1.0m) were individually determined to be impaired and the provision for impairment of these trade receivables was £nil (2015: £0.4m). The other amounts within trade and other receivables do not contain impaired assets, as they are deemed fully recoverable.

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

	Year to 31 August 2016 £m	Year to 31 August 2015 £m
At start of year	**(0.4)**	(0.3)
Released during the year	**0.4**	(0.1)
At end of year	**–**	(0.4)

As at 31 August 2016, trade receivables of £nil (2015: £nil) were past due but not impaired.

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

The Group does not hold any collateral as security.

14 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.

	31 August 2016 £m	31 August 2015 £m
Trade payables	**56.1**	58.3
Taxation and social security	**5.8**	4.0
Accruals	**248.1**	108.3
Other payables	**60.7**	61.9
	370.7	232.5

The fair value of trade, other payables and accruals is not materially different from their carrying value. Included in other payables are UK VAT payables of £0.5m (2015: £0.9m).

15 DEFERRED TAX (LIABILITY)/ASSET

	Accelerated capital allowances £m	**Share-based payments £m**	**Derivatives £m**	**Other £m**	**Total £m**
At 1 September 2014	(2.5)	0.2	–	0.9	(1.4)
(Charge)/credit to the Statement of Total Comprehensive Income	(2.4)	0.1	–	0.6	(1.7)
Charge to equity	–	(0.1)	(1.2)	–	(1.3)
At 31 August 2015	(4.9)	0.2	(1.2)	1.5	(4.4)
Credit/(charge) to the Statement of Total Comprehensive Income	**3.0**	**1.0**	**16.0**	**(1.8)**	**18.2**
Impact of discontinued operations	**0.2**	**–**	**–**	**(1.2)**	**(1.0)**
Credit to equity	**–**	**0.5**	**–**	**–**	**0.5**
At 31 August 2016	**(1.7)**	**1.7**	**14.8**	**(1.5)**	**13.3**

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

The Company has losses of £0.2m (2015: £0.2m) which are available for offset against future taxable profits. These were not recognised at the year end. The Group has other losses which are available to be carried forward against future taxable profits of £14.5m (2015: £9.4m). A deferred tax asset of approximately £3.5m (2015: £1.1m) relating to a portion of these losses has not been reflected in the financial statements since it is not anticipated that they will reverse in the foreseeable future. Of this unrecognised deferred tax asset, £0.3m (2015: £0.4m) relates to the UK and £3.2m (2015: £0.7m) relates to China.

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 increased during the year to 31 August 2016.

It is estimated that deferred tax assets of £13.3m (2015: £nil) will be recovered within one year. It is estimated that deferred tax liabilities of £nil (2015: £1.2m) will be payable within one year.

During the year to 31 August 2016, the substantively enacted corporation tax rates changed to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. The change in the rate in the year reduced the deferred tax asset by £0.4m. The corporation tax rate with effect from 1 April 2020 has subsequently been reduced to 17%. It is not considered that this has a material effect.

16 CALLED UP SHARE CAPITAL

	31 August 2016 £m	31 August 2015 £m
Authorised:		
100,000,000 (2015: 100,000,000) ordinary shares of 3.5p each	**3.5**	3.5
Allotted, issued and fully paid:		
83,429,874 (2015: 83,429,874) ordinary shares of 3.5p each	**2.9**	2.9

Ordinary shares are classified as equity.

During the year, nil (2015: nil) 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 £nil (2015: £nil). No shares were issued to the Chairman (2015: 4,434 for zero consideration), as part of his remuneration package.

Employee Benefit Trust

The provision of shares to satisfy certain of the Group's share incentive plans is facilitated by purchases of own shares by the Group's Employee Benefit Trust and Capita Trust (the Trusts). Shares held by the Trusts are valued at the weighted average historical cost of the shares acquired and the carrying value is shown as a reduction within shareholders' equity. The costs of operating the Trusts are borne by the Group but are not material.

During the year to 31 August 2016, 26,374 shares (2015: 84,699) were transferred from the Trusts to employees in settlement of share options and awards in exchange for cash consideration of £0.7m (2015: £1.0m), and nil shares (2015: nil) were purchased by the Trusts to satisfy future options and awards, at a cost of £nil (2015: £nil). The Trusts have waived the right to receive dividends on these shares.

At 31 August 2016, the carrying value of the 395,185 shares held by the Trusts (2015: 421,561 shares) was £2.7m (2015: £3.6m).

17 NON-CONTROLLING INTERESTS

	31 August 2016 £m	31 August 2015 £m
At start of year	**–**	(0.4)
Acquisition of non-controlling interest in Covetique Limited	**–**	0.4
At end of year	**–**	–

During the comparative year to 31 August 2015, the Group acquired the remaining 70% of share capital in Covetique Limited for a consideration of £5, and a non-controlling interest of £0.4m held at that point was recognised directly in equity.

18 CASH AND CASH EQUIVALENTS

	31 August 2016 £m	31 August 2015 £m
Net movement in cash and cash equivalents	**52.9**	43.9
Opening cash and cash equivalents	**119.2**	74.3
Effect of exchange rates on cash and cash equivalents	**1.2**	1.0
Closing cash and cash equivalents	**173.3**	119.2

Cash and cash equivalents comprise funds which the Group can access without restriction within a maximum of three months.

The Group has in place a £20.0m revolving loan credit facility including an ancillary £10.0m guaranteed overdraft facility available until October 2018, none of which has been drawn down at the year end.

19 FINANCIAL INSTRUMENTS

Categories of financial instruments

	31 August 2016 £m	31 August 2015 £m
Financial assets		
Loans and receivables	**179.0**	129.2
Derivative assets used for hedging at fair value	**–**	6.3
Financial liabilities		
Derivative liabilities used for hedging at fair value	**76.0**	–
Amortised cost	**364.9**	228.5

'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 cash and cash equivalents plus equity attributable to owners of the parent) 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, while 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. At 31 August 2016, the Group had capital of £373.7m (2015: £356.5m).

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 2016, the Group had an undrawn revolving loan credit facility of £20.0m which includes an ancillary £10.0m guaranteed overdraft facility and which is available until October 2018. Borrowings under the revolving loan credit facility bear interest at a rate of 0.6% per annum above LIBOR plus 0.25% if between 33% and 66% utilised, and plus 0.5% if over 66% utilised. Borrowings under the overdraft bear interest at 1.7% above base rate. Commitment interest of 0.21% 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 at amortised cost as at 31 August 2016 and 31 August 2015 all mature in 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 high volume, low value and short maturity. The Group's trade receivables are primarily with large advertising companies with which the Group has a long-standing relationship, and the risk of default and write-offs due to bad debts is considered to be 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.

Interest rate risk

The Group is exposed to cash flow interest rate risk on its floating rate bank overdraft and revolving credit facilities to the extent that these are utilised.

During the year, the Group had 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.

19 FINANCIAL INSTRUMENTS continued

Foreign currency risk

The Group operates internationally and is therefore exposed to foreign currency transaction risk, primarily on sales denominated in US dollars, Euros and Australian dollars. The Group's presentational currency is pounds 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 highly probable foreign currency cash flows from sales to customers. The Group's policy is to layer hedges over a 24-month period, with 80% coverage for the first 12 months, 60% for 13 to 18 months and finally 40% from 19 to 24 months, with sales currently hedged in ten currencies. Following the weakening of sterling in recent months, the hedging policy has been amended to hedge against 100% of the net exposure over the next 12 months. This means that the Group will be less impacted by spot rate fluctuations as the realities of Brexit begin to unfold. These forward foreign exchange contracts are classified as Level 2 derivative financial instruments under IFRS 13, 'Fair Value Measurement'. They have been fair valued at 31 August 2016 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value.

	31 August 2016 £m	31 August 2015 £m
Fair value of derivative financial assets	**–**	6.3
Current liabilities		
Fair value of derivatives	**(55.0)**	–
Non-current liabilities		
Fair value of derivatives	**(21.0)**	–
	(76.0)	

The Group's forward foreign exchange contracts were assessed to be highly effective at 31 August 2016, and a net unrealised loss of £76.0m (2015: net unrealised gain of £6.3m) was recognised in other comprehensive income. Cash flows related to these contracts will occur during the years to 31 August 2017 and 31 August 2018, and will impact the Statement of Total Comprehensive Income over the same period. During the year to 31 August 2016, net gains of £6.1m (2015: £2.2m) relating to unmatured forward foreign exchange contracts as at 31 August 2015 were reclassified to the Statement of Total Comprehensive Income and included within revenue.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 24 months. Therefore, the fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

Financial instrument sensitivities

Foreign currency sensitivity

The Group's principal financial instrument foreign currency exposures are to US dollars, Euros, Australian dollars and Chinese yuan. The table below illustrates the hypothetical sensitivity of the Group's reported profit before tax and closing equity to a 10% increase and decrease in the value of each of these currencies relative to pounds sterling at the reporting date, assuming all other variables remain unchanged. The sensitivity rate of 10% is deemed to represent a reasonably possible change based on historic exchange rate volatility.

The following assumptions were made in calculating the sensitivity analysis:

- all sensitivities affecting the Statement of Total Comprehensive Income also impact equity
- exchange rate fluctuations on currency derivatives that form part of an effective cash flow hedge relationship affect the fair value reserve in equity and the fair value of the hedging derivatives, with no impact on the Statement of Total Comprehensive Income
- all hedge relationships are fully effective
- translation of foreign subsidiaries and operations into the Group's presentation currency has been excluded from the sensitivity analysis.

Positive figures represent an increase in profit before tax or in equity.

	Profit before tax		**Equity**	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Sterling strengthens by 10% against:				
US dollar	**0.3**	0.1	**(0.3)**	0.2
Euro	**0.6**	0.2	**(3.6)**	0.1
Australian dollar	**(0.4)**	(0.3)	**(2.0)**	0.2
Chinese yuan	**–**	(0.3)	**–**	(0.3)
Sterling weakens by 10% against:				
US dollar	**(0.3)**	(0.1)	**0.3**	(0.2)
Euro	**(0.6)**	(0.2)	**3.6**	(0.1)
Australian dollar	**0.4**	0.3	**2.0**	(0.2)
Chinese yuan	**–**	0.3	**–**	0.3

The above sensitivities are calculated with reference to a single moment in time and are subject to change due to a number of factors including fluctuating trade payable and cash balances and changes in the currency mix. As the sensitivities are limited to financial instrument balances as at the reporting date due to ASOS's hedging policy, they do not take account of the Group's revenues and costs of sale, which are sensitive to changes in exchange rates. In addition, each of the sensitivities is calculated in isolation while, in reality, foreign currencies do not move independently.

Interest rate sensitivity

The Group has determined that at 31 August 2016 and 31 August 2015 there was no significant sensitivity to changes in market interest rates.

20 SHARE-BASED PAYMENTS

See Note 25 for the Group's accounting policy on share-based payments.

The Group recognised a charge of £4.5m (2015: £2.2m) related to share-based payments during the year to 31 August 2016, all of which relates to equity-settled schemes. In addition, £0.5m (2015: £1.3m) was charged directly to equity, representing the recycling of upfront cash paid by Executive Directors on joining the ALTIP scheme after it failed to meet its performance conditions.

Summary of movements in awards

	Save-As-You-Earn scheme (no. of shares)	Performance Share Plan (no. of shares)	Share Incentive Plan (no. of shares)	ASOS Long-Term Incentive Plan (no. of shares)	ASOS Long-Term Incentive Scheme (no. of shares)	Total (no. of shares)	Weighted average exercise price (pence)
Outstanding at 1 September 2014	298,176	78,067	22,840	568,948	–	968,031	1,332
Granted during the year	74,937	–	–	–	273,549	348,486	710
Lapsed during the year	(87,416)	(26,424)	(3,876)	(568,948)	(18,815)	(705,479)	1,079
Exercised during the year	(77,564)	(6,689)	(587)	–	–	(84,840)	1,075
Outstanding at 31 August 2015	208,133	44,954	18,377	–	254,734	526,198	1,302
Exercisable at 31 August 2015	641	–	–	–	–	–	1,177
Outstanding at 1 September 2015	**208,133**	**44,954**	**18,377**	**–**	**254,734**	**526,198**	**1,302**
Granted during the year	**103,405**	**–**	**–**	**–**	**313,550**	**416,955**	**719**
Lapsed during the year	**(52,820)**	**(32,686)**	**(1,737)**	**–**	**(87,826)**	**(175,069)**	**1,004**
Exercised during the year	**(22,745)**	**–**	**(3,629)**	**–**	**–**	**(26,374)**	**2,514**
Outstanding at 31 August 2016	**235,973**	**12,268**	**13,011**	**–**	**480,458**	**741,710**	**1,001**
Exercisable at 31 August 2016	**21,934**	**–**	**6,744**	**–**	**–**	**–**	**2,955**

The weighted average share price at date of exercise of shares exercised during the year was 4,326p (2015: 3,136p).

The weighted average remaining contractual life of outstanding options at the end of the year was 1.1 years (2015: 2.1 years). The aggregate fair value of options granted in the year was £9.7m (2015: £7.4m).

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

Date of grant	1 September 2015 (no. of shares)	Granted during the year (no. of shares)	Lapsed during the year (no. of shares)	Exercised during the year (no. of shares)	31 August 2016 (no. of shares)	Exercise price (pence)	Exercise period
06/12/11	641	**–**	**–**	**(641)**	**–**	1,177.0	01/03/15 – 31/08/15
12/06/13	49,595	**–**	**(6,008)**	**(21,653)**	**21,934**	2,955.0	01/08/16 – 31/01/17
08/05/14	84,288	**–**	**(22,358)**	**(397)**	**61,533**	3,519.0	01/07/17 – 31/12/17
04/07/14	2,364	**–**	**(731)**	**–**	**1,633**	2,462.0	01/08/17 – 31/01/18
08/05/15	71,245	**–**	**(21,805)**	**(54)**	**49,386**	3,301.0	01/07/18 – 31/12/18
06/06/16	–	**103,405**	**(1,918)**	**–**	**101,487**	2,910.0	01/07/19 – 31/12/19
	208,133	**103,405**	**(52,820)**	**(22,745)**	**235,973**		

The fair value of SAYE options granted during the current and prior year was calculated using the Black-Scholes model, assuming the following inputs:

	Year to 31 August 2016 £m	Year to 31 August 2015 £m
Share price (pence)	**3,520**	3,561
Exercise price (pence)	**2,901**	3,301
Expected volatility (%)	**51.3**	50.8
Expected life (years)	**3.1**	3.2
Risk-free rate (%)	**0.43**	0.85
Dividend yield	**–**	–
Weighted average fair value of options (pence)	**1,494**	1,368

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

20 SHARE-BASED PAYMENTS continued

Performance Share Plan (PSP)

Under the terms of the PSP, selected employees 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 earnings per share performance targets are met. No employee who participates in the ALTIP or ALTIS is entitled to receive grants under the PSP. These grants are settled on exercise through a transfer of shares from the Employee Benefit Trust.

Date of grant	1 September 2015 (no. of shares)	**Granted during the year (no. of shares)**	**Lapsed during the year (no. of shares)**	**Exercised during the year (no. of shares)**	**31 August 2016 (no. of shares)**	Exercise price (pence)	Exercise period
18/12/12	31,532	**–**	**(31,532)**	**–**	**–**	nil	18/12/15
24/10/13	13,422	**–**	**(1,154)**	**–**	**12,268**	nil	24/10/16
	44,954	**–**	**(32,686)**	**–**	**12,268**		

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

Date of grant	1 September 2015 (no. of shares)	**Granted during the year (no. of shares)**	**Lapsed during the year (no. of shares)**	**Exercised during the year (no. of shares)**	**31 August 2016 (no. of shares)**	Exercise price (pence)	Exercise period
28/12/12	10,748	**–**	**(414)**	**(3,590)**	**6,744**	nil	Post 28/12/2015
15/11/13	7,629	**–**	**(1,323)**	**(39)**	**6,267**	nil	Post 15/11/2016
	18,377	**–**	**(1,737)**	**(3,629)**	**13,011**		

ASOS Long-Term Incentive Scheme (ALTIS)

Under the terms of the ALTIS, certain Executive Directors and members of management may be granted conditional awards, the base value of which is calculated as a fixed multiple of salary, and will only vest to the extent the related performance targets, as detailed in the Directors' Remuneration Report on page 54, are met. These options grants are settled on exercise through issue of new ordinary shares by the Company.

Options granted under the ALTIS scheme are shown below.

Date of grant	1 September 2015 (no. of shares)	**Granted during the year (no. of shares)**	**Lapsed during the year (no. of shares)**	**Exercised during the year (no. of shares)**	**31 August 2016 (no. of shares)**	Exercise price (pence)	Exercise period
15/01/15	236,036	**–**	**(50,287)**	**–**	**185,749**	nil	31/10/17
25/03/15	10,246	**–**	**(848)**	**–**	**9,398**	nil	31/10/17
27/07/15	8,452	**–**	**–**	**–**	**8,452**	nil	31/10/17
30/09/15	–	**11,406**	**–**	**–**	**11,406**	nil	31/10/18
22/10/15	–	**278,033**	**(36,417)**	**–**	**241,616**	nil	31/10/18
25/02/16	–	**18,053**	**(274)**	**–**	**17,779**	nil	31/10/18
26/05/16		**5,785**	**–**	**–**	**5,785**	nil	31/10/18
14/07/16	–	**273**	**–**	**–**	**273**	nil	31/10/18
	254,734	**313,550**	**(87,826)**	**–**	**480,458**		

The fair value of options granted during the current and prior year under the ALTIS EPS performance conditions were calculated using the Black-Scholes model and the fair value of options granted under the ALTIS TSR performance conditions were calculated using the Monte Carlo model. Both sets of inputs are shown below.

	2016					2015		
	Grant 1	**Grant 2**	**Grant 3**	**Grant 4**	**Grant 5**	Grant 1	Grant 2	Grant 3
Share price (pence)	**2,600**	**3,308**	**2,308**	**3,571**	**4,500**	2,653	3,580	3,655
Exercise price (pence)	**–**	**–**	**–**	**–**	**–**	–	–	–
Expected volatility (%)	**52.7**	**51.6**	**53.2**	**54.7**	**51.1**	51.6	52.3	54.2
Expected life (years)	**2.1**	**3.0**	**2.7**	**2.4**	**2.3**	2.8	2.6	2.3
Risk-free rate (%)	**0.60**	**0.77**	**0.40**	**0.47**	**0.14**	0.68	0.51	0.90
Dividend yield	**–**	**–**	**–**	**–**	**–**	–	–	–
Weighted average fair value of options for EPS performance condition (pence)	**2,600**	**3,308**	**2,808**	**3,571**	**4,500**	2,653	3,580	3,655
Weighted average fair value of options for TSR performance condition (pence)[1, 2]	**858**	**1,092**	**927**	**1,178**	**1,485**	1,364	1,840	1,879

1 Inputs to the Monte Carlo model for all five grants from 2016 were as follows: share price of 3,308p, exercise price of nil, expected volatility of 54.0%, expected life of 3.0 years, risk-free rate of 0.808% and dividend yield of nil.
2 Inputs to the Monte Carlo model for all three grants from 2015 were as follows: share price of 2,653p, exercise price of nil, expected volatility of 54.0%, expected life of 2.8 years, risk-free rate of 0.60% and dividend yield of nil.

21 CAPITAL COMMITMENTS

Capital expenditure committed at the reporting date but not yet incurred is as follows:

	31 August 2016 £m	31 August 2015 £m
Fixtures and fittings	**7.9**	4.4
Intangible assets	**0.4**	0.3
	8.3	4.7

22 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 2016 £m	31 August 2015 £m
Within one year	**11.7**	8.7
Within two to five years	**48.7**	23.3
In more than five years	**114.8**	20.5
Total	**175.2**	52.5

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

23 CONTINGENT LIABILITIES AND POST BALANCE SHEET EVENTS

From time to time, the Group is 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 ecommerce base, may concern the Group's brand and trading name or its product designs. 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 which can be reliably measured.

On 2 September 2016, ASOS reached a full and final global settlement of £20.2m for the trademark infringement disputes brought against it by Assos of Switzerland (a high-performance cycle-wear brand), and Anson's Herrenhaus (a German menswear retailer) which has been presented, along with associated legal fees of £0.7m, as an exceptional item in the financial statements. At 31 August 2016, there were no other pending claims or proceedings against the Group which were expected to have a material adverse effect on its liquidity or operations.

At 31 August 2016, the Group had contingent liabilities of £7.3m (2015: £3.6m) 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.

24 RELATED PARTY TRANSACTIONS

Transactions with key management personnel

The Group recognised a liability of £0.7m during the year to 31 August 2015 representing employee and employer tax liabilities arising from the Group's purchase of investments previously made by senior management in the ALTIP share scheme.

There were no material transactions or balances between the Group and its key management personnel or their close family during the year to 31 August 2016 other than remuneration disclosed in Note 5.

Transactions with ASOS.com Limited Employee Benefit Trust and Capita Trust (the Trusts)

During the year, £0.7m (2015: £0.9m) was received by the Trusts on exercise of employee share options.

Transactions with other related parties

During the year, the Group made purchases of inventory totalling £26.7m (2015: £18.2m) from Aktieselskabet af 5.5.2010, a company which has a significant shareholding in the Group. At 31 August 2016, the amount due to Aktieselskabet af 5.5.2010 was £4.3m (2015: £4.8m).

25 ACCOUNTING POLICIES

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 and Russia. 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 Greater London House, Hampstead Road, London NW1 7FB.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore been adopted in preparing the financial statements. Further details are contained in the Directors' Report on pages 56 to 57.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations, as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. As at the reporting date 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 EU.

On 5 May 2016, the Group discontinued its local operations in China which were undertaken by ASOS (Shanghai) Commerce Co. Limited (ASOS.cn). As a result, the China operation has met the recognition criteria of a discontinued operation under IFRS 5 'Non-current assets held for sale and discontinued operations' and is therefore presented as such throughout this report. In order to comply with this presentation, the Group has restated its comparative consolidated income statement and relevant notes, separating continuing and discontinued operations.

a) Accounting convention

The financial statements are drawn up on the historical cost basis of accounting, excluding derivative financial instruments held at fair value. The financial statements are presented in sterling and all values are rounded to the nearest hundred thousand pounds except where otherwise indicated.

b) Basis of consolidation

The consolidated Group financial statements include the financial statements of ASOS Plc, all its subsidiaries, 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 control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases. Subsidiary undertakings acquired during the period are recorded under the acquisition method of accounting. A list of all the subsidiaries of the Group is included in Note 8 of the parent company financial statements. All apply accounting policies which are consistent with those of the rest of the Group.

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. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. 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 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.

Additional accounting policy information

a) Revenue recognition

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

Retail sales and delivery receipts are recorded net of an appropriate deduction for actual and expected returns, relevant vouchers, sales taxes, and deferral of the fair value of loyalty incentives which are yet to be redeemed. Retail sales and delivery receipts are recognised upon despatch from the warehouse at which point title and risk passes to third parties at which point revenue can be reliably measured.

Third-party revenue relates to advertising income earned from the website and the ASOS magazine and 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 the sale of goods and provision of services has been disclosed in Note 3 to the financial statements.

b) 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 the 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 year-end exchange rates. Exchange differences on monetary items are recognised in the Statement of Total Comprehensive Income.

c) Derivative financial instruments and hedging activities

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequent changes in the fair value of foreign currency derivatives which are designated and effective as hedges of future cash flows are recognised in equity in the hedging reserve and in Other Comprehensive Income, and are reclassified to profit or loss when the hedged item affects profit or loss. Changes in the fair value of foreign currency derivatives which are ineffective or do not meet the criteria for hedge accounting in accordance with IAS 39 are recognised immediately in the Statement of Total Comprehensive Income.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

d) Inventories

Inventories are valued at the lower of cost and net realisable value, on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. 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.

e) Taxation

The tax expense included in the Statement of Total 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 Total 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 in accordance with laws that are expected to apply in the period/jurisdiction when/where 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.

f) 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 Total 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.

Where an equity-settled share-based payment scheme is modified during the vesting period, an additional charge is recognised over the remainder of that vesting period to the extent that the fair value of the revised scheme at the modification date exceeds the fair value of the original scheme at the modification date. Where the fair value of the revised scheme does not exceed the fair value of the original scheme, the Group continues to recognise the charge required under the conditions of the original scheme.

25 ACCOUNTING POLICIES continued

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.

g) Leases

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

h) Business combinations and goodwill arising thereon

The Group applies the acquisition method of accounting to account for business combinations in accordance with IFRS 3, '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 Total Comprehensive Income. Acquisition expenses are recognised in the Statement of Total Comprehensive Income as incurred.

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 Total 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, 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.

i) 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 Total Comprehensive Income. Software under development is held at cost less any recognised impairment loss.

Acquired domain names and trademarks are recognised initially at cost. Those deemed to have a definite useful life are amortised on a straight-line basis according to the estimated life of the asset. Those deemed to have an indefinite useful life are tested for impairment annually or as triggering events occur. Any impairment in value is charged to the Statement of Total Comprehensive Income in the period in which it occurs.

j) 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. Residual values and useful lives are assessed at each reporting date.

Depreciation is recognised to write off the cost of items of property, plant and equipment to their estimated residual values, on a straight-line basis as follows:

Fixtures and fittings	depreciated over five years or over the remaining lease term where applicable
Computer equipment	depreciated over three to five years according to the estimated life of the asset

Depreciation is included in administrative expenses in the Statement of Total Comprehensive Income. Assets under construction are not depreciated.

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 Total Comprehensive Income in the period in which it occurs.

REPORT ON THE COMPANY FINANCIAL STATEMENTS

Our opinion

In our opinion, ASOS Plc's parent company financial statements (the 'financial statements'):

- give a true and fair view of the state of the parent company's affairs as at 31 August 2016 and of its cash flows for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the company statement of financial position as at 31 August 2016
- the company statement of cash flows for the year then ended
- the company statement of changes in equity for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law, and as applied in accordance with the provisions of the Companies Act 2006.

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 opinion
In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

ISAs (UK and Ireland) reporting
Under International Standards on Auditing (UK and Ireland) ('ISAs (UK and Ireland)') we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the parent company acquired in the course of performing our audit
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit
- 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
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 58, 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 ISAs (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 parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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

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

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

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

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

OTHER MATTER

We have reported separately on the Group financial statements of ASOS Plc for the year ended 31 August 2016.

John Minards
Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
17 October 2016

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year to 31 August 2016

	Called up share capital £m	Share premium £m	Retained earnings[1] £m	Total equity £m
At 1 September 2014	2.9	6.9	1.4	11.2
Loss for the year and total comprehensive loss	–	–	(0.4)	(0.4)
Share-based payment contribution	–	–	2.2	2.2
At 31 August 2015	2.9	6.9	3.2	13.0
Loss for the year and total comprehensive loss	**–**	**–**	**(0.5)**	**(0.5)**
Share-based payment contribution	**–**	**–**	**4.5**	**4.5**
At 31 August 2016	**2.9**	**6.9**	**7.2**	**17.0**

1 Retained earnings includes the share-based payments reserve.

FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 August 2016

	Note	31 August 2016 £m	31 August 2015 £m
Non-current assets			
Investments	8	**15.0**	10.5
Current assets			
Other receivables	3	**2.1**	2.6
Current liabilities			
Other payables	4	**(0.1)**	(0.1)
Net current assets		**2.0**	2.5
Net assets		**17.0**	13.0
Equity			
Called up share capital	6	**2.9**	2.9
Share premium		**6.9**	6.9
Retained earnings		**7.2**	3.2
Total equity		**17.0**	13.0

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

The financial statements of ASOS Plc, registered number 4006623, on pages 91 to 97, were approved by the Board of Directors and authorised for issue on 17 October 2016 and were signed on its behalf by:

Nick Beighton
Director

Helen Ashton
Director

COMPANY STATEMENT OF CASH FLOWS

For the year to 31 August 2016

	Year to 31 August 2016 £m	Year to 31 August 2015 £m
Operating loss	**(0.5)**	(0.4)
Adjusted for:		
Increase in other receivables	**0.5**	0.4
Net cash used in operating activities	**–**	–
Net decrease in cash and cash equivalents	**–**	–
Opening cash and cash equivalents	**–**	–
Closing cash and cash equivalents	**–**	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year to 31 August 2016

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) 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 and prior years. The financial statements have been prepared on a going concern basis as explained on page 56 to 57 of the Directors' Report. No new accounting standards or amendments issued during the year have had, or are expected to have, any significant impact on the Company.

The financial statements are presented in sterling and all values are rounded to the nearest hundred thousand pounds except where otherwise indicated.

The Company's principal accounting policies are the same as those set out in Note 25 of the Group financial statements, with the addition of those included within the relevant notes below. Unless otherwise stated, these policies have been consistently applied to all the periods presented.

2 LOSS FOR THE YEAR

The Company has not presented its own Statement of Total 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 £0.5m (2015: loss of £0.4m).

3 OTHER RECEIVABLES

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 receivables due from subsidiary undertakings is established when there is objective evidence that amounts will not be recovered.

	31 August 2016 £m	31 August 2015 £m
Receivables from subsidiary undertakings	**2.1**	2.6

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

As at 31 August 2016, receivables from subsidiary undertakings of £2.1m (2015: £2.6m) were unimpaired and considered by management to be fully recoverable. Receivables from subsidiary undertakings that are less than three months past due are not considered impaired. As at 31 August 2016, receivables of £2.4m (2015: £2.8m) 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 2016 £m	31 August 2015 £m
Three to six months	**(0.2)**	(0.2)
More than six months	**2.6**	3.0
	2.4	2.8

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

4 OTHER PAYABLES

	31 August 2016 £m	31 August 2015 £m
Accruals	**0.1**	0.1

All accruals are due within one year. The fair value of accruals is not materially different from their carrying value.

5 FINANCIAL INSTRUMENTS

	31 August 2016 £m	31 August 2015 £m
Financial assets		
Loans and receivables	**2.1**	2.6
Financial liabilities		
Amortised cost	**0.1**	0.1

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.

6 CALLED UP SHARE CAPITAL

	31 August 2016 £m	31 August 2015 £m
Authorised:		
100,000,000 (2015: 100,000,000) ordinary shares of 3.5p each	**3.5**	3.5
Allotted, issued and fully paid:		
83,429,874 (2015: 83,429,874) ordinary shares of 3.5p each	**2.9**	2.9

During the year, nil (2015: nil) 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 £nil (2015: £nil). No shares were issued to the Chairman (2015: 4,434 shares for zero consideration), as part of his remuneration package.

7 RELATED PARTY TRANSACTIONS

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

	31 August 2016 £m	31 August 2015 £m
Costs recharged by subsidiary undertakings	**0.5**	0.4

For transactions with Directors and key management of ASOS Plc, see Note 24 to the consolidated financial statements on page 85.

8 INVESTMENTS

Investments in subsidiary companies are stated at cost and are subject to review for impairment if an impairment indicator is identified.

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 capital contribution to ASOS.com Limited. For the year to 31 August 2016, ASOS.com Limited recognised a charge of £4.5m (2015: £2.2m) in respect of share-based payment arrangements. Accordingly, this is shown as an increase (2015: increase) in the capital contribution balance in the table below.

	Investment £m	Capital contribution £m	Total £m
Cost and net book amount			
At 1 September 2014	1.7	6.5	8.2
Additions	–	2.2	2.2
At 31 August 2015	1.7	8.8	10.5
Additions	–	4.5	4.5
At 31 August 2016	**1.7**	**13.3**	**15.0**

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

8 INVESTMENTS continued

At 31 August 2016, 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[1]	UK	100%	Internet retailer
Crooked Tongues Limited	UK	95%	Discontinued internet retailer
Covetique Limited	UK	100%	Discontinued internet marketplace
ASOS Marketplace Limited	UK	100%	Internet marketplace
ASOS Global Limited	UK	100%	Holding company
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 Transaction Services France SAS	France	100%	Payment processing company
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 Transaction Services Australia Pty Limited	Australia	100%	Payment processing company
ASOS US Sales, LLC	US	100%	Payment processing company
ASOS Projects Limited	UK	100%	Holding company
ASOS Ventures Limited	UK	100%	Holding company
ASOS (Shanghai) Commerce Co. Limited	China	100%	Discontinued internet retailer

1 ASOS.com Limited has a 7.4% interest in Needle and Thread Design Holdings Limited.

ASOS Intermediate Holdings Limited, Mornington & Co (No. 1) Limited and Mornington & Co (No. 2) Limited are direct subsidiaries of the Company. All others are indirect subsidiaries of ASOS Plc.

All operating subsidiaries' results are included in the consolidated financial statements, based on percentage of voting rights held. No subsidiaries have non-controlling interests that are material to the consolidated financial statements of ASOS Plc.

The accounting reference date of all subsidiaries of ASOS Plc is 31 August, except for ASOS (Shanghai) Commerce Co. Limited which has an accounting reference date of 31 December due to Chinese statutory requirements.

All UK incorporated entities share the same registered office as ASOS Plc and non-UK entities registered offices are detailed below:
ASOS US Inc: 874 Walker Road, Suite C, Dover, Kent DE 19904, United States
ASOS Germany GmbH: Chausseestrasse 1, Berlin 10115, Germany
ASOS France SAS: TMF France SAS, 52 Rue De La Victoire, 75009 Paris, France
ASOS Transaction Services France SAS: TMF France SAS, 52 Rue De La Victoire, 75009 Paris, France
ASOS Australia Pty Limited: Suite 402, 50 Holt Street, Surry Hills, Sydney NSW 2010, Australia
ASOS Canada Services Limited: 1500 Royal Centre, 1055 West Georgia Street, PO Box 11117, Vancouver BC V6E4N7, Canada
ASOS Transaction Service Australia Pty Limited: c/o Company Matters Pty Limited, Level 1 333 Collins Street, Melbourne VIC 3000, Australia
ASOS US Sales LLC: 874 Walker Road, Suite C, Dover, Kent DE 19904, United States
ASOS (Shanghai) Commerce Co. Limited: Room 807-809, 597 Langao Road, Putuo District, Shanghai, China

FIVE-YEAR FINANCIAL SUMMARY (UNAUDITED)

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Year to 31 March 2012 £m	5 months to 31 August 2012 £m	Year to 31 August 2013 £m	Year to 31 August 2014 (restated) £m	Year to 31 August 2015 (restated) £m	**Year to 31 August 2016 £m**
Revenue	495.0	238.0	769.4	970.1	1,143.0	**1,444.9**
Cost of sales	(243.0)	(117.9)	(370.8)	(483.2)	(569.9)	**(722.7)**
Gross profit	252.0	120.1	398.6	486.9	573.1	**722.2**
Distribution costs	(65.8)	(35.9)	(115.2)	(146.9)	(168.2)	**(216.0)**
Administrative expenses	(144.3)	(70.9)	(229.0)	(287.8)	(358.8)	**(443.2)**
Operating profit before exceptional items	41.8	13.3	54.4	52.2	46.1	**63.0**
Exceptional items	(10.6)	–	–	3.1	6.3	**(20.9)**
Operating profit after exceptional items	31.2	13.3	54.4	55.3	52.4	**42.1**
Finance income	–	–	0.3	0.3	0.3	**0.7**
Finance expense	(0.8)	(0.1)	(0.1)	(0.1)	–	**–**
Profit before tax	30.4	13.2	54.6	55.5	52.7	**42.8**
Income tax expense	(8.1)	(3.3)	(13.7)	(11.6)	(11.7)	**(8.1)**
Profit from continuing operations	22.3	9.9	40.9	43.9	41.0	**34.7**
Discontinued operations						
Loss from discontinued operations before tax	–	–	–	(8.6)	(5.2)	**(10.1)**
Tax from discontinued operations	–	–	–	1.3	1.0	**(0.2)**
Loss from discontinued operations after tax	–	–	–	(7.3)	(4.2)	**(10.3)**
Profit for the year attributable to owners of the parent company	22.3	9.9	40.9	36.6	36.8	**24.4**
Net exchange adjustments offset in reserves	–	–	–	(0.2)	(0.1)	**(1.4)**
Derivative financial assets	–	–	0.2	2.0	4.1	**(82.3)**
Income tax relating to these items	–	–	–	–	–	**16.2**
Other comprehensive income for the period	–	–	0.2	1.8	4.0	**(67.5)**
Profit/(loss) attributable to:						
Owners of the parent company	22.3	9.9	40.9	37.0	36.8	**24.4**
Non-controlling interest	–	–	–	(0.4)	–	**–**
	22.3	9.9	40.9	36.6	36.8	**24.4**
Total comprehensive income/(loss) attributable to:						
Owners of the parent company	22.3	9.9	41.1	38.8	40.8	**(43.1)**
Non-controlling interest	–	–	–	(0.4)	–	**–**
	22.3	9.9	41.1	38.4	40.8	**(43.1)**
Underlying earnings per share[1]						
Basic	39.8p	12.5p	50.1p	50.0p	43.4p	**61.9p**
Diluted	36.3p	11.9p	49.2p	49.8p	43.4p	**61.8p**
Earnings per share						
Basic	29.3p	12.5p	50.1p	44.6p	44.4p	**29.4p**
Diluted	26.7p	11.9p	49.2p	44.5p	44.4p	**29.3p**

1 Underlying EPS is calculated using profit after tax before exceptional items and discontinued operations.

GROUP STATEMENT OF FINANCIAL POSITION

	As at 31 March 2012 £m	As at 31 August 2012 £m	As at 31 August 2013 £m	As at 31 August 2014 £m	As at 31 August 2015 £m	**As at 31 August 2016 £m**
Non-current assets	58.6	58.6	78.6	119.3	140.8	**204.0**
Current assets	126.4	147.7	233.2	260.7	337.1	**446.0**
Total assets	185.0	206.3	311.8	380.0	477.9	**650.0**
Equity attributable to owners of the parent company	95.2	106.0	159.8	193.4	237.3	**200.4**
Non-controlling interest	–	–	–	(0.4)	–	**–**
Current liabilities	83.9	100.3	152.0	185.6	237.3	**428.6**
Revolving credit facility	5.0	–	–	–	–	**–**
Provisions for liabilities and charges	0.9	–	–	–	–	**–**
Long-term liabilities	–	–	–	1.4	3.3	**21.0**
Total liabilities, capital and reserves	185.0	206.3	311.8	380.0	477.9	**650.0**

GROUP STATEMENT OF CASH FLOWS

	Year to 31 March 2012 £m	5 months to 31 August 2012 £m	Year to 31 August 2013 £m	Year to 31 August 2014 £m	Year to 31 August 2015 £m	**Year to 31 August 2016 £m**
Net cash generated from operating activities after exceptional items	37.5	16.6	74.2	68.6	93.2	**130.7**
Net cash used in investing activities	(21.6)	(8.0)	(31.1)	(61.9)	(50.1)	**(78.4)**
Net cash generated/(used in) from financing activities	3.7	(5.0)	0.1	(3.4)	0.8	**0.6**
Net movement in cash and cash equivalents	19.6	3.6	43.2	3.3	43.9	**52.9**
Opening cash and cash equivalents	4.7	24.3	27.9	71.1	74.3	**119.2**
Effect of exchange rates on cash and cash equivalents	–	–	–	(0.1)	1.0	**1.2**
Closing cash and cash equivalents	24.3	27.9	71.1	74.3	119.2	**173.3**

COMPANY INFORMATION

ANNUAL GENERAL MEETING

The AGM will be held at 12.00pm on
Thursday 1 December 2016 at
Greater London House
Hampstead Road
London NW1 7FB

The notice of the meeting is available on our website setting out the business to be transacted.

DIRECTORS

Brian McBride (Chairman)
Nick Beighton
Helen Ashton
Rita Clifton
Ian Dyson
Hilary Riva
Nick Robertson

COMPANY SECRETARY

Andrew Magowan

REGISTERED OFFICE

Greater London House
Hampstead Road
London NW1 7FB

Registered in England
Company Number 4006623

SHAREHOLDER HELPLINE

0871 664 0300

INDEPENDENT AUDITORS

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

LAWYERS

Slaughter and May
1 Bunhill Row
London EC1Y 8YY

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

Instinctif Partners
65 Gresham Street
London EC2V 7NQ

REGISTRARS

Capita Asset Services
34 Beckenham Road
Beckenham
Kent BR3 4TU


WEEKEND


PANTONE
18-6024 TPG
18-5619
PANTONE
18-1022 TPX
17-1028