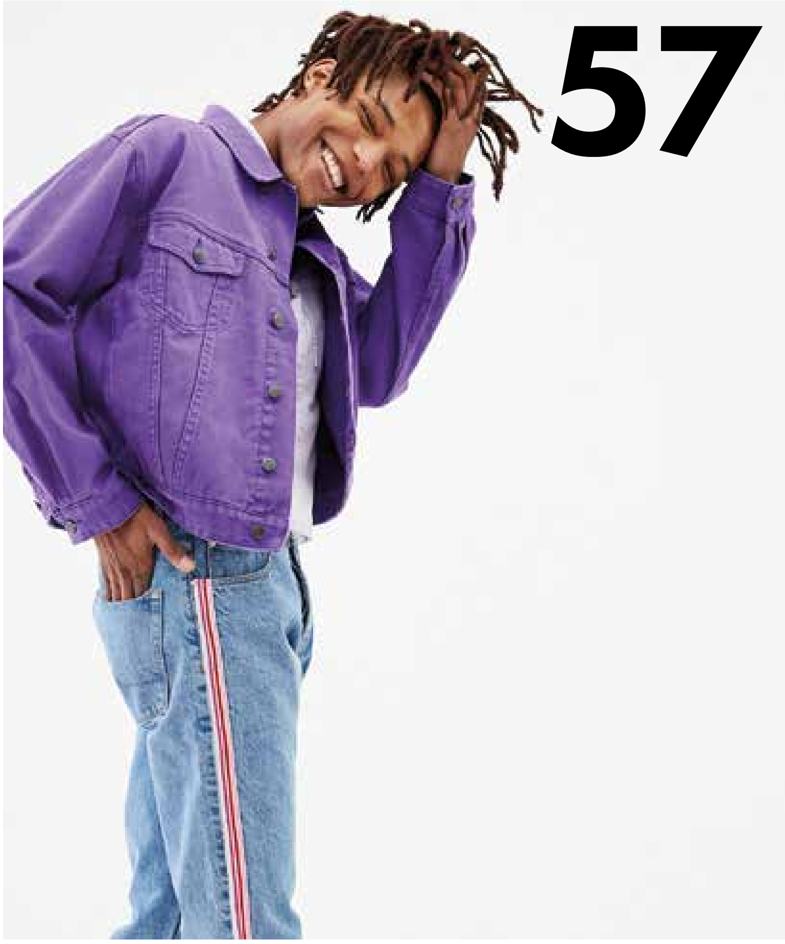
Great fashion with purpose

asos

Annual Report 2018

What's in this report



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Governance Report

Chairman, Brian McBride, introduces our Governance report, which includes our Audit Committee, Nomination Committee and Directors' Remuneration Reports

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Financial Statements

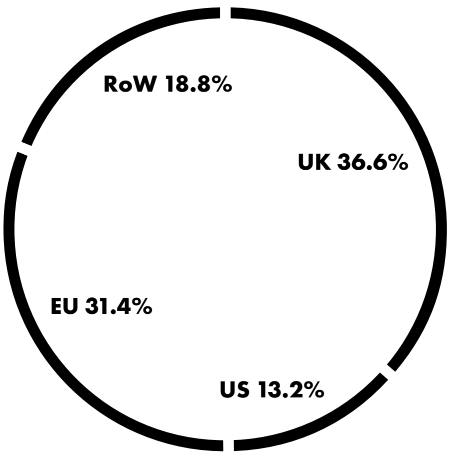
We share the details of our 2018 financial position, including the Auditors' Report, Statement of Comprehensive Income, Statement of Financial Position and Notes to the Accounts.

As you might expect, this report explains our strategic goals, our driving beliefs, our business objectives and many of the details behind our global operations. But it doesn't stop there. Using a simple product – a pair of ASOS Design jeans – we're going behind the scenes to show you some of the things that make ASOS special: the people, the processes, the technology.

CEO's Strategic Overview

Welcome to our 2018 Annual Report. I'd like to open with a few thoughts on the strategy and direction of ASOS as we continue towards our goal of becoming the world's number one destination for fashion-loving 20-somethings. Our mission is unchanged; and we're moving ever closer to it in some very exciting ways.

2018 ASOS retail sales by region



Total: £2,355.2m +26%

Detailed market potential by region

We continue to see considerable opportunity for growth in our key markets. As the online apparel market continues to grow unabated, ASOS is well placed to capitalise on this shift in customer behaviour. This year we saw the number of active customers in our EU market outpace the number in our home UK market for the first time. Our retail sales growth has continued to surpass growth in the online apparel market in all our key territories, consistently increasing our market share.

Market	Retail sales	Change	Online apparel[1]	Apparel market[1]
UK	**£861.3m**	**+23%**	£11.6bn	£48.1bn
US	**£311.6m**	**+19%**	£63.2bn	£303.7bn
EU	**£739.1m**	**+36%**	£46.0bn	£287.9bn
RoW	**£443.2m**	**+19%**	£101.3bn	£668.7bn

1 Source: Global Data
EU data for 22 European countries available through Global Data
RoW data for 25 Rest of World countries available through Global Data

We believe in taking a stand

Our strong sense of purpose – giving people the confidence to be whoever they want to be – continues to guide both what we do and how we do it. We look at things through our 20-something customers' eyes; another year on, and we understand our customers even better. To continue to create amazing experiences and to inspire people with products that they'll love, we have to keep moving, learning and changing. Just as our customers do.

This doesn't mean our principles will change – our deep-rooted beliefs are very much the same. But we are continually evolving and refining how we deliver on them.

Fashion with Integrity is ever more integral to how we do business – we're determined to become a positive force for people and the planet. We know our customers buy into why and how we do business, not just what we sell. So wherever the ASOS brand appears, we're working to establish a high bar for products, packaging and people. We've still got a long way to go, but we're working shoulder to shoulder with our partners, our suppliers and our industry to move fashion in the right direction.

We're at the heart of our market

As the 20-something demographic is in a state of constant flux, being led by our customers lends a necessary restlessness to how we do business. We have to stay in tune with our customers' behaviour – and move as quickly as they do. The pace of change at ASOS in 2018 is truly head-spinning: an ever-shifting inventory of some 87,000 products; an average of 11 tech releases every working day; over 80,000 pieces of inspirational fashion and lifestyle content published each year.

This constant inspiration and innovation is what allows us to meet our customers' expectations for what they're looking to buy – whatever it is, whether it's for a weekend wedding or a night in on the sofa. It helps us to make sure we're truly reflecting diversity in our product range, our content and our people.

We know that there's enormous global market potential in 20-something online fashion. Having proved that the ASOS model works in the UK, our most established market, we're investing heavily in our people, product and proposition to grow throughout the rest of the world – particularly in Europe and the US. Our Atlanta warehouse will create a US logistics hub that will allow us to more closely mirror our UK proposition in the North American market. And the ongoing operational refinements to our Berlin warehouse will effectively double our capacity in Europe.

20-something consumer behaviour

The way our target age group lives and thinks creates enormous opportunity for our business globally.

— **60%** of Gen Z would prefer to buy a product over an experience – but only if it aligns with their values and has positive civic impact[1]

— **46%** of Gen Z said they would spend more on a sustainable product, and 31% have boycotted a brand for unsustainable practices[1]

— **85%** of Gen Z would have more trust in a brand that supported a social cause[1]

— **86%** of UK Gen Zs believe tech makes their life better[2]

— **40%** of Gen Z shoppers (versus 35% Millenials) regularly provide feedback online, most popular method being on retail websites[3]

— **67%** of global Gen Zs claim that being true to their beliefs is what makes a person ultimately cool[1]

1 Stylus Report: Luxury Youth: Selling to Gen Z https://www.stylus.com/wmzpvy
2 Cassandra & ORC report True to Selfie – Understanding Gen Z, the first mobile-first generation https://cassandra.co/
3 Accenture global report Gen Z and Millennials Leaving Older Shoppers and Many Retailers in Their Digital Dust https://www.accenture.com/

Our entrepreneurial culture and business model set us apart

Our business model is unchanged – it continues to focus on both the experience we deliver to our customers and how we create this ASOS experience, through creating and sharing our products. And, critically, Fashion with Integrity sits at the heart of how we work. Alongside this are the values, purpose and culture that create the ASOS spirit – and which are so central to our success.

We create and curate products and experiences...

ASOS – creating and sharing our products

From inspiration everywhere...	... we design creative collections...	... of responsibly sourced products...	... shared through an unbeatable online experience...	... and delivered at speed.
Identifying and defining key trends from all over the world	Designing our in-house range and curating from new and established brand partners	Sourcing, making, buying and recycling in ways that are kind to people and the planet	Inspiring and selling through compelling content on social media, our flagship app and our global websites	Using smarter, better, faster, lower-impact infrastructure and technology

By sharing their look, our customers inspire others – and us

Fashion with Integrity
– at the heart of what we do

Investing our time, resources and influence...	**... to manage the impacts of fashion on people and the planet**
	Read more on pages 34 to 45

Our fantastic fashion, compelling content and engaging experience create demand and bring customers back for more

Customers – experiencing ASOS

Inspired by our fashion...	... they find the look...	... get it and wear it...	... then share it.
With inclusive inspiration through our apps, asos.com, social media and the magazine	By being offered the right products and frictionless buying	Through quick-and-easy free delivery, returns and recycling	With the online community and through #AsSeenOnMe

We recognise that the bigger and faster we grow, the more important it is to have a self-sustaining culture that encourages authenticity, bravery and creativity in ASOSers, wherever they are in the world. So over the past year we've worked with our people to define and start to live by eight behaviours that reflect what our values and purpose look and feel like – and held a full-day event in London for more than 2,000 employees to bring this to life.

The combined power in our proposition, product, people and purpose is what fuels our ongoing success. And our diversity, talent and values – the who we are and how we do things – are what make our culture so unique, and what give us a vital edge in an increasingly crowded industry.

… that inspire fashion-loving 20-somethings

What makes us different

Living our PURPOSE	Our unique PRODUCT	Our best-in-class PROPOSITION	Power of our PEOPLE
Giving people the confidence to be who they want to be through everything we say and do – including setting standards for inclusivity, diversity, and ethical and sustainable fashion	Creating and curating the most relevant fashion, face and body products for every fashion-loving 20-something	Delivering compelling, friction-free digital and physical experiences that inspire and delight our customers	Supporting our customers, our partners and our amazing ASOSers to realise their potential

How we do it

Lead to create leaders	**Learn by doing**	**Know my best self**	**Have fun**
Turn left when others turn right	**Look through the customers' eyes**	**Be comfortable with the uncomfortable**	**The power of our people**

The value we create

Underlying/ongoing		Future/dynamic
Financial value For our shareholders, employees, suppliers and partners	**Non-financial value** For all our stakeholders	**Strategic value** For the growth of our business and our ability to deliver our purpose

Read more on page 6

We're investing for a positive future

It's worth remembering that there had never been a global 20-something e-commerce fashion business before ASOS. We have huge potential for developing our proposition, products and people. And there's something else that's equally powerful: the influence – and responsibility – that ASOS has to create change. If we can show that it's possible to sell online fashion at scale and, for example, reduce plastic waste – we will make a difference. Not only because this will strike a chord with our customers, but because where we go, other retailers will follow.

Objectives	KPIs See full KPIs on p46	Associated risks See full risks on p48 to 56
Financial objectives	**Key financial measures**	**Financial performance risks**
— Generate medium-term sales growth at 20 to 25% to provide cash to invest in the business, while maintaining a 4% EBIT margin	— Revenue — Gross retail margin — Gross profit — Operating profit — EBIT margin — Profit after tax — Diluted EPS — Net assets	— Disruption to marketing dynamics — Insufficient global mindset — Foreign exchange
Strategic objectives	**Key strategic measures**	**Strategic performance risks**
— Inspire with great **content**	— Active customers — Total orders — Total visits — Average order frequency — ABV (average basket value) — Percentage mobile device visits — Group conversion — Net Promoter Score	— Poorly engaging digital experience — Entrepreneurial culture
— Curate **products** loved by 20-somethings		— Brand name — Product quality/ethical trading standards — Entrepreneurial culture
— Lead online retailing with bespoke **technology**		— Digital experience — Cyber threat and security of customer data — IT/infrastructure — IT capacity/keeping pace
— Deliver through efficient, large-scale **logistics**		— Supply chain risks

But we can only do this as long as we have financial discipline. Our strong commercial priorities – 4% EBIT, 20 to 25% sales growth, a strong return on invested capital – are the backbone of our business. Consistently delivering against our business objectives is what allows us to push the boundaries of how things are done, to evolve and scale at pace, and to reshape the world of online fashion.

ASOS is a continual work in progress. There's always more that we can do – we're constantly learning, changing, growing. And as long as we're making progress – in line with our purpose and our mission – then we are on track.

Nick Beighton
Chief Executive Officer

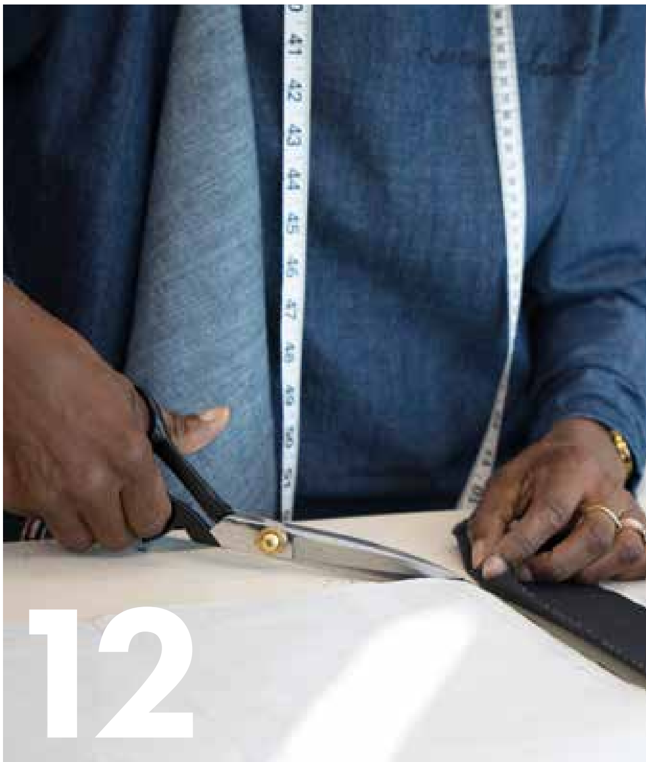
ASOS at a glance

Numbers tell part of our story. Ours are on the rise – here's a snapshot of where we are.

- **18.4m** active customers
- **3** global warehouses
- Curation of **c.1,000** third-party brands
- Offering **87,000** products
- Over **22m** social media followers
- **48**-strong Fashion with Integrity team
- **37,900** young people supported through our community projects
- **No.1** in LinkedIn's 2018 UK list of the top companies to work for
- Website in **10** languages

The life of a pair of jeans

Here we look behind the scenes at the life of an ASOS Design product – a pair of jeans which embodies the trends and diverse fashion preferences of our many 20-something customers. We journey from the spark of a design concept all the way through to recycling or reuse. Along the way, we see the creativity, innovation, people, technology, and sustainable working practices that feed into the general ASOS experience.



Showcasing:
inspiring and sharing

How we use social media, intelligent recommendations and inclusive technologies to bring the perfect jeans to each and every 20-something

Finding a home:
delivering fashion

How our ordering and delivery technologies quickly and efficiently bring our jeans to customers

The next life:
creating circular fashion

How we're raising the bar for reducing waste in the making, use and reuse of online fashion

The idea:
designing for every body

We create clothes for every fashion-loving 20-something

Our pair of jeans begins its life with a spark of inspiration. ASOS designers get their ideas from anywhere and everywhere: at a festival, on a street while travelling, or from a magazine, music video or Instagram. This creative moment is when our story starts.

Inclusive design

We don't play it safe at ASOS Design, even when designing something as familiar as jeans. With over a thousand styles to choose from, we have jeans of every cut and hue – something to capture the eye of each of our fashion-loving customers. But it's about much more than creative flair. Jeans are highly technical, and our specialist denim designers consider every aspect of design and production. Right from the start, we think of seasonal and fabric trends, the sustainability of the product and our manufacturing partners, and of course the suitability for our diverse ranges, including Curve, Tall, Plus, Petite and Maternity.

Details like the size of a pocket, the stitching, and the number of washes during production, will all affect the fit of our pair of jeans. So, using our in-house pattern room, we test construction and fit across the entire spectrum of body shapes. We bring customers into ASOS Design to try on prototypes and share feedback on all sizes before sending our final sample to our chosen manufacturing partner to start making the jeans.

We also use our design talent to support the things we believe in. 2018 saw our second collection for LGBTQ+ charity GLAAD – a 22-piece gender-neutral range to celebrate Pride which raised more than US$220,000 and included many denim items.

The ASOS Design team includes four specialist denim designers

Supporting new design talent

Restless creativity depends on a constant stream of fresh ideas. So we're always looking for new design talent at ASOS Design – and doing what we can to give a helping hand to designers just starting out. Our heads of design judge portfolios and spot talent each year at Graduate Fashion Week in London. Every year, we hire new designers on a one-year placement at ASOS HQ – in 2018, bringing a new designer on to the denim design team. And our flagship Fashion Discovery competition has just completed its second year, rewarding two emerging brands with £50,000 each, a featured collection, and support and mentoring.

We also look for design talent where others might not. Each year, we give time to universities and the award-winning charity Fashion Awareness Direct (FAD) – offering training and industry know-how to young people from backgrounds that make it harder to get into the design world. It's the potential of our diverse designers to continually delight our 20-something customers – every single body – that we're most interested in.

The making: sourcing sustainably

Having moved from sketching table to pattern to prototype, our jeans are ready to be made. This is when certain critical elements – from sourcing sustainable cotton to choosing a denim manufacturer who reflects and reinforces our values – combine to make a uniquely ASOS Design pair of jeans.

Using sustainable cotton

Our pair of jeans will be made from cotton fibres from a sustainable source. Cotton is one of the most resource-intensive and widely sourced fibres we use at ASOS Design. So it's only natural that this is one of our priorities for sustainable sourcing. In FY18, 72% of our cotton was from sustainable, organic or recycled sources. We're on track to make all ASOS Design jeans from sustainable cotton denim by January 2019.

As part of the Better Cotton Initiative (BCI), we encourage cotton producers around the world to grow crops in ways that are less damaging to the environment and that benefit the people who farm them. And in a push to reduce the environmental impact of our denim, we're working closely with six suppliers around the world to help them produce denim using less water and fewer chemicals.

Eco-manufacturing for denim

One such forward-thinking supply partner is Denim de l'Ile (DDI) in Mauritius, where our pair of jeans might be made from start to finish. From sustainable and recycled cotton fibres, this company produces denim, and from this denim they make jeans to our exact specification – stitching, washing, or perhaps dyeing or adding trim. The mill uses 100% sustainable cotton from nearby African regions through our partnership with Cotton made in Africa (CmiA). They're steadily increasing the amount of recycled cotton in the denim they produce for us – using up to 18% of post-consumer recycled denim in our recycled jeans last year. By the end of 2018, they aim to reduce waste even more by recycling their own production cut-offs into ASOS Design denim.

As a member of the Alliance of Responsible Denim, we're ambitious when it comes to changing the way jeans and other denim items are made and recycled.

Healthy working environments

Whether our pair of jeans is part of our Eco Edit or not, we want to know that the people making them are working and living in the best conditions possible. And so do our customers.

So we work closely with suppliers to create better conditions for workers. Take Mauritius, where we're speaking both to factories and the government to improve conditions faced by migrant workers, especially around wages. Our agreement with the IndustriALL global union gives both us and our suppliers a clear framework for making sure the rights of all workers are protected – whether this is through high standards of health and safety, decent living conditions or fair wages and working hours.

We don't just demand change, we support it. In 2018, for example, we facilitated a two-day workshop on modern slavery to manufacturers in Mauritius.

We don't just demand change, we support it

We're working with our suppliers to produce denim fibres using less water and fewer chemicals

ASOS Design denim is made from recycled and Better Cotton Initiative cotton

Showcasing: inspiring and sharing

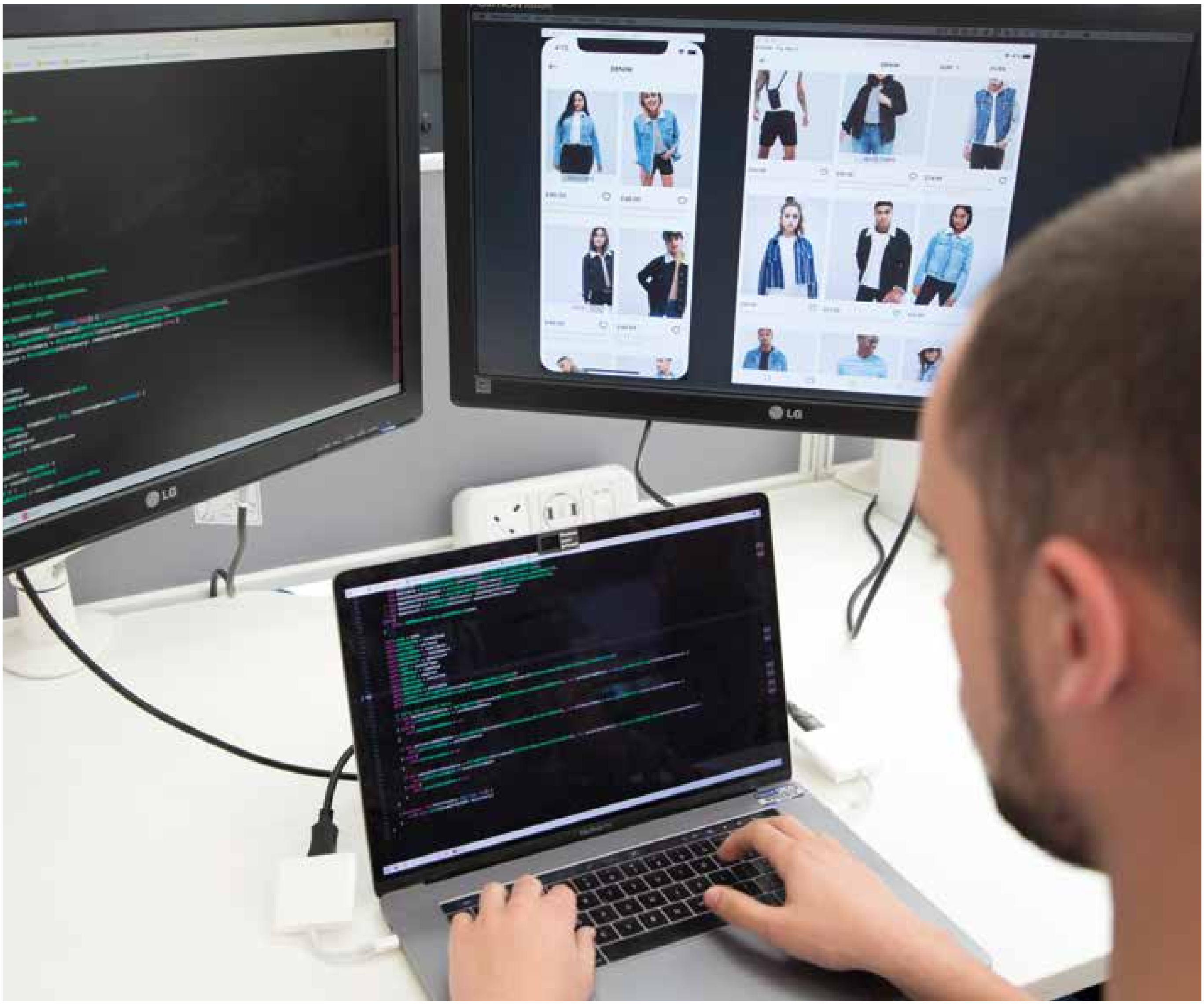
Once our pair of jeans is ready to sell, it's time to bring them to the attention of people who will love them. We inspire 20-somethings and share our products using a blend of sophisticated technologies and the online fashion grapevine.

Sharing great design

Our products often take on a life of their own. Our new pair of jeans might get shared, liked, retweeted, or written about in blogs and articles. Before we know it, we've created a buzz in the global 20-something community – one that turns into sales. We actively inspire our customers through our ASOS Insiders – 30 carefully chosen fashion, face and body influencers from around the world. These young people use their very own ASOS Instagram, Twitter and YouTube channels to share life and styling tips with their followers. And with 70% recognition among our customers, ASOS Insiders can create quite a stir.

Websites that work for everyone

Our shop floor is whatever screen a customer is looking at. We want everyone to be able to find our jeans quickly and easily – whether they're coming to us through a mobile with a slow connection, on a blisteringly fast



desktop computer, or through a screen reader. So this year, we completely overhauled our navigation and filtering systems to make asos.com bolder and simpler – better on mobile, which accounts for 77% of our traffic – and more accessible for everyone.

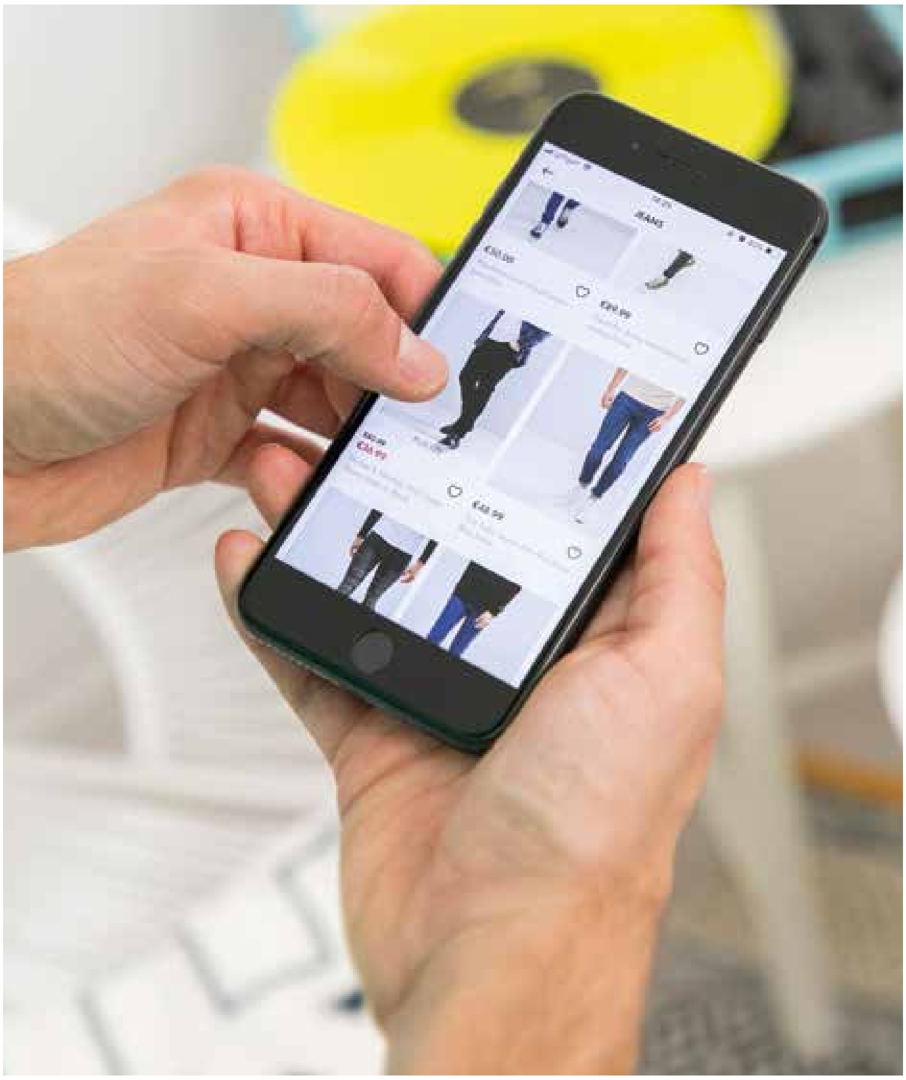
We didn't do this behind closed doors. We tested every single iteration with customers to make sure our technology is as easy as possible for everyone. This includes people who access our content in different ways due to disabilities or visual impairments. So, for example, it's possible to change the font size, have the screen read out, or use a keyboard to navigate rather than a mouse. And we've made sure each of our 2,900 tech releases in 2018 works with these kinds of supportive technologies. We're working towards an AA accreditation from the Web Content Accessibility Guidelines (WCAG), something few other fashion e-commerce sites have done.

In 2018, we launched two new language sites – Dutch and Swedish – bringing our total to 10. And we're continuing to refine our technology so that we can bring more localised information to customers on things like promotions, delivery, prices and search results depending on where they log in – including in different areas of the same country or region, such as US states and EU countries.

Intelligent recommendations

To bring our pair of jeans to the attention of the people who will love them in as few clicks as possible, we use everything from homepage search and filters to sophisticated data-driven recommendations. When someone sees a pair of jeans they like, they can use our Style Match feature to upload a photo or screenshot to our app and see similar items brought to them by advanced algorithms. If someone has browsed or bought jeans with us before, My Edit on their homepage shows jeans they might like – based on both their own behaviour and that of customers with similar habits. When it comes to our customers choosing the right size for their new jeans, Fit Assistant makes recommendations based on what's worked for them before. Getting the right sizes out to people the first time helps us keep customers happy and reduces returns, CO_2 emissions, and costs to the business.

The ASOS apps make intelligent recommendations to help customers find clothes they love



We make it easy to find that perfect pair of jeans

5.9m
followers

1.3m
followers

10.4m
followers

As at 31 August 2018

Finding a home: delivering fashion

Each week we ship 1.2m parcels to customers

We're fine-tuning the journey from warehouse to customer

From spotting that perfect pair of jeans online to putting them on for the first time – making this easy and quick for customers is at the heart of the ASOS experience. So we're constantly refining our technology, processes and infrastructure for frictionless ordering, delivery and returns.

Effortless to order and pay

Once our pair of jeans is in the shopping bag, buying takes just a few clicks – or none at all if customers are already in our app and using Apple or Google Pay. We also make sure we're offering the best payment options for each market – and adding local payment methods to meet customer demand, such as IDEAL in the Netherlands and Afterpay in Australia.

Faster, cleaner delivery

Our mantra for delivery continues to be faster, cheaper, better. If our jeans customer lives in the UK, for example, they can choose next-day delivery up to midnight (8.00pm on Saturdays) and in roughly four hours our pair of jeans will be in a van and on its way – either straight to the customer or to a Click & Collect location of their choice. Over the past 12 months, we've added 4,500 more pick-up locations around the UK, bringing our total to over 15,000 (55,000 worldwide).

Convenience and speed are part of the picture, but we're also focused on finding low-carbon, more fuel-efficient ways to deliver. As part of our responsible carrier programme, we're working with carriers to reduce emissions from deliveries – using our strength as a brand to support our more than 20 carrier partners around the world. And we're looking at new, more sustainable ways to get items to our customers – such as using electric vans for central London deliveries.

Packaging that's better for the planet

Our pair of jeans will arrive in our customer's hands in a recyclable, plastic garment bag, placed inside either a plastic ASOS mailbag with 25% recycled content or a 100% recycled cardboard box. With 17 sizes of garment bag to choose from, our jeans will be in the smallest possible bag, keeping waste to a minimum.

But we're not stopping here, by any means. We're working hard to reduce the amount of plastic we use and to find ways to collect and reuse our packaging. We're beginning to recycle packaging that comes back to us through returns to create new ASOS packaging. And, as recycling is a complex process that involves local infrastructure, we're supporting governments and other partners to make recycling better. This is just the start.

We're looking at new, more sustainable ways to get items to customers – such as using electric vans for central London

The next life: creating circular fashion

We're on target to use 80% cotton from sustainable, organic or recycled sources this year – and are aiming to make this 100% by 2025

We're moving away from a 'take-make-dispose' linear model of fashion retail, towards a 'circular' fashion future – one with little to no waste associated with the making, use and reuse of each item. So we're taking steps as a brand and as an influencer in our industry to make this a reality. Our pair of jeans is just one example of how we're exploring this within one element of our product portfolio: our recycled denim line. Not only does this help us to reduce our environmental footprint, but it allows our customers to reduce theirs.

We're committed to a circular fashion future

Building circularity into how we work

80% of a product's impact is embedded at the design stage, where decisions on things like shape, materials and components are made. This is why we're partnering with the Centre for Sustainable Fashion at London College of Fashion to train all our design and product teams on how to incorporate circular design principles in their ranges. We're also working with innovative suppliers, such as DDI in Mauritius, to prove the viability of more sustainable denim products – and then to apply what we're learning across our entire product portfolio.

And once our products come to the end of their useful life, we're finding ways to reclaim and regenerate them. By 2020, for example, we plan to have a clothing take-back programme running in the UK and Germany, where customers can return any of their clothing for recycling – not just denim, and not just ASOS products.

The future is circular

We're nothing if not ambitious. Over the coming years, we'll be increasing the amount of recycled content in our fabrics right across our collection, and deep into our core lines. We'll also be developing and manufacturing products that are designed for end-of-life from the start, considering everything from trims to chemical inputs. And we're encouraging others to share the journey. By putting our weight behind initiatives like the Global Fashion Agenda and the Alliance for Sustainable Denim, we know we'll make a difference – to fashion, to our customers, to the planet.

Performance Review

Performance Highlights

- Retail sales grew at +26% on a reported basis and +24% on a constant currency basis
- Strong growth across both UK, +23%, and international territories, +27% (constant currency +24%)
- Retail gross margin up 130bps
- PBT up 28% at £102m (EBIT margin 4.2%), after taking account of substantial transitional costs
- Continued strong customer engagement: active customers +19%, average basket value +1%, order frequency +7%
- Total orders placed 63.2m, +27% year-on-year
- US hub phase one operational, Euro hub phase two progressing well
- Cash balance of £43m reflecting working capital and capex investment, new £150m 3-year facility agreed

Revenue (£m)

2,417.3 +26%

2018	2,417.3m
2017	1,923.6m
2016	1,444.9m

Gross profit (£m)

1,237.1 +29%

2018	1,237.1m
2017	958.3m
2016	722.2m

Profit after tax[1] (£m)

82.4 +29%

2018	82.4m
2017	64.1m
2016	51.4m

Operating profit[1] (£m)

101.9 +28%

2018	101.9m
2017	79.6m
2016	63.0m

Diluted EPS[1] (pence)

98.0 +28%

2018	98.0p
2017	76.6p
2016	61.8p

Net assets (£m)

438.8 +53%

2018	438.8m
2017	287.1m
2016	200.4m

1 The figures for 2017 and 2018 are statutory measures. The figures for 2016 are restated measures as they exclude exceptional items in relation to a legal settlement in 2016, and discontinued operations in China.

Retail sales are up 26% with customer engagement continuing to rise

Chairman's Statement
Unlocking further growth

As I write what will be my final statement looking back over the financial year at ASOS, I can't help but reflect on how much the Company has changed from when I became chairman in 2012.

This financial year has been true to form, with a 26% increase in global sales

Since then, thanks to the hard work of all ASOSers, the business has shot up in both size and stature: from £495.0m sales in my first year to a £2.4bn revenue global online fashion powerhouse in my last. We've been nothing if not consistent – in both our mission and market focus, and in our year-on-year growth – and I'm very proud to have been part of the ongoing success of ASOS.

This financial year has been true to form, with a 26% increase in global sales. Not only has this been achieved in a challenging retail market, but in a year of significant transition and infrastructure investment as we continue to build capability in our people, technology, offices and warehouses.

Strategic opportunities and challenges

The ASOS mission remains firmly the same – to be the world's number one destination for fashion-loving 20-somethings. We can see from our notable success in the UK market that we have a strategy and business model that works. With tremendous opportunities for growth in the rest of the world – particularly in Europe and the US – we're continuing to lay rock-solid foundations for capturing the significant potential we see in the online fashion market. Not only does optimising our EU and US infrastructure position us to capture global market share, it also helps to insulate us against the potential challenges of Brexit.

Board priorities

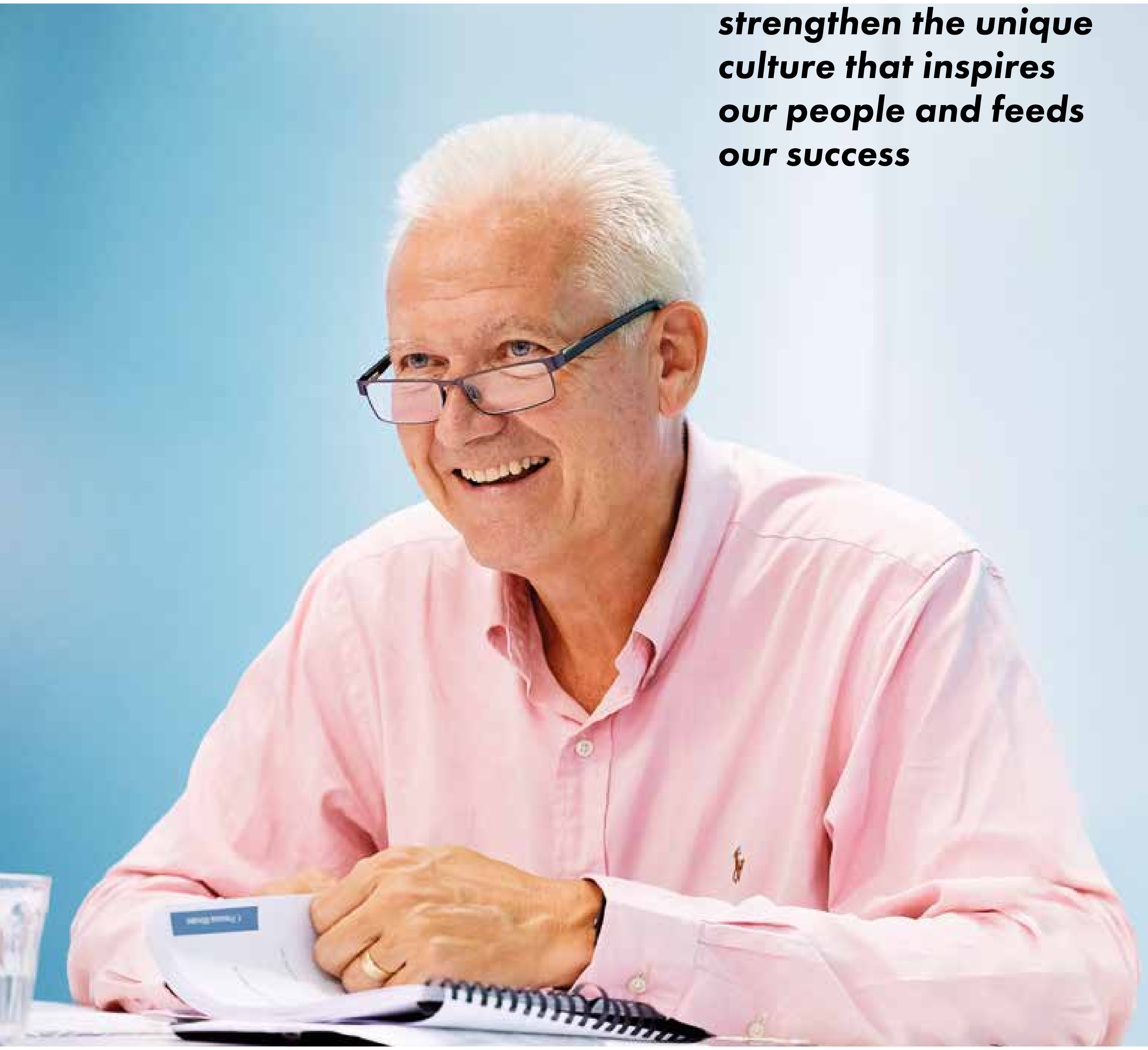
We continue to be very conscious of the regulatory environments within which we operate in our 200+ territories. Achieving true Fashion with Integrity means being way ahead of any regulation – whether this is to protect the environment, or to look after people and their personal data. But putting the customer first is what has always driven ASOS's success, and this is exactly what will continue to keep us on top.

We're also working to strengthen the unique culture that inspires our people and feeds our success. We know that to continue to create sustainable growth, we have to enable people across the organisation to make good decisions, do their best work and be their best selves. So in 2018, we asked all staff to help us define what makes a good ASOSer and created eight behaviours to reinforce our purpose. These reflect values that we try to live as Board members, just as much as any other person in the building.

Board update

After six years as chairman, the time has come for me to step down. I'm thrilled to be handing over to someone of Adam Crozier's calibre, and am very excited about what he will bring to ASOS.

We're working to strengthen the unique culture that inspires our people and feeds our success



This year also saw the departure of Helen Ashton, who decided to move on after two-and-a-half years of valued service as our CFO. The Board is extremely grateful to Helen for the contribution she made to ASOS during her time here. We're continuing our search for the right person to fill this critical role in propelling us forward towards our mission.

Dividend policy

Once again, we've decided not to declare a dividend, but to reinvest capital to build strong foundations for our continued growth. We believe this is right for the business given the rate of return on our investments, and will help us to create significant value for our shareholders.

Our people

We wouldn't be where we are without the talent and dedication of our 4,000+ people – and one of my greatest pleasures as chairman has been working with and getting to know the people here at ASOS. The commitment, creativity and spirit I've seen here has been astounding – and it's what drives our continued success. So I'd like to thank everyone here for another year of hard work, and for making my final year as chair as interesting and rewarding as the previous five.

Looking ahead

ASOS is looking at an extremely bright future. With huge potential in terms of global market share, the Company has the strategy, products, people and proposition to go from strength to strength. As long as everyone continues to stay alert and adapt to achieve ASOS's goals, the outlook is more of the same: continued, sustainable growth. I'm looking forward to watching from the sidelines as ASOS powers on.

Brian McBride
Chairman

CEO's Operational and Financial Review
Delivering on our strategy

The picture this year is much the same: continuing performance and growth, stable margins and significant underlying investment.

Overview

ASOS again reports a strong trading performance for the 12 months to 31 August 2018 during a record year of investment for us. The Group delivered retail sales growth of 26% to £2,355.2m (2017: £1,876.5m), following acceleration in the final period to +29%. Reported profit before tax grew by 28% to £102.0m (2017: £80.0m). Retail gross margin increased by 130bps to 49.9% (2017: 48.6%).

Our third consecutive year of 20%+ sales growth, with revenues more than doubling over the period

This is our third consecutive year of sales growth comfortably in excess of 20%, with revenues having more than doubled over the same period. In October 2014 we set an ambition to grow to £2.5bn of annual revenues by FY20 and we will achieve this level nearly two years early. At the same time EBIT margins have remained stable despite significant investment across both our platforms and logistical infrastructure, the benefits of which have yet to be fully realised; a financial discipline that has served us well and that we will continue to follow.

To enable better understanding of the financial dynamics at play during this period of high investment, we highlight that Group reported PBT of £102.0m is after (i) our ongoing non-cash share based payment charge of £8.9m (2017: £7.6m), (ii) an impairment of our recently closed A-List loyalty scheme of £2.7m (2017: £nil) and (iii) our best estimate of facilities transition costs of c.£25m (2017: c.£11m) largely relating to our new Euro and US distribution hubs.

EU retail sales grew 28% in constant currency, another strong performance

In terms of our geographical retail sales performance, the UK had an outstanding year, all the more pleasing given the widely reported difficult trading backdrop; delivering full year sales growth of 23%, accelerating as the year progressed, and representing a further demonstrable market share gain in our 18th year of operation. UK active customers grew by 15% accompanied by an impressive 10% increase in average purchase frequency. Post year-end, and after careful consideration, we decided to close our UK loyalty programme, A-List. Through A-List we learnt much about what customers love about ASOS and how we deliver it. We now believe the time is right to evolve our loyalty offering to be more global and give focus to our Premier Delivery option, which customers have told us they really value.

EU retail sales grew 28% in constant currency, another strong performance notwithstanding the fact that we managed the sales growth in this territory in H2 to both protect profitability and short-term capacity against the backdrop of continuing investment in our Euro hub distribution centre to improve its efficiency levels closer to our UK hub in Barnsley. The efficiency of this facility will improve significantly as we exit the current financial year. Within the EU region we saw a further growth in active customers of 25% to 7m, 1m more than in our home market.

Within the US, constant currency sales growth was 25% alongside a 19% increase in active customers. Our main focus in this region during the financial period was the successful completion of phase 1 of our new US hub in Atlanta which will enable us to improve our US customer proposition at the same time as accessing future delivery cost savings.

Finally, RoW sales grew 18% in constant currency as active customers grew to 2.8m, up 17% with particularly pleasing performances in Russia and Israel and a slightly more challenging backdrop in Australia.

As noted earlier, our substantial multi-year investment programme continues at pace; these investments, chiefly across warehousing and technology, will facilitate our growth as we now focus on the substantial further opportunity ahead. We have maintained capex guidance at £230-250m and, as previously guided, capex as a percentage of sales will fall steadily going forward.

As previously guided, the Group was free cash flow negative in FY18 and we anticipate this continuing into the current financial year as we invest a similar amount of capital expenditure. Year end cash balance was £42.7m. During the period we successfully renegotiated our banking facilities and have finalised a 3 year £150m revolving credit facility providing more than sufficient financial flexibility during this period of heavy investment.

On 1 October we launched our new venture brand, Collusion. This brand has been over 12 months in the making and represents something new for ASOS, rethinking fashion categorisation and targeting a Gen Z customer with this gender-fluid, affordable label. The collection has initially been designed in collaboration with six young influencers, each with their own online voice and diverse followings, resulting in a collection with roots in inclusivity and experimentation. The initial customer response has been very encouraging.

In addition to Collusion, we saw further restless evolution of our product as we refreshed and strengthened our retail offer during the year. Highlights included the successful launch of ASOS 4505, relaunch of Face + Body, including strategic partnerships with Estée Lauder and L'Oréal, simplification of the brand architecture, further exclusive collaborations and the addition of 300 new brands to site, whilst editing out a similar number.

Our tech capability continues to go from strength to strength with its improving velocity, demonstrated by the 2,900 tech releases during the year versus 1,300 in the prior year. Improvements across tech included new sites, new languages, improved recommendations algorithms and our first meaningful move into AI-driven conversational interfaces.

Overall it was another successful year for us, the pace at which we operate continues to accelerate and our increasing agility is allowing us to navigate well a rapidly evolving global retail environment. Both our strategy and our financial guidance remain unchanged, the balance between sales growth and profitability remains optimal and we continue to look to the future with confidence.

Our balance between sales growth and profitability remains optimal

We believe
ASOS is well placed to capitalise on the continued global shift to online shopping

7.4%

ASOS UK market share

38%

ASOS EU 4-year CAGR

Our global opportunity

We continue to see considerable opportunity across our key markets. The global apparel market continues to undergo significant channel shift, with growth in the online apparel market outstripping growth in the overall market. Over this time ASOS has continued to grow faster than this rate of channel shift and consequently grow market share. Online penetration will continue to increase, stepping on 8-10% globally[1] by 2023, and we believe ASOS is well placed to capitalise on this secular shift in customer behaviour.

	UK	EU[2]	US	RoW[3]
Apparel market size 2018	**£48.1bn**	**£287.9bn**	**£303.7bn**	**£668.7bn**
Apparel market CAGR 2014-18	**2%**	**5%**	**9%**	**9%**
Online apparel market size 2018	**£11.6bn**	**£46.0bn**	**£63.2bn**	**£101.3bn**
Online apparel market CAGR 2014-18	**12%**	**19%**	**19%**	**27%**
ASOS retail sales	**£861m**	**£724m**	**£312m**	**£369m**
ASOS 4-year CAGR	**23%**	**38%**	**36%**	**29%**
ASOS market share	**7.4%**	**1.6%**	**0.5%**	**0.4%**
Forecast apparel market CAGR 2018-23	**2%**	**4%**	**4%**	**8%**
Forecast online apparel market CAGR 2018-23	**8%**	**13%**	**11%**	**19%**
Online penetration 2018	**24%**	**16%**	**21%**	**15%**
Online penetration forecast 2023	**32%**	**25%**	**29%**	**25%**

1 Source: Global Data and ASOS estimates
2 Data for 22 European countries as available through Global Data
3 Data for 25 RoW countries as available through Global Data

Outside our home market where we continue to grow market share, our current market share offers substantial future growth opportunities.

In pursuing our mission to be the favourite destination for the world's fashion conscious 20-somethings, we continue to focus on our four defendable pillars through which we differentiate our brand: Our Purpose, Our Product, Our Proposition and Our People.

Sustainability remains a key focus and an integral part of the ASOS purpose

Our Purpose

The ASOS Purpose is to 'give you the confidence to be whoever you want to be'. This underpins the product and proposition we present, the way we do business, as well as the way we interact and engage with our customers.

Continued investments are enabling strong engagement levels across our customer base. Site visits increased by 19% year-on-year; average order frequency improved by 7%; average basket value continued to increase by 1%, for the fifth consecutive year, alongside a strong 20bps improvement in conversion. Active customers are now at 18.4m, representing a 19% increase year-on-year. We continued to drive engagement with the global student community; as a result student customers increased by 31% year-on-year.

We continued with our brand building efforts with a focus on our ASOS Design products, as well as joint marketing with our strategic brand partners to support key categories such as Face + Body and Activewear. Additionally, we saw further collaborations with causes like GLAAD and the Help Refugees charity, with the intention to support meaningful change.

Engagement through the most relevant social channels remains a key part of our customer-led content strategy. ASOS were early adopters of Instagram Stories and have seen fantastic engagement through this content format. Our stories were viewed 244m times during the year, whilst social media followers were up 13% globally to 22.7m.

We progressed with Instagram shopping, working in collaboration with Instagram to launch a geo-targeted shopping feed. ASOS was the first brand to have successfully launched in multiple currencies, having worked alongside Instagram to overcome the currency restriction for shopping.

Sustainability remains a key focus and an integral part of the ASOS Purpose. We are therefore firmly committed to achieving ambitious improvement targets. ASOS has publicly committed to training 100% of relevant design and product teams on circular design best practice by 2020. Progress has started already, as June saw the training on circular design commence in collaboration with London College of Fashion's Centre of Sustainable Fashion.

This year also saw ASOS co-host an assembly with Baroness Lola Young on Modern Slavery, at the House of Lords. This event was attended by many of our third-party brands and industry colleagues and focused on identifying shared risks before building action plans to combat them.

ASOS views its commitment to Fashion with Integrity as a critical investment in the future of our business.

Our Product

ASOS offers customers the greatest, most relevant edit of great value fashion to an inclusive 20-something audience.

Our commitment to inclusive fashion runs through the business, from our 'playful' approach to Face + Body, celebrating diversity, to our growth in inclusive sizing and most recently the launch of our newest label, Collusion. Inclusive fits were up 37% during the second half as our offering across womenswear and menswear continued to expand into new product categories and fits.

This year saw the introduction of c.300 new brands as we continue to focus on newness and the most exciting brands for our fashion loving 20-something customers. Within this were many key launches to enhance our Face + Body offer, most notably MAC, Clinique and Too Faced and more recently our first launch of fragrance with DKNY.

Each week saw c.5,000 new items launch with around 87,000 products in stock at any one point in time. The ASOS Design brand continues to account for almost 40% of sales which, combined with exclusive collaborations with third-party brands, leads to c.50% of product being exclusive to ASOS.

ASOS continued to be at the forefront with design and capture of key trends. Last season ASOS Design was first to market with one of the year's key pieces, the button through dress. Over half a million ASOS Design dresses were designed and sold in varying fabrics and prints, including linen and florals. Animal print was also a standout trend ASOS captured, with around 2,000 options merchandised and selling 1.3 million units across both menswear and womenswear.

August saw the launch of The Simpsons x ASOS Design collaboration, customer feedback was great and the range attracted media coverage globally. The range included 50 options across menswear and womenswear and over a third of the collection sold out in the first week.

SS18 saw the first launch for Made in Kenya on menswear, this range achieved record sell through and was well received by the media, with Vogue describing it as 'the definition of cultural appreciation'. This was the first Made in Kenya range designed with collaborators: Kenyan bloggers and streetstyle duo Too Many Siblings, Beats 1 DJ Julie Adenuda and model and designer Leomie Anderson, which marked another step-on in the evolution of this collection.

The second year of our Fashion Discovery competition saw over 1,000 entries competing for a £50,000 investment, one-to-one mentoring and stocking on ASOS. This year saw three winners: LYPH with a focus on playful, unisex cuts; Wesley Harriott showing striking silhouettes and multifunctional fashion; and the People's choice winner, Desree Akorahson, a bold and fun 60s inspired brand. Collections from the winners will be stocked on ASOS in 2019.

Our Proposition

ASOS continues to invest in improvements to our 'best in class proposition', aiming for a friction free experience at every stage of the customer journey.

We had another very successful year driving technology change and innovation. In total we made over 2,900 releases (FY17: 1,300) to our digital platforms demonstrating the flexibility and pace of change being delivered. Many of these releases were delivering new customer features and changes to the shopping experience.

Alongside ongoing design improvements to our apps and a full refresh of navigation, we extended visual search (Style match) to international customers and made major changes to our recommendations algorithms. This significantly improved the rich product recommendations we serve to customers, and improved personalisation on homepages. We also further improved page download speeds and will continue to enhance these into the new year.

One of the most significant developments this year has been to our global platform to enable localisation as part of our international growth strategy. The first half saw the release of our 'Rest of World' and 'Rest of Europe' sites providing the next step in localising in 200 markets for those customers outside our largest markets. During the second half, new foreign language sites were released for the Netherlands and Sweden. These four new localised sites allow us to increasingly tailor the experience for these specific markets, giving different content, visual merchandising and price zones.

Further to this, we tailored the currencies available to each country site, and several new currencies will be released early in the new financial year. This year saw the launch of a number of new payment methods including Google Pay, Apple Pay international extensions and 'Try Before You Buy' for the UK. We have also made significant development progress on the next few locally relevant payment options for release early in the new year (including Afterpay and Yandex).

Finally, within localisation, we have improved our push notifications and on-site contextual messaging software which is used to talk to customers. This included the ability to target specific on-site messages at different states within the US, Russia and Australia.

Significant investment in our data science and analytics platforms continued during the year. These platforms have powered the new recommendations algorithms and our conversational interface platform. The conversational interface platform enables understanding of and response to customer voice or text commands for both product discovery and customer care queries. Our initial exploration into the world of 'Conversational Interfaces' saw the launch of Enki, a new, one-on-one way to interact with ASOS that is designed to help customers find products they love in a fast, intuitive and fun way. Enki currently provides customers with personalised recommendations; the next phase will allow customers to use an assistive search experience within Enki, for example to help them find the perfect pair of jeans. The investment in new data capabilities and optimisation algorithms will continue in the next year.

Following a successful pilot in the first half, a new returns experience was rolled out to 18 countries globally in the second half of the year. This feature is integrated within 'My Account' and improves the returns experience by allowing sight and status tracking of returned orders as well as early payment of refunds.

From a global supply chain perspective, good progress was made with the technology to enhance our global supply chain including: facilitating the opening of the new US fulfilment centre, improvements in our carrier management options and improvement in the software we use to manage our customer contacts.

Within warehousing, the Euro hub phase two extension is progressing to plan. Within the year, handover of the site was completed along with delivery and commencement of installation for the automated storage system. This automated storage system is now over 95% complete with testing and commissioning well underway. Good progress is also being made on the new warehouse management system which will be installed this year.

FY18 also saw the build and commission of our new 1 million square foot warehouse in Atlanta. The facility is now live for both inbound and outbound despatch, with plans to ramp towards 100% local fulfilment for the US market over the coming year. This facility opened with a greater level of mechanisation than we saw in either of our other warehouses, notably conveyers for transporting product to pickers. Nevertheless, this facility will operate as a manual operation during the coming financial year before automation benefits begin to accrue from FY20 onwards.

The capacity increase project at Barnsley completed on schedule, which added an additional two million units of stockholding capability to our UK hub. This capacity has also been supplemented with the opening of a multi-use facility at Doncaster. In addition to providing three million units of incremental stockholding capacity, this facility will also undertake returns processing, giving increased capacity and greater flexibility through peak trading and enhancing our returns processing capability longer term.

ASOS made further improvements to the delivery proposition globally, with the launch of new delivery methods, promise improvements, extended cut-off times and improved coverage across the world. Highlights include the launch of same day delivery into two more European cities, Birmingham and Berlin, and the extension of next day cut-off times for EU orders to 4pm. Click & Collect was launched into Russia, with over 3,000 locations, and extended in Finland, Sweden and Poland.

Progress continued at pace on our space and facilities transformation within GLH, our London based head office. In December our people team were the first to experience the 'new GLH' as they moved into their finished space. The remainder of the year saw further teams follow in addition to the launch of our new learning and development 'Academy' space and 'ASOS Underground', our new gym and wellbeing facilities. FY18 was the peak year of investment for our space transformation project, with the majority of the work due to complete by the end of FY19.

Our People

At the end of August 2018, ASOS employed 4,386 people, year on year growth of 23%, with the majority based at our headquarters in Camden, North London and our Customer Care site in Leavesden, with smaller teams in Paris, Birmingham, Barnsley, Berlin, New York and Atlanta.

We are passionate about supporting the wellbeing of our ASOS family and ensuring that we have the right strategies, initiatives and policies in place. Our big focus for the year was mental health and we launched our "Get Stuck In" campaign which was all about raising awareness around mental health issues.

Amongst our biggest stand out achievements in the last year is the fact that we officially became the No.1 company to work for in the UK according to the LinkedIn Top Companies 2018 List.

This year also saw the successful launch of Workday, our new HR system, giving ASOS leading edge, fully mobile-enabled technology to manage all people-related activity.

On 3 July, ASOS was delighted to announce that Adam Crozier would be joining the Board as Chair at the AGM on 29 November 2018 as existing Chairman, Brian McBride, announced his intention to step down after six years with the Company.

The search for a new CFO is progressing well and we hope to make an announcement shortly. The strength and depth of our finance team has enabled the business to operate seamlessly in the interim.

Investment

ASOS's investment across technology and logistics continues to deliver great results and is key to sustaining the strong growth momentum within the business.

We invested £242m of capex in the year, across technology and transformation programmes (c.50% of total capex) and the balance in physical infrastructure across supply chain infrastructure as well as the ongoing investment in our head office.

Investment in infrastructure included ongoing automation of Euro hub, the development of the US hub Phase 1 in Atlanta, as well as improvements to the head office in Camden and our customer care site in Leavesden. Within Tech we deployed over 2,900 releases and our transformational programmes continued at pace with the new Finance and People Experience systems going live in the year. This investment is key in enabling the strong growth momentum in the business. Our investment in TGR (our new retail planning merchandising system) continues, which will allow us to plan and range product by fulfilment centre, improve our ability to differentially price across global markets, and help us optimise product clearance costs.

Since the majority of capex spend mainly comprised of multi-year programme investments, at year end we held a high level of assets under construction of £190m, as many of our planned investments go live in FY19.

As we discussed at the half year, FY19 and FY20 capital expenditures will be at a broadly similar level to this year. This spend will include the completion of TGR, further Euro hub automation, the automation of the US hub, the remaining spend on our head office as well as ongoing spend on digital platforms.

Despite the significant investment above, we were free cash flow positive for the second half as cash increased to £42.7m from £37.7m at the end of February. Overall, we currently expect FY19 to be the last year of negative free cash flow before we return to being free cash flow positive in FY20. Our new three year £150m revolving credit facility provides more than sufficient financial flexibility during this period of heavy investment.

Outlook

We remain in a period of high investment, confidently pursuing the considerable opportunity we see ahead of us. We also remain equally focussed on our core financial disciplines, reflected in our unchanged sales and EBIT margin guidance both for the current year and into the medium term, after incorporating significant ongoing warehouse transition costs and the phased transition to US import duty.

By concentrating on successfully executing our investments whilst retaining our unwavering focus on continuing to deliver the great product and customer experience that defines and differentiates us, we are building ASOS into the world's number one destination for fashion loving 20-somethings.

Financial Review

Revenue

Year to 31 August 2018 £m	Group total	UK	EU	US	RoW	International total
Retail sales	**2,355.2**	861.3	739.1	311.6	443.2	1,493.9
Growth	**26%**	*23%*	*36%*	*19%*	*19%*	*27%*
Growth at constant exchange rate	**24%**	*23%*	*28%*	*25%*	*18%*	*24%*
Delivery receipts	**54.4**	22.3	15.3	9.0	7.8	32.1
Growth	**33%**	*39%*	*42%*	*43%*	*3%*	*30%*
Third party revenues	**7.7**	7.4	0.1	0.2	–	0.3
Growth	**22%**	*23%*	–	–	–	–
Total revenues	**2,417.3**	**891.0**	**754.5**	**320.8**	**451.0**	**1,526.3**
Growth	***26%***	***24%***	***36%***	***20%***	***19%***	***27%***
Growth at constant exchange rate	***24%***	***24%***	***28%***	***26%***	***18%***	***24%***

The Group generated retail sales growth of 26% during the year, with UK growth of 23% and international growth of 27% (24% constant currency). International retail sales accounted for 63% (2017: 63%) of total retail sales.

UK retail sales grew by 23% despite a challenging market, aided by an increase in order frequency from the existing customer base. ASOS retained its first place position for unique visitors to apparel retailers in the 15-34 age range (Comscore, August 2018).

EU retail sales grew by 36% (28% in constant currency) aided by further proposition improvements; ASOS Premier launching in new countries (Austria, Ireland, the Netherlands, Belgium, Denmark and Sweden); local websites launching in Sweden and the Netherlands; and a new Rest of Europe website.

US retail sales grew by 19% (25% in constant currency) driven by average basket value and conversion improvements. The US$ became a headwind during the year from a sales perspective as the pound strengthened against the dollar. As our US$ sales are largely naturally hedged across the Group, movements in the exchange rate will impact reported sales growth in the US territory.

RoW retail sales grew by 19% (18% constant currency), augmented by an enhanced customer proposition in certain territories. Exceptional retail growth last year has led to 71% growth over the last two years (60% constant currency).

Delivery receipts increased by 33%, more than retail sales growth, as customers took advantage of paid faster shipping options such as next day delivery. The number of premier customers increased by 53% to 1.3m.

Customer engagement

ASOS has seen a significant increase in active customers[1], finishing the financial year with 18.4m, up 19% compared to last year. Engaging content and investments in the technology platform have helped drive this growth as well as a 19% increase in the number of visits. The compelling nature of the ASOS proposition drove increases in orders by 27%, average order frequency[2] by 7% and average basket value by 1%, marking the fifth consecutive year of growth in average basket value.

	Year to 31 August 2018	Year to 31 August 2017	Change
Active customers[1] (m)	**18.4**	15.4	*19%*
Average basket value (including VAT)	**£73.00**	£72.24	*1%*
Average units per basket	**3.01**	2.87	*5%*
Average selling price per unit (including VAT)	**£24.29**	£25.16	*(4%)*
Average order frequency[2]	**3.43**	3.22	*7%*
Total orders (m)	**63.2**	49.6	*27%*
Total visits (m)	**1,992.8**	1,669.0	*19%*
Conversion[3]	**3.2%**	3.0%	*+20bps*
Mobile device visits	**77.0%**	70.3%	*+670bps*
Net Promoter Score[4]	**-3**	+2	

1 Defined as having shopped during the last 12 months as at 31 August
2 Calculated as last 12 months' total orders divided by active customers
3 Calculated as total orders divided by total visits
4 Net Promoter Score is based on a customer pulse survey and this represents the movement in the average score in the 12-month period ended 31 August

Gross profitability

Year to 31 August 2018	Group total	UK	EU	US	RoW	International total
Gross profit (£m)	**1,237.1**	411.1	390.9	192.9	242.2	826.0
Growth	***29%***	*24%*	*49%*	*17%*	*21%*	*32%*
Retail gross margin	**49.9%**	44.3%	50.8%	59.0%	52.9%	53.1%
Growth	***130bps***	*10bps*	*450bps*	*(140bps)*	*110bps*	*200bps*
Gross margin	**51.2%**	46.1%	51.8%	60.1%	53.7%	54.1%
Growth	***140bps***	*20bps*	*450bps*	*(130bps)*	*100bps*	*190bps*

Group retail gross margin increased by 130bps to 49.9% compared to last year (2017: 48.6%) due to a positive net FX position and improved buying margin. Gross margin (including delivery receipts and third-party revenues) increased by 140bps to 51.2% (2017: 49.8%) as paid faster shipping options became more appealing to customers.

Operating expenses

The Group increased its investment in operating resources by 29% to £1,135.2m, with the total operating costs to revenue ratio increasing by 130bps to 47.0% (2017: 45.7%).

£m	Year to 31 August 2018	% of sales	Year to 31 August 2017	% of sales	Change
Distribution costs	**(380.8)**	***15.8%***	(299.2)	*15.6%*	*(27%)*
Payroll and staff costs[1]	**(193.7)**	***8.0%***	(162.8)	*8.5%*	*(19%)*
Warehousing	**(241.1)**	***10.0%***	(168.5)	*8.8%*	*(43%)*
Marketing	**(106.7)**	***4.4%***	(86.8)	*4.5%*	*(23%)*
Production	**(7.0)**	***0.3%***	(6.8)	*0.3%*	*(3%)*
Technology costs	**(43.8)**	***1.8%***	(35.1)	*1.8%*	*(25%)*
Other operating costs	**(107.5)**	***4.4%***	(77.2)	*4.0%*	*(39%)*
Depreciation and amortisation	**(54.6)**	***2.3%***	(42.3)	*2.2%*	*(29%)*
Total operating costs	**(1,135.2)**	***47.0%***	(878.7)	*45.7%*	*(29%)*

1 Inclusive of non-cash share-based payment charges

Distribution costs increased by 20bps to 15.8% of revenue, driven by increased mix into more expensive delivery propositions and territories, partly offset by improved standard delivery rates.

Payroll and staff costs decreased by 50bps to 8.0% of sales as a result of costs growing at a lower rate than sales. Headcount has increased 23% (2018: 4,386; 2017: 3,579). Non-cash share-based payment charges amounted to £8.9m (2017: £7.6m), relating to a new grant under our new Long-Term Incentive Scheme during the year and a higher uptake in our Save As You Earn scheme.

Warehousing costs increased by 120bps to 10.0% of revenue due to higher transitional costs as we build out our supply chain capacity, with increased fulfilment mix from Euro hub which is still a manual operation and one-off set-up costs for the new US Atlanta fulfilment centre.

Marketing costs decreased by 10bps to 4.4% of sales as a result of digital marketing efficiencies.

Technology costs remained flat at 1.8% of revenue.

Other operating costs increased by 40bps to 4.4% of revenue as we expanded our London base and incurred transitional costs during the refurbishment. We also opened a new customer care centre at the start of the year.

Depreciation and amortisation increased by 10bps to 2.3% of revenue as key transformational projects which we invested in this year such as US Atlanta hub, Euro hub automation, and our new buying and merchandising system (TGR) did not significantly impact depreciation in year.

Income statement

The Group generated profit before tax of £102.0m, up 28% compared to last year, higher than sales growth due to gross margin improvement of 140bps, offset by a 130bps investment in operating costs.

£m	Year to 31 August 2018	Year to 31 August 2017
Revenue	**2,417.3**	1,923.6
Cost of sales	**(1,180.2)**	(965.3)
Gross profit	**1,237.1**	958.3
Distribution expenses	**(380.8)**	(299.2)
Administrative expenses	**(754.4)**	(579.5)
Operating profit	**101.9**	79.6
Net finance income	**0.1**	0.4
Profit before tax	**102.0**	80.0
Income tax expense	**(19.6)**	(15.9)
Profit after tax	**82.4**	64.1
Effective tax rate	**19.2%**	19.9%

Taxation

The effective tax rate decreased by 70bps to 19.2% (2017: 19.9%). This arose mainly from the effect of the substantively enacted corporation tax rate being reduced to 17% after 1 April 2020 on the deferred tax on accelerated capital allowances and on assets qualifying for Research and Development expenditure credits.

Going forward, ASOS expects the effective tax rate 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 increased by 28% to 98.9p and 98.0p respectively (2017: 77.2p and 76.6p). This was driven by the increase in profit before tax during the year.

Statement of financial position

The Group's financial position remains strong with movements reflecting the current accelerated level of investment underway. The increase in net assets of £151.7m to £438.8m during the year (31 August 2017: £287.1m) was largely seen in higher capital expenditure and an increase in inventory. As capital expenditure and inventory spend exceeded EBITDA during the year, the cash balance decreased to £42.7m (detailed more fully opposite).

There was an improvement of £70.4m in the fair value of the net position of outstanding forward contracts since 31 August 2017 as hedges, which were entered into at adverse pre-Brexit rates, settled during the period and exchange rates relating to the remaining forward contracts have improved. The deferred tax movement of £17.4m is a result of moving from a net derivative financial liability as at 31 August 2017 to a net derivative financial asset position as at 31 August 2018. The summary statement of financial position is shown below:

£m	At 31 August 2018	At 31 August 2017
Goodwill and other intangible assets	**258.0**	178.0
Property, plant and equipment	**241.6**	137.4
Derivative financial assets	**3.8**	1.3
Deferred tax asset	**–**	9.2
Non-current assets	**503.4**	325.9
Inventories	**407.6**	323.3
Net current payables	**(507.1)**	(452.1)
Cash and cash equivalents	**42.7**	160.3
Derivative financial assets/(liabilities)	**3.4**	(64.5)
Current tax liability	**(3.0)**	(5.8)
Deferred tax liability	**(8.2)**	–
Net assets	**438.8**	287.1

Statement of cash flows

The Group's cash balance decreased by £117.6m to £42.7m during the year (31 August 2017: £160.3m) as a result of capital expenditure cash outflow of £213.0m and a movement in working capital of £62.4m, partly offset by EBITDA of £156.5m. The year on year rise in working capital of £62.4m is mainly driven by inventory which has grown in line with sales to ensure we have availability to meet demand..

£m	Year to 31 August 2018	Year to 31 August 2017
Operating profit	**101.9**	79.6
Depreciation and amortisation	**54.6**	42.3
Losses on disposal of assets	**0.8**	0.5
Fixed asset impairment	**2.7**	–
Working capital	**(62.4)**	24.1
Share-based payments charge	**8.9**	7.6
Other non-cash items	**0.5**	(0.6)
Tax paid	**(13.1)**	(7.6)
Cash inflow from operating activities	**93.9**	145.9
Capital expenditure	**(213.0)**	(161.5)
Net finance income received	**0.1**	0.5
Net cash inflow relating to Employee Benefit Trust [1]	**1.7**	1.8
Total cash outflow	**(117.3)**	(13.3)
Opening cash and cash equivalents	**160.3**	173.3
Effect of exchange rates on cash and cash equivalents	**(0.3)**	0.3
Closing cash and cash equivalents	**42.7**	160.3

1 Employee Benefit Trust and Link Trust

Fixed asset additions

£m	Year to 31 August 2018	Year to 31 August 2017
Technology	**127.9**	104.8
Warehouse	**87.9**	49.5
Office fixtures and fit out	**26.6**	13.2
Total	**242.4**	167.5

ASOS continues to invest in warehousing and technology infrastructure to support future growth ambitions. The majority of technology spend is related to development of new and existing platforms, and the TGR programme. Our warehouse spend relates to the development of our US hub in Atlanta, Euro hub automation and some further automation in Barnsley. The office fixtures and fit out spend related to the new customer care site at Leavesden and the continued extension and fit out of the Head Office in Camden.

Nick Beighton
Chief Executive Officer

Corporate Responsibility Review Fashion with Integrity

ASOS is growing fast – and Fashion with Integrity remains at the heart of how we work. We're transparent, we're responsible, and we're inclusive. We're proactively working with others to transform the impact of fashion on people, animals and the environment.

Together we're starting to tackle the really challenging issues

Working collaboratively is key to achieving significant change at company and industry level. At ASOS we continue to embed the four pillars of our Fashion with Integrity (FWI) strategy into the day-to-day jobs of ASOSers across our business. We have dedicated corporate responsibility, ethical and sustainable sourcing teams, who are charged with enabling the people in our offices, warehouses and supply chains to bring Fashion with Integrity into the core of their business practice. Our seven FWI governance groups further promote internal collaboration, with 80 senior leaders and subject experts driving accelerated progress, and working together to demolish internal barriers. This is helping us to start to tackle the really challenging issues like the circular economy, carbon emissions, textile waste and living wages in supply chains.

We are beginning to see some positive results from this cross-business way of working, although there is a great deal more to do and, like others in our industry, we recognise that we can only take things so far by ourselves. It's only by working together with suppliers and brands, customers, governments, industry colleagues and civil society that we can create a fashion industry

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

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

Our customers
Giving young people the confidence to be whoever they want to be

Our community
Investing time and resource to make a real difference in our communities

asos FASHION WITH INTEGRITY

We're embedding FWI in every corner of our business

that is genuinely better for people, animals and the environment. Only by collaborating widely and taking bold steps together can we address the deep rooted, systemic issues, using our combined influence to create the necessary social and environmental change.

Meanwhile we have ambitious goals in place for the four pillars of FWI. In the following pages we give some examples of where we are making progress across our programmes to develop our products, our business, our customers and the community, including a focus on supply chain transparency to uphold human rights, a landmark agreement with a global trade union, first steps towards closing the loop on product and packaging manufacture, and a move towards demonstrating truly inclusive fashion. They are just a few examples of work in progress towards a more inclusive and sustainable fashion industry, made in the full knowledge of our individual responsibility to reduce the harmful impacts of fashion and the urgent need for fast effective action. We are addressing this by embedding FWI in every corner of our business and giving our senior leaders clear responsibility for driving it forward. Whilst we strive to reduce harmful impacts, we try to use our influence as a force for good, promoting social change, diversity and self-confidence.

We are proud but not complacent about our achievements to date. We know there is more to be done and we believe we can get there, by working together.

Louise McCabe
Director of Corporate Responsibility

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

We're putting ethical trading, sustainable sourcing and animal welfare at the very heart of how we work.

Ethical trade

It's our responsibility to make sure every worker in our supply chain is respected and protected

Ethical Trade team

To deliver our ambitious Ethical Trade programme, we've increased the headcount of our Ethical Trade team. We now have 17 people in our London team, as well as ethical trade managers in Turkey, China and Romania.

ASOS brands

It's our responsibility to make sure every worker in our supply chain is respected and protected. So our ethical trade strategy is two-pronged – to improve our business practices from the top down to protect human rights in our supply chain, while empowering workers to realise their fundamental rights from the bottom up. Our key priorities are:

— ***Supply chain transparency:*** we recognise the importance of supply chain mapping and due diligence to uphold human rights and prevent undeclared subcontracting. We've mapped tiers 1 to 3 of our supply chain and developed and disseminated an Unapproved Subcontracting Policy. This makes sure suppliers declare all factories involved in manufacturing ASOS brand products and only use units that we've approved.

— ***Buying practices:*** we're committed to limiting negative human rights impacts resulting from how we buy our products. To this end, over the last year we've delivered internal training on purchasing practices to our Buying and Merchandising teams.

— ***Freedom of association:*** workers' rights to organise and bargain collectively are an essential step towards their enjoyment of other labour rights. We've signed a Global Framework Agreement with IndustriALL Global Union – a strong framework for implementing freedom of association in our supply chain.

— ***Living wage:*** all workers in our supply chain are entitled to a wage that meets their basic needs. We're part of the ACT initiative, which is working to establish living wages for workers through industry-wide collective bargaining linked to purchasing practices.

— ***Gender equality:*** women represent the highest proportion of the workforce in the garment supply chain and are vulnerable to exploitation. We've piloted a programme in Turkey, monitored by women's rights NGOs and academics, to educate women on gender equality.

Our partnerships are essential to how we're creating real change in our industry

- ***Health and safety:*** worker safety is a priority for us at all times. In the past year, we've closed 2,510 health and safety code breaches, helping to raise health and safety standards across our supply chain.
- ***Modern slavery:*** we're working with key stakeholders to address and reduce modern slavery risks in our supply chain. We've participated in meetings with the Bangladeshi and Mauritian governments, held a multi-stakeholder event to jointly address issues facing migrant workers in Mauritius, and established an ETI working group to agree on a common framework for improving the protection of migrant workers in Mauritius.
- ***Child labour:*** we're committed to having no unremediated cases of child labour anywhere in our supply chain. In the past year we've found and remediated nine cases of child labour in China and Turkey. In recognition of the challenges we've faced, we continue to carry out unannounced factory audits, prevent unapproved subcontracting and build relationships with local NGOs to deliver effective remediation.

Third-party brands

Established in January 2018, our Third-Party Brands programme sets out to create industry 'transformation through collaboration' by driving a systemic shift in the way brands approach ethical trade and sustainability. We're doing this by developing ASOS into an industry hub for learning, supporting collaboration between brands and proactively choosing to work with brands who share our values. We work with the 1,195 third-party brands we stock to actively support them in putting in place these minimum requirements:

1. A clear Ethical Trade Policy
2. Transparency around 'Tier 1' (Cut Make Trim) factories
3. Compliance with the ASOS Restricted Substance List (RSL)
4. Animal Welfare Policy (if applicable)
5. Modern Slavery Statement (if applicable)

Monitoring and supporting suppliers

We only work with suppliers who are committed to meeting our standards and improving conditions for the 174,282 people working in our supply chain. We currently have 175 suppliers, who between them use 864 Tier 1, 2 and 3 factories. In total, we source from 25 countries. Our regional Ethical Trade teams are located in our main sourcing regions – China, Eastern Europe, India, Turkey and the UK – where over 92% of the factories making our products are located. Here are some examples of how we engage with our suppliers on ethical trade:

- ***Factory assessments:*** to check how factories are performing against our standards and to give support where needed, we carried out 426 audits, all unannounced, this year.
- ***Supplier support:*** we run yearly supplier workshops for ASOS brand suppliers in China, Eastern Europe, India, Mauritius, Turkey and the UK to raise awareness of key issues and advise suppliers how best to address them.

Collaborating with others

Our partnerships are essential to how we're creating real change in our industry. Some we've continued to develop over the past year include:

- Conducting an independent review of our purchasing practices within the framework of the Action Collaboration Transformation (ACT) initiative on living wages, giving us a benchmark from which to refine our approach.
- Working with Anti-Slavery International, a world-leading NGO, to make sure our practices are in line with the UN Guiding Principles on Business and Human Rights.

Sustainability

Our Sustainability team advise our retail teams and suppliers on how to design, source and innovate to create more sustainable products. The team also help our customers to reduce their own environmental footprint.

Over the past year we've focused on four main areas in our move towards becoming a circular fashion business.

1. A centre of excellence for sustainable design

We've set ourselves the ambitious goal of becoming a centre of excellence for sustainable design. Our first step towards this was to partner with the Centre for Sustainable Fashion at London College of Fashion to create a training programme for our design and product teams. Our target is to have trained all team members by 2020 on how to incorporate circular design principles into their ranges.

"This training programme will equip our designers with the knowledge and skills they need to put sustainability and circularity into practice, ensuring clothing remains in use for as long as possible and doesn't cause unnecessary waste."

Vanessa Spence
Design Director

2. All materials responsibly sourced

We're working towards having all materials used in ASOS brands responsibly sourced by:

- Aiming to become the leaders for sustainable denim for 20-somethings by 2020 with post-consumer recycled denim as a core offering.
- Switching our most commonly used materials to more sustainably sourced fibres:
  - Cotton: moving from using 80% cotton from sustainable, organic and recycled sources in 2018 to 100% by 2025.
  - Polyester: increasing the amount of recycled polyester used in our garments.
  - Viscose: switching in 2018 to less harmful cellulosic fibres such as ECOVERO™ which has up to 50% lower emissions and water impact than regular viscose. Our policy since 2017 has been to make sure we're not sourcing fibres for viscose from ancient or endangered forests.
- Working with suppliers and internal teams to make sure sustainability is considered at every point in the manufacturing process.
- Training our Buying and Merchandising teams to increase engagement in product sustainability, including twice-yearly courses run by the Sustainable Fashion Academy.
- Adding feathers, down, mohair, cashmere, silk, bone, horn, teeth and shell to our banned materials list, which already includes fur and angora.

3. A mindful supply chain

Having a mindful supply chain for us means knowing where all our products come from back to raw materials, understanding the full environmental impact of our supply chain and having an action plan to reduce each impact.

Here's what we're doing to make this a reality:

- Mapping our entire supply chain – so far we've identified the country of origin for 46% of fibres.
- Using the Sustainable Clothing Action Plan's assessment tool to measure the environmental effects of our supply chain, and reducing our water footprint by 5% and carbon footprint by 12% for all products sold in the UK in 2017, versus a 2012 baseline – putting us well on our way to meeting our 2020 target of 15% in both areas.
- Using the Higg Index Facility Environmental Module (FEM) to help us identify where we can make improvements in the sustainability performance of our supply chain. We are rolling this out to our Tier 1, Tier 4, and Tier 5 suppliers.
- Taking part in working groups to address key issues, such as Microfibre Consortium, Canopy, the Changing Markets roadmap and Leather Working Group subgroups.

4. Empowering our customers to use and consume responsibly

- We're helping our customers to reduce their own environmental footprints and make more responsible choices when it comes to what they buy, and how this is delivered, cared for, repaired and disposed of by:
  - Using social media to get people thinking about how they care for, repair and recycle their clothes.
  - Highlighting more sustainable products and companies through Eco Edit and ASOS Marketplace.
  - Encouraging people to wash at 30 degrees through care labels and website reminders.
  - Launching a garment collection scheme and recycling programme in the UK and Germany, our two biggest markets, by 2020.

We reduced our water footprint by 5% and carbon footprint by 12% for all products sold in the UK in 2017

Our business
Achieving growth while adding social value and minimising environmental impact

Our people

Supporting our customers, our own teams and our partners to realise their potential is how we make sure the ASOS brand stays defendable, differentiated and desirable. At the end of August 2018, there were 4,386 ASOS employees (ASOSers). The majority are based at our headquarters in Camden, North London and our Customer Care site in Leavesden, with smaller teams in Paris, Birmingham, Barnsley, Berlin, New York and Atlanta.

This year, we developed and launched employee behaviours, Being ASOS – a tangible means of bringing our values of authentic, brave and creative to life, and of protecting our unique culture as we continue to grow.

One of our most notable achievements this past year was being named the No.1 company to work for in the UK on the LinkedIn Top Companies 2018 List. This accolade has boosted our employer brand, increasing the number of applicants for each ASOS role and helping us to attract the brightest and the best to our business.

Wellbeing

We do all we can to support the wellbeing of our ASOS family and to make sure we have the right strategies, initiatives and policies in place to help everyone be their best.

Our focus for the year was mental health. We introduced a Get Stuck In campaign designed to raise awareness around mental health issues and appointed mental health first aiders across the business. We also actively supported our people in managing upcoming changes like Brexit. Supported by immigration solicitors, we ran more than 80 legal sessions to equip ASOSers to make informed decisions and continue to perform at work in the face of this potentially significant change. And we have a number of new ways to support our people coming soon, including updated family leave and benefit-offering initiatives.

Learning

Our launch of The Academy is a game changer. This has created a world of continuous development for ASOSers, where people can access learning in the format they need it and at the time they want it. Our ASOS Festivals of Learning have highlighted the learning opportunities we offer to everyone, creating huge engagement in the process. Our Academy Ambassadors work tirelessly to keep this fresh and support an ongoing culture of learning in ASOS.

As you might imagine, we're very focused at ASOS on supporting and developing young talent. Our graduate programme saw 31 people complete the first programme cycle, and we had 42 paid interns growing and learning at ASOS during the past financial year.

23%

more ASOSers in 2018

No.1

company to work for in 2018 (LinkedIn)

Academy Ambassadors encourage ASOSers to use our new self-serve learning platform

We embrace everyone and want them to bring their best selves to work

ASOSers proudly marching in the GLAAD collection at Pride in London 2018.

Diversity

We also set up our own Women in Tech (WiT) forum, a mentoring platform to encourage more women to move into technology, and are actively engaging with the broader external WiT community. We're very proud of our associations with Pride, as sponsor this year. Our LGBTQ+ history month encouraged our people to share their stories and reinforced our continuing focus on being a truly diverse and inclusive business. Together with the launch of our new behaviours, this provides genuine reassurance to all ASOSers that we embrace everyone and want them to bring their best selves to work.

Gender Pay Report

This comprehensive piece of work undertaken during FY2018, shone a light on some real positives for ASOS and also on some areas where we need to do more.

ASOS is good at attracting female talent, with circa 64% of ASOSers being female. Our analysis showed that for equivalent roles, men and women are paid the same. What we have is gender imbalance in certain parts of the business and so we have started to take steps to change this.

As a starting point we are:

— Creating mentoring programmes to support career progression for women into leadership roles;

— Improving our 'family friendly' policies to include flexible working and parental leave; and

— Funding 10 scholarships per year to encourage women to study STEM (Science, Technology, Engineering and Mathematics) at University, as well as working with schools and organisations like 'Girls Who Code'.

Over £1m has been allocated to invest in the above to ensure meaningful action is taken. For more information on gender pay gap reporting please visit our website: www.asos.co.uk/corporate-responsibility/genderpayreportpay2018

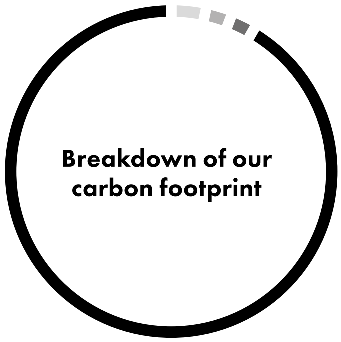
Communication

This year also saw the successful launch of Workday: leading-edge, fully mobile-enabled technology to manage our key HR data, recruiting, absence, compensation planning, and talent and performance in one secure place. This gives us the tools to help ASOS deliver against 202x plans in a way that our legacy PX Systems simply could not.

The past year has also seen our employee forum In Touch go from strength to strength. As we continue to grow the business, this is an important way for ASOSers everywhere to share opinions and concerns, and make their voices heard.

We've also used a change survey to better understand the impact that the 202x transformation journey is having on our people and inform how we support them over the coming years. We've developed core principles, tools and a change forum to help make sure that we continue to evolve in a way that delivers the intended benefits for the business.

Environment



- **3%** Buildings (gas, electricity, water, waste)
- **2%** Business travel
- **2%** Packaging
- **93%** Transportation of goods (inbound, inter-warehouse, outbound)

As a purely online business, we have no bricks and mortar stores. We ship to 238 countries and territories from our fulfilment centres in Germany, the UK and the US, and have offices in Berlin, New York, Paris and the UK. Our biggest environmental impacts are carbon emissions from customer deliveries and the running of our buildings, and packaging waste. Through our Carbon 2020 strategy, we're reducing our carbon intensity per customer order (for business operations only) every year from 2015 to 2020. We're doing this by minimising our energy consumption and emissions from delivery and packaging, while increasing our renewable energy usage.

Carbon footprint

Due to differing reporting timeframes, we can only publish emissions data from the previous year in this report. For the year ended 31 August 2017, our total carbon footprint rose to 264,895 tonnes of CO_2 (2016: 207,650 tonnes). Our overall emissions have increased by 28% compared to the previous year – this is primarily down to an increase in indirect emissions (scope 3[1]) as a result of increasing customer sales around the world.

Our carbon intensity has decreased again to 5.2kg CO_2 per customer order, keeping us on track to meet our Carbon 2020 commitment. This is largely because of more efficient operations and improvements made by delivery carriers to reduce emissions.

Delivery emissions

Inbound supplier deliveries, stock movements between sites and outbound customer deliveries/returns make up the largest proportion of our footprint, accounting for 93.1% of emissions. We're working closely with our carrier partners to help them set targets to reduce their environmental impacts. We ask all carriers to show us action plans for how they're going to introduce at least three carbon reduction initiatives over a 12-month period.

1 World Resources Institute Greenhouse Gas (GHG) Protocol

Building emissions

Emissions from our buildings make up 2.7% of our carbon footprint. While building emissions increased by 12% compared to the previous year due to increasing the size of our property estate, building emissions per employee and per square metre of floor space have fallen significantly – by 47% and 30% respectively. This is a direct result of energy efficiency measures we put in place across our buildings over the past year:

- As part of our London head office upgrade we installed highly efficient equipment: LED lighting throughout, lighting proximity sensors, centrally controlled heating and cooling systems and a building management system.
- We replaced lighting at our Atlanta warehouse with low-emission LED alternatives and ran a feasibility study on the installation of electric vehicle charging stations and solar panels.
- We completed a gap analysis at our Barnsley warehouse to prepare to implement ISO 50001, a best practice international energy management standard.
- We've mapped energy sourcing across the entire ASOS estate to create a roadmap for procuring more renewable energy in the future.

Packaging emissions

We use over 59m plastic mailing bags and 7m cardboard mailing boxes a year. So we're continually reviewing our packaging sourcing and recycling options to find ways to reduce the volumes we use:

- We're trialling reducing the thickness of our mailing bags by up to 20 microns which will reduce plastic use.
- We recycle packaging from customer returns, with the exception of our returns forms which at the moment aren't recyclable. During the past financial year, we recycled 1,845 tonnes of cardboard and 1,191 tonnes of plastic from EU returns to be turned into manufacturing pellets.
- We're trialling a closed-loop system, where returned packaging in the UK is recycled by our plastic manufacturer and made into new ASOS plastic packaging – to increase use of recycled plastic packaging.
- We're developing a packaging impact assessment tool to help us more accurately calculate the emissions associated with our mailing and garment packaging.
- We're a member of RECycling of Used Plastics Limited (RECOUP), a not-for-profit charity, and are supporting its work to increase plastics recycling in the UK.
- We've introduced a plastic packaging take-back scheme to allow employees to deposit used packaging for recycling.

Employee travel

Our business travel emissions remained relatively similar to the previous year. To counterbalance these emissions, we've invested in carbon-offset projects in China, India and Kenya, where many of our ASOS brand product suppliers are based.

Our customers

Giving young people the confidence to be whoever they want to be

We focus relentlessly on reflecting the needs of our 20-something customers all over the world. We do this by making sure our products and communications are responsible, inclusive and celebrate diversity – and by providing the best possible customer care 24/7. We're completely committed to establishing a culture of inclusivity across ASOS, so that we truly represent the diversity of our customers in what we think, say and do.

Mind and body

We want to give our customers the confidence to be whoever they want to be, so we take our responsibilities seriously when it comes to protecting their mental health, wellbeing and body confidence.

Looking after our models

We've updated our Model Welfare Policy to help promote body confidence, so that models can look and feel their best on set. This year, we've also introduced a code of conduct outlining how we expect third parties, such as photographers and stylists, to maintain a safe, supportive and inclusive working environment.

Promoting body confidence to our customers

We want our diverse customers to feel represented by the models they see on ASOS, and we're committed to showing real images of real people. We're now working with a broader size range of models, and have introduced new technology that lets customers see the same product in multiple sizes. Through our retouching policy we commit to celebrating uniqueness, not flawlessness, by showing our models as they really are.

We have a long-standing partnership with the UK's eating disorder charity, Beat, to provide an online support service and helpline. Over the last year, we funded 27,439 support sessions for people with eating disorders and their loved ones.

Disability

Accessible digital platforms: we're continually reviewing our websites and apps to make sure they're accessible. We now incorporate features such as screen readers, AA contrast ratios and dynamic text sizing in our native apps.

Adaptive clothing: we're actively exploring how to make our product offering suitable for customers who have a disability. This includes considering how we design adaptive or accessible clothing and how we signpost existing products that have accessible features.

Business Disability Forum: our membership of this group is helping us to become a more disability-smart organisation, through providing access to disability awareness training and building accessibility assessments.

British Paralympic Association: as official formal and ceremony wear supplier to the British Paralympic Association, we've helped 677 athletes and staff to look and feel their best at both the Rio 2016 and PyeongChang 2018 Paralympic Games.

Scope: between April and December 2017, we donated £122,661 in stock to disability charity Scope to help more than 600 disabled people to get back into work.

"I worked with ASOS over several months to create a fashionable, yet practical waterproof all-in-one! Not just for people like me in a chair but anyone. It's about making fashion accessible."

Chloe Ball-Hopkins

LGBTQ+

GLAAD: we've partnered with GLAAD, the LGBTQ+ media monitoring organisation, to support '&Together Movement' and promote acceptance for all communities subject to discrimination. We also collaborated with them on a gender-neutral clothing range, which so far has raised over US$220,000.

Stonewall: to further LGBTQ+ acceptance globally, we've joined the Diversity Champions programme managed by Stonewall, Europe's largest LGBT charity. We also use their Equality Index to measure our progress on workplace equality.

Empowering women

In October 2017, our CEO signed the UN Women's Empowerment Principles, committing us to taking steps to advance and empower women in the workplace. We also publicly lent our support to the UN Women's #drawaline campaign to end violence against women and girls.

Customer care

We're committed to providing an exceptional customer care service that's available 24/7. In the past year, we've handled 23.2 million contacts including phone calls, social media, emails and live chat.

So far this year, our Fraud Prevention team have mitigated over £10m of fraud attacks across 62,229 orders. To prevent unauthorised access to customer data, we also have technical and physical security controls in place, such as access restrictions, encryption of certain customer data and alert systems.

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

Our 2018 WASH project in Kenya provided water tanks, emergency water deliveries and toilet facilities for 3,600 children

Our diverse community work centres on our brand purpose: to give people the confidence to be who they want to be. This could be through helping employees be involved in projects that reflect their personal values. It could be through working with young people in our communities to remove barriers and enable them to reach their full potential – by getting into jobs, finding a home, starting a business, and more.

ASOS Foundation

Through the ASOS Foundation (charity number 1153946), we contribute money, resources and expertise to community projects in the UK (where we have offices), India (where some of our product and IT suppliers are based) and Kenya (where the ASOS Made in Kenya range is made).

UK

Centrepoint: we're funding a mental health clinical lead responsible for developing Centrepoint's mental health and wellbeing services for homeless young people. We're also supporting the Barnsley Health Hub, which has provided psychotherapy and healthy relationships support to 200 young people since opening in September 2017. We fund the Centrepoint Helpline, which has helped more than 4,600 young people at risk of homelessness since it's launch in February 2017.

The Prince's Trust: we've trained over 70 young people through technology, fashion and customer care courses in partnership with The Prince's Trust. In 2018, we offered 10 young people year-long trainee roles as service desk analysts, quality assurance engineers, merchandisers and buyers.

Kenya

Project Pipeline with SOKO Community Trust
We've provided skills training to over 550 people in the community through Stitching Academy Kenya, along with workshops on financial literacy, IT, family health, business skills, money management and menstrual health.

Through the Kujua Initiative in Kenya, we provided sanitary kits, including washable pads, manufactured by Stitching Academy graduates from Made In Kenya fabric remains, to over 900 girls, as well as hygiene and confidence training in six schools.

India

Udayan Care: we sponsor family style homes for orphaned and abandoned children in India in partnership with Indian charity Udayan Care. This year we funded and opened our second home for 12 girls, which includes an IT training centre and a community meeting space for a young women's mentoring programme.

UK community work

We do most of our work in the UK near our employees' communities in London, Leavesden, Barnsley and Birmingham. Some examples of our UK community projects include:

- Continuing to support Call to Create at the Roundhouse in Camden, which offers circus, dance, poetry and music programmes for young adults.
- We also work with anti-bullying charity the Diana Award on the #MySenseOfSelf project – an interactive programme that tackles issues around body image, self-esteem and the impact of social media. Our lesson plan has been downloaded 4,716 times in the last year, potentially benefiting over 135,000 students.

Employee involvement

Our colleagues are highly engaged in the wider community. We make sure to give them support, encouragement and opportunities to contribute in practical and effective ways. We have a number of workplace schemes to support those employees who want to donate their time or money – 'Give a Day Away', Payroll Giving, challenge events, and the opportunity to volunteer in India with the ASOS Foundation.

Key Performance Indicators

Our performance indicators allow us to measure both the financial value we create for our stakeholders and the strategic value in growing our business and delivering on our purpose.

Key financial measures

This year has been another year of strong trading performance, both in the UK and internationally, with retail sales growing at 26%. Retail gross margin increased to 49.9% and EBIT margin was also up from last year. Profit after tax and diluted EPS have increased in line with operating profit. Our key financial measures give us a clear indication of the overall performance and position of ASOS. In some cases, the figure is an alternative performance measure, i.e. not a statutory measure. In these cases, information is shown in the definition below to cross-reference to the corresponding statutory measure.

KPI	Definition	2018 performance	Change
Revenue	Retail sales, delivery receipts and third-party revenues from continuing operations	**£2,417.3m**	up 26%
Gross retail margin	Gross retail profit as a percentage of gross retail sales	**49.9%**	up from 48.6%
Gross profit	Revenue less cost of sales	**£1,237.1m**	up 29%
Operating profit	Profit before interest and tax	**£101.9m**	up 28%
EBIT margin	Operating profit (as above) as a percentage of total revenue	**4.2%**	up from 4.1%
Profit after tax	Profit after tax	**£82.4m**	up 29%
Diluted EPS	Profit after tax divided by the weighted average number of shares in issue during the period, adjusted for the effects of potentially dilutive share options	**98.0p**	up 28%
Net assets	Total assets less total liabilities	**£438.8m**	up 53%

Key strategic measures

We are really pleased with the progress of almost all of our key strategic measures. Active customers increased 19% to 18.4m. Orders and visits are up 27% and 19% respectively. Average basket value increased for the fifth year in a row to £73. Average order frequency and conversion also improved from last year, with the trend to access our site through mobile devices continuing. Our Net Promoter Score stepped back by three points from last year.

KPI	Definition	2018 performance	Change
Active customers	Number of customers transacting at least once a year (as at 31 August)	**18.4m**	up 19%
Total orders	Total orders placed	**63.2m**	up 27%
Total visits	Number of visits to ASOS.com via any device	**1,992.8m**	up 19%
Average order frequency	Average number of orders per customer per year	**3.43 orders**	up 7%
ABV	Average basket value, being total order value before returns and discounts, including VAT, divided by total orders	**£73.00**	up 1%
Mobile device visits	Number of visits to ASOS.com on any mobile device divided by total visits	**77.0%**	up from 70.3%
Group conversion	Percentage of visits that convert to an order	**3.2%**	up from 3.0%
NPS[1]	Net Promoter Score	**down 3**	

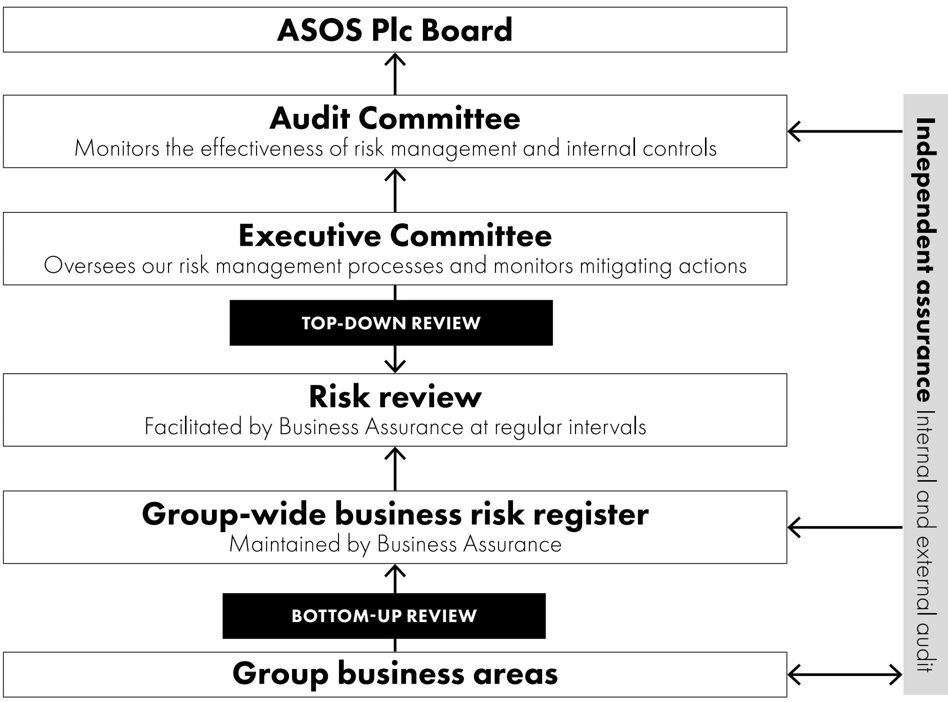
1 Net Promoter Score is based on a customer pulse survey and this represents the movement in the 12-month period ended 31 August.

Risk Report

Everything we do at ASOS revolves around our purpose and mission; and that purpose and mission can only be secured through effective risk management. Our Risk Management Framework applies to every part of our business in the manner needed to be effective within our unique culture, so that it continues to enable us to assess and determine what our key risks are and how to manage them appropriately. That then enables us to meet our strategic objectives and deliver the long-term growth and viability of our business.

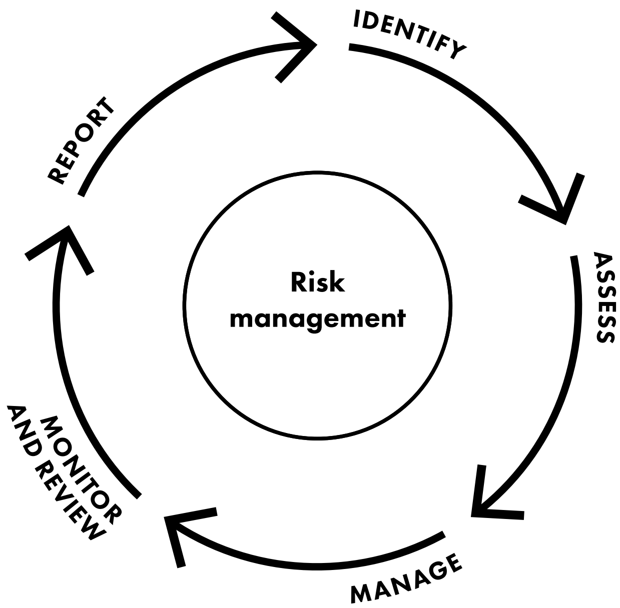
How we manage risk

Accepting an appropriate level of risk is an integral part of realising any opportunity and reward, and it's only through effective internal management and controls that risk can truly form part of our decision-making process. We also realise that ASOS moves at pace, and can therefore feel the impact of a risk crystallising quicker, if it's not managed effectively. Failure to identify and appropriately manage risk could prevent us from achieving our day-to-day objectives but, most importantly, get in the way of achieving our mission: to be the world's number one destination for fashion-loving 20-somethings. Risk management is therefore critical to our day-to-day activities.



Our risk management process:

Risks are owned, managed and formally reviewed across ASOS using the following process:



Identify	Assess	Manage	Monitor and review	Report
— Risks are identified across each key business area in relation to achieving our business objectives. — The ASOS leadership team and management are prompted to express their views and perceptions of risk with regard to their specific business area and across the business as a whole. — Horizon scanning takes place, as it provides a forward-facing view in identifying emerging risks.	— Inherent and residual risks are assessed in accordance with our risk assessment methodology. — Probability and impact of the risk materialising is rated, taking into account the effectiveness of any existing controls. — Deeper dives take place on our key risks.	— Risk assessments assist in identifying controls to reduce material risk. — Mitigation and action plans manage the risk within tolerance and appetite.	— Ongoing and explicit conversations about risk help promote a positive risk culture. — Rapid growth in a business like ASOS will continually alter the profile of a risk, therefore risk reviews allow risk owners and management to see the effects of mitigation.	— Regular dialogue with our Executive Committee on how effectively the risks are being managed. — A comprehensive risk review is prepared for the Audit Committee highlighting key risks and any significant changes.

Risk responsibility

The Board has overall responsibility for risk management and application of control. This includes reviewing the robustness of our risk management and internal control process so that it remains fit for purpose and change in our fast-moving business. Responsibility for reviewing specific risk controls is delegated to the Audit Committee, while the Executive Committee and management are responsible for implementing processes and controls on the ground within our risk appetite.

The general counsel and company secretary has executive responsibility for Risk Management; and the Business Assurance department facilitates the day-to-day operation of the Group risk management process by ensuring there is a rigorous assessment of risk while ensuring that the approach is dynamic and consistent in educating and engaging our ASOSers. While continuity in a risk management approach is valuable to ensure a consistent assessment of risk year-on-year, the Risk Management Framework and the processes that underpin it are reviewed regularly by Business Assurance, the Executive Committee and Audit Committee, and appropriately evolves in line with business change.

Assurance and oversight of risk

Our assurance and oversight echoes the 'Three Lines of Defence model':

— ***First Line:*** Functional Assurance – day-to-day risk management in business operations including ownership and application of controls and mitigation.

— ***Second Line:*** Management Oversight – Business Assurance facilitate the risk management process by providing oversight, guidance and challenge. The Executive Committee and Audit Committee also support the second line.

— ***Third Line:*** Independent Assurance – internal and external audit provide independent assurance on our risk management activities and internal controls.

Strengthening the way we manage risks

At ASOS, we strive to improve the ways in which we identify and manage risk and have made the following enhancements over the past 12 months:

— Increased capacity in the Business Assurance team to ensure risk management continues to evolve in line with the business and supports ASOS globally.

— Risk Identification workshops in new business areas, to provide the opportunity to refresh thinking around current risks, while identifying new risks.

— Risk maturity tracking now forms part of our risk registers, so we can monitor risks throughout their life cycle, which is particularly useful for monitoring trends on more volatile risks.

— Facilitated an interactive 'black swan' review as an opportunity for our leadership team to think about:

  — Those left-field events, where ASOS's reputation may be greater than is warranted.

  — Those events (however unlikely or impossible sounding) that could materially impact the business's viability.

  — Those events which it is no longer acceptable for a business of ASOS's size and profile to tolerate.

Principal risks and uncertainties

We have undertaken a comprehensive assessment of our principal risks and uncertainties, recognising that as a global business, some of our risks can be dynamic and influenced by the macroeconomic environment.

Market risks

Disruption to the marketing dynamics

Risk owner: Brand Experience

↔ **Same**

What's the risk?

Fashion – in particular online fashion retail – is an increasingly competitive space, with relatively low barriers of entry. We therefore face increasing competition from a variety of e-commerce players who attempt to capture the loyalty of our customers via their proposition and product offering.

What's the impact?

Increased costs or reduced effectiveness of our key e-commerce drivers, particularly brand and digital marketing activities.

Our mitigating activities:

- Our business model is specifically based around engagement with a focussed group of customers, namely 20-somethings, including providing them with a range of fashion services and content as well as great fashion retail – which in turn reduces the reliance of the business on e-commerce drivers such as digital marketing.
- The more we talk authentically to our customers and grow our presence with 20-somethings globally, the stronger the ASOS brand will be; meaning we are able to defend our position more robustly, should dynamics change.
- Having been one of the first movers in online fashion retail, we have greater experience in how to best use e-commerce drivers such as brand advocacy and digital marketing in a fashion context than newer entrants to the market, and we continue to drive greater effectiveness through innovation and improving efficiencies with our platform.
- The width of our product offering, all of which is uniquely edited and selected by our experienced design and buying teams, and a lot of which is only available to buy from ASOS, maximises our ability to remain relevant to any market condition while still giving customers a specific reason to come to ASOS over another retailer.

Insufficient global mindset

Risk owner: Global Trading

↓ **Down**

What's the risk?

ASOS has developed a market-leading, profitable business model based on customer engagement, using the UK as our 'core learning ground'. As we continue to strive towards our global ambitions, structuring our international business correctly becomes more and more important.

What's the impact?

We stifle top-line growth and/or reduce our profitability, from not being able to realise the same margins as the UK on a scalable basis in global territories.

Our mitigating activities:

- A proactive approach to monitoring consumer trends in key markets – including regular attendance at all major fashion weeks, catwalk shows, festivals, trips to fashion cities and universities, country-specific data analysis; 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 and cultures.
- Experienced buyers, merchandisers and designers to tailor and align our products to our key territories, coupled with an experienced Global Trading team to ensure that our trading decisions are optimised as far as possible for each key market, including pricing through our zonal pricing capability.
- The 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 our territories, in order to be able to get our customers the fashion they want when they want it.
- Our robust regional strategy and roadmap continues to place a bigger emphasis on our journey towards internationalisation and growth in our key markets.
- Our existing warehouse in Berlin will effectively double our capacity in Europe, and our new warehouse in the US, enables the ability to provide a more tailored and efficient way to fulfil key territories in or near those locations, that closely mirrors our UK proposition.

Poorly engaging digital experience

Risk owner: Digital Experience

↔ **Same**

What's the risk?

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 or any smart device). Failure to offer our customers the core user experience they expect in any given market or failure to innovate in response to market demands/trends.

What's the impact?

A lost opportunity in customer attraction, engagement and retention, meaning we cannot grow at the pace that we want.

Our mitigating activities:

- Our Brand Experience and Digital Experience teams continue to focus on creating and recreating a consistently engaging ASOS digital experience.
- Increasing capacity of our Digital Experience teams within our business to increase agility and output.
- 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 make sure we identify and adopt new developments as quickly as we can.
- Continued growth in our Data Science team and investing in specialist skills to drive digital innovation and enhance customer proposition.
- Continue to balance our investment between innovation and capability.
- Continue to keep abreast of what's changing in the market.
- Continue our journey on the IT Security/Data Protection roadmap, so that digital experience remains aligned to our IT Security/Data Privacy requirements.

Market risks continued

Geopolitical uncertainty

Risk owner: Global Trading

Up

What's the risk?

Specific macroeconomic and geopolitical factors can have an impact on our business and ability to trade across borders. Governments in key markets influence cross-border control, which could make it more difficult for us to move products into and out of the countries in which our fulfilment and return centres are located.

Whats the impact?

Our ability to source and sell products across borders as freely as we are currently able to may be restricted, which could impact customers' willingness to engage with and buy from us. Profitability may be put at risk by any significant changes to tariffs or customs legislation.

Our mitigating activities:

— We have a knowledgeable tax team and strategy, who engage with authorities and regulators in key markets, so that we can keep abreast of any changes or developments, globally, and then adapt our business operations appropriately as far as we are able.
— We have fulfilment centres in three different key territories, providing a level of cover in the event of disruption to the ability of one centre to move products in or out cross-border.
— We have a diverse, multifaceted sourcing and supply chain involving many different suppliers in many different locations, so that products are produced at a range of delivery speeds.
— We have external advisers who provide us with any additional support or information when required.
— We continue to monitor Brexit as its implications become more known, while continuing to structure the business to prepare for any volatility.
— Specifically with regards to Brexit, we have performed detailed internal reviews to understand the specific risks we face.
— ASOS employees who are not UK nationals, have received support from immigration lawyers and have personalised plans for what Brexit means to them.

Use of our brand name is challenged in a territory

Risk owner: Legal

Same

What's the risk?

Internet-only businesses depend on their brand name, which means we need 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.

What's the impact?

A materially detrimental effect on ASOS's performance, reputation and brand positioning in each of its key markets.

Our mitigating activities:

— Being the first to use the ASOS brand name both for online retailing and 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.
— Our team of highly experienced intellectual property legal experts, headed by the group legal 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.
— Ensuring internal training and awareness remains relevant with the added use of previous case studies.
— Regular conversations between Retail teams and Legal Brand/IP team to keep abreast of any themes or issues.

Market risks continued

Inadequate or incorrectly adhered to product quality or ethical trading standards

Risk owner: Retail/Ethical Trade

What's the risk?

Ultimately, ASOS depends on the products it sells. Having an engaging, exciting customer experience and a first-class customer proposition is worthless if products don't 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 crucial the bigger our brand gets and the greater our customers' expectations become towards the integrity of the brands they engage with.

What's the impact?

A breach in our ethical trading standards, causing brand damage and loss of customer confidence, compliance issues and even regulatory fines.

Our mitigating activities:

- We are continuing to grow our expertise around product quality and ethical trading standards in our Sourcing and Ethical Trading teams, headed by our Sourcing Director and overseen by Womenswear and Menswear Directors.
- In-country regional managers are now in place to increase our visibility of suppliers and help mitigate against unethical trading risks, unauthorised subcontracting and bribery.
- We have rolled out an unauthorised subcontracting policy across our suppliers.
- An enhanced risk reporting and risk assessment framework for new sourcing countries.
- Embedding our Ethical Trading programme, supported by our Fashion with Integrity governance structure, drives forward the ethical trading agenda internally.
- We continue to deliver an audit programme in line with our Fashion with Integrity strategy.
- We continue to influence, collaborate, guide and train our suppliers to support them in achieving our sustainable sourcing and ethical trade principles.
- Increased capacity in our Global Quality and Garment Technology teams, overseen by our product technical director, to provide increased surety that the products we receive from our suppliers meet our product quality standards and expectations before they go on the website.
- The introduction of an additional testing facility in Barnsley to further scan products and do an early risk assessment on compliance standards.
- Reviewing and strengthening the effectiveness of our product recall process.
- We are starting to perform extra mandatory testing at product origin to provide another level of assurance.
- Enhanced supplier terms and conditions to provide an increased level of robustness and governance.

⟷ **Same**

Financial risks

Foreign exchange movement

Risk owner: Finance

What's the risk?

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. Rapid global growth will continue to drive greater foreign exchange exposure.

What's the impact?

Any potential exposure to volatility in interest in foreign exchange rates puts more risk on our profitability.

Our mitigating activities:

- Taking 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.
- Foreign currency balances and forecasting of assets and liabilities is performed regularly to prepare for any unexpected volatility. Our Executive Committee frequently reviews margins so that adjustments can be made quickly when needed.
- Zonal pricing capability enables us to take into account the variability in costs including foreign exchange rates.
- Balance sheet hedging.
- Driving local profitability through natural hedging in local fulfilment currencies.

⟷ **Same**

Technology and infrastructure risks

Cyber threat and security of customer data

Risk owner: Cyber Security/Data Privacy

What's the risk?

As a pure-play online retailer, ASOS needs to gather and use customers' personal data for a diverse number of reasons, including to process orders, receive payment and effectively engage with our customers on a regular basis.

What's the impact?

Deliberate or accidental loss of data – either from external attack or an internal control weakness – could lead to reputational damage, compliance issues including substantial regulatory fines, and a loss of customer or employee confidence.

Our mitigating activities:

- We continue to increase capacity in our Cyber Security team, while evolving threat intelligence and controls to respond to the different types of attack we face.
- Prioritised work streams in cyber security that focus on technical, cultural and process change to strengthen our internal controls.
- Increasing capacity within the Data Privacy team, to further safeguard the handling and use of customer data with all applicable laws and customer expectations – particularly now we are transitioning out from the Privacy Programme into BAU.
- Specific training and awareness targeted at our employees on the possibility of cyber threats and the importance of data privacy.
- DDOS (denial-of-service attack) prevention strategy for the forthcoming year.
- Ongoing penetration testing of our systems.
- We continue to monitor threat intelligence on any unauthorised use of ASOS's brand name.
- Enhanced alert systems, particularly in case of attempted unauthorised access.
- Identity and access-management review to further tighten controls.
- Cross-functional communication across the business between key Tech Security team members and relevant employees in all key departments, including members of our Executive Committee and Audit Committee, to ensure IT and data security is more proactively considered in all relevant business decisions. This includes the Information Security Steering Group, chaired by our CIO.

⟷ **Same**

Key third-party supplier or service provider failure

Risk owner: Supply Chain

What's the risk?

We are reliant on a number of third-party suppliers and service providers in our supply chain, meaning that, if there is a failure on their part, we may suffer from a disruption to our operations.

What's the impact?

A detrimental effect on our ability to fulfil customer orders, and deliver on our customer proposition.

Our mitigating activities:

- ASOS uses a number of service providers and supply chain delivery service providers (particularly with the completion of additional warehousing capacity in Germany and the US). Contingency is built into all our logistic carriers and shipping ports and any other key services where possible, to avoid single points of failure. This continues to be monitored.
- We have relationships with many more providers than we currently use – in case we need extra support – while continuing to monitor those existing carrier relationships.
- Our Procurement team continually monitor our suppliers' performance, while any new suppliers go through a rigorous selection and on-boarding process.
- Strategies and alternative solutions as contingency for those systems that we have identified as a key reliance.

⟷ **Same**

Insufficient warehouse capacity

Risk owner: Supply Chain

What's the risk?

ASOS continues to grow at pace, particularly internationally. This means we need ever more warehousing space and contingency that is close enough to customers to enable us to serve them in line with their expectations.

What's the impact?

Failure to align warehouse capacity and capability in order to keep pace with the business could limit our ability to grow.

Our mitigating activities:

- We continue to maximise the available capacity in our main fulfilment centre in Barnsley by investing in further automation and utilising current space. Opening an additional stock holding facility in Doncaster will provide even more capacity and support for Barnsley.
- Our warehouse in Germany continues to enhance our capabilities to fulfil Europe, and is going through planned phases of automation to replicate Barnsley's operations.
- Opening additional returns centres in Poland and the Czech Republic to support our already established returns facilities.
- Our US fulfilment centre is going live in Autumn 2018 which will further increase capacity.
- Collaborating and forecasting between the Retail, Supply Chain and Commercial Finance departments to adapt to the changing business need.
- Five-year strategy for additional fulfilment and returns centres, so that capacity and site locations are aligned with growth.

↓ **Down**

Technology and Infrastructure risks continued

Warehouse disruption

Risk owner: Supply Chain

Same

What's the risk?

Any disruption to the Group's warehousing facilities due to physical property damage, poor logistics management or staff-wide personnel issues.

What's the impact?

We are unable to fulfil customer orders at pace, meaning we fall short on our proposition by not getting product to our customers as quickly.

Our mitigating activities:

- 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.
- Frequent communication and engagement with workers in our warehouses, including active liaison with the formal employee forum at Barnsley.
- Review of business recovery planning across our warehouses to ensure it remains fit for purpose and change.
- The expansion of our existing international fulfilment centres in Germany and the US will provide alternative stock pools to which demand could ultimately be transferred if there's 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.
- We continue to monitor existing inbound and outbound carrier relationships while developing alternative relationships with other carrier networks as contingency.
- We are beginning to prioritise being able to make non-EU deliveries from Eurohub 2 as we increase capabilities through automation.
- Building out the US fulfilment centre to further increase the volume of products that can be delivered from an alternative site.
- Proposal for a new entry/exit into the Barnsley fulfilment centre, so we're not just dependent on one way in and out of the site.
- Our fulfilment centres run from independent site-specific warehouse management systems to reduce disruption from a single point of failure.

Transformation projects fail to deliver

Risk owner: Transformation

Up

What's the risk?

As a growing business, we continue to invest heavily in projects to strengthen and improve our infrastructure but the complexity of each project, and the size and scope of the overall programme for change, at our current scale increases the risk of those transformation outcomes not landing smoothly and on time.

What's the impact?

Disruption to our expected infrastructure, leading to a reduction in our infrastructure capabilities which increases costs or diminishes our ability to meet the proposition we have promised our customers.

Our mitigating activities:

- We have established and invested in internal and external transformation governance and assurance resources, who are focused both on the combined transformation portfolio plan – so that the strategic outcome, interdependencies and overall progress are clear – and at the level of each individual transformation programme.
- An Executive Board member is responsible for each programme, while there is strong Executive Board and senior management involvement in all programmes
- A cross-departmental Transformation Assurance ream reviews the status of projects, including risks and impacts, which is articulated to the Executive Committee on a monthly basis via a detailed Transformation Roadmap, so all issues and concerns are quickly raised and resolved.
- Potential issues and business design or implementation concerns are reviewed and resolved by a formal Business Design Authority, chaired by the general counsel & company secretary and comprising senior managers from across each key department and programme, to come up with the right decision for ASOS in the long-term
- The PLC Board are kept appraised of progress and key issues, through the Transformation Roadmap, at each PLC Board Meeting, with further detail being provided in Transformation Deep Dives as and when required.

People risks

Preserving our entreprenurial culture as we continue to grow Risk owner: People Experience

What's the risk?

Protecting the entrepreneurial culture that ASOS is built on is at the heart of what we do. As we get bigger, we recognise that we require more processes to manage and control the business.

What's the impact?

We hinder our ability to foster the innovative, entrepreneurial, fast-moving culture that has made ASOS a success.

Our mitigating activities:

— Purpose and culture is a critical part of our strategy, so that it remains core in what we are doing.
— Ongoing development of our leadership team on the importance of safeguarding our culture.
— Our embedded employee forums and people board across our ASOS sites reflect how our workforce feel about culture and change.
— Giving all ASOSers the opportunity to have fulfilling careers through employment policies, competitive remuneration and benefits packages, and career development opportunities.
— We have launched eight new behaviours to show the qualities we're looking for in someone who works at ASOS.
— We have an internal function set up in our People Experience team just looking at transformation and retaining the amazing culture that we have – and evolving that to align with our purpose, values and behaviours.
— We have the appropriate support mechanisms in place that ASOSers can rely on should they feel overwhelmed.

⟷ **Same**

Governance Report

Chairman's Governance Overview

Within an ever-growing business that faces an ever-evolving regulatory and legal landscape, 'doing the right thing' in every decision across our business, while still preserving the culture that enables ASOS to move and grow at speed, only becomes more and more crucial. That's what our corporate governance framework seeks to enable and secure.

Corporate governance in ASOS is well and truly linked with 'doing the right thing', and this ethos is embedded throughout the business

Our context

The dynamic, entrepreneurial culture within ASOS has been crucial to delivering another year of impressive growth in a challenging market for the consumer. But a control framework that is effective within that culture is essential to ensure that we are able to demonstrate to our stakeholders (be they shareholders, customers, ASOSers or suppliers) that we are running the business responsibly and sustainably for the long term.

We therefore focus heavily on identifying what is effective within ASOS, and avoiding things like box-ticking exercises that can actually make people shy away from what you're trying to achieve. We continue to believe that a relatively simple message of 'doing the right thing' sitting on top of trust in our people to explore 'why' we do things, while being underpinned by user-friendly engaging guidelines, approaches and procedures brings the most effective results from both a business and governance perspective.

Our take on corporate governance in 2018

This year we have focused on a number of areas to ensure that we as a board can monitor the ongoing pace of growth within an appropriately controlled manner. This year the business has introduced a Transformation Governance framework so that the executive and the board have had oversight of the key IT projects, and capital projects to ensure that these are on track and delivering appropriate returns on the investment.

The further development of our ASOS behaviours has been pivotal and involved gathering feedback from all ASOSers. These were presented to the board by the executive in July and then rolled out across ASOS under the banner of 'Being ASOS'. As well as being tailor made to fit our business, these behaviours also fit with the recent updates to the corporate governance code that recognises the value of setting out corporate values to drive good business practice that everyone can contribute to.

In accordance with the UK corporate governance code, in July of this year we produced a statement setting out how we as an AIM listed company comply with the principles of the code. This is available on our website www.asosplc.com and represents a continuation of our previous work to continue to assess ourselves against standards that reflect our ever growing size and profile.

Further details of what else ASOS has done over the past year on corporate governance is set out on the following pages 62 to 67.

Looking ahead

Having been chair of ASOS since 2012, I am pleased to report that corporate governance in ASOS is well and truly linked with 'doing the right thing', and that this ethos is embedded throughout the business. As the business continues to grow and work towards the 202x strategy the need for an ever-evolving corporate governance framework prevails, in an ever-changing regulatory environment. I hand over to Adam Crozier confident that the business is going to be in good hands, for the next phase of the ASOS growth journey.

Brian McBride
Chairman

Board of Directors

Brian McBride
Chairman

Appointed: Chairman of ASOS Plc in November 2012

Experience: Brian sits on the UK government's Digital Advisory Board, facilitating the delivery of world-class public services through emerging technologies and digital trends. Brian is the senior non-executive director and chairman of the Remuneration Committee at AO World Plc, an online retailer specialising in household appliances, and a senior adviser at Lazard. He's also a member of the Advisory Board of Scottish Equity Partners. Brian was chairman of Wiggle Ltd until May 2018 and continues to serve on the board of the private-equity owned online cycling and apparel business. Before joining ASOS, Brian was the UK managing director of Amazon.co.uk from 2006 to 2011.

Committees: Nomination (Chairman)

Nick Beighton
Chief Executive Officer

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

Experience: Nick Beighton is a chartered accountant, who qualified at KPMG and has been CEO of ASOS since 2015. He joined the Company as chief financial officer in 2009 and took the expanded role of chief operating officer in 2014. During his tenure, ASOS has grown both in the UK and around the world. Today, ASOS is one of the leading fashion destinations for 20-somethings globally, trading in more than 230 countries and territories. Before ASOS, Nick was head of finance at Matalan in 1999, later moving into the role of business change and IT director. He joined the Matalan retail board in 2003. In 2005, Nick joined the board of Luminar Entertainment Group as finance director, and became a member of the EU eCommerce Task Force and the Future Fifty Programme Advisory Panel. Nick is also a member of the Retail Sector Council and is a trustee of the ASOS Foundation.

Ian Dyson
Senior Independent Director and Chair of the Audit Committee

Appointed: October 2013

Experience: Ian is the senior independent director of Paddy Power Betfair plc and chairman of the audit committees of Intercontinental Hotels Group PLC and SSP Group 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. Before 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: Audit (Chair), Remuneration, Nomination

Hilary Riva
Independent Non-executive Director and Chair of the Remuneration Committee

Appointed: Non-executive Director in April 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, Topshop, 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 officer 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: Remuneration (Chair), Audit, Nomination

Rita Clifton
Independent Non-executive Director

Appointed: April 2014

Experience: Rita is chair of BrandCap, the global brand consultancy, and of Populus, the research consultancy. She is also a non-executive director of Nationwide Plc and senior independent director of Ascential plc, the international business-to-business media company. 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's a fellow of WWF-UK, the conservation and environmental protection charity, and has been a member of the government's Sustainable Development Commission. Rita has also chaired 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: Audit, Remuneration, Nomination

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 & 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. He's chairman of the ASOS Foundation, a registered charity funded by ASOS which works to improve the lives of young people in the UK and overseas through long-term partnerships with established local charities. Nick was awarded an OBE in 2011 for his achievements in the world of fashion retailing.

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 before 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. In March 2017, Andrew was appointed chair of the Barons Court Project, a charity for people who are homeless or living with mental health problems.

Board changes during the year

Helen Ashton
Chief financial officer

(Resigned 30 April 2018)

Helen is a chartered management accountant with 20 years of post-qualification experience, including more than 10 years working at senior director level. She has spent 10 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 and Lloyd's 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.

Corporate Governance Report

For ASOS Plc, 'Doing the Right Thing' underpins every part of the business model. Good corporate governance that is appropriate for the Group's nature, culture, status, profile, size and circumstances is a key part of this. We may be an AIM listed company but, with a significant market capitalisation and public profile, we recognise the need for ensuring that an effective governance framework is in place to give our shareholders and our employees and suppliers the confidence that the business is effectively run and has the platform to realise its strategy.

The Board is responsible for the long-term success of ASOS

The Board

The Board is responsible for the long-term success of the Company, by ensuring that ASOS, its subsidiaries and all its businesses (the Group) are managed for the long-term benefit of all shareholders, while having regard for employees, customers, suppliers, and our operational impact on the community and environment. We explain more about how the Board has delivered on that commitment in the past financial year across the following pages.

The Board's primary task continues to be:

- Reviewing and approving the Group's overall strategy and direction.
- Determining, maintaining and overseeing controls, audit processes and risk management policies to ensure ASOS operates effectively and sustainably in the long term.
- Reviewing and approving the risk appetite, and the checks and controls applied to operate the business in line with that appetite.
- 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.

In doing that throughout the year ended 31 August 2018, the Company has assessed itself against the relevant provisions set out in the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in April 2016. The Code can be found on the FRC website www.frc.org.uk.

Our directors have an effective and appropriate balance of skills and experience

Board committees

The Board is supported by the Audit, Remuneration and Nomination Committees, each of which has access, at the cost of the Company, to the resources, information and advice that it deems necessary to enable the committee to discharge its duties. Those duties are set out in the terms of reference of each committee, which are available at www.asosplc.com. 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 each committee. The minutes of committee meetings are circulated to all committee members and are given by each relevant committee chair to the Board.

Board composition

The Board is currently composed of the chair, one executive director (the CEO) and four non-executive directors, three of which are considered to be independent. A short biography for each director is set out on pages 59 to 61.

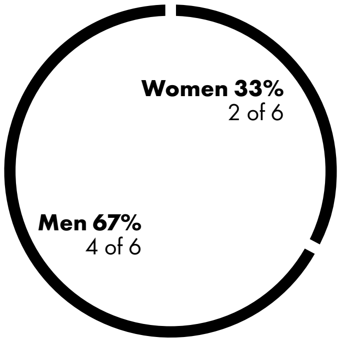
Helen Ashton, CFO, stepped down from the Board on 30 April 2018. The search for a replacement is ongoing and on 1 September 2018 an acting CFO was put in place to cover the functional aspects of the role. More information can be found in the Nomination Committee Report on pages 72 to 73.

On 3 July 2018, it was announced that Brian McBride would step down as Chairman and non-executive director following the Company's next Annual General Meeting on 29 November 2018, to be succeeded by Adam Crozier.

There were no other changes to the composition of the Board during the financial year to 31 August 2018.

The Board is satisfied that its directors have an effective and appropriate balance of skills and experience, and there is a suitable balance between independence of character and judgement, and knowledge of the Company, to enable it to discharge its duties and responsibilities effectively. All directors are encouraged to use their independent judgement and to constructively challenge all matters, whether strategic or operational. We have effective procedures in place to monitor and deal with conflicts of interest. Any changes to the time commitments and interests of its directors are reported to and, where appropriate, agreed with the rest of the Board. The Nomination Committee has formally reviewed these during the year.

Board diversity



We are committed to encouraging diversity among our workforce. For further information on diversity within ASOS, please read our Corporate Responsibility Review on page 34 to 45.

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, with certain matters being delegated to the Nomination Committee. To facilitate their understanding of ASOS and provide an insight into the experience of an ASOS employee, all new directors receive a full induction tailored to their needs, including briefings from senior managers on key areas of the business. Our Articles of Association state 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, in line with best practice and the UK Corporate Governance Code, and to underline their accountability to shareholders, each director offers him/herself for annual re-election at the AGM. The Board unanimously believes that the contributions of each director continue to be effective. We therefore encourage shareholders to support their re-election and in the case of Adam Crozier, his election at the AGM on 29 November 2018.

Roles of the chair and CEO

The chair and the CEO have clearly defined roles which are separate and distinct. The table below sets out our governance framework and outlines the division of responsibilities between the chair and the CEO, as agreed by the Board, along with a summary of the roles of the senior independent director, the executive directors and the non-executive directors, and our committees.

Corporate governance framework

The Board

Chair

— Responsible for running the business of the Board
— Ensures the effectiveness of the Board and appropriate strategic focus and direction
— Promotes high standards of corporate governance
— Encourages open debate between the executive and non-executive directors

Senior Independent Director

— Trusted intermediary for other Non-executive Directors
— Supports the chair
— Appraises the chair's performance
— Available to shareholders where concerns arise

Non-executive directors

— Scrutinise and constructively challenge the performance of management in the execution of our strategy
— Provide sound independent judgement to Board discussions
— Protect long-term shareholder value

Chief executive

— Responsible for proposing the strategic focus to the Board
— Implementation of strategy
— Overseeing the management of ASOS through the Executive Committee

Audit Committee

More information on the composition, responsibilities and activities of the Audit Committee are set out in the separate Audit Committee Report on pages 69 to 71.

Nomination Committee

More information on the composition, responsibilities and activities of the Nomination Committee are set out in the separate Nomination Committee Report on pages 72 to 73.

Remuneration Committee

The composition, responsibilities and activities of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 74 to 89, along with our Remuneration Policy and details of how that policy was implemented during the year to 31 August 2018.

Disclosure Committee

To verify the accuracy and oversee the timeliness of Group disclosures and material information as per regulatory framework.

Executive Committee

Development of strategy and the day-to-day management of ASOS.

	Plc Board meetings		Committee meetings					
			Audit		*Remuneration*		*Nomination*	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Brian McBride[1]	9	8	–	–	–	–	1	1
Nick Beighton	9	9	–	–	–	–	–	–
Rita Clifton[2]	9	7	4	2	4	4	2	2
Ian Dyson	9	9	4	4	4	4	2	2
Hilary Riva	9	9	4	4	4	4	2	2
Nick Robertson[3]	9	6	–	–	–	–	–	–
Helen Ashton[4]	6	3	–	–	–	–	–	–

1 Brian McBride was not eligible to attend the June Board and Nomination Committee meetings as it was to approve the appointment of Adam Crozier as chair.
2 Rita Clifton was not able to attend all Board meetings due to diary clashes with her other plc non-executive roles and their AGM dates.
3 Nick Robertson was not able to attend all Board meetings due to other commitments including jury service.
4 Helen Ashton was out of the business from late 2017 to early 2018 undergoing a routine medical procedure. She announced her wish to step down from the Board in February 2018.

Board and committee meetings

The Board meets at least eight times a year and has a formal schedule of matters reserved for its decision, through which it manages ASOS. Additional meetings are called when required. The table above sets out Board attendance during the year to 31 August 2018.

The Board and its committees receive appropriate and timely information before each meeting, a formal agenda is produced for each meeting, and Board and committee papers are distributed several days before meetings take place allowing all Board members to contribute even if they cannot attend. Any director can challenge 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. Specific actions arising from such meetings are agreed by the Board or relevant committee and then followed up by management.

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 when necessary to support the performance of their duties as directors. During the year, the Chair met regularly with the non-executive directors without the executive director being present.

Throughout their period in office, the directors are also updated on the Group's businesses and the regulatory and industry-specific environments in which they operate by way of written briefings and meetings with senior executives and, where appropriate, external parties. Appropriate training is also available to all directors to develop their knowledge and ensure they stay up to date on matters for which they have responsibility as a Board member.

Key Board actions during the year

— Appointment of new chair
— Renewal of the revolving credit facility
— Review and monitoring of the Capital Expenditure programme
— Approval of upgrade in Euro hub automation
— Oversight of new finance system implementation
— Review of UK supply chain
— Review of gender pay analysis
— Regular 'deep dives' to increase board awareness of core business processes

Board performance

Looking back

An effective Board is vital to the success of ASOS and, in order to ensure that the Board continues to operate as efficiently as possible and that each director is sufficiently committed to their role, the Board conducts regular evaluations of its performance, usually annually and led by the chair. Having carried out internal reviews for a few years, last year the Board decided to take a different approach and the evaluation was facilitated by an external consultant, Prism Cosec, a provider with no prior connection to ASOS. This evaluation was led by the senior independent director (SID) rather than the chair. Key outputs from last year's external evaluation included holding more off-site Board meetings, building further on the Board's exposure to senior management and further working on succession planning. Significant progress has been made on those key outputs. Over the past year, the Board continued to receive departmental 'deep dives', which has increased Board exposure to the executive committee and other senior management. The Nomination Committee also reviewed succession planning, and the Board held two off-site Board meetings, one of which was held at our Customer Care Centre.

Looking forward

Having conducted an externally facilitated evaluation last year and with the announcement that Brian McBride will step down as chairman following the AGM on 29 November 2018, the Board decided that it would be more appropriate to conduct the next internal evaluation of the Board once the new chair, Adam Crozier, has had sufficient time to settle in.

Executive Committee

The Executive Committee consists of the executive directors and key functional directors and meets weekly. Led by the CEO, the Executive Committee is collectively responsible for developing 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 CEO reports to the Board on issues, progress and recommendations for change that come out of the Executive Committee's meetings. Currently, 20% of the Executive Committee are women (two of ten).

Executive committee members
CEO (chair)
CFO (currently vacant)
General counsel & company secretary
People experience director
Retail director (womenswear)
Retail director (menswear)
Chief information officer
Supply chain director
Brand experience director
Digital experience director
Global trading director

Financial controls

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

— 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 ASOS 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 and accounting policies, as well as with 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 CFO is responsible for the functional leadership and development of ASOS'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.

— ASOS has a consistent system of prior appraisal for investments, overseen by the CFO, with defined financial controls and procedures with which each business area is required to comply 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, and remain consistent with the previous financial year in order to provide important continuity across our fast-moving business (specific details within these key elements are adapted and revised as appropriate).

Appropriate standards and policies: the Board is committed to maintaining appropriate standards for all our business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include Do The Right Thing, our Code of Integrity (designed to ensure that everybody who works for and on behalf of ASOS acts with integrity, behaves ethically and works within best practice); Fashion with Integrity, our 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 34 to 45) of this report; and the ASOS Supplier Standards (which set out the core trading requirements expected of all ASOS suppliers).

Appropriate approvals: all material contracts are reviewed by the Procurement and Legal departments, and signed by a senior executive of ASOS.

Appropriate oversight: as businesses change, so do their challenges and risks. Given ASOS's continued growth, the Board regularly reviews all standards and policies to ensure they remain appropriate to ASOS as its size and shape evolves. The most significant of these is our risk management process, which is based around our Risk Register. The Business Assurance department has primary responsibility for the Risk Register. It has deep links with the executive directors and senior management team in its oversight of risk and its management. Through its review, and the implementation of business continuity plans to address key risks with an immediate impact, risks facing the business are re-assessed and potential actions are considered and implemented to mitigate against those risks and prepare the business to handle them should they arise. The Risk Register is reviewed on a regular basis and presented to the Audit Committee twice a year.

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; and the day-to-day relationship is managed by our general counsel & company secretary with links into the Business Assurance department, and with input from the CFO. The internal audit plan for each year is compiled after consultation with the Executive Committee members approved by the Audit Committee; and the reports and recommendations from each audit are reviewed by the relevant business department, the Executive Committee, Audit Committee and Business Assurance.

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 ensuring that all ASOS-wide standards and policies in all areas (including business integrity, anti-bribery, gifts and hospitality, intellectual property and design rights) are compiled and communicated to the organisation in a way that resonates with and engages ASOSers.

Appropriate internal disclosure: with a business as large as ASOS, we know we rely on our people to be our eyes and ears on what's happening across the organisation. So we have 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 – We're Listening – is through an external independent provider which anyone connected to ASOS can contact to share concerns about the business. This service, which is anonymous, multilingual and independent, can be contacted through 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. We seek to ensure that all ASOSers, new and long-serving, know of these feedback channels and encourage their use across ASOS.

Relations with shareholders

ASOS is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. During the year, numerous activities were undertaken to engage with our shareholders.

Results and routine announcements

We communicate with shareholders through our full-year and half-year announcements and trading updates. We invite institutional shareholders and analysts to attend presentations following our full-year and half-year announcements. The presentation slides and webcasts of the presentations are made available at www.asosplc.com along with transcripts of all the results presentations and trading update conference calls.

Shareholder meetings

The AGM is the principal forum for dialogue with private shareholders, and we encourage shareholders to attend and participate. The AGM was held on Thursday 30 November 2017 at our head office in London, with the results of voting being published on our website www.asosplc.com.

This year's AGM will be held at 9.30am on Thursday 29 November 2018 at our head office in London. Full details are included in the Notice of Meeting, which is sent to shareholders at least 21 days before the meeting. The chair and the chair of each committee, as well as all other directors, attend the AGM and are available to answer questions raised by shareholders. Shareholders vote on each resolution, by way of a poll.

Website and shareholder communications

Our website www.asosplc.com provides a range of corporate information on our business, results and financial performance, including copies of our Annual Report and Accounts, announcements and presentations.

Meetings, roadshows and conferences

The directors actively seek to build a mutual understanding of objectives with institutional shareholders. Shareholder relations are managed primarily by the CEO, CFO and director of investor relations, supported by our chair as appropriate. A calendar of events is set out on page 68 of this report. In addition, we review analysts' notes and brokers' briefings to achieve a wide understanding of investors' views. The Board is kept informed of the views and concerns of major shareholders by briefings from the director of investor relations, and investment reports from analysts. The non-executive directors, including the senior independent non-executive director, are available to meet with major shareholders whenever required to discuss issues as they arise.

The table below sets out the key institutional shareholder engagement activities carried out during the year.

Month	Conference name	Where
September 2017	BAML Global Consumer Conference	London
October 2017	Full Year Results Roadshow	London, Boston, New York, Chicago
November 2017	SG SRI conference	Paris
	Deutsche Bank Retail Roundtable Event	London
	UBS European Conference	London
	JP Morgan Best of British	London
	UBS Nordic Roadshow	Norden
December 2017	Berenberg European Conference	Bagshot
	Barclays European Retail Conference	London

Month	Conference name	Where
January 2018	Deutsche Bank Store Tour	Birmingham
	Berenberg IR Forum	London
	Macquarie Disruptive Conference	London
February 2018	Berenberg Benelux Roadshow	Benelux
	UBS UK Retail Investor Day	Milan
	Jefferies Investor Relations Forum	London
April 2018	Half Year Roadshow	London
May 2018	Goldman Sachs Small & Mid-Cap Symposium	London
	Global Consumer & Retail Conference	London
	Citi European Internet & Digital Conference	London
	UBS Nordic Roadshow	Stockholm, Helsinki, Copenhagen
June 2018	SG 'Nice' Conference	Nice
	JP Morgan Customer Insight Investor Session	ASOS London
	Jefferies Nantucket Conference	Nantucket
	JP Morgan Barnsley Tour	Barnsley

Audit Committee Report

Audit Committee chair's statement

The Audit Committee appreciates the crucial role it plays in helping the Board to discharge its overall responsibility to protect as far as possible the long-term success of ASOS by appropriately managing the risks to the business. We do this by monitoring, reviewing and challenging the effectiveness of the Group's systems of control and processes in areas such as financial reporting, risk management, business continuity, and business assurance on critical topics like cyber security, fraud, bribery and corruption. The committee also monitors and reviews the appointment of ASOS's external and internal auditors, the nature and scope of their work, and their independence and effectiveness. It is vital that we as a committee assess what processes and systems make ASOS more effective, robust and sustainable in the long term, while preserving and fostering the business's agility, adaptability and growth.

The biggest development has, of course, been the implementation of a new finance system, to give everyone in ASOS greater control over and insight into every pound we earn and spend, and the committee closely monitored this project in view of its importance and potential impact to the business. We continued to focus on topics like cyber security, fraud and bribery and corruption, diligence over which is particularly important for a global, online retail business such as ours. And of course, we still monitored and reviewed the usual – but vital – matters of financial reporting, risk management, business continuity and business assurance, as well as the appointment of ASOS's external and internal auditors, the nature and scope of their work, and their independence and effectiveness. Balancing the need to ensure that ASOS remains robust and sustainable in the long term, at the same time as fostering the essential agility and flexibility that drives ASOS's creativity and growth remains a job that will never be 'done' – but it's one whose importance only grows over time and which everyone at ASOS remains committed to.

Audit Committee composition

The Audit Committee currently comprises three independent non-executive directors: Ian Dyson (committee chair), Rita Clifton and Hilary Riva. 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	2/4
Hilary Riva	Non-executive director	4/4

The Board is satisfied that the committee chair, Ian Dyson, has recent and relevant financial experience. He's 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. While Rita Clifton has been absent for two of the meetings due to other plc board commitments, she has in each case considered the papers and provided comments in advance.

Although not members of the Audit Committee, our company chair, our CEO, CFO, our general counsel & company secretary, our finance director (Accounting & Control) and our senior business assurance manager are also invited to attend meetings, unless they have a conflict of interest. Other senior members of the Finance team are invited to attend meetings as appropriate, unless there's a potential conflict of interest.

The committee has engaged the following external advisers to help it meet its responsibilities, both of whom are invited to attend committee meetings unless they have a conflict of interest: PricewaterhouseCoopers LLP (PwC) act as external auditors to ASOS and Deloitte LLP act as our internal auditors. 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 being present. ASOS also receives advice as needed from KPMG, EY 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 ASOS's financial statements in relation to the Company's financial performance.

— Reviewing the effectiveness of the internal and external audit processes.

— 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 our corporate website, www.asosplc.com. They were last reviewed on 10 October 2018.

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 2017 and half-year results to 28 February 2018.

— Considering reports from the external auditors and identifying any accounting or judgemental issues requiring 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 the business's payment practices reporting to ensure it meets latest legislation.

— Reviewing the whistleblowing process known as 'We're Listening' to ensure it is effective within ASOS' particular culture.

— Reviewing the implementation of the new finance software system.

— Reviewing the re-financing of the ASOS debt facility before recommending to the board for approval.

— Reviewing how ASOS handles all of its customer and employee data to ensure it complies with all applicable regulatory regimes, including the EU GDPR.

— Reviewing and considering reports on the work of the internal audit function.

— Reviewing and approving the Group's tax and treasury strategies.

— Reviewing the robustness of the cyber security processes and systems, and the work of the Cyber 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.

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 ASOS's performance in the financial year to 31 August 2018.

— ***Capitalisation of costs may not be appropriate:*** given the high level of internal development of software there is a risk that staff costs are inappropriately capitalised.

— ***Revenue may not be correctly recorded:*** as revenue is recognised on despatch and the returns provision is based on estimates there is a risk that revenue may not be accurately recorded.

— ***Inventory not recorded correctly:*** having regard to the significant level of inventory holdings in both the UK and overseas warehouses, and the fast-moving nature of the fashion market, there is an increased risk that the closing inventory is not accurately recorded or that the inventory provisioning is not complete in the financial statements.

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 performed in assessing each during their audit. Details of this work are provided in PwC's Audit Report on pages 94 to 97.

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 2018 were £268,000. 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 Committee.

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 ASOS. Periodic rotation of key audit partners is also required. Current PwC audit partner Andy Latham first started overseeing ASOS's external audit with effect from the financial year ended 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 being carried out, and PwC may only provide such services if their advice doesn't conflict with their statutory responsibilities and ethical guidance.

Following the most recent review, the Audit Committee recommended the reappointment of PwC as auditors of ASOS, and PwC expressed their willingness to continue. A resolution to reappoint PwC and a resolution to enable the directors to determine their remuneration will be proposed at the 2018 AGM.

Risk management and internal controls

The Board oversees risk management and has a policy of continuous identification and review of principal business risks, and considers how those risks may affect the achievement of business objectives and determines appropriate mitigation, taking into account the Company's risk appetite.

The Executive Committee implements the internal controls and processes to put the Board's policies on risk and control into effect, and provides 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, supported by the senior business assurance manager, to ensure there is a more integrated, deeper focus on applying and evolving risk management and internal controls throughout the business.

Our Business Risk Register, is reviewed every six months using a consistent process to identify the likelihood and business impact of any material or emerging risk, as well as any mitigating factors or controls. Progress and key themes coming out of the ongoing Risk Register review are reported to the Executive Committee, the Audit Committee and the ASOS leadership team.

Spurred on by the introduction of the new Data Protection legislation in May 2018 (EU GDPR), a significant piece of work was undertaken proactively, commencing in May 2017 to ensure that ASOS was providing its customers with both clarity over how the business collects, holds and uses their personal data, and the ability to control the use of that data. As putting our customers first is a key part of our business model, this was an essential piece of work that both deepens our engagement with our customers at the same time as strengthening ASOS's ability to meet its regulatory requirements. As a follow-up, this area of control was audited within our internal audit function as set out below.

Complementing that work on customer data, substantial progress was also made to strengthen and develop the business's cyber security measures.

During 2018 we have continued to strengthen our approach to cyber security. This includes but is not limited to the following:

— 44% increase in dedicated cyber security resources.
— Creation of a 24 x 7 security operations centre.
— Encouraging a collective responsibility towards security across all of ASOS and its suppliers.
— Regular penetration tests conducted by independent third parties.
— Continue to tighten the security of our corporate infrastructure and systems.

We continue to make particular effort to ensure that all ASOS-wide processes and controls are written, positioned and refreshed in such a way that everyone connected with ASOS can understand and engage with them. Such an approach continues to be essential for these processes and controls to be effective across our fast-moving high-growth business.

The Board is satisfied that the risk management and internal controls systems for all parts of the business operated effectively for the financial year to 31 August 2018 and up to and including the date of this report.

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 2018 were £280,000. The committee reviewed the schedule of planned internal audits undertaken during the year and monitored progress in fixing the management actions highlighted by these audits. Key internal audits conducted included reviews of brand protection, customer services and complaints, HR Core controls, Data protection and privacy (to include GDPR compliance), stock systems, information security and anti-bribery procedures. At the time of reporting, there are two overdue actions which are in progress, and five actions which are not yet due.

A revised schedule of internal audit review projects for the financial year to 31 August 2018 was approved by the Audit Committee in July.

Our priorities for the year ahead

During 2019, the committee will continue to focus on the integrity of the financial controls, risk management systems and the Company's cyber security arrangements, to make sure they reflect the changing risks of our high-growth business. The security of our customer data will continue to be a key focus in the financial year ahead, and the need to constantly reinvigorate and to stress-test our controls will be regularly monitored by the committee. The committee will continue to oversee the governance of the internal audit programme to ensure that management actions are fully and effectively implemented in a timely manner. In addition, we will continue our oversight of the various capital investment projects that are underway to ensure appropriate corporate governance. To some extent, a lot of that is 'more of the same' but in a growing business like ASOS, the importance of those regular systems and processes only continues to grow.

Ian Dyson
Audit Committee Chair

16 October 2018

Nomination Committee Report

This year has been a busy one for the Nomination Committee, with the appointment of Adam Crozier, who will take over from me as chair at the end of the AGM on 29 November 2018, and with Helen Ashton announcing her wish to step down from her role as CFO in February 2018.

Adam's appointment is a significant milestone for ASOS as it moves to the next phase of growth. In looking for my successor, we used an external search company and cast the net widely to make sure we considered a broad selection of candidates from a range of backgrounds. Our aim was to appoint a chair with the right skills and experience for a dynamic business such as ASOS. In appointing Adam, we've considered his other position as chair of Whitbread PLC and are satisfied that he is able to commit the necessary time to ASOS.

The search for a replacement for Helen has begun and is still ongoing and on 1 September 2018, an acting CFO was put in place to cover the functional aspects of the role while the search continues.

The Nomination Committee has an important role to play in evaluating the composition of our Board to make sure that it has the right mix of skills and experience to lead a fast-growing business like ASOS to deliver its 202x strategy. Aside from our two formal meetings this year, we also met informally to discuss Board composition and that of the senior executive team – and enhanced the latter by adding a global trading director.

We're still looking for suitable non-executive additions to the Board. And we're continuing to monitor the diversity of our Board and the merits of appointing from outside the UK where the fit is right, to reflect the global nature of ASOS.

I know the Nomination Committee will be in good hands under Adam's guidance, and that he'll make sure ASOS continues to attract and keep the very best talent the Company needs to continue to grow sustainably.

Brian McBride
Chair of the Nomination Committee

16 October 2018

Committee members and attendance at meetings during the year

Committee member (independent non-executive directors)	Attendance record
Brian McBride[1] (chair)	1/1
Ian Dyson	2/2
Rita Clifton	2/2
Hilary Riva	2/2

1 Brian McBride was not eligible to attend the June meeting as it was to recommend the appointment of Adam Crozier as chair.

Members of the management team are invited to attend meetings as appropriate, unless there's a potential conflict of interest.

The committee's responsibilities

The committee's principal responsibilities are to:

— Review the structure, size and composition of the Board and senior executive appointments, and make recommendations to the Board as appropriate.

— Identify the balance of skills, knowledge, diversity and experience on the Board and nominate candidates to fill Board vacancies.

— Make sure that, when appointed, all directors undergo an appropriate and tailored induction and that existing Board members are offered training to support their development and contribution to the Board.

— Review the time commitment and independence of the non-executive directors, including potential conflicts of interest.

— Review succession plans to ensure ASOS can continue to compete effectively in the marketplace.

Terms of reference

The committee's full terms of reference are available on www.asosplc.com and were last updated on 30 November 2017.

Directors' Remuneration Report
Remuneration Committee Chair's Statement

Dear Shareholder

On behalf of the Board, I present the Remuneration Committee's report for the year to 31 August 2018, my third report as Committee Chair.

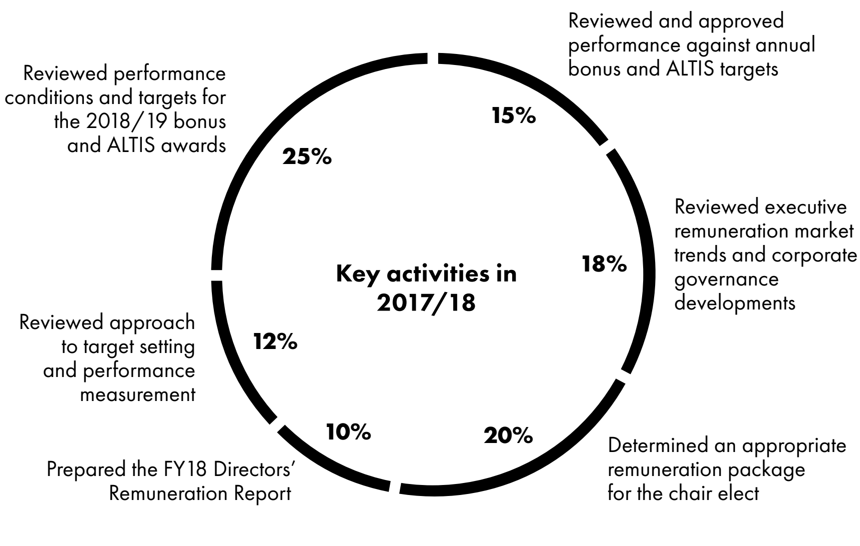
Remuneration for the year ended 31 August 2018

This was another strong year of performance for ASOS, with total revenue for the year at £2.4bn, up 26%, gross profit up 29%, and operating profit at £101.9 million, up 28%.

In addition to these financial achievements, ASOS management has continued to deliver against the 2020x strategic objectives, ensuring we have the capacity and capability for the next phase of growth through our people and our technology and logistics infrastructure. Further achievements are set out on page 20.

ASOS is a high growth company with a high-performance culture and targets are set to be stretching, taking into account internal and external forecasts. Bonus targets are set for revenue growth, customer engagement through NPS and personal strategic targets, all of which are subject to the delivery of a challenging PBT threshold. This PBT threshold must be exceeded before any part of the bonus can be paid out.

Whilst the business performed well as a whole during the year, this PBT threshold was not exceeded. As a result, the executive directors will not receive a bonus for the period to 31 August 2018.



We must continue to be able to attract, motivate and retain the best talent at ASOS

Committee membership and attendance

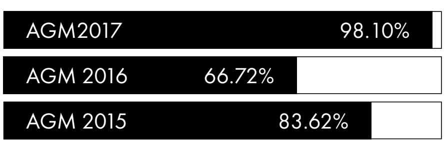
Committee member	Role	Attendance record
Hilary Riva	Committee chair	5/5
Rita Clifton	Non-executive director	5/5
Ian Dyson	Non-executive director	5/5

The performance period for the grant of shares to the senior management team in 2015 under the 3-year ALTIS share plan ended on 31 August 2018. Based on the excellent performance over the 3-year period, these awards will vest in full on 31 October 2018. Further details on this are set out on page 85 of the Remuneration Report.

Annual remuneration votes 2017

Total votes cast	**60,625,693**
Votes for	59,475,211
Votes against	1,150,482
Votes withheld (abstentions)	1,915,934

Historic annual remuneration votes



Board changes

This year has been one of significant change at Board level with Helen Ashton announcing her wish to step down from the Board with effect from 30 April, and Brian McBride due to be succeeded by Adam Crozier as Chairman with effect from the forthcoming AGM in November.

The Committee has determined that Helen will be treated as a good leaver to reflect the positive contribution that she has had on the performance of ASOS during her tenure as CFO. She is therefore entitled under the rules of the ALTIS scheme to benefit from her share awards, as set out on page 85, albeit that her entitlement to the award made in October 2017 has been pro-rated down to reflect her stepping down from the Board during the financial period to 31 August 2018. The shares awarded under the 2016 ALTIS scheme are not due to vest until 31 October 2019, and the number of shares granted to Helen under this scheme remains unchanged but will be subject to the achievement of performance targets as set out on page 85 of the report.

As stated on page 84, Helen Ashton remained in employment until the year end to ensure an orderly transition. Further details are set out within the Nomination Committee report on pages 72 to 73. An acting CFO was appointed on 1 September 2018 as set out on page 63. As this role is below the Board, the remuneration details have not been disclosed. The Remuneration Committee is currently considering an appropriate remuneration package for the appointment of a permanent CFO and this will be announced once contracts are signed.

The Committee has approved a fee of £350,000 for the new Chairman, effective from the AGM in November, and considers this is appropriate for the scope and responsibility of the role required to lead a Business of ASOS's size and complexity through its next phase of growth. This has been supported by an external benchmarking exercise to ensure the fee is broadly competitive for the scope of the role, and not excessive.

Remuneration for the year ended 31 August 2019

As discussed above, the Chairman's fee will be increased from the AGM in November. The details of the future remuneration arrangements for the executive director are set out on page 81. Although the overall pay increase for the business was 2.5%, the executive team agreed to forgo any increase in pay for the period ahead. There will therefore be no increase to the CEO's salary from 1 September, with his overall package considered to remain appropriate.

The annual bonus and long-term incentive opportunities and performance metrics will also remain unchanged.

As an AIM-listed company, we seek voluntary shareholder approval for our Remuneration Report

Changes to UK Corporate Governance and remuneration reporting

The Committee is aware of the future changes to the UK Corporate Governance Code and remuneration reporting regulations and is currently reviewing its remuneration processes and policies to ensure they remain appropriate in view of the forthcoming changes. This includes the following:

— We are pleased to report that ASOS has already established an employee forum, taking the form of a monthly meeting at our head office and customer care centre. These meetings are attended by members of the executive committee as appropriate and are intended to encourage ASOSers to express their views and concerns to management and the Board.

— To take into account the increasing scope of the Remuneration Committee's remit to set pay for all senior management and to review the remuneration arrangements of the broader workforce, the Committee will review its terms of reference to ensure appropriate approvals and oversight processes are in place.

— We have made a minor change to our policy this year to include greater details of the Committee's discretion. This enables it to override formulaic outcomes where necessary so as to ensure that the implementation of the remuneration policy is fair both for the individual director and also for shareholders. Full details will be disclosed if the Committee uses such discretion in the future.

— The Committee is starting to review ASOS's CEO pay ratio in advance of the reporting requirement for main market listed companies, and will report on this on a voluntary basis in 2020 in line with the requirements.

— A significant piece of work was undertaken during the year on gender reporting so that we were able to publish our first report in early April, with a comprehensive communication programme for ASOSers to share the feedback. A summary of this piece of work is set out on page 41.

Concluding remarks

The Committee is aware of the ongoing pressures on executive remuneration for main market listed companies and continues to monitor developments as they arise. In particular, we are aware of the importance of considering the views of all our stakeholders, including shareholders and employees, and we will continue to consider the implications for ASOS's executive remuneration policy as required.

As an AIM-listed company, we seek voluntary shareholder approval for our Remuneration Report to provide invaluable public accountability for the Board over the appropriateness of our remuneration policy and its implementation. At the AGM last year, 98% of shareholders voted in favour of the Directors' Remuneration Report.

We hope that you find this year's Remuneration Report informative and look forward to your continuing support in the coming year.

Hilary Riva

Hilary Riva
Chair of the Remuneration Committee

Remuneration Policy

Our remuneration package is designed to attract the right talent to create long-term value

The Remuneration Committee determines ASOS's policy on the remuneration of the executive directors and other senior executives. The principles that underpin this policy aim to encourage strong performance and engagement, both in the short and long term. They also exist to enable the Group to achieve its strategic objectives and create sustainable shareholder value – and to make sure high performance is required to access high rewards, and that the total reward cost to ASOS is affordable and sustainable. Our Remuneration Policy must also help attract, retain and motivate high-calibre, high-performing, engaged employees. It must reward people for their contributions to the success of ASOS in a fair and responsible manner, over both the short and long term. And, it must be communicated in a way that's 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. These include 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. We do this 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. In addition, if salaries are set at a discount to a market rate on appointment, it may be appropriate to provide one or more increases at a higher rate than the broader employee population based on an individual's performance and experience and/or take account of relevant market movements.	When reviewing salaries, we consider the performance of the individual in the period since the last review.
Pension	To contribute financially post retirement	Defined contribution arrangement or salary supplement. Only base salary is pensionable. ASOS's contribution depends on the employee's seniority and may be matched to the level of contributions the employee chooses to make.	ASOS may contribute up to 15% of base salary (in the case of the CEO) 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 ASOS culture	Package of taxable benefits offered through our flexible benefits scheme, ASOS Extras, which offers all employees a fixed value depending upon their seniority, and 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 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 ASOS.	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 applies 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 by the committee. Targets are reviewed annually and the committee can 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 CEO 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.
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 with both ASOS's long-term financial performance and 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 ASOS 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), TSR and a customer engagement measure: net promoter score (NPS).
Share ownership guidelines	Increases alignment between the Board and shareholders Shows a clear commitment by all executive directors to creating value for shareholders in the long term	Guidelines require executive directors to hold 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 CEO and other executive directors is 500% and 200% of salary respectively.	Not applicable	Not applicable
All-employee share plans – SAYE	Increase alignment between employees and shareholders in a tax-efficient manner Supports retention of employees	An HMRC-approved all-employee Save As You Earn share option scheme (SAYE) encourages employees to take a stake in the business, aligning their interests with those of shareholders.	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. In addition, reasonable business expenses (together with any tax thereon) may be reimbursed.	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

Remuneration policy for other employees

The remuneration policy for executive directors has been developed with consideration of the reward philosophy, strategy and policy for ASOSers across the whole organisation. Where possible, we aim to create alignment between the way executive remuneration is structured and the way ASOSers more generally are rewarded. Inevitably, there are some differences between our management and the rest of the business. This is typically a result of developing reward arrangements that are competitive for the different talent markets from which we recruit or to which we risk losing staff. The policy for executive directors and the senior levels within ASOS's leadership group also places a larger emphasis on pay-at-risk through incentives and long-term remuneration through the ALTIS programme.

All employees are entitled to base pay, benefits and pension contributions and are eligible for participation in the ASOS annual bonus plan, and during the financial year 259 employees joined the ALTIS.

ASOS operates a Save As You Earn Scheme for all employees. More information about the scheme is given on page 79. We encourage a strong culture of ownership across the organisation and encourage all ASOSers to behave and think like owners. We are very proud of the enthusiasm and support for these schemes shown by our fellow ASOSers, with 29% of employees participating in the SAYE 2018 scheme.

29% of employees participating in the SAYE 2018 scheme

Remuneration Policy developments

Revisions to the Remuneration Policy and its implementation require the approval of the Remuneration Committee, to whom the Board delegates responsibility for the policy. There have been no material changes to the Remuneration Policy this year other than to improve transparency around the committee's discretion.

Performance measure selection and approach to target setting

For the ASOS annual bonus and ALTIS, our policy is to choose performance measures that help drive and reward the achievement of our strategy and also provide alignment between executives and shareholders. The committee reviews metrics each year to ensure they remain appropriate and reflect the strategic direction of ASOS.

The measures used in the 2019 annual bonus reflect ASOS's KPIs for the year and are based on:

- Revenue achieved
- PBT
- NPS
- Personal objectives

Long-term performance targets for 2019 are based on a combination of absolute and relative performance:

- TSR provides strong alignment with shareholders and is measured against the FTSE All-Share General Retailers as this provides a robust and relevant benchmark.
- EPS is considered an objective and well accepted measure of Company performance which reinforces the objective of achieving profitable growth.
- Revenue captures top-line growth and is a key element of our progress towards our mission.
- Net Promoter Score captures customer engagement, which is a key element of our strategy.

Targets for each performance measure are set by the committee with consideration to an extensive set of reference points including internal plans and budgets, forecasts for the sector, relevant sector benchmarks and external expectations. Performance is generally measured on a sliding scale, so that incentive payouts increase pro rata for levels of performance between the threshold and maximum performance targets.

When considering any annual salary increases for executives, the committee does so in the context of the proposals for salary increases to the broader workforce more generally, as it does for any other changes to other elements of remuneration being considered.

Committee discretion

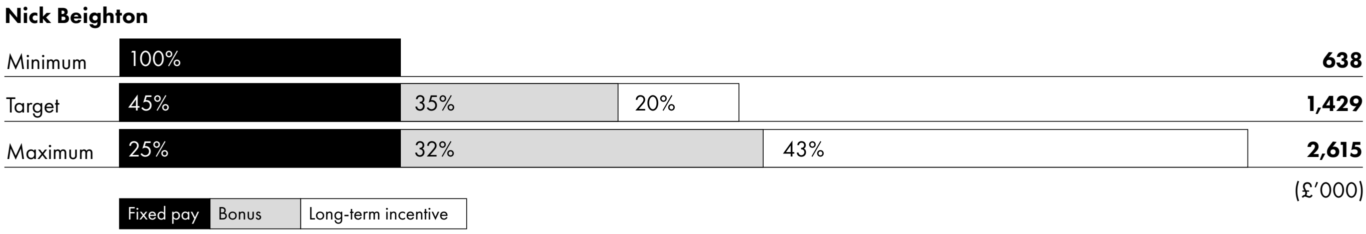
The committee operates under the powers it has been delegated by the Board. In addition, it complies with rules that are either subject to shareholder approval or by approval from the Board. These rules provide the committee with certain discretions which serve to ensure that the implementation of the remuneration policy is fair, both to the individual director and to the shareholders. The committee also has discretions to vary the level of the various components of remuneration. The extent of such discretions is set out in the relevant rules, and the maximum opportunity or performance metrics section of the policy table on pages 78 and 79. To ensure the efficient administration of the variable incentive plans outlined above, the committee will apply certain operational discretions.

These include the following:

- Selecting the participants in the plans on an annual basis.
- Determining the timing of grants of awards and/or payments.
- Determining the quantum of awards and/or payments (within the limits set out in the policy table above).
- Determining the extent of vesting based on the assessment of performance.
- Determining whether malus or clawback shall be applied to any award in the relevant circumstances and, if so, the extent to which it shall be applied.
- Making the appropriate adjustments required in certain circumstances, for instance for changes in capital structure.
- Determining 'good leaver' status for incentive plan purposes and applying the appropriate treatment.
- Undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan and other incentive schemes, where applicable, from year to year.

If an event occurs which results in the annual bonus plan or ALTIS performance conditions and/or targets being deemed no longer appropriate (e.g. material acquisition or divestment), the committee will have the ability to amend the performance conditions and/or targets, provided that the revised conditions are not materially less challenging that the original conditions. Any use of the above discretion would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Total potential remuneration for executive directors in the 2019 financial year



The chart above shows the potential remuneration at different levels of performance for the CEO in the 2019 financial year from the remuneration opportunity granted to him by ASOS's remuneration policy. Details of the CFO's remuneration will be announced in due course.

Basis of calculation:

— Minimum – fixed pay only (salary + benefits + pension*). Salary and pension are those effective from 1 September 2018 and benefits are based on actual figures for 2017/18.

— Target – fixed pay, plus target bonus opportunity of 90% of salary for the CEO, plus 25% of the face value of the ALTIS award on grant (i.e. 50% of salary).

— Maximum – fixed pay, plus maximum bonus opportunity of 150% of salary for the CEO, plus the full face value of the ALTIS award on grant (i.e. 200% of salary).

*Pension is net of employers tax and NIC

Recruiting new executive directors or senior executives

When recruiting any executive director or senior executive, we seek to apply consistent policies on fixed and variable remuneration components in line with the remuneration policy set out above. This helps to ensure that any new executive director or senior executive is on the same remuneration footing as existing executive directors or senior executives respectively, while still taking 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.

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 fair value of any deferred remuneration that would be forfeited at the previous employer, taking into account relevant factors including the form of the awards, remaining vesting period and the likelihood of any performance conditions being met. Any such proposal for executive directors requires the prior approval of the Remuneration Committee. The committee may also agree that ASOS will meet certain relocation and/or incidental expenses as appropriate.

Consideration of shareholder and broader stakeholder views

The Remuneration Committee is committed to open dialogue with shareholders and intends to engage directly with them and their representative bodies when considering any significant changes to executive director remuneration arrangements. The committee considers shareholder feedback received following the AGM as well as any additional feedback and guidance received from time to time, and this is taken into account when developing the Company's remuneration framework and practices. Assisted by its independent adviser, the committee also actively monitors developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate. In addition, the existence of the employee forum will also be used to capture feedback from ASOSers and the proactive dialogue that exists with suppliers and customers means that there are channels of communication with all stakeholders.

Executive directors' service contracts and payments for loss of office

It is our 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. Our 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 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 this is in the interests of ASOS	Up to one year's worth of pension and benefits
Bonus	None	Paid in accordance with bonus scheme terms – normal practice is for payment to be time and performance pro-rated to the effective leaving date
Long-term incentives	Awards lapse	May vest in accordance with scheme rules – normal practice is for the vested award to be time and performance pro-rated to the effective leaving date

ASOS also retains flexibility to pay reasonable legal fees and other costs incurred by the individual that are associated with the termination (including the settlement of claims brought against ASOS) and to provide outplacement services. In circumstances in which a departing director may be entitled to pursue a legal claim, ASOS may negotiate settlement terms and, with the approval of the Remuneration Committee on the remuneration elements therein, enter into a settlement agreement accordingly. In addition, ASOS would honour any legal entitlements, such as statutory redundancy payments or awards made by any tribunal or court, which executives may have on, or in respect of termination.

The individual is expected to take reasonable steps to seek alternative income to mitigate the payments.

Non-executive directors' letters of appointment

Non-executive directors do not have service contracts with ASOS. 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.

Annual Report on Remuneration

Details of how ASOS's Remuneration Policy has been applied in the year to 31 August 2018 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 year to 31 August 2018 is set out in the tables below.

Executive director		Fixed remuneration: Base salary £	Fixed remuneration: Benefits £	Fixed remuneration: Pensions £	Variable remuneration: Bonus £	Variable remuneration: LTIP[2]	Total remuneration £
Nick Beighton	**2018**	**565,000**	**7,329**	**73,056**	**–**	**2,259,229**	**2,904,614**
	2017	550,000	5,420	71,115	535,095	1,910,629	3,072,259
Helen Ashton[1]	**2018**	**233,333**	**33,320**	**25,142**	**–**	**1,396,585**	**1,688,380**
	2017	340,000	16,030	36,635	218,382	642,406	1,253,453
Total	**2018**	**798,333**	**40,649**	**98,198**	**–**	**3,655,814**	**4,592,994**
		890,000	21,450	107,750	753,477	2,553,035	4,325,712

Non-executive director		Base fee £	Additional fee £	Taxable expenses[4] £	Total remuneration £	Basis for additional fee
Brian McBride	**2018**	**190,000**	**Nil**	**9,822**	**199,822**	
	2017	190,000	Nil	962	190,962	
Ian Dyson	**2018**	**55,000**	**15,000**	**Nil**	**70,000**	**SID and Audit Chair**
	2017	55,000	15,000	Nil	70,000	SID and Audit Chair
Hilary Riva	**2018**	**55,000**	**10,000**	**Nil**	**65,000**	**Remuneration Chair**
	2017	55,000	10,000	Nil	65,000	Remuneration Chair
Rita Clifton	**2018**	**55,000**	**Nil**	**Nil**	**55,000**	
	2017	55,000	Nil	Nil	55,000	
Nick Robertson[3]	**2018**	**55,000**	**Nil**	**Nil**	**55,000**	
	2017	55,000	Nil	1,299	56,299	
Total	**2018**	**410,000**	**25,000**	**9,822**	**444,822**	
	2017	410,000	25,000	2,261	437,261	

1 Helen Ashton stepped down from the Board 30 April 2018 but remained an employee until 31 August 2018. The remuneration in the table reflects the period during which she served on the Board, to 30 April 2018.
2 For 2018, this includes the FY15 ALTIS award as detailed on page 85. Based on a share price of £62.42, being the average share price for the last quarter of the financial year, from 1 June to 31 August 2018. The figures for 2017 are the adjusted figures to show the actual share price of £56.84 at the vesting date on 31 October 2017.
3 Nick Robertson donated all of his base service fee to the ASOS Foundation.
4 The taxable expenses include travel and other expenses related to their role and have been grossed up for tax, where applicable.

Payments to past directors

During the year to 31 August 2018, no payments were made to any past directors.

Payments for loss of office

During the year to 31 August 2018, Helen Ashton announced her wish to resign from her role as CFO. She stepped down from the board with effect from 30 April 2018 and remained in employment until 31 August 2018, to ensure an orderly transition. The Directors' remuneration table shows her salary until she stepped down as a director. She was paid in full until her employment ceased, and will retain in full her entitlement to the share awards already granted (subject to performance conditions) in view of her 'good leaver' status, with the exception of the ALTIS award granted on 11 October 2017, which has been pro-rated.

Annual bonus for the year ended 31 August 2018

For both Nick Beighton and Helen Ashton, the annual bonus plan for the year ended 31 August 2018 was based 70% on a Company objective and 30% on non-financial objectives (15% on personal objectives and 15% on net promoter score (NPS)). A challenging PBT threshold must also be exceeded before any part of the bonus can pay out. Nick's maximum bonus opportunity as CEO was 150% of salary and Helen's maximum bonus opportunity as CFO was 100% of salary for the year.

The Company objective was based on a matrix of stretching PBT and sales growth targets with a PBT threshold of £102m, a sales target from 25% to 37% and a PBT target from £102m to £132m. This helps ensure investment made to drive sales is executed while delivering a sustainable profit margin for shareholders. The NPS target range was +1 to +3 on the previous year's target range.

For the CEO, the personal objectives were based around several core strategic priorities that focused on the areas of continued development of the executive team; enhancement of the organisation's approach to reputation management; and implementation of the Group's Fashion with Integrity programme.

For the CFO, the personal objectives were based around the development of an enhanced business performance management programme; successful development of ASOS's risk management framework; and delivery of the first phase of ASOS's Finance Transformation programme.

ASOS is a high growth company with a high-performance culture. In order to drive this, targets are set to be very stretching, taking into account internal and external forecasts. The bonus accordingly had a PBT threshold of £102.0m that is required to trigger any entitlement to a bonus. Whilst the business performed well as a whole during the year, this PBT threshold was not exceeded. As a result, no bonus award has been made to the CEO, CFO or any other employee for the period to 31 August 2018.

FY15 ALTIS awards vesting for performance to 31 August 2018

The ALTIS awards with a performance period ending in the 2018 financial year are due to vest on 31 October 2018. These awards were based 70% on EPS and 30% on relative TSR versus the FTSE All-Share General Retailers Index over the three-year performance period from 1 September 2015 to 31 August 2018. The performance targets and level of achievement against those targets were as follows:

Measures	Weighting	Targets	Percentage vesting	Actual achievement	Vesting
Compound annual fully diluted EPS growth	70%	Below 10% 10% Between 10% and 20% 20% or more	0% 25% Between 25% and 100%* 100%	30.2%	100%
TSR versus FTSE All-Share General Retailers Index	30%	Below median Median Between median and upper quartile Upper quartile or above	0% 25% Between 25% and 100%* 100%	Above upper quartile	100%

*Straight-line interpolation between points in the range

Details of vesting for each individual executive director:

Executive director	Number of shares granted	Number of shares vesting	Date of vesting	Value of awards vesting[1]
Nick Beighton	36,194	36,194	31.10.2018	£2,259,229
Helen Ashton	22,374	22,374	31.10.2018	£1,396,585

1 Based on a share price of £62.42, being the average share price for the last quarter of the financial year, from 1 June to 31 August 2018, as is normal practice.

ALTIS awards granted in the year

In the year under review, ALTIS awards with a face value of 200% of salary were granted to the executive directors on 11 October 2017:

Executive director	Basis of award	Number of shares granted	Face value of award[1]
Nick Beighton	200% of salary	18,899	£1,129,971
Helen Ashton	200% of salary	11,707[2]	£699,961

1 Based on the five-day average share price of £59.79 as at 11 October 2017.
2 Pro-rated to 3,892 with effect from the date Helen Ashton left employment.

The performance conditions for these awards are in the table below, with performance measured over the three-year period from 1 September 2017 to 31 August 2020, and vesting on 31 October 2020:

Measures	Weighting	Targets	% vesting
Sales growth	30%	Below 15% 15% Between 15% and 25% 25% or more	0% 25% Between 25% and 100%* 100%
Compound annual fully diluted EPS growth	30%	Below 15% 15% Between 15% and 25% 25% or more	0% 25% Between 25% and 100%* 100%
TSR versus FTSE All-Share General Retailers Index	30%	Below median Median Between median and upper quartile Upper quartile or above	0% 25% Between 25% and 100%* 100%
NPS	10%	Below 67 67 Between 67 and 69 69 or more	0% 25% Between 25% and 100%* 100%

*Straight-line interpolation between points in the range

Directors' interests in share plans (audited)

Director	Share option scheme	Date of grant	31 August 2017 (no. of shares)	Granted during the year to 31 August 2018 (no. of shares)	Lapsed during the year to 31 August 2018 (no. of shares)	Exercised during the year to 31 August 2018 (no. of shares)	31 August 2018 (no. of shares)	Exercise price (pence)	Exercise date/period
Nick Beighton	SAYE	08.06.17	369	–	–	–	369	4,869.0	01.07.20 – 31.12.20
	ALTIS	16.01.15	33,923	–	309	33,614	–	–	31.10.17
	ALTIS[1]	30.10.15	36,194	–	–	–	36,194	–	31.10.18
	ALTIS[2]	16.12.16	21,245	–	–	–	21,245	–	31.10.19
	ALTIS[3]	11.10.17	–	18,899	–	–	18,899	–	31.10.20
Helen Ashton	SAYE[4]	06.06.16	620	–	172	–	448	2,901.0	01.09.18 – 28.02.19
	ALTIS	30.09.15	11,406	–	104	11,302	–	–	31.10.17
	ALTIS[1]	31.10.15	22,374	–	–	–	22,374	–	31.10.18
	ALTIS[2]	16.12.16	13,133	–	–	–	13,133	–	31.10.19
	ALTIS[5]	11.10.17	–	11,707	7,815	–	3,892	–	31.10.20

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 2015 to 31 August 2018 are provided on page 85.
2 The performance conditions for these awards are in the table below, with performance measured over the three-year period from 1 September 2016 to 31 August 2019, and vesting on 31 October 2019:

Measures	Weighting	Targets	% vesting
Sales growth	30%	Below 15%	0%
		15%	25%
		Between 15% and 25%	Between 25% and 100%*
		25% or more	100%
Compound annual fully diluted EPS growth	30%	Below 15%	0%
		15%	25%
		Between 15% and 25%	Between 25% and 100%*
		25% or more	100%
TSR versus FTSE All-Share General Retailers Index	30%	Below median	0%
		Median	25%
		Between median and upper quartile	Between 25% and 100%*
		Upper quartile or above	100%
NPS	10%	Below 64	0%
		64	25%
		Between 64 and 66	Between 25% and 100%*
		66 or more	100%

*Straight-line interpolation between points in the range

3 Performance conditions for these awards are set out on page 85.
4 The number of share options remaining in the SAYE scheme has been pro-rated based on the total value of contributions made by Helen Ashton up to 31 August 2018. Helen has six months from cessation of employment to exercise these options in accordance with her good leaver status.
5 This represents the pro-rated number of share awards following cessation of employment. Performance conditions for these awards are set out on page 85.

Directors' shareholdings

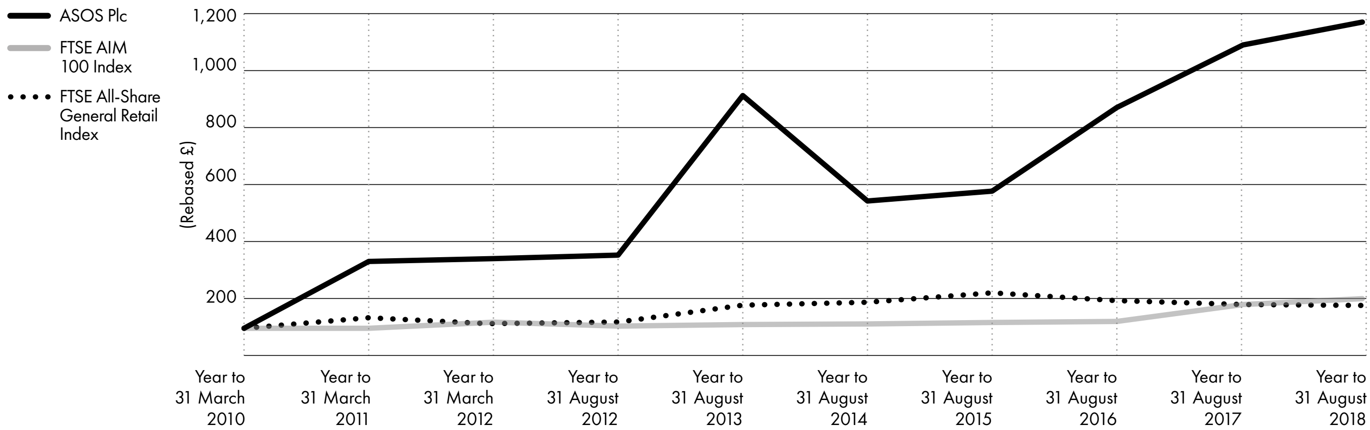
The directors who held office at 31 August 2018 had the following interests, including family interests, in the shares of ASOS.

Director	Beneficially owned as at 31 August 2017 (no. of shares)	Beneficially owned as at 31 August 2018 (no. of shares)	Outstanding share options (SAYE/ALTIS) (no. of shares)	Shareholding guideline met
Brian McBride	13,302	13,302	–	N/A
Nick Beighton	150,503	150,503	76,707	Yes
Rita Clifton	–	–	–	N/A
Ian Dyson	–	–	–	N/A
Hilary Riva	227	227	–	N/A
Nick Robertson	5,196,414	5,046,414	–	N/A

Performance and CEO remuneration comparison

The market price of ordinary shares at 31 August 2018 was £61.14 (31 August 2017: £56.67) and the range during the year to 31 August 2018 was from £54.90 to £77.30 (year to 31 August 2017: £45.19 to £64.25).

This graph shows the value, by 31 August 2018, 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. The table below the TSR chart sets out the remuneration data for directors undertaking the role of CEO during each of the past nine financial years.



CEO remuneration history*

	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[4]	Year to 31 August 2017	Year to 31 August 2018
Salary (£)	340,000	340,000	350,200	500,000	333,333	77,420	550,000	550,000	565,000
Other taxable benefits (£)	1,596	1,706	3,320	3,843	3,860	3,860	4,623	5,420	7,329
Pension (£)	–	–	–	–	–	–	71,115	71,115	73,056
Annual bonus (£)	–	–	210,120	300,000	–	–	573,782	535,095	–
Long-term incentive (£)[1]	1,742,914	1,399,115	54,646,748	–	–	–	–	1,910,629	2,259,229
Total remuneration (£)	2,084,510	1,740,821	55,210,388	803,843	337,193	81,280	1,199,520	3,072,259	2,904,614
Annual bonus %[2]	–	–	60%	60%	–	–	70%	65%	–
Long-term incentive %[3]	–	–	100%	–	–	–	–	99.1%	100%

1 Gains made under the long-term incentive plans are recognised above in the financial year of the performance period to which they relate. The value for the FY2017 award was calculated using a share price of £56.84, being the actual share price at the vesting date on 31 October 2017. The value shown for the year to 31 August 2018 is an adjusted figure based on the average share price for the last quarter of the financial year to 31 August 2018. This will be adjusted again to reflect the share price at the point of vesting on 31 October 2018.
2 Annual bonus percentage figure shows the percentage of the individual's maximum bonus percentage received in that financial year.
3 Long-term incentive percentages show the percentage of the award that vested in the financial year.
4 During the year to 31 August 2016, the CEO 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 CEO's annual remuneration.

Percentage change in CEO's remuneration

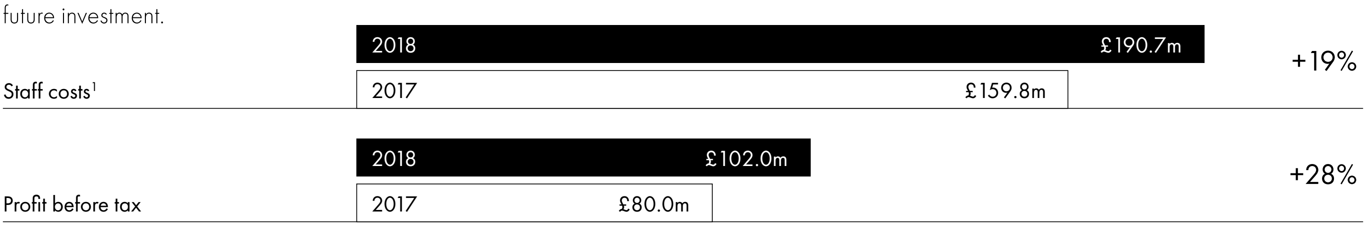
The table below shows the percentage change in the CEO's salary, benefits and annual bonus between the financial years ended 31 August 2018 and 31 August 2017, compared with all employees of ASOS.

	Salary change	Benefits change	Bonus change
Chief executive officer[1]	2.73%	–	(100%)
All employees[2]	(1.6%)	(7.4%)	(100%)

1 The total benefits received by the CEO include an amount for PAYE Settlement Agreement 'PSA' (not previously included for FY17). The above is a like-for-like comparison including PSA for both financial years.
2 This is calculated by dividing the actual salary costs (including capitalised salaries) by the average number of employees across the year. During the year the headcount has been increased by 23% with the majority of these positions being below senior management where benefits are not part of the award package.

Relative importance of spend on pay

The following table shows ASOS's actual spend on pay (for all employees) relative to dividends and retained profit. To date, no dividend has been paid by ASOS Plc and there is no intention to pay a dividend at this stage as all monies are being retained in the business for future investment.



1 The above includes capitalised staff costs.

Implementation of remuneration policy in FY18

Salary

There has been no salary increase for the CEO this year. The remuneration package for the incoming CFO will be disclosed once agreed and contracts have been signed.

Executive director	Salaries from 1 September 2017	Salaries from 1 September 2018	% increase
Nick Beighton	£565,000	£565,000	0%

Pension

Pension contributions (net of employer's tax and NIC) will remain unchanged, with Nick Beighton's at 15% of salary.

Annual bonus

The maximum annual bonus opportunity for the CEO for 2018/19 will be unchanged at 150% of salary. The performance conditions will continue to be based 70% on a Company objective (revenue growth and PBT threshold) and 30% on non-financial objectives, with 15% related to NPS performance and 15% to personal objectives. Any bonus payout will be delivered entirely in cash.

ALTIS awards

ALTIS awards will be made to the CEO in 2018/19 with a face value of 200% of salary, as set out on page 79. An award will be made to the incoming CFO when appropriate.

NED fees

In July 2018 the Board approved the appointment of Adam Crozier as non-executive chair with effect from the conclusion of the AGM on 29 November 2018. An annual fee of £350,000 has been approved and is considered appropriate given the calibre of the individual at a pivotal time for the next phase for ASOS Plc. Before setting this fee a review was carried out and benchmark data assessed and this figure reflects the scale and complexity of the role.

	Fees from 1 September 2018
Non-executive chair elect	£350,000
Non-executive chair*	£190,000
Non-executive director base	£55,000
SID and Audit Committee chair	£70,000
Remuneration Committee chair	£65,000

*Brian McBride will retire at the conclusion of the AGM on 29 November 2018.

Remuneration governance

The Remuneration Committee

Composition
The Remuneration Committee comprises three independent non-executive directors: Hilary Riva (chair), Rita Clifton and Ian Dyson. The table below sets out each member's attendance record at committee meetings during the financial year.

Committee member	Role	Attendance record
Hilary Riva	Committee chair	5/5
Rita Clifton	Non-executive director	5/5
Ian Dyson	Non-executive director	5/5

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

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 chairman and the other members of the Executive Committee.

— 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 Committee.

— Review and approve any material termination payment.

The full Terms of Reference of the Remuneration Committee are available on our corporate website, www.asosplc.com. These were last updated on 14 September 2017.

The remuneration of non-executive directors other than the chair is determined by the chair of the Board and the executive directors.

Advisers to the Remuneration Committee
The committee has engaged the external advisers listed below to help it meet its responsibilities.

— New Bridge Street, part of Aon plc, have been appointed as independent advisers to the committee; they provided advice throughout the financial year on all remuneration matters considered by the committee. For that advice, New Bridge Street received fees totalling £100,520 in the financial year to 31 August 2018. 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. Aon plc, the parent company of New Bridge Street, also provides insurance broking services to ASOS.

— When required, ASOS also receives advice relating to remuneration matters 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 needed from our people experience director, our reward director, our general counsel & company secretary, our CEO and our CFO.

Key areas of focus for the year ahead

— Review and approve any salary increases for the Executive Committee

— Determine 2017/18 annual bonus outcome and 2015 ALTIS awards vesting

— Approve 2018/19 ALTIS targets and awards, and 2018/19 annual bonus

— Determine an appropriate remuneration package for the new CFO

— Continue to monitor regulatory and legislative developments

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 2006 or, where provided elsewhere, an appropriate cross-reference is given. The Corporate Governance Report approved by the Board is provided on pages 62 to 68 and incorporated by reference into this Directors' Report.

Subsidiaries

The Company has 21 subsidiaries, a complete list is provided at Note 8 of the Parent Company Financial Statements on page 129.

Dividends

As last year, the directors do not recommend the payment of a dividend (2017: £nil).

Strategic Report

This is set out on the pages 2 to 56 of the Annual Report and includes an indication of likely future developments.

Significant events since the end of the financial year

There have been no important events affecting the Group since 1 September 2018.

Risk management and principal risks

A description of the principal risks facing the business, and the Company's approach to managing those risks, is on pages 48 to 56.

Directors and their interests

Details of the directors as at the date of this report are set out on pages 59 to 61.

The interests of the directors and their closely associated persons in the share capital of the Company as at 31 August 2018, along with details of directors' share options and awards, are contained in the Directors' Remuneration Report on pages 74 to 89. At no time during the year did any of the directors have a material interest in any significant contract with ASOS or any of its subsidiaries.

ASOS 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

ASOS's Articles of Association can only be amended by special resolution and are available at www.asosplc.com/investors/shareholder-information/company-documents

Share capital

The issued share capital of the Company at 31 August 2018 was 83,629,761 ordinary shares of 3.5p. Full details of the issued share capital, together with the details of shares issued during the year to 31 August 2018, are shown in Note 17 to the financial statements on page 112.

Substantial shareholders

As at 1 October 2018, the Company was aware of the following interests in 3% or more of its ordinary share capital:

Major shareholder	Holding	As a % of issued shares
Bestseller A/S (DK)	22,342,621	26.72
Capital Group Companies, Inc.	9,403,721	11.24
Baillie Gifford & Co Ltd (SC)	5,293,945	6.33
Robertson N J	5,046,414	6.03
Carmignac Gestion (FR)	3,643,424	4.35
Allianz Global Investors	3,498,004	4.19
Tybourne Capital Management (HK) Limited	3,125,870	3.74
Sands Capital Management LLC (US)	2,698,957	3.23

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 ASOS share schemes. During the financial year, ASOS used both the Employee Benefit Trust (EBT) and the Link Trust (LT) to satisfy awards granted under its Save As You Earn and SIP share schemes:

— The EBT is a discretionary trust, the sole beneficiaries being employees (including executive directors) and former employees of the Group who have received awards under the Save As You Earn scheme (or their close relations in the event of their death). The trustee of the EBT is Link Trustees Limited, an independent professional trustee company based in Jersey. Under the terms of the Trust Deed, ASOS 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 LT holds shares awarded under the SIP solely for the benefit of current employees (including executive directors) who participate in it. The trustee of the SIP is Link Asset Services Limited, an independent professional trustee company based in the United Kingdom. Under the terms of the Trust Deed, ASOS funds the LT to buy the shares on the open market and retain those shares on behalf of the underlying beneficiaries.

As at 31 August 2018, the EBT and LT (combined) held 283,474 shares in ASOS Plc (2017: 337,648 shares).The total value in reserves was a credit £1.0m (2017: debit balance of £0.6m). The EBT and LT are both recognised within the EBT reserve for accounting purposes. The Group's accounting policies are detailed within Note 24 to the financial statements and movements are detailed in the Consolidated Statement of Changes in Equity on page 99.

Going concern

The Group's business activities, financial position and cash flows, together with the factors likely to affect its future performance and position, are set out in the Strategic Report on pages 2 to 56. In addition, details of the Group's objectives and policies on financial risk management are set out in Note 18 to the financial statements on pages 112 to 115.

The Group continues to have a strong financial position including cash and cash equivalents of £42.7m at 31 August 2018 and a £150m revolving credit facility, which was undrawn at year end. The facility was approved by the Board during the year and is available until May 2021. 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 12 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 also assessed the Group's prospects and viability over a three-year period to 31 August 2021. 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 (pages 4 and 5), its strategy (pages 6 and 7), risks and uncertainties (pages 48 to 56) and internal control effectiveness (page 71). 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 due during the period up to 31 August 2021.

Statement on disclosure of information to auditors

The directors confirm that, so far as each is aware, there's no relevant audit information of which the Group's auditors are unaware. 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 9.30am on 29 November 2018 at Greater London House, Hampstead Road, London NW1 7FB. The Notice of Meeting will be available to view on www.asosplc.com, sufficiently in advance of that meeting.

By order of the Board

Andrew Magowan
Company Secretary

16 October 2018

Statement of Directors' Responsibility

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (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 and the Company for that period. In preparing these financial statements, the directors are required to:

— Select suitable accounting policies and then apply them consistently.

— Make judgements and accounting estimates that are reasonable and prudent.

— State whether applicable 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 Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that show and explain the Group and the Company's transactions. These must disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Company and 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 Group and Company's performance, business model and strategy.

Each of the directors, whose names, functions and short biographies are set out on pages 59 to 61, 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 Company 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 loss of the Company.

— The Strategic Report on pages 2 to 56 includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

Andrew Magowan
Company Secretary
16 October 2018

Financial Statements

Independent Auditors' Report to the Members of ASOS Plc

Report on the Audit of the Financial Statements

Opinion

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

— Give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 August 2018 and of the Group's profit and the Group's and the parent company's cash flows for the year then ended;
— Have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
— Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and parent company Statements of Financial Position as at 31 August 2018; the Consolidated Statement of Total Comprehensive Income, the Consolidated and parent company Statements of Cash Flows, and the Consolidated and parent company Statements of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

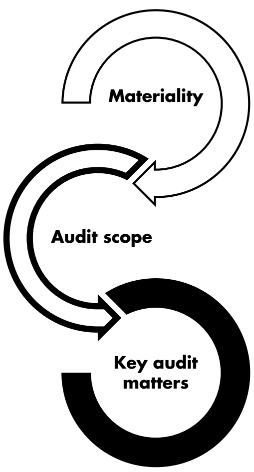
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence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

Independence

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

Our audit approach

Overview



— Overall Group materiality: £4,500,000 (2017: £4,000,000) – based on 1% of total revenue with regard to profit before tax.
— Overall parent company materiality: £250,000 (2017: £235,000) – based on 1% of total assets.

— Full scope audit of:
  — ASOS Plc – the parent entity holding investments throughout the Group.
  — ASOS.com Limited – the trading entity that generates 99% of Group revenue.

— Capitalisation of costs may not be appropriate.
— Fraud in revenue recognition.
— Valuation and existence of inventory.

As part of designing our audit, we determined materiality and assessed 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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Capitalisation of costs may not be appropriate	
Refer to pages 102 (Note 1) and 119 (Accounting Policies) The Group continued to invest heavily in its operational infrastructure spending £121.9m on property, plant and equipment as set out in Note 12, and £120.5m on intangible assets as set out in Note 11. The most significant elements of this expenditure, as described in the CEO's review, was related to the new EU and US distribution hubs. We focused on this area due to the size of the costs capitalised (existence risk) and the fact that there was judgement involved in assessing whether the criteria set out in accounting standards for the capitalisation of such costs had been met (accuracy risk). In particular we focused on the capitalisation of internal staff costs to confirm that costs capitalised were a fair reflection of actual costs incurred and the associated time was spent on projects which met the criteria to be capitalised.	We have gained an understanding through walkthroughs performed and discussion with management of the process in place for evaluating capital approval for staff time capitalised in relation to capital projects. We tested management's operational control in relation to capital funding request forms which evidences that the capitalisation criteria have been considered and are appropriately authorised. We were able to place reliance on these controls for the purpose of our audit. Our testing approach covered capitalisation of employee time for internal staff and external contractors. We obtained an understanding of various selected capitalised projects, tested time charged back to timesheet data and independently assessed whether sufficient economic benefits were likely to flow from the projects to support the values capitalised. Our testing did not identify any costs that had been inappropriately capitalised.
Fraud in revenue recognition	
Refer to pages 103 (Note 3) and 119 (Accounting Policies) The Group has one main source of revenue which relates to sales made through ASOS.com Limited and its website. Sales of goods sold via the website are recognised on despatch from the website with customers having the right to return the goods, should they so choose, within a predefined window. Should customers return any goods, the Group will typically refund the associated revenue relating to the returned goods. The nature of the Group's revenue and revenue recognition policies generated two specific heightened areas of focus for our audit: — Firstly, we assessed whether the policy of recognising revenue on despatch rather than delivery could significantly enhance revenues and profits inappropriately. — Secondly, we focused on the level of provision recorded for returns and the associated reduction in revenue and profit arising as a result of recording this provision.	We discussed the revenue recognition policy with management and performed a walkthrough to reconfirm our understanding of the revenue recognition process. We used computer-aided auditing techniques to trace revenue transactions to debtors and cash and tested transactions which did not follow this expected flow of transactions down to an immaterial balance. Due to the transactional nature of revenue, we deemed the risk of fraud in revenue to be specific to journal postings or judgemental adjustments. We therefore performed testing to identify unusual journals, i.e. those which do not follow the expected business process. We tested and gained evidence over the commercial rationale of these journals without issue. Adjustments are made to revenue for cut-off and returns. Regarding cut-off, we deem risks and rewards to transfer on receipt by the customer, rather than despatch and therefore we examined management's calculation to assess the estimated financial impact of recognising revenue on despatch rather than on receipt by customers. We also performed an independent calculation of the potential difference of recognising revenue on despatch rather than delivery. We determined that the sales and profit impact for the year of recognising revenue on despatch as against delivery was not material. We understood the methodology used to calculate the returns provision and determined it was consistent with the prior year. We tested the inputs to the calculation through to source data and assessed the key assumption driving the calculation which was historical returns rates. We also compared the provision to actual returns of sales made pre year end processed in the period post year end. No issues arose from our work to suggest that the provision for returns was materially misstated.
Valuation and existence of inventory	
The Group held a significant amount (£407.6m) of inventory as at 31 August 2018, held across multiple locations, which was both desirable and fast-moving, leading to an existence risk either through pilferage or accounting error. The nature of the Group's business model is to service demand in a dynamic and fast-moving fashion market which also inherently means there is a risk of inventory falling out of fashion and proving difficult to sell above cost. There are key assumptions that drive the inventory provision, which is netted against the Group's inventory balance, including the ability to sell through older inventory and the realisable value that will be achieved on sale. The provision broadly comprises two elements: a provision for items looking to be sold off at below cost and a provision for aged items which there is a concern may ultimately be sold at below cost.	We understood the methodology used to calculate the inventory provision and determined it was consistent with the prior year. The inventory quantity and value inputs into the provision calculation were tested in our underlying work on inventory costing and existence. For inventory costing we performed testing to invoice on a sample basis and subsequently a recalculation of the average weighted cost for a sample of line items. For existence we tested the inventory cycle count controls in place at each warehouse through attendance at a number of cycle counts through the year and walkthrough procedures. We also obtained confirmation from each third-party warehouse of the year-end inventory quantity. To assess the appropriateness of the provision we tested the ageing of inventory, through testing a sample back to invoice for inventory purchases. We did not identify any issues regarding valuation and existence of inventory through the work performed.

We determined that there were no key audit matters applicable to the parent company to communicate in our report.

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 structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

We determined there to be two entities in scope for our Group audit: ASOS Plc being the parent entity holding investments throughout the Group, and ASOS.com Limited which generates 99% of the Group revenue through sales via the worldwide ASOS websites.

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 in aggregate on the financial statements as a whole.

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

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
Overall materiality	£4,500,000 (2017: £4,000,000).	£250,000 (2017: £235,000).
How we determined it	1% of revenue with regard to profit before tax.	1% of total assets.
Rationale for benchmark applied	Within the Group there is a focus on driving sales given the Group's focus on reinvesting profits into significant capital expansion to underpin future growth. At the same time, the business remains focused on delivering an acceptable short-term return as it expands sales. Having regard to both the size of the business and its profitability, £4.5m was viewed as an appropriate level to set materiality.	The parent company does not trade. As a result, we believe that total assets is the most appropriate benchmark to use for the Company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £4,250,000 and £250,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £250,000 (Group audit) (2017: £200,000) and £10,000 (parent company audit) (2017: £9,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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

— The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

— The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

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

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

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 92, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the 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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Andrew Latham

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

16 October 2018

Consolidated Statement of Total Comprehensive Income

For the year to 31 August 2018

	Note	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Revenue	3	**2,417.3**	1,923.6
Cost of sales		**(1,180.2)**	(965.3)
Gross profit		**1,237.1**	958.3
Distribution expenses		**(380.8)**	(299.2)
Administrative expenses		**(754.4)**	(579.5)
Operating profit	4	**101.9**	79.6
Finance income	6	**0.3**	0.4
Finance expense	7	**(0.2)**	–
Profit before tax		**102.0**	80.0
Income tax expense	8	**(19.6)**	(15.9)
Profit for the year		**82.4**	64.1
Profit for the year attributable to owners of the parent company		**82.4**	64.1
Net translation movements offset in reserves		**0.3**	(0.3)
Net fair value gains on derivative financial instruments	18	**67.7**	15.8
Income tax relating to these items	8	**(12.8)**	(3.3)
Other comprehensive income for the year[1]		**55.2**	12.2
Total comprehensive income for the year attributable to owners of the parent company		**137.6**	76.3
Earnings per share attributable to the owners of the parent company during the year			
Basic per share	9	**98.9p**	77.2p
Diluted per share	9	**98.0p**	76.6p

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

Consolidated Statement of Changes in Equity

For the year to 31 August 2018

	Note	Called up share capital £m	Share premium £m	Retained earnings[1] £m	Employee Benefit Trust reserve £m	Hedging reserve £m	Translation reserve £m	Total equity £m
At 1 September 2017		**2.9**	**6.9**	**327.2**	**(0.6)**	**(47.5)**	**(1.8)**	**287.1**
Profit for the year		**–**	**–**	**82.4**	**–**	**–**	**–**	**82.4**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**55.0**	**0.2**	**55.2**
Total comprehensive income for the year		**–**	**–**	**82.4**	**–**	**55.0**	**0.2**	**137.6**
Net cash received on exercise of shares from Employee Benefit Trust	17	**–**	**–**	**–**	**1.7**	**–**	**–**	**1.7**
Transfer of shares from Employee Benefit Trust on exercise		**–**	**–**	**0.1**	**(0.1)**	**–**	**–**	**–**
Share-based payments charge	19	**–**	**–**	**10.4**	**–**	**–**	**–**	**10.4**
Tax relating to share option scheme	8	**–**	**–**	**2.0**	**–**	**–**	**–**	**2.0**
Balance as at 31 August 2018		**2.9**	**6.9**	**422.1**	**1.0**	**7.5**	**(1.6)**	**438.8**
At 1 September 2016		2.9	6.9	254.7	(2.6)	(60.0)	(1.5)	200.4
Profit for the year		–	–	64.1	–	–	–	64.1
Other comprehensive income/(loss) for the year		–	–	–	–	12.5	(0.3)	12.2
Total comprehensive income/(loss) for the year		–	–	64.1	–	12.5	(0.3)	76.3
Net cash received on exercise of shares from Employee Benefit Trust	17	–	–	–	1.8	–	–	1.8
Transfer of shares from Employee Benefit Trust on exercise		–	–	(0.2)	0.2	–	–	–
Share-based payments charge	19	–	–	7.6	–	–	–	7.6
Tax relating to share option scheme	8	–	–	1.0	–	–	–	1.0
Balance as at 31 August 2017		2.9	6.9	327.2	(0.6)	(47.5)	(1.8)	287.1

1 Retained earnings includes the share-based payments reserve.

Consolidated Statement of Financial Position

As at 31 August 2018

	Note	At 31 August 2018 £m	At 31 August 2017 £m
Non-current assets			
Goodwill	10	**1.1**	1.1
Other intangible assets	11	**256.9**	176.9
Property, plant and equipment	12	**241.6**	137.4
Derivative financial asset	18	**3.8**	1.3
Deferred tax asset	16	**–**	9.2
		503.4	325.9
Current assets			
Inventories		**407.6**	323.3
Trade and other receivables	13	**42.6**	28.6
Derivative financial asset	18	**10.7**	2.3
Cash and cash equivalents	14	**42.7**	160.3
		503.6	514.5
Current liabilities			
Trade and other payables	15	**(549.7)**	(480.7)
Derivative financial liability	18	**(5.3)**	(57.7)
Current tax liability		**(3.0)**	(5.8)
		(558.0)	(544.2)
Net current liabilities		**(54.4)**	(29.7)
Non-current liabilities			
Deferred tax liability	16	**(8.2)**	–
Derivative financial liability	18	**(2.0)**	(9.1)
		(10.2)	(9.1)
Net assets		**438.8**	287.1
Equity attributable to owners of the parent			
Called up share capital	17	**2.9**	2.9
Share premium		**6.9**	6.9
Employee Benefit Trust reserve		**1.0**	(0.6)
Hedging reserve		**7.5**	(47.5)
Translation reserve		**(1.6)**	(1.8)
Retained earnings		**422.1**	327.2
Total equity		**438.8**	287.1

Notes 1 to 24 are an integral part of the financial statements.

The consolidated financial statements of ASOS Plc, registered number 4006623, on pages 98 to 122, were approved by the Board of Directors and authorised for issue on 16 October 2018 and were signed on its behalf by:

Nick Beighton
Director

Consolidated Statement of Cash Flows

For the year to 31 August 2018

	Note	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Operating profit		**101.9**	79.6
Adjusted for:			
Depreciation of property, plant and equipment	4	**17.0**	13.7
Amortisation of other intangible assets	4	**37.6**	28.6
Loss on disposal of non-current assets	4	**0.8**	0.5
Fixed asset impairment	4	**2.7**	–
Increase in inventories		**(84.3)**	(65.6)
Increase in trade and other receivables		**(14.0)**	(13.6)
Increase in trade and other payables		**35.9**	103.3
Share-based payments charge	19	**8.9**	7.6
Other non-cash items		**0.5**	(0.6)
Income tax paid		**(13.1)**	(7.6)
Net cash generated from operating activities		**93.9**	145.9
Investing activities			
Payments to acquire intangible assets		**(107.4)**	(89.5)
Payments to acquire property, plant and equipment		**(105.6)**	(72.0)
Finance income		**0.3**	0.5
Net cash used in investing activities		**(212.7)**	(161.0)
Financing activities			
Net cash inflow relating to Employee Benefit Trust		**1.7**	1.8
Finance expense		**(0.2)**	–
Net cash generated from financing activities		**1.5**	1.8
Net decrease in cash and cash equivalents		**(117.3)**	(13.3)
Opening cash and cash equivalents		**160.3**	173.3
Effect of exchange rates on cash and cash equivalents		**(0.3)**	0.3
Closing cash and cash equivalents	14	**42.7**	160.3

Notes to the Financial Statements

For the year to 31 August 2018

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 pages 69 to 71.

The estimates and judgements 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 £6.2m at 31 August 2018 (2017: £5.5m).

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. The accrual for net refunds totalled £47.6m at 31 August 2018 (2017: £42.6m).

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 2018, £4.4m (2017: £4.4m) has been provided against future expected redemption of outstanding points and vouchers. During September 2018, it was announced that the scheme will close; existing awards will continue to be honoured so there is no impact on the liability at 31 August 2018.

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 19 on pages 115 to 117.

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, and any change to the residual values or estimated lives, requires the exercise of management judgement. See Notes 11 and 12 on pages 108 and 109.

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 108 and 109.

Accounting judgements

Capitalisation criteria

Where assets are acquired or developed in house, management exercises judgement in determining that the asset meets the criteria to be capitalised as either an intangible or tangible fixed asset.

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 the determination of probability and as to whether the Group's exposure can be reliably estimated.

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 2017. Various new accounting standards and amendments were issued during the year, none of which has an impact on the current year.

The following accounting standards are in issue but not yet effective and have not been adopted by the Group:

- IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments Recognition and Measurement'. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group has completed an assessment of IFRS 9 and it is expected that adoption will not have a material impact on the results or financial position of the Group. The Group will adopt the new accounting standard during the financial year starting 1 September 2018.
- IFRS 15 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue'. This standard is effective for accounting periods beginning on or after 1 January 2018. The Group has completed an assessment of IFRS 15 and it is expected that adoption will not have a material impact on the results or financial position of the Group. The Group will adopt the new accounting standard during the financial year starting 1 September 2018.
- IFRS 16 'Leases' is effective for periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 has also been adopted. The standard will require lease liabilities and the right of use assets for leases to be recognised in the Statement of Financial Position. The Group has completed an assessment of the impact on the Group of applying IFRS 16. This assessment indicates that there will be a significant impact, increasing the value of non-current assets and lease liabilities, as the leases for warehousing and office space are currently accounted for as operating leases (see Note 21 for the current level of operating lease commitments). Our assessment indicates that IFRS 16 will have an immaterial impact on the profit and loss once adopted, however this standard, once implemented, will change the classification of certain costs on the income statement as well as the classification within cash flow. The Group will adopt the new accounting standard during the financial year starting 1 September 2019.

Accounting policy references are included in the relevant notes throughout the financial statements and also in Note 24.

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

See Note 24 for the Group's accounting policy on revenue recognition.

	Year to 31 August 2018				
	UK £m	**US £m**	**EU £m**	**RoW[1] £m**	**Total £m**
Retail sales	**861.3**	**311.6**	**739.1**	**443.2**	**2,355.2**
Delivery receipts	**22.3**	**9.0**	**15.3**	**7.8**	**54.4**
Third-party revenues	**7.4**	**0.2**	**0.1**	**–**	**7.7**
Total revenues	**891.0**	**320.8**	**754.5**	**451.0**	**2,417.3**
Cost of sales	**(479.9)**	**(127.9)**	**(363.6)**	**(208.8)**	**(1,180.2)**
Gross profit	**411.1**	**192.9**	**390.9**	**242.2**	**1,237.1**
Distribution expenses	**(108.0)**	**(79.6)**	**(104.9)**	**(88.3)**	**(380.8)**
Segment result	**303.1**	**113.3**	**286.0**	**153.9**	**856.3**
Administrative expenses					**(754.4)**
Operating profit					**101.9**
Finance income					**0.3**
Finance expense					**(0.2)**
Profit before tax					**102.0**

1 Rest of World

3 SEGMENTAL ANALYSIS continued

	Year to 31 August 2017				
	UK £m	US £m	EU £m	RoW[1] £m	Total £m
Retail sales	698.2	261.6	544.1	372.6	1,876.5
Delivery receipts	16.1	6.3	10.8	7.6	40.8
Third-party revenues	6.0	0.2	0.1	–	6.3
Total revenues	720.3	268.1	555.0	380.2	1,923.6
Cost of sales	(389.7)	(103.5)	(292.4)	(179.7)	(965.3)
Gross profit	330.6	164.6	262.6	200.5	958.3
Distribution expenses	(81.9)	(69.2)	(89.8)	(58.3)	(299.2)
Segment result	248.7	95.4	172.8	142.2	659.1
Administrative expenses					(579.5)
Operating profit					79.6
Finance income					0.4
Profit before tax					80.0

1 Rest of World

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.

The total amount of non-current assets located in the UK is £380.8m (2017: £267.7m), US: £42.5m (2017: £0.5m), EU: £75.2m (2017: £46.1m) and RoW: £nil (2017: £nil).

4 OPERATING PROFIT

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
a) Operating profit is stated after charging/(crediting)		
Depreciation of property, plant and equipment	**17.0**	13.7
Amortisation of other intangible assets	**37.6**	28.6
Impairment of A-List assets	**2.7**	–
Loss on disposal of other intangible assets	**0.2**	0.5
Loss on disposal of property, plant and equipment	**0.6**	–
Cost of inventory recognised as an expense	**1,186.4**	967.2
Adjustment of inventories to net realisable value	**(1.4)**	0.3
Net foreign exchange losses	**3.5**	0.6
Operating leases	**15.4**	12.1
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 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 69 to 71. Costs related to non-audit services provided by the Group's auditors were less than £0.1m (2017: less than £0.1m).

No exceptional items were identified for the year to 31 August 2018 (2017: £nil).

5 STAFF COSTS INCLUDING DIRECTORS' REMUNERATION

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

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
By activity:		
Fashion	**972**	762
Operations	**2,651**	1,898
Technology	**643**	504
	4,266	3,164

The Group's costs for employees, including directors, during the year were as follows:

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Wages and salaries	**168.2**	142.2
Social security costs	**17.2**	13.3
Other pension costs	**5.3**	4.3
Share-based payments charge (Note 19)	**10.4**	7.6
Gross total	**201.1**	167.4
Less: staff costs capitalised in relation to capital projects	**(39.6)**	(31.3)
	161.5	136.1

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 compensation to key management personnel, being the directors of ASOS Plc (executive and non-executive) plus the members of the Executive Committee of ASOS.com Limited, was as follows:

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Short-term employee benefits	**3.8**	5.5
Post-employment benefits	**0.4**	0.1
Share-based payments charge	**3.0**	3.3
	7.2	8.9

The highest-paid director exercised 33,614 share options during the year (2017: 559); all other components of the highest-paid director's remuneration are detailed in the directors' remuneration table on page 83.

Directors' aggregate emoluments and pension payments are detailed in the Directors' Remuneration Report on pages 74 to 89, along with directors' interests in issued shares and share options on page 86.

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 2018 £m	Year to 31 August 2017 £m
Interest receivable on cash and cash equivalents	**0.3**	0.4

7 FINANCE EXPENSE

Finance expense payable on cash and cash equivalents is recognised in the Statement of Total Comprehensive Income in the period to which it relates.

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Interest payable on cash and cash equivalents	**0.2**	–

8 INCOME TAX EXPENSE

See Note 24 for the Group's accounting policy on taxation.

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Tax on profit	**15.8**	13.8
Adjustment in respect of prior year corporation tax	**(1.3)**	0.2
Total current tax charge	**14.5**	14.0
Deferred tax		
– Origination and reversal of temporary differences	**3.9**	1.2
– Adjustment in respect of prior year	**1.2**	0.7
Total deferred tax charge	**5.1**	1.9
Tax on profit	**19.6**	15.9
Effective tax rate	***19.2%***	*19.9%*

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 2018 £m	Year to 31 August 2017 £m
Profit before tax	**102.0**	80.0
Tax on profit at standard rate of UK corporation tax of 19.00% (2017: 19.58%)	**19.4**	15.7
Effects of:		
Expenses not deductible for taxation purposes	**1.2**	0.4
Non-taxable income	**–**	(0.9)
Rate differences: overseas tax	**0.1**	0.1
Rate differences: UK tax	**(1.0)**	(0.3)
Adjustment in respect of prior years	**(0.1)**	0.9
Tax on profit	**19.6**	15.9

Tax recognised in other comprehensive income

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Deferred tax charge on net translation movements offset in reserves	**(0.1)**	–
Deferred tax charge on movement of derivative financial instruments	**(12.7)**	(3.3)
	(12.8)	(3.3)

Tax recognised in the statement of changes in equity

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Deferred tax credit on movement in tax base of share options	**0.6**	1.0
Current tax credit on exercise of share options	**1.4**	–
	2.0	1.0

Amounts which have been recognised in equity are included in the Consolidated Statement of Changes in Equity on page 99.

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 Link Trust are eliminated from the weighted average number of ordinary shares.

Diluted earnings per share is calculated by dividing the earnings by the weighted average number of ordinary shares in issue during the year, adjusted for the effects of potentially dilutive share options.

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Weighted average share capital		
Weighted average shares in issue for basic earnings per share (no. of shares)	**83,290,514**	82,996,217
Weighted average effect of dilutive options (no. of shares)	**781,491**	712,861
Weighted average shares in issue for diluted earnings per share (no. of shares)	**84,072,005**	83,709,078
Earnings (£m)		
Earnings attributable to owners of the parent company	**82.4**	64.1
Basic earnings per share	**98.9p**	77.2p
Diluted earnings per share	**98.0p**	76.6p

10 GOODWILL

See Note 24 and details below for the Group's accounting policy on goodwill.

	Total £m
Cost	
At 1 September 2016, 31 August 2017 and 31 August 2018	**1.4**
Accumulated impairment losses	
At 1 September 2016, 31 August 2017 and 31 August 2018	**(0.3)**
Carrying value	
At 31 August 2018	**1.1**
At 31 August 2017	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); 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.

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

11 OTHER INTANGIBLE ASSETS

See Note 24 for the Group's accounting policy on intangible assets.

	Domain names £m	Software £m	Assets under construction £m	Total £m
Cost				
At 1 September 2016	0.2	121.6	45.1	166.9
Additions	–	64.6	29.0	93.6
Transfers	–	31.0	(31.0)	–
Disposals	–	(0.7)	(0.3)	(1.0)
At 31 August 2017	0.2	216.5	42.8	259.5
Additions	**–**	**71.1**	**49.4**	**120.5**
Transfers	**–**	**18.9**	**(18.9)**	**–**
Disposals	**–**	**(21.4)**	**–**	**(21.4)**
Impairments	**–**	**(3.8)**	**–**	**(3.8)**
At 31 August 2018	**0.2**	**281.3**	**73.3**	**354.8**
Accumulated amortisation				
At 1 September 2016	–	54.5	–	54.5
Charge for the year	–	28.6	–	28.6
Disposals	–	(0.5)	–	(0.5)
At 31 August 2017	–	82.6	–	82.6
Charge for the year	**–**	**37.6**	**–**	**37.6**
Disposals		**(21.2)**	**–**	**(21.2)**
Impairments	**–**	**(1.1)**	**–**	**(1.1)**
At 31 August 2018	**–**	**97.9**	**–**	**97.9**
Net book amount				
At 31 August 2018	**0.2**	**183.4**	**73.3**	**256.9**
At 31 August 2017	0.2	133.9	42.8	176.9

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 (2017: £nil).

Other intangible assets and assets under construction as at 31 August 2018 relate to internal and external costs incurred for the development of software (mainly the truly global retail (TGR) system) for internal use. The majority of assets under construction are expected to go live by March 2019.

Total additions arising from internal development projects were £102.4m (2017: £86.5m).

12 PROPERTY, PLANT AND EQUIPMENT

See Note 24 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 2016	86.4	15.5	12.2	114.1
Additions	26.1	3.6	44.2	73.9
Transfers	15.4	0.9	(16.3)	–
Disposals	–	(1.3)	–	(1.3)
FX	0.1	–	–	0.1
At 31 August 2017	128.0	18.7	40.1	186.8
Additions	**0.1**	**3.4**	**118.4**	**121.9**
Transfers	**37.6**	**4.1**	**(41.7)**	**–**
Disposals	**(4.3)**	**(10.0)**	**–**	**(14.3)**
At 31 August 2018	**161.4**	**16.2**	**116.8**	**294.4**
Accumulated depreciation				
At 1 September 2016	25.3	11.6	–	36.9
Charge for the year	11.0	2.7	–	13.7
Disposals	–	(1.3)	–	(1.3)
FX	0.1	–	–	0.1
At 31 August 2017	36.4	13.0	–	49.4
Charge for the year	**14.0**	**3.0**	**–**	**17.0**
Disposals	**(3.7)**	**(10.0)**	**–**	**(13.7)**
FX	**0.1**	**–**	**–**	**0.1**
At 31 August 2018	**46.8**	**6.0**	**–**	**52.8**
Net book amount				
At 31 August 2018	**114.6**	**10.2**	**116.8**	**241.6**
At 31 August 2017	91.6	5.7	40.1	137.4

Assets under construction as at 31 August 2018 comprise mainly of costs incurred in building the new US hub warehouse in Atlanta and automation of the new Euro hub 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 delay 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 administrative expenses in the Statement of Total Comprehensive Income.

	31 August 2018 £m	31 August 2017 £m
Trade receivables	**14.1**	7.3
Provision for doubtful debts	**–**	(0.1)
Trade receivables net of provision for doubtful debts	**14.1**	7.2
Prepayments	**14.5**	12.6
Other receivables	**14.0**	8.8
	42.6	28.6

The other receivables balance includes £8.6m of UK VAT receivables (2017: £5.9m). 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 2018, the provision for impairment was £nil (2017: £0.1m) as these assets were deemed fully recoverable.

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

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
At start of year	**(0.1)**	–
Released/(provided) during the year	**0.1**	(0.1)
At end of year	**–**	(0.1)

As at 31 August 2018, trade receivables of £0.3m (2017: £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 CASH AND CASH EQUIVALENTS

	31 August 2018 £m	31 August 2017 £m
Net movement in cash and cash equivalents	**(117.3)**	(13.3)
Opening cash and cash equivalents	**160.3**	173.3
Effect of exchange rates on cash and cash equivalents	**(0.3)**	0.3
Closing cash and cash equivalents	**42.7**	160.3

Cash and cash equivalents comprise funds which the Group can access without restriction that at acquisition had a maturity of three months or less.

The Group has in place a £150.0m revolving credit facility available until May 2021, which was not drawn down at the year end.

15 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 2018 £m	31 August 2017 £m
Trade payables	**98.0**	75.5
Taxation and social security	**12.2**	6.5
Accruals	**368.2**	302.7
Other payables	**71.3**	96.0
	549.7	480.7

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

16 DEFERRED TAX ASSET/(LIABILITY)

	Accelerated capital allowances £m	Share-based payments £m	Derivatives £m	Other £m	Total £m
At 1 September 2016	(1.7)	1.7	14.8	(1.5)	13.3
(Charge)/credit to the Statement of Total Comprehensive Income	(1.6)	1.3	(3.3)	(1.5)	(5.1)
Credit to equity (see Note 8)	–	1.0	–	–	1.0
At 31 August 2017	(3.3)	4.0	11.5	(3.0)	9.2
(Charge)/credit to the Statement of Total Comprehensive Income	(3.4)	0.4	(12.7)	(2.3)	(18.0)
Credit to equity (see Note 8)	–	0.6	–	–	0.6
At 31 August 2018	**(6.7)**	**5.0**	**(1.2)**	**(5.3)**	**(8.2)**

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 (2017: £0.2m) which are available for offset against future taxable profits. The Group has no other losses which are available to be carried forward against future taxable profits (2017: £nil). A deferred tax asset of approximately £0.1m (2017: £0.1m) 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, £0.1m (2017: £0.1m) relates to the UK.

The deferred tax asset on share-based payments is created by the temporary difference between the carrying value of outstanding share-based payment options in 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 2018.

It is estimated that deferred tax assets of £3.4m (2017: £12.4m) will be recovered within one year. It is estimated that deferred tax liabilities of £1.0m (2017: £nil) will be payable within one year. Deferred tax assets of £3.4m (2017: £2.4m) and deferred tax liability of £14.0m (2017: £5.6m) will be recovered in more than one year.

The substantively enacted corporation tax rates changed to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. During the year ended 31 August 2017, the substantively enacted corporation tax rate with effect from 1 April 2020 was reduced by a further 1% to 17%.

17 CALLED UP SHARE CAPITAL

	31 August 2018 £m	31 August 2017 £m
Authorised:		
100,000,000 (2017: 100,000,000) ordinary shares of 3.5p each	**3.5**	3.5
Allotted, issued and fully paid:		
83,629,761 (2017: 83,429,874) ordinary shares of 3.5p each	**2.9**	2.9

Ordinary shares are classified as equity

During the year, 199,887 (2017: nil) ordinary shares of 3.5 pence each were issued as a result of the exercise of various employee share options. Total consideration received in respect of the exercise of the employee share options was £nil (2017: £nil). No shares were issued to the chairman (2017: nil), as part of his remuneration package.

Employee Benefit Trust

The provision of shares to satisfy some of the Group's share incentive plans is facilitated by purchases of own shares by the Group's Employee Benefit Trust and Link 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 2018, 54,174 shares (2017: 57,537 shares) were transferred from the Trusts to employees in settlement of share options and awards in exchange for cash consideration of £1.7m (2017: £1.8m). Nil shares (2017: nil) were purchased by the Trusts to satisfy future options and awards, at a cost of £nil (2017: £nil). The Trusts have waived the right to receive dividends on these shares.

At 31 August 2018, 283,474 shares were held by the Trusts (2017: 337,648 shares). The total value in reserves was a credit balance of £1.0m (2017: a debit balance of £0.6m).

18 FINANCIAL INSTRUMENTS

Categories of financial instruments

	31 August 2018 £m	31 August 2017 £m
Financial assets		
Derivative assets used for hedging at fair value	**14.5**	3.6
Loans and receivables	**70.8**	176.3
Financial liabilities		
Derivative liabilities used for hedging at fair value	**(7.3)**	(66.8)
Amortised cost	**(537.5)**	(474.2)

Loans and receivables include trade and other receivables and cash and cash equivalents, and exclude 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 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 2018, the Group had capital of £481.5m (2017: £447.4m).

18 FINANCIAL INSTRUMENTS continued

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 2018, the Group had an undrawn revolving credit facility of £150.0m that is available until May 2021. Borrowings under the revolving credit facility bear interest at a rate linked to LIBOR. Commitment interest is payable on the daily undrawn balance of the facility. The facility, which is unsecured, includes covenants related to the earnings before interest, tax, depreciation and amortisation cover of net financing costs, and net balance sheet debt.

Any surplus cash is placed on deposit to maximise returns on cash balances, within the terms of the investment policy and agreed by the Audit Committee. The Group's financial liabilities at amortised cost as at 31 August 2018 and 31 August 2017 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, financial derivatives, and cash and cash equivalents. The Group's credit risk is primarily attributable to its trade and other receivables and financial counterparties. 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 long-standing relationships, 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 revolving credit facilities to the extent that these are utilised.

At the year end, the Group had no drawings under its revolving 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.

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 and on costs denominated in US dollars and euros. 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 transactions in the same currency, taking into account where both sales and costs arise in the same currency. Where appropriate, the Group uses financial instruments in the form of forward foreign exchange contracts to hedge future highly probable forecast foreign currency cash flows. The Group's policy is to layer hedges over a 24-month period, with 100% coverage of the net unmatched exposure for the first 12 months, 60% for 13 to 18 months and finally 40% from 19 to 24 months, with hedges currently in 12 currencies. 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 2018 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value.

	31 August 2018 £m	31 August 2017 £m
Fair value of derivative financial instruments		
Non-current assets		
Fair value of derivatives	**3.8**	1.3
Current assets		
Fair value of derivatives	**10.7**	2.3
Current liabilities		
Fair value of derivatives	**(5.3)**	(57.7)
Non-current liabilities		
Fair value of derivatives	**(2.0)**	(9.1)
	7.2	(63.2)

18 FINANCIAL INSTRUMENTS continued

The Group's forward foreign exchange contracts were assessed to be highly effective at 31 August 2018, and the net fair value of outstanding contracts was a £7.2m asset (2017: £63.2m liability). Cash flows related to these contracts will occur in the periods set out below, and will impact the Statement of Total Comprehensive Income over the same periods:

	31 August 2018 £m	31 August 2017 £m
Cash flows relating to forward contracts:		
Within six months	**4.3**	(31.4)
Between six months and one year	**1.1**	(24.0)
Between one and two years	**1.8**	(7.8)
	7.2	(63.2)

Cash flow hedges included within Other Comprehensive Income during the year were as follows:

	31 August 2018 £m	31 August 2017 £m
Gains arising during the year on currency forward contracts:		
Gains previously in OCI, reclassified to revenue	**53.7**	56.4
Losses previously in OCI, reclassified to property, plant and equipment	**(1.4)**	–
Net unrealised gain/(loss) during the year	**15.4**	(40.6)
	67.7	15.8

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 and Australian dollars. The following table 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.

18 FINANCIAL INSTRUMENTS continued

	Profit before tax		Equity	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Sterling strengthens by 10% against:				
US dollar	**0.4**	0.5	**0.7**	0.3
Euro	**(0.3)**	0.2	**(0.3)**	(3.8)
Australian dollar	**–**	(0.1)	**0.1**	(1.2)
Sterling weakens by 10% against:				
US dollar	**(0.4)**	(0.5)	**(0.7)**	(0.3)
Euro	**0.3**	(0.2)	**0.3**	3.8
Australian dollar	**–**	0.1	**(0.1)**	1.2

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 2018 and 31 August 2017 there was no significant sensitivity to changes in market interest rates.

19 SHARE-BASED PAYMENTS

See Note 24 for the Group's accounting policy on share-based payments.

The Group recognised a charge of £8.9m (2017: £7.6m) and capitalised £1.5m (2017: £nil) related to share-based payments during the year to 31 August 2018, all of which relates to equity-settled schemes.

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 Scheme (no. of shares)	Total (no. of shares)	Weighted average exercise price (pence)
Outstanding at 1 September 2016	235,973	12,268	13,011	480,458	741,710	1,001
Granted during the year	142,862	–	–	305,789	448,651	1,550
Lapsed during the year	(33,704)	(12,268)	(150)	(47,535)	(93,657)	1,193
Exercised during the year	(53,665)	–	(3,872)	–	(57,537)	3,068
Outstanding at 31 August 2017	291,466	–	8,989	738,712	1,039,167	1,107
Exercisable at 31 August 2017	27,158	–	8,989	–	36,147	3,519
Outstanding at 1 September 2017	**291,466**	**–**	**8,989**	**738,712**	**1,039,167**	**1,107**
Granted during the year	**152,958**	**–**	**–**	**333,498**	**486,456**	**1,580**
Lapsed during the year	**(34,408)**	**–**	**–**	**(35,432)**	**(69,840)**	**2,144**
Exercised during the year	**(52,029)**	**–**	**(2,145)**	**(199,644)**	**(253,818)**	**5,729**
Outstanding at 31 August 2018	**357,987**	**–**	**6,844**	**837,134**	**1,201,965**	**1,325**
Exercisable at 31 August 2018	**14,464**	**–**	**6,844**	**–**	**21,308**	**3,301**

The weighted average share price at date of exercise of shares exercised during the year was 5,729 pence (2017: 5,181 pence).

The weighted average remaining contractual life of outstanding options at the end of the year was 1.6 years (2017: 1.6 years). The aggregate fair value of options granted in the year was £21.2m (2017: £15.8m).

19 SHARE-BASED PAYMENTS continued

Save As You Earn (SAYE) scheme

Under the terms of the current SAYE scheme, the Board grants options to purchase ordinary shares in the Company to employees who enter into an HMRC-approved SAYE scheme for a term of three years. Options are granted at up to a 20% discount to the market price of the shares on the day preceding the date of offer and are normally exercisable for a period of six months after completion of the SAYE contract. These option grants are settled on exercise through a transfer of shares from the Employee Benefit Trust.

Date of grant	1 September 2017 (no. of shares)	**Granted during the year (no. of shares)**	**Lapsed during the year (no. of shares)**	**Exercised during the year (no. of shares)**	**31 August 2018 (no. of shares)**	Exercise price (pence)	Exercise period
08.05.14	26,427	**–**	**(357)**	**(26,070)**	**–**	3,519	01.07.17 – 31.12.17
04.07.14	731	**–**	**–**	**(731)**	**–**	2,462	01.08.17 – 31.01.18
08.05.15	40,414	**–**	**(815)**	**(25,135)**	**14,464**	3,301	01.07.18 – 31.12.18
06.06.16	85,443	**–**	**(8,514)**	**(93)**	**76,836**	2,901	01.07.19 – 31.12.19
08.06.17	138,451	**–**	**(19,911)**	**–**	**118,540**	4,869	01.07.20 – 31.12.20
15.12.17	–	**1,510**	**(184)**	**–**	**1,326**	4,869	01.07.20 – 31.12.20
08.06.18	–	**151,448**	**(4,627)**	**–**	**146,821**	5,028	01.07.21 – 31.12.21
	291,466	**152,958**	**(34,408)**	**(52,029)**	**357,987**		

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 2018 £m	Year to 31 August 2017 £m
Share price (pence)	**6,732**	6,100
Exercise price (pence)	**5,028**	4,869
Expected volatility (%)	**33.4**	49.7
Expected life (years)	**3.1**	3.1
Risk-free rate (%)	**0.82**	0.15
Dividend yield	**–**	–
Weighted average fair value of options (pence)	**2,442**	2,538

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

Share Incentive Plan (SIP)

Under the terms of the SIP, the Board grants free shares to every employee under an HMRC-approved SIP. Awards must be held in trust for a period of at least three years after grant date and become exercisable at this date. These option grants are settled on exercise through a transfer of shares from the Link Trust.

Date of grant	1 September 2017 (no. of shares)	**Granted during the year (no. of shares)**	**Lapsed during the year (no. of shares)**	**Exercised during the year (no. of shares)**	**31 August 2018 (no. of shares)**	Exercise price (pence)	Exercise period
28.12.12	5,018	**–**	**–**	**(1,429)**	**3,589**	nil	Post 28.12.2015
15.11.13	3,971	**–**	**–**	**(716)**	**3,255**	nil	Post 15.11.2017
	8,989	**–**	**–**	**(2,145)**	**6,844**		

19 SHARE-BASED PAYMENTS continued

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 85, are met. These options grants are settled on exercise through issue of new ordinary shares by the Company.

Options granted under the ALTIS are shown below.

Date of grant	1 September 2017 (no. of shares)	**Granted during the year (no. of shares)**	**Lapsed during the year (no. of shares)**	**Exercised during the year (no. of shares)**	**31 August 2018 (no. of shares)**	Exercise price (pence)	Exercise period
15.01.15	173,384	**–**	**(2,582)**	**(170,802)**	**–**	nil	31.10.17
25.03.15	9,398	**–**	**(85)**	**(9,313)**	**–**	nil	31.10.17
27.07.15	8,301	**–**	**(74)**	**(8,227)**	**–**	nil	31.10.17
30.09.15	11,406	**–**	**(104)**	**(11,302)**	**–**	nil	31.10.18
22.10.15	224,166	**–**	**(2,946)**	**–**	**221,220**	nil	31.10.18
25.02.16	17,072	**–**	**(833)**	**–**	**16,239**	nil	31.10.18
26.05.16	5,529	**–**	**–**	**–**	**5,529**	nil	31.10.18
14.07.16	273	**–**	**–**	**–**	**273**	nil	31.10.18
16.12.16	247,750	**–**	**(6,987)**	**–**	**240,763**	nil	31.10.19
01.03.17	31,750	**–**	**(812)**	**–**	**30,938**	nil	31.10.19
07.06.17	8,159	**–**	**(578)**	**–**	**7,581**	nil	31.10.19
14.09.17	1,524	**–**	**–**	**–**	**1,524**	nil	31.10.19
11.10.17	–	**292,772**	**(18,312)**	**–**	**274,460**	nil	31.10.20
01.03.18	–	**27,702**	**(897)**	**–**	**26,805**	nil	31.10.20
22.05.18	–	**13,024**	**(1,222)**	**–**	**11,802**	nil	31.10.20
	738,712	**333,498**	**(35,432)**	**(199,644)**	**837,134**		

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.

	2018			2017			
	Grant 1	**Grant 2**	**Grant 3**	Grant 1	Grant 2	Grant 3	Grant 4
Share price (pence)	**5,882**	**7,452**	**6,412**	4,914	5,432	6,260	5,657
Exercise price (pence)	**–**	**–**	**–**	–	–	–	–
Expected volatility (%)	**40.8**	**34.2**	**32.1**	52.3	46.4	38.1	35.3
Expected life (years)	**3.1**	**2.7**	**2.4**	2.9	2.7	2.4	2.1
Risk-free rate (%)	**0.54**	**0.82**	**0.84**	0.32	0.17	0.09	0.34
Dividend yield	**–**	**–**	**–**	–	–	–	–
Weighted average fair value of options for EPS performance condition (pence)	**5,882**	**7,452**	**6,412**	4,914	5,432	6,260	5,657
Weighted average fair value of options for TSR performance condition (pence)[1, 2]	**3,312**	**4,195**	**3,610**	1,553	1,717	1,978	1,788

1 Inputs to the Monte Carlo model for all three grants from 2018 were as follows: share price of 5,882 pence, exercise price of nil, expected volatility of 40.0%, expected life of 3.0 years, risk-free rate of 0.546% and dividend yield of nil.

2 Inputs to the Monte Carlo model for all four grants from 2017 were as follows: share price of 4,914 pence, exercise price of nil, expected volatility of 46.0%, expected life of 3.0 years, risk-free rate of 0.220% and dividend yield of nil.

20 CAPITAL COMMITMENTS

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

	31 August 2018 £m	31 August 2017 £m
Fixtures and fittings	**42.3**	23.4
Intangible assets	**10.8**	7.0
	53.1	30.4

21 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 2018 £m	31 August 2017 £m
Within one year	**22.9**	14.9
Within two to five years	**92.7**	92.4
In more than five years	**193.6**	197.4
Total	**309.2**	304.7

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

22 CONTINGENT LIABILITIES

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 e-commerce 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.

At 31 August 2018, the Group had contingent liabilities of £20.3m (2017: £19.1m) 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.

23 RELATED PARTY TRANSACTIONS

Transactions with key management personnel

There were no material transactions or balances between the Group and its key management personnel or their close family members during the year to 31 August 2017 and the year to 31 August 2018 other than remuneration disclosed in Note 5.

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

During the year, £1.7m (2017: £1.8m) 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 £41.2m (2017: £36.2m) from Aktieselskabet af 5.5.2010, a company which has a significant shareholding in the Group. At 31 August 2018, the amount due to Aktieselskabet af 5.5.2010 was £5.7m (2017: £7.1m).

24 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, Sweden, the Netherlands 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 and viability assessment

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 90 and 91. The directors have also assessed the prospects of the Company and the Group over a three-year period to 31 August 2021, and have a reasonable expecation that the Company and the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period under review.

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.

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 Link 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 on page 129. 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 Link Trust

The Employee Benefit Trust and Link 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 on despatch from the warehouse, at which point title and risk passes to third parties and 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.

24 ACCOUNTING POLICIES continued

b) Foreign currency translation

The trading results and cash flows of overseas subsidiaries are translated at the average monthly exchange rates during the year. 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 recycled when cash flows from the hedged items impact the accounts. 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) Exceptional items

Items of income and expenditure which are material and non-recurring and presented separately in the Consolidated Statement of Total Comprehensive Income. The separate reporting of exceptional items helps to provide an indication of the underlying performance of the Group.

f) 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.

24 ACCOUNTING POLICIES continued

g) 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.

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.

h) Leases

Rent 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.

i) 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 CGUs that have benefited from the acquisition. If the recoverable amount of the CGU 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.

j) Other intangible assets

The cost 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 and seven years, except for major technical infrastructure projects which have an expected economic life of ten 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.

24 ACCOUNTING POLICIES continued

k) 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, fittings, plant and machinery:** 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 CGU 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.

Company Statement of Changes in Equity

For the year to 31 August 2018

	Called up share capital £m	Share premium £m	Retained earnings[1] £m	Total equity £m
At 1 September 2017	2.9	6.9	14.0	23.8
Loss for the year and total comprehensive loss	**–**	**–**	**(1.1)**	**(1.1)**
Share-based payments contribution	**–**	**–**	**10.4**	**10.4**
At 31 August 2018	**2.9**	**6.9**	**23.3**	**33.1**
At 1 September 2016	2.9	6.9	7.2	17.0
Loss for the year and total comprehensive loss	–	–	(0.8)	(0.8)
Share-based payments contribution	–	–	7.6	7.6
At 31 August 2017	2.9	6.9	14.0	23.8

1 Retained earnings includes the share-based payments reserve.

Company Statement of Financial Position

As at 31 August 2018

	Note	31 August 2018 £m	31 August 2017 £m
Non-current assets			
Investments	8	**33.0**	22.6
Current assets			
Other receivables	3	**0.8**	1.2
Current liabilities			
Other payables	4	**(0.7)**	–
Net current assets		**0.1**	1.2
Net assets		**33.1**	23.8
Equity			
Called up share capital	6	**2.9**	2.9
Share premium		**6.9**	6.9
Retained earnings		**23.3**	14.0
Total equity		**33.1**	23.8

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

As shown in Note 2, the Company incurred a loss for the year of £1.1m (2017: loss of £0.8m).

The financial statements of ASOS Plc, registered number 4006623, on pages 123 to 129, were approved by the Board of Directors and authorised for issue on 16 October 2018 and were signed on its behalf by:

Nick Beighton
Director

Company Statement of Cash Flows

For the year to 31 August 2018

	31 August 2018 £m	31 August 2017 £m
Operating loss	**(1.1)**	(0.8)
Adjusted for:		
Decrease in other receivables	**0.4**	0.9
Increase/(decrease) in payables	**0.7**	(0.1)
Net cash used in operating activities	**–**	–
Net movement 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 2018

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 90 and 91 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 following accounting standards are in issue but not yet effective and have not been adopted by the Company:

— IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments Recognition and Measurement'. The standard is effective for accounting periods beginning on or after 1 January 2018. The Company has completed an assessment of IFRS 9 and it is expected that adoption will not have a material impact on the results or financial position of the Company. The Company will adopt the new accounting standard during the financial year starting 1 September 2018.

— IFRS 15 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue'. This standard is effective for accounting periods beginning on or after 1 January 2018. The Company has completed an assessment of IFRS 15 and it is expected that adoption will not have a material impact on the results or financial position of the Company. The Company will adopt the new accounting standard during the financial year starting 1 September 2018.

— IFRS 16 'Leases' is effective for periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 has also been adopted. The Company has completed an assessment of IFRS 16 and it is expected that adoption will not have a material impact on the results or financial position of the Company. The Company will adopt the new accounting standard during the financial year starting 1 September 2019.

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 24 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 £1.1m (2017: loss of £0.8m).

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 2018 £m	31 August 2017 £m
Amounts due from subsidiary undertakings	**0.8**	1.2

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

As at 31 August 2018, receivables from subsidiary undertakings of £0.8m (2017: £1.2m) 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 2018, receivables of £0.8m (2017: £1.2m) 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 2018 £m	31 August 2017 £m
More than six months	**0.8**	1.2

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 2018 £m	31 August 2017 £m
Amounts due to subsidiary undertakings	**0.7**	–

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 2018 £m	31 August 2017 £m
Financial assets		
Loans and receivables	**0.8**	1.2
Financial liabilities		
Amortised accruals	**(0.7)**	–

Loans and receivables include cash and cash equivalents and receivables due from subsidiary undertakings, and exclude prepayments.

6 CALLED UP SHARE CAPITAL

	31 August 2018 £m	31 August 2017 £m
Authorised:		
100,000,000 (2017: 100,000,000) ordinary shares of 3.5p each	**3.5**	3.5
Allotted, issued and fully paid:		
83,629,761 (2017: 83,429,874) ordinary shares of 3.5p each	**2.9**	2.9

During the year, 199,887 (2017: nil) ordinary shares of 3.5 pence 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 (2017: £nil). No shares were issued to the chairman (2017: nil), 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:

	Year to 31 August 2018 £m	Year to 31 August 2017 £m
Costs recharged by subsidiary undertakings	**1.1**	0.9

For transactions with directors and key management of ASOS Plc, see Note 23 to the consolidated financial statements on page 118.

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 2018, ASOS.com Limited recognised a charge of £10.4m (2017: £7.6m) in respect of share-based payment arrangements. Accordingly, this is shown as an increase (2017: 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 2016	1.7	13.3	15.0
Additions	–	7.6	7.6
At 31 August 2017	1.7	20.9	22.6
Additions	–	10.4	10.4
At 31 August 2018	**1.7**	**31.3**	**33.0**

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

8 INVESTMENTS continued

At 31 August 2018, 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%	Internet retailer
Covetique Limited	UK	100%	Discontinued internet marketplace
ASOS Marketplace Limited	UK	100%	Internet marketplace
ASOS Global Limited	UK	100%	Holding company
Eight Paw Projects Limited	UK	100%	Brand management 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 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[2]	UK	100%	Holding company
ASOS Ventures Limited[3]	UK	100%	Holding company
ASOS (Shanghai) Commerce Co. Limited	China	100%	Discontinued internet retailer

1 ASOS.com Limited has a 7.2% interest in Needle and Thread Design Holdings Limited.

2 ASOS Projects Limited has a 3.4% interest in Action Artificial Intelligence Limited.

3 ASOS Ventures Limited has a 9.99% interest in Trillenium (UK) Ltd and a 9.5% interest in Trackonomics 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: Company Matters Pty Limited, Level 12, 680 George Street, Sydney NSW 2000, 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)

Consolidated Statement of Comprehensive Income

	Year to 31 August 2014 (restated) £m	Year to 31 August 2015 (restated) £m	Year to 31 August 2016 £m	Year to 31 August 2017 £m	**Year to 31 August 2018 £m**
Revenue	970.1	1,143.0	1,444.9	1,923.6	**2,417.3**
Cost of sales	(483.2)	(569.9)	(722.7)	(965.3)	**(1,180.2)**
Gross profit	486.9	573.1	722.2	958.3	**1,237.1**
Distribution costs	(146.9)	(168.2)	(216.0)	(299.2)	**(380.8)**
Administrative expenses	(287.8)	(358.8)	(443.2)	(579.5)	**(754.4)**
Operating profit before exceptional items	52.2	46.1	63.0	79.6	**101.9**
Exceptional items	3.1	6.3	(20.9)	–	**–**
Operating profit after exceptional items	55.3	52.4	42.1	79.6	**101.9**
Finance income	0.3	0.3	0.7	0.4	**0.3**
Finance expense	(0.1)	–	–	–	**(0.2)**
Profit before tax	55.5	52.7	42.8	80.0	**102.0**
Income tax expense	(11.6)	(11.7)	(8.1)	(15.9)	**(19.6)**
Profit from continuing operations	43.9	41.0	34.7	64.1	**82.4**
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	36.6	36.8	24.4	64.1	**82.4**
Net translation movements offset in reserves	(0.2)	(0.1)	(1.4)	(0.3)	**0.3**
Net fair value gains/(losses) on derivative financial instruments	2.0	4.1	(82.3)	15.8	**67.7**
Income tax relating to these items	–	–	16.2	(3.3)	**(12.8)**
Other comprehensive income/(loss) for the year	1.8	4.0	(67.5)	12.2	**55.2**
Profit/(loss) attributable to:					
Owners of the parent company	37.0	36.8	24.4	64.1	**82.4**
Non-controlling interest	(0.4)	–	–	–	**–**
	36.6	36.8	24.4	64.1	**82.4**
Total comprehensive income/(loss) attributable to:					
Owners of the parent company	38.8	40.8	(43.1)	76.3	**137.6**
Non-controlling interest	(0.4)	–	–	–	**–**
	38.4	40.8	(43.1)	76.3	**137.6**
Underlying earnings per share[1]					
Basic	50.0p	43.4p	61.9p	77.2p	**98.9p**
Diluted	49.8p	43.4p	61.8p	76.6p	**98.0p**
Earnings per share					
Basic	44.6p	44.4p	29.4p	77.2p	**98.9p**
Diluted	44.5p	44.4p	29.3p	76.6p	**98.0p**

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

Consolidated Statement of Financial Position

	As at 31 August 2014 £m	As at 31 August 2015 £m	As at 31 August 2016 £m	As at 31 August 2017 £m	**As at 31 August 2018 £m**
Non-current assets	119.3	140.8	204.0	325.9	**503.4**
Current assets	260.7	337.1	446.0	514.5	**503.6**
Total assets	380.0	477.9	650.0	840.4	**1,007.0**
Equity attributable to owners of the parent company	193.4	237.3	200.4	287.1	**438.8**
Non-controlling interest	(0.4)	–	–	–	**–**
Current liabilities	185.6	237.3	428.6	544.2	**558.0**
Long-term liabilities	1.4	3.3	21.0	9.1	**10.2**
Total liabilities, capital and reserves	380.0	477.9	650.0	840.4	**1,007.0**

Consolidated Statement of Cash Flows

	Year to 31 August 2014 £m	Year to 31 August 2015 £m	Year to 31 August 2016 £m	Year to 31 August 2017 £m	**Year to 31 August 2018 £m**
Net cash generated from operating activities after exceptional items	68.6	93.2	130.7	145.9	**93.9**
Net cash used in investing activities	(61.9)	(50.1)	(78.4)	(161.0)	**(212.7)**
Net cash generated (used in)/from financing activities	(3.4)	0.8	0.6	1.8	**1.5**
Net movement in cash and cash equivalents	3.3	43.9	52.9	(13.3)	**(117.3)**
Opening cash and cash equivalents	71.1	74.3	119.2	173.3	**160.3**
Effect of exchange rates on cash and cash equivalents	(0.1)	1.0	1.2	0.3	**(0.3)**
Closing cash and cash equivalents	74.3	119.2	173.3	160.3	**42.7**

Company information

Annual General Meeting

The AGM will be held at 9.30 am on Thursday
29 November 2018 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 (resigned on 30 April 2018)
Rita Clifton
Ian Dyson
Hilary Riva
Nick Robertson
Adam Crozier (Chair elect)*

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

*Adam Crozier's appointment is with effect from the end of the AGM on 29 November 2018 when Brian McBride is not standing for re-election.

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

Link Asset Services
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