# ASOS PLC

ANNUAL REPORT AND ACCOUNTS 2008

ASOS is rapidly becoming market leader in the UK online fashion world.

ASOS continues to generate profitable growth despite continued investment in operational resources.

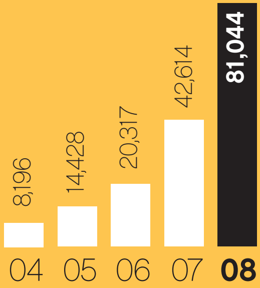
ASOS enjoys strong and increasing barriers to entry due to its dominant market position.

# ASOS PLC

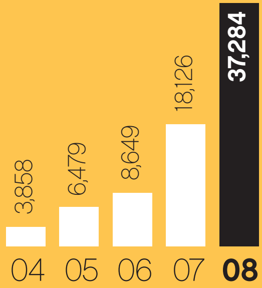
www.asos.com

# Highlights

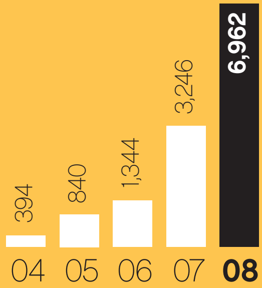
## Revenue
£'000




## Gross Profit
£'000




## Operating Profit
£'000

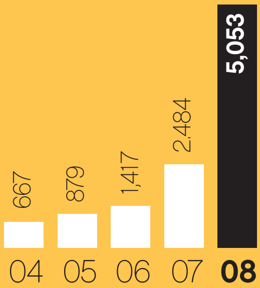



**Strong sales and profit growth continues.**

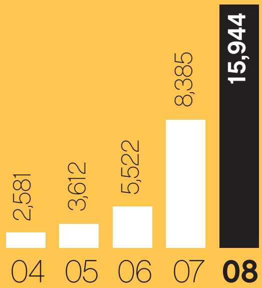
**Continuing investment in people and infrastructure.**

**Confident of another strong year of growth.**

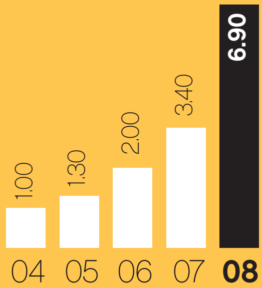
## Profit after taxation
£'000




## Net Assets
£'000




## Earnings per share
pence




THE ONLINE FASHION STORE

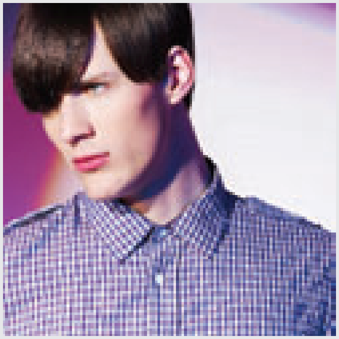
# Our Business

## ASOS IS THE NO. 2 PLAYER IN THE UK ONLINE CLOTHING MARKET

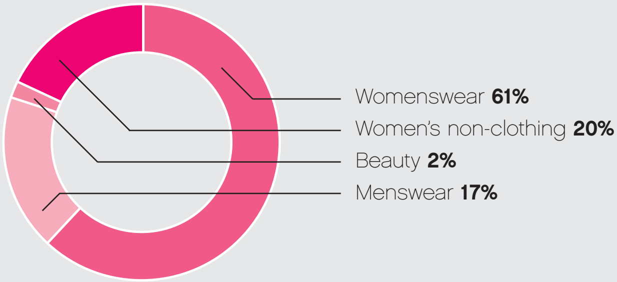
## ATTRACTING OVER 3.4 MILLION VISITORS PER MONTH

## WITH OVER 14,000 LINES FOR SALE

## ASOS ADDS OVER 500 NEW PRODUCT ITEMS PER WEEK



### ASOS Percentage Sales



## What the fashion press are saying:

**In Style**

'asos.com is a bottomless pit of fashionable pieces that make you click, click, click and buy'

**Marie Claire**

'asos.com has expanded into one of the most comprehensive shopping destinations online'

**Daily Mail**

'From sampling celebrity style to setting it, asos.com has become a style front runner'

**Grazia**

'With an eclectic mix of high fashion, designer pieces and A-list inspired outfits, asos.com is a one-stop shop'

**Look**

'Forget department store waiting lists and queues, the asos.com premium boutique is the new Bond Street'

**The London Paper**

'Online emporium asos just keep getting bigger and better'

**Fabulous**

'asos could you stop being so brilliant, you're showing up the rest of the fashion world.'

THE ONLINE FASHION STORE

# Our Business continued

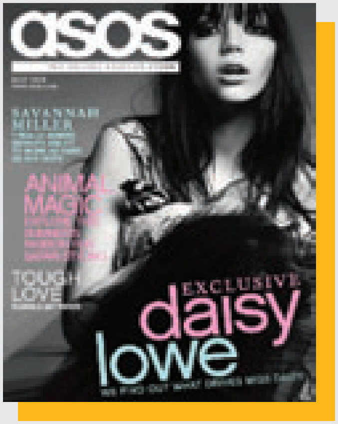
## ASOS Magazine

**£300,000**
**approximate ad revenue 2007/08**

**482,491**
**average monthly circulation from April 2007 to March 2008**

Source: Audit Bureau of Circulation



## ASOS Awards

**getlippy.com Fashion Awards**
'Best Online Shopping'

**The Drapers Footwear Awards**
'Etailer of the Year'

**Business XL**
'Growth Company of the Year'

**Business XL**
'Company of the Year'

**APA Awards**
'Most Effective Retail Consumer Publication'

**Cosmopolitan Online Fashion Award**
'Retailer of the Year'

**Retail Week Awards 2008**
'Online Retailer of the Year'

# 1 year, 7 awards.

THE ONLINE FASHION STORE

# Our Market

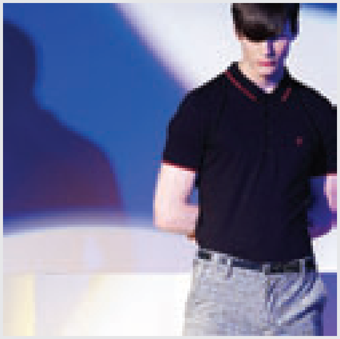
## AROUND 50% OF 16–24 YEAR OLDS BUY CLOTHES ONLINE MORE THAN ONCE A MONTH

## 30% OF WOMEN HAVE BOUGHT CLOTHES ONLINE

## £42.0 BILLION TOTAL UK ONLINE SPEND IN 2007

## 26 MILLION TOTAL UK ONLINE SHOPPERS IN 2007

Source: IMRG UK Figures only



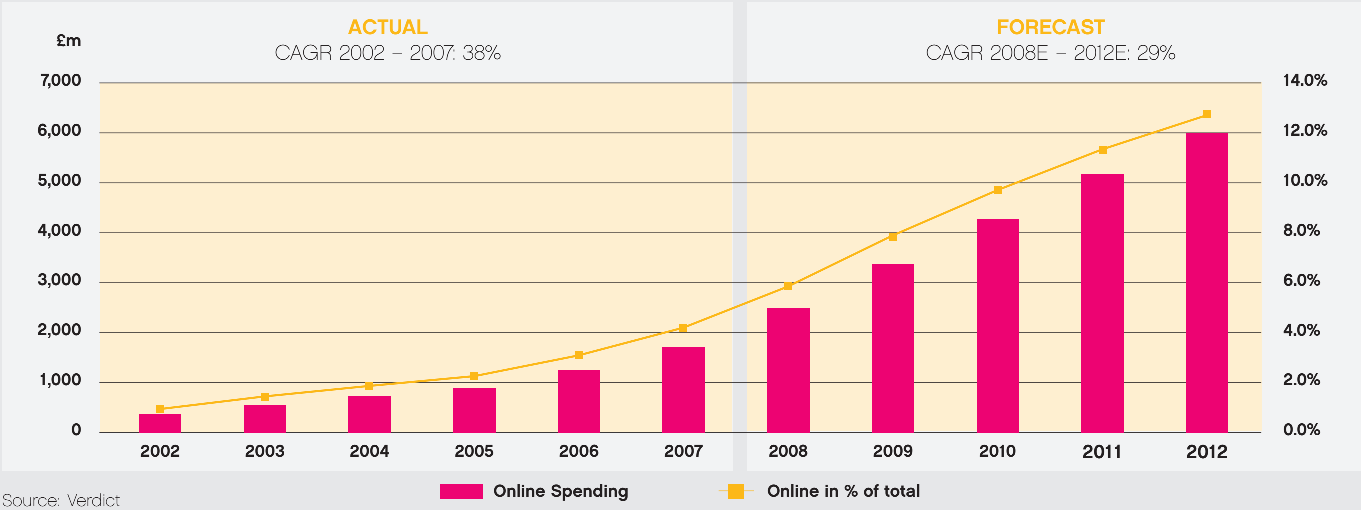
### Top 10 players July 2008

| % of market share | | 2008 | 2007 | Change |
|---|---|---|---|---|
| 1 | Next | 8.96% | 10.71% | -175 bps |
| 2 | ASOS | 4.74% | 3.04% | +170 bps |
| 3 | TopShop.co.uk | 2.75% | 2.46% | +29 bps |
| 4 | River Island | 2.61% | 1.85% | +76 bps |
| 5 | New Look | 1.83% | 0.59% | +124 bps |
| 6 | M and M Direct | 1.45% | 1.62% | -17 bps |
| 7 | Mothercare | 1.41% | 1.40% | +1 bps |
| 8 | Monsoon | 1.34% | 1.21% | +13 bps |
| 9 | Dorothy Perkins | 1.31% | 1.28% | +3 bps |
| 10 | Boden | 1.22% | 1.71% | -49 bps |

Source: Hitwise

ASOS PLC

## UK online clothing to take 10% of market by 2010




Source: Verdict

## ASOS ranks 17 (2007: 40) in the top 50 UK shopping websites by traffic July 2008

| Rank | Name | Share (%) |
|---|---|---|
| 1 | eBay UK | 22.96 |
| 2 | Amazon UK | 4.15 |
| 3 | Argos | 1.69 |
| 4 | Play.com | 1.35 |
| 5 | Tesco.com | 1.27 |
| 6 | eBay | 1.24 |
| 7 | Dell USA | 0.92 |
| 8 | Next | 0.90 |
| 9 | Amazon.com | 0.88 |
| 10 | eBay Motors | 0.83 |
| 11 | Marks & Spencer | 0.74 |
| 12 | Tesco Direct | 0.73 |
| 13 | Shopping.com UK | 0.62 |
| 14 | John Lewis | 0.58 |
| 15 | PC World E-Commerce | 0.55 |
| 16 | Ciao.co.uk | 0.48 |
| 17 | ASOS | 0.48 |
| 18 | Tesco Superstore | 0.47 |
| 19 | Dell EMEA | 0.47 |
| 20 | Currys | 0.46 |
| 21 | Gumtree.com | 0.46 |
| 22 | Hot UK Deals | 0.43 |
| 23 | HMV.com | 0.42 |
| 24 | Review Centre | 0.41 |
| 25 | Kelkoo United Kingdom | 0.40 |
| 26 | Ebuyer | 0.38 |
| 27 | Comet UK | 0.38 |
| 28 | Woolworths UK | 0.38 |
| 29 | Pricerunner.com UK | 0.37 |
| 30 | Staples | 0.36 |
| 31 | B&Q Online | 0.36 |
| 32 | Ticketmaster United Kingdom | 0.35 |
| 33 | Debenhams | 0.34 |
| 34 | Bizrate UK | 0.33 |
| 35 | GAME | 0.32 |
| 36 | Screwfix Direct | 0.29 |
| 37 | O2 Shop | 0.29 |
| 38 | LoveFilm.com | 0.29 |
| 39 | ASDA | 0.29 |
| 40 | TopShop.co.uk | 0.28 |
| 41 | Littlewoods | 0.27 |
| 42 | The Orange Shop | 0.27 |
| 43 | River Island | 0.26 |
| 44 | Apple United Kingdom | 0.26 |
| 45 | Sainsbury's | 0.26 |
| 46 | QVCUK.com | 0.26 |
| 47 | Carphone Warehouse | 0.24 |
| 48 | Boots | 0.22 |
| 49 | NextTag UK | 0.22 |
| 50 | Littlewoods Direct | 0.22 |

Source: Hitwise

THE ONLINE FASHION STORE

# Chairman's Statement

I have great pleasure in presenting another set of excellent results for ASOS PLC. The Company has produced record sales, up 90% to £81.0m, and record profits (before tax), up 117% to £7.3m, in a year when a number of retail businesses were reporting tough trading conditions.

The Board's strategy of investment has been vindicated. The business increased its market share, out-performed its peers, and delivered more than double the growth of the overall online market. ASOS is now firmly established as the UK's premier online fashion business.

## DIVIDEND

With a number of organic initiatives and infrastructure reviews planned, some requiring capital investment, the Board has again decided that no dividend will be paid. This policy remains under constant review.

## COLLEAGUES

On behalf of the Board I would like to thank our colleagues for their continued enthusiasm and often superhuman efforts for the business. To win Retail Week's 2008 'Online Retailer of the Year' for the second year running was a fantastic achievement and one of which we are all very proud.

Our thoughts are also with the families and friends of Mick Roberts and John Blackhurst, two respected colleagues who sadly passed away during the year.

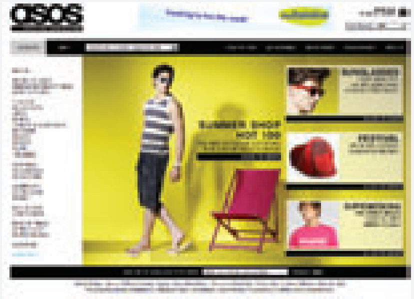
**"WE REMAIN COMMITTED TO BUILDING THE CURRENT BUSINESS AND DRIVING BOTH PROFIT AND REVENUES."**

ASOS PLC

## OUTLOOK

The year has again started extremely well. Sales for the 13 weeks to 27 June 2008 are 95% ahead year on year. This compares to 85% for the same period last year. Whilst it's too soon to suggest that this performance will continue for the full year, we are confident that 2008/09 will be another strong year for ASOS.

**Lord Alli** Chairman



THE ONLINE FASHION STORE

# Chief Executive's Statement

## BUSINESS REVIEW

I am pleased to report on another strong year's trading and the continued investment in the ASOS brand.

Sales grew 90% for the year ended March 2008, and we have now achieved compound annual growth of over 75% per year for the last four years. Profits (before tax) for the year ended March 2008 grew by 117%. Both have been achieved on a purely organic basis.

Whilst the macro economic conditions appear to be deteriorating, I believe we have, and will continue to benefit from the significant migration to online shopping, especially amongst our core customer base. This is reflected in the record number of unique visitors we now receive to the website. In May 2008 we had 3.4 million unique visitors, a 60% increase year on year.

According to Hitwise, ASOS is the second most visited website in the UK clothing and apparel category. Clothing is the fastest growing product category online and Verdict predicts that by 2010, 10% of clothes will be bought online, up from 4% in 2007.

| KEY PERFORMANCE INDICATORS | **07/08** | 06/07 | Increase |
|---|---|---|---|
| Sales (£'000) | **81,044** | 42,614 | 90% |
| Retail margin (excludes third party and postage receipts) | **47.6%** | 44.3% | — |
| Average basket value (£, inc. VAT) | **53.0** | 42.8 | 24% |
| Average units per basket | **2.54** | 2.53 | — |
| Average selling price per unit (£, inc. VAT) | **20.89** | 16.92 | 24% |
| Returns % to sales (by value) | **26.1%** | 21.7% | — |
| % International sales | **10.0%** | 10.5% | — |
| Number of orders ('000) | **2,235** | 1,402 | 60% |

**"OUR CONTINUED RECORD OF SALES AND PROFIT GROWTH HIGHLIGHTS THE ACCELERATING APPEAL OF BOTH ONLINE FASHION AND ASOS AS A LEADER WITHIN THE SECTOR."**

ASOS PLC

## PRODUCT CHOICE

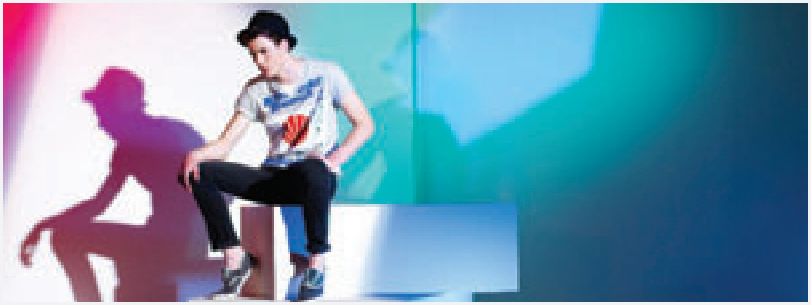
Product choice is at the core of the ASOS proposition. At the end of May 2008, customers could choose from over 10,908 different lines — up from 4,324 in May 2007. The number of brands available on ASOS will increase from 255 in Autumn/Winter 2007 to around 600 by Autumn/Winter 2008. Our own label styles will also increase from 2,530 to around 5,000 over the same time period.

Currently we introduce over 500 new styles a week, up from 200 this time last year. Stock management is key and I am pleased to report our stock continues to turn very quickly at just over every 10 weeks.

During the year we introduced our petites range with 20 lines. This will be increased to around 200 lines this year. Similarly, we introduced size 18 into our own label mix last year and we plan to introduce size 20 this year. We will also be introducing 3 additional leg lengths into our own label ranges as well as a full maternity range.

Our "independent designer section", which we established to provide a shop window to new design talent, has been very successful, and we plan to add an additional 30 designers to the 16 designers with whom we currently work.

The most significant development in 2008/9, however, will be the launch of our branded clearance section, ASOSRed. eBay has proved that the Internet can be a very efficient channel for clearing end of season and markdown stock. We also know from research that eBay and other sites, where this type of stock is available, are popular with our customers. We firmly believe that by applying the ASOS presentation techniques to this end of season stock we will be able to enhance the image of the brands and the product and provide an overall better customer experience. The offer will initially consist of approximately 20 brands, expanding to around 50 brands within 6 months.



THE ONLINE FASHION STORE

# Chief Executive's Statement

## PRESENTATION

The website is evolving constantly as we find better ways of presenting our products. In June 2008 we launched an application that allows our customers to 'virtually' try on our premium sunglasses. In Autumn/Winter we will be introducing catwalk for our premium men's ranges, and our shoes and bags will be visible online through 360 degrees.

The ASOS magazine was voted 'Customer Magazine of the Year' in 2008 by the Periodical Publishers Association as well as receiving its first Audit Bureau of Circulation figure of 370,636.

In April 2008 we launched the first of three men's magazines scheduled for this year.

Over the year, our twice weekly email to customers generated 9% of sales. We have now invested in Customer Relationship Management software (CRM) which means from August we will be able to manage our database much more effectively and our emails will become more targeted. Early trials have shown we can expect to see a significant return on the investment.

Promotional tie-ups and associations are very important to ASOS. In June 2008 we launched our Limited 100 design collaboration with the London College of Fashion. A capsule collection of 100 one-off pieces each sold on the ASOS website. The promotion received fantastic media coverage including two full page features in the national press. The collection sold out in minutes.

## SERVICE

Working with our logistics partner Unipart, we have been able to improve the speed and accuracy of our deliveries to customers. Today, 95% of all orders placed before 2.30 pm leave the warehouse the same day, even if the customer has not opted for next day delivery. This has had the effect of moving our standard delivery terms from 3–4 days to 1–2 days.

In October 2008 we will introduce a number of new delivery options. These include a named day service, including Saturday and both a.m. and p.m. delivery options. We will also introduce a same day service within the M25. Further enhancements including text alerts are being trialled.

We have invested in a customer contact management system which will enable us to respond to our customer care emails quicker and more efficiently. We are also extending the customer care working hours to enable us to reduce the average response time from 60 minutes to 30 minutes.

## MANAGING GROWTH

In light of our continued sales and profit growth, it is more important than ever that we continue to invest in the business to enable it to reach its full potential.

**The management team**

During the year we made a number of key appointments to strengthen the Operating Board. Stefan Pesticcio joined us from Debenhams as Buying Director for Menswear. Hash Ladha joined us from New Look as Marketing and Operations Director. Gary Mudie joined us from Borders Group as IT Director and Caren Downie joined us from Topshop as Buying Director for Womenswear.

**Warehouse and logistics**

In May 2008 we moved into our new 158,250 square feet facility at Hemel Hempstead. We believe the capacity of the new warehouse to be sufficient to satisfy annual sales of approximately £350m. The move, managed by Unipart, was a complete success and we were able to fulfil all our customer delivery guarantees over the move period.

**London office**

At the year end there were 196 employees in the London Office. With a redesign, we have managed to accommodate 300 desks in the space and have taken a further 80 desks in serviced space locally to see us through the anticipated growth in 2008/9.

**Systems and infrastructure**

As well as both the customer relationship and customer contact systems, we are also implementing a new reporting suite to run across the business. The first release is scheduled for September 2008.

We are also extending our disaster recovery solution by splitting the website hardware across two locations.

The next generation of the website is already being developed by a dedicated internal team. We will also review other key functions such as buying and merchandising and finance to ensure we have the capacity for growth.

## SUMMARY AND PROSPECTS

Our continued record of sales and profit growth highlights the accelerating appeal of both online fashion and ASOS as a leader within the sector.

Despite the economic conditions, we have experienced no noticeable slow-down in our business growth and sales for the 13 weeks to 27 June 2008 are 95% ahead of last year.

With three-quarters of the year to go, including Christmas, it is too early to assess whether this performance will continue for the full year. That said, I believe ASOS can look forward to another year of strong progress and business development.

Nick Robertson **Chief Executive**

THE ONLINE FASHION STORE

# Finance Director's Review

2007/08 has been another exceptional year for ASOS. Our investment in people, marketing, systems and warehousing has allowed us to continue to expand and improve our product ranges and to cope with a 60% increase in order volumes. Profit (before tax) for the year ended March 2008 increased from £3.4m to £7.3m, or by 117%. Our underlying profits increased by 176% from £3.0m to £8.2m.

## REVENUES

An analysis of revenues is shown below:

| £'000 | 2007/08 | 2006/07 | Increase |
|---|---|---|---|
| Retail sales | **71,685** | 37,720 | 90% |
| Delivery receipts | **8,117** | 4,238 | 92% |
| Third party revenues* | **1,242** | 656 | 89% |
| **Total revenues** | **81,044** | 42,614 | 90% |

* Third party revenues arise from onsite advertising, marketing inserts into outgoing parcels and advertising in the ASOS magazine.

Trading during the year accelerated from the first half to the second. Having increased 83% in the first half, sales advanced 95% in the second half.

Third party revenues increased in line with sales.

## GROSS MARGIN

Our retail sales margin improved from 44.3% to 47.6% in 2007/08 driven by better inventory management and improved terms with our suppliers.

**"OUR UNDERLYING PROFITS BEFORE TAX INCREASED 176% YEAR ON YEAR TO £8.2M"**

ASOS PLC

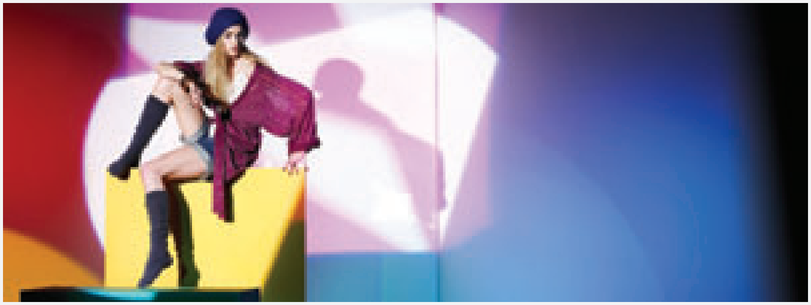
The total gross margin increased from 42.5% in 2006/07 to 46.0% in 2007/08.

During 2008/09, we are planning improvements to our delivery proposition, the cost of which we are not planning to pass on to our customers.

## OPERATING COSTS

During the year there was a non-recurring charge of £0.9m relating to a provision taken on our old warehouse to cover future rent and rates charges and the estimated cost of dilapidations. On an underlying basis, before the provision for our old warehouse, costs increased by £14.1m to £29.4m.

| **£'000** | **2007/08** | 2006/07 | Increase |
|---|---|---|---|
| Payroll & staff costs | **10,279** | 5,813 | 77% |
| Warehousing | **9,992** | 5,435 | 84% |
| Marketing | **5,117** | 1,867 | 174% |
| Other operating costs | **3,954** | 1,680 | 135% |
| Depreciation | **980** | 467 | 110% |
| Statutory operating costs | **30,322** | 15,262 | 99% |
| Less provision for warehouse | **(934)** | — | 100% |
| **Underlying operating costs** | **29,388** | 15,262 | 93% |
| % of sales | **36.3%** | 35.8% | |



THE ONLINE FASHION STORE

# Finance Director's Review

As planned, we strengthened all of the key disciplines across the business resulting in a 77% increase in payroll and staff costs. Our headcount increased from 124 at the start of the year to 222 at the end of the year.

We are planning further recruitment this year in order to support and maintain our growth rates. Headcount will rise to approximately 370 by the end of March 2009.

Warehousing costs before the warehouse provision increased by £3.6m from the prior year. The fixed element of warehousing costs rose from £0.6m to £1.3m as a result of taking on a new warehouse with six times the capacity of the old one. Efficiency within the warehouse operation improved and variable warehousing costs fell from 12.9% to 10.8% of retail sales.

Marketing costs rose significantly in the year, mostly as a result of an increased investment in our magazine. We increased the number of issues in the year from 5 to 11, the number of pages and its circulation. By March 2008 we were dispatching 400,000 copies per month. Marketing costs also include the cost of creating imagery for the website and this rose in line with the increase in product choice over the year. Marketing costs represented 6.3% of sales.

Other operating costs include IT, head office costs and credit card fulfilment costs. The most significant change in 2007/08 resulted from a head office move in May 2007, when we increased our office space by nearly four times to 24,000 square feet. During 2008/09 we will require additional office capacity and have secured space on a short-term licence in order to maintain our flexibility. Credit card fulfilment costs increased in line with retail sales.

Whilst we are mindful of the current economic background and the increasing costs for businesses, we are confident that we will be able to manage our growth and our costs as we have done in the past. In total we anticipate that our operating costs will increase broadly in line with retail sales in 2008/09 as we continue to invest in building and supporting our growing business.

## OPERATING PROFIT

Operating profit for the year ended March 2008 increased from £3.2m to £7.0m, or by 114%. However, adjusted for the provision for our old warehouse, underlying operating profit increased 176% to £7.9m. The underlying operating margin for the year amounted to 9.7%, which compares to 6.7% in the prior year.

## INTEREST

Financial income increased from £0.1m in 2006/07 to £0.3m in the year ended March 2008.

## TAXATION

The effective tax rate for the Group was 30.9%.

## EARNINGS PER SHARE

Fully diluted earnings per share grew by 100% to 6.6p. Fully diluted earnings per share on an underlying basis grew by 154% to 7.4p.

## CAPITAL EXPENDITURE

Capital expenditure in the year amounted to £4.7m and comprised:

| £'000 | Actual 2007/08 | Indicative 2008/09 |
|---|---|---|
| IT | 944 | 4,000 |
| Warehouse | 2,942 | 3,200 |
| Office fixtures and fit-out | 854 | 300 |
| **Total** | **4,740** | **7,500** |

The majority of this expenditure in 2007/08 related to the first phase of the fit-out of our new warehouse in Hemel Hempstead.

Capital expenditure for 2008/09 is expected to rise to approximately £7.5m, of which £3.2m will be required for phase two of our warehouse fit-out. Further investment will be required in future years in order to maximise the capacity of the site.

We are also currently reviewing our IT systems and infrastructure in order to ensure we are in a strong position to maximise our growth potential, and exploit new opportunities as they arise. We have allocated £4.0m in 2008/09 for this purpose.

## CASH FLOW AND NET CASH

The Group continues to be cash generative and all investment continues to be funded from cash flow. Between 31 March 2007 and 31 March 2008, the Group's cash position increased by £5.0m to £10.4m. Major sources of cash inflow included cash from operations, which consisted of EBITDA of £7.9m and an increase in other creditors of £8.7m. We anticipate that half of the increase in other creditors will unwind during the current year.

During the period, share options under the Group's share option schemes were exercised raising £0.2m.

Surplus funds are invested in short-term deposits with the objective of maximising fixed interest rate returns whilst providing the flexibility to fund ongoing operations. It is not the Group's policy to engage in speculative activity or to use complex financial instruments.

# Finance Director's Review

## RECONCILIATION OF STATUTORY TO UNDERLYING OPERATING PROFITS

| £'000 | 2007/08 | 2006/07 | Increase |
|---|---|---|---|
| **Operating profit** | **6,962** | 3,246 | 115% |
| — Plus warehouse provision | **934** | — | — |
| — Less insurance proceeds | **—** | 570 | — |
| — Plus goodwill | **—** | 188 | — |
| **Underlying operating profit** | **7,896** | 2,864 | 176% |

## RECONCILIATION OF STATUTORY TO UNDERLYING PROFITS BEFORE TAX

| £'000 | 2007/08 | 2006/07 | Increase |
|---|---|---|---|
| **Profit before tax** | **7,311** | 3,370 | 117% |
| — Plus warehouse provision | **934** | — | — |
| — Less insurance proceeds | **—** | 570 | — |
| — Plus goodwill | **—** | 188 | — |
| **Underlying profit before tax** | **8,245** | 2,988 | 176% |

ASOS PLC

## RECONCILIATION OF STATUTORY TO UNDERLYING NET PROFIT AND EPS

| £'000 (except where otherwise stated) | 2007/08 | 2006/07 | Increase |
|---|---|---|---|
| **Net profit** | **5,053** | 2,419 | 109% |
| Plus warehouse provision, taxed at effective tax rate | **646** | — | — |
| Less insurance proceeds, taxed at effective tax rate | **—** | 409 | — |
| Plus goodwill | **—** | 188 | — |
| Underlying net profit | **5,699** | 2,198 | 160% |
| Weighted average number of shares, fully diluted (millions) | **77.140** | 75.522 | — |
| EPS, fully diluted | **6.6p** | 3.3p | 99% |
| **Underlying EPS, fully diluted** | **7.4p** | 2.9p | 154% |

Jon Kamaluddin **Finance Director**

THE ONLINE FASHION STORE

# Directors

**Lord Waheed Alli Chairman**
At present Chairman of Chorion Ltd, an intellectual property rights owning company, and non-executive director of Olga Productions Ltd.

Formerly Managing Director at Carlton Television responsible for the production of all its programmes, and previously he was the Managing Director of Planet 24, one of the largest independent production companies in the UK, which he founded with Charlie Parsons and Bob Geldof.

He was appointed a working Labour peer in July 1998. He is active in the House of Lords where he takes a particular interest in issues concerning equality.

Waheed is also a trustee of the Elton John Aids Foundation, Vice-President of UNICEF, Chancellor of De Montfort University, President of the National Youth Theatre and a patron of a number of other voluntary organisations. Waheed is a member of the Audit and Remuneration committees.

**Peter Williams Non-Executive Director**
Peter joined Alpha Airports Group plc as Chief Executive in May 2006. Alpha, a wholly owned subsidiary of Autogrill SpA, provides catering and retailing services to airlines and airports in 17 countries.

Prior to Alpha, Peter was with Selfridges plc from 1991 to 2004, where he was initially Finance Director and then became Chief Executive.

Peter is also non-executive director of Cineworld Group plc and is a member of the Design Council. Peter is Chairman of the Audit and Remuneration committees.

**Nick Robertson Chief Executive**
Nick started his career in 1987 with the advertising agency Young and Rubicam and in 1991 moved to Carat,

ASOS PLC

the UK's largest media planning and buying agency. In 1995 he co-founded Entertainment Marketing, a marketing services business, and in 2000 he co-founded ASOS.com.

**Jon Kamaluddin Finance Director**

Jon Kamaluddin began his career in Corporate Recovery at Arthur Andersen, where he qualified as a Chartered Accountant.

Jon then joined Marks & Spencer, where he spent three years in a number of finance positions including Head of Finance for the per una brand.

Immediately prior to joining ASOS he was Financial Controller of Nutrinnovator Holdings plc. Jon joined ASOS in August 2004.

**Robert Bready Product and Trading Director**

Robert Bready began his career at River Island where he held a variety of merchandising roles across womenswear and menswear.

After five years, Robert moved to The Arcadia Group, where he spent eight years working across young fashion retailers Miss Selfridge and TopMan, eventually becoming a senior Executive for the Miss Selfridge brand.

In 2005 Robert joined ASOS.com and was quickly promoted from Head of Merchandising to Product and Trading Director.

Pictured from left:
**Lord Waheed Alli**
**Peter Williams**
**Nick Robertson**
**Jon Kamaluddin**
**Robert Bready**

THE ONLINE FASHION STORE

# Corporate Governance

## POLICY ON CORPORATE GOVERNANCE

## APPLICATION OF PRINCIPLES

Although not formally required to do so, the directors have sought to embrace the principles contained in the Combined Code (2003 as revised in June 2006) (the Code) applicable to fully listed companies, in formulating and applying the Company's corporate governance policies. These policies are monitored to ensure that they are appropriate to the Company's circumstances and comply as far as possible with the provisions of the Code given the size of the Company.

## DIRECTORS

The Company is managed by a Board of directors and they have the necessary skills and experience to effectively operate and control the business. There are five directors in total, of whom two are non-executive directors. Lord Waheed Alli and Peter Williams, the non-executive directors, comprise both the audit and remuneration committees. The Board meets once a month and the directors make every effort to attend all Board meetings.

The Board is responsible for taking all major strategic decisions and also addressing any significant operational matters. In addition, the Board reviews the risk profile of the Company and ensures that an adequate system of internal control is in place. Management information systems are in place to enable the directors to make informed decisions to properly discharge their duties.

The roles of the Chairman and the Chief Executive are separate. The Chairman is responsible for the running of the Board and he meets regularly and separately with the Chief Executive to discuss matters for the Board.

As the business has developed, the composition of the Board has been under constant review to ensure that it remains appropriate to the managerial requirements of the Company. One-third of the directors retire annually in rotation in accordance with the Company's articles of association. This enables the shareholders to decide on the election of their Company's Board.

The Board takes decisions regarding the appointment of new directors as a whole and this is only done following a thorough assessment of potential candidates' skills and suitability for the role.

All directors are offered appropriate training to develop their knowledge and ensure they remain up to date in relevant matters for which they have responsibility as a member of the Board.

The Chairman's Statement and Chief Executive's Statement included in this annual report give the Board's current assessment of the Company's prospects. The directors are responsible for preparing the financial statements as set out in the statement of directors' responsibilities. The responsibilities of the auditors are set out in their report.

## REMUNERATION COMMITTEE

Details concerning the composition and meetings of the remuneration committee are contained in the directors' remuneration report on pages 25 to 27.

## AUDIT COMMITTEE

During the period the audit committee, which is chaired by Peter Williams, a non-executive director, has met two times with the external auditors being in attendance. The committee has a responsibility for reviewing the financial statements provided to shareholders. In addition, the committee reviews the business and financial risks and internal controls as described below.

The duties of the committee also include ensuring that the auditors provide a cost-effective service to the Company and remain objective and independent and to consider from time to time the need for an internal audit function.

## RELATIONS WITH SHAREHOLDERS

The Company has institutional shareholders and is, where practicable, willing to enter into a dialogue with them. The Chief Executive and the Finance Director meet regularly with institutional investors within the confines of relevant legislation and guidance.

The Board invites communication from its private investors and encourages participation by them at the Annual General Meeting (AGM). All Board members present at the AGM are available to answer questions from shareholders. Notice of the AGM in excess of 21 clear days is given and the business of the meeting is conducted with separate resolutions, voted on initially by a show of hands and with the result of the voting being clearly indicated.

# Corporate Governance

## INTERNAL CONTROL

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to mitigate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Company's significant risks, and that it has been in place for the period ended 31 March 2008 and up to the date of approval of the annual report and accounts, and that it is regularly reviewed by the Board.

The internal control procedures are delegated to executive directors and senior management in the Company operating within a clearly defined departmental structure. The Board regularly reviews the internal control procedures in the light of the ongoing assessment of the Company's significant risks. On a monthly basis management accounts, including a comprehensive forecast, are reviewed by the Board in order to provide effective monitoring of financial performance. At the same time the Board considers other significant strategic, organisational and compliance issues to ensure that the Company's assets are safeguarded and financial information and accounting records can be relied upon. The Board formally monitors monthly progress on each development.

## GOING CONCERN

The directors consider that the funds available to the Company are sufficient for its operation for the foreseeable future.

# Directors' Remuneration

## REMUNERATION COMMITTEE

The members of the Remuneration Committee are Peter Williams (Chairman of the Remuneration Committee) and Lord Waheed Alli. The Chief Executive Officer of the Company is also invited to attend the meetings of the Remuneration Committee but is absent when his remuneration is under discussion.

## ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee reviews and determines on behalf of the Board and shareholders of the Company the pay, benefits and other terms of service of the executive directors of the Company and the broad pay strategy with respect to senior Company employees.

## BEST PRACTICE

As the Company is AIM-listed it is not legally required to set out its remuneration policy but is doing so on a voluntary basis. To the extent that such principles are relevant to the current circumstances of the Company, the provisions of *inter alia* the Directors' Remuneration Report Regulations 2002 and the Combined Code are taken into account.

## REMUNERATION POLICY

The objective of the Company's remuneration policy is to attract and retain the directors and senior executives needed to run the Company in a cost-effective manner.

The remuneration policy of the Company has four principal components:

1. Basic salaries — Basic salaries are determined by the Remuneration Committee bearing in mind the salaries paid in AIM-listed and other small market capitalisation retail companies. Within that frame of reference, it is intended that pay should be at or near the median level.

2. Bonuses — Bonuses are payable according to the achievement by the Company of certain pre-determined profit before tax targets. The level of bonuses payable on achievement of the targets is set at the level perceived correct to provide the necessary incentives for executive directors.

3. Performance Share Plan — The Company established a performance share plan in 2006 for the executive directors and senior employees. The scheme is overseen by the Remuneration Committee which shall determine the terms under which eligible individuals may be invited to participate.

# Directors' Remuneration

4. Share option scheme — The Company has in place a share option scheme covering senior employees, under which share options are normally granted once a year. The exercise price of the options granted under the scheme is set equal to the market value of the Company's shares at the time of grant. The share option scheme is overseen by the Remuneration Committee which shall determine the terms under which eligible individuals may be invited to participate. It is intended that the scheme should be an approved scheme but may be unapproved in relation to certain individuals.

## DIRECTORS' REMUNERATION

The aggregate remuneration paid to the directors during the period was as follows:

| Director | Salary £ | Bonuses £ | **Year ended 31 March 2008 £** | Year ended 31 March 2007 £ |
|---|---|---|---|---|
| Lord Waheed Alli | — | — | **—** | — |
| Peter Williams | 30,000 | — | **30,000** | 30,923 |
| Nick Robertson | 235,000 | 117,500 | **352,500** | 240,000 |
| Jon Kamaluddin | 140,000 | 70,000 | **210,000** | 145,200 |
| Rob Bready | 175,000 | 87,500 | **262,500** | 169,583 |
| Total | 580,000 | 275,000 | **855,000** | 585,706 |

## DIRECTORS' SERVICE CONTRACTS

All executive directors are employed under service contracts. The services of all executive directors may be terminated by the provision of a maximum of 12 months' notice by the Company and the individual. Services of non-executive directors may be terminated by the provision of a maximum of 3 months' notice by the Company and the individual.

## DIRECTORS' SHARE OPTIONS

Details of options for the directors who served during the year are as follows:

| Director | 31 March 2007 | Granted | Exercised | 31 March 2008 | Exercisable date | Range of exercise prices |
|---|---|---|---|---|---|---|
| Lord Waheed Alli | 1,579,657 | — | — | **1,579,657** | 2001–2011 | 12.7p |
| Peter Williams | 100,000 | — | — | **100,000** | 2006–2016 | 94.5p |
| Nick Robertson | 1,179,599 | — | — | **1,179,599** | 2005–2016 | 10.2p–98p |
| Jon Kamaluddin | 471,000 | — | — | **471,000** | 2006–2016 | 43.5p–98p |
| Rob Bready | 285,000 | — | — | **285,000** | 2007–2018 | 53p–98p |

The market price of ordinary shares at 31 March 2008 was 248p and the range during the period was from 112p to 284p.

## DIRECTORS' PERFORMANCE SHARE PLAN

Details of performance share plans for the directors who served during the year are as follows:

| Director | 31 March 2007 | Granted number | 31 March 2008 | Vesting date |
|---|---|---|---|---|
| Lord Waheed Alli | — | — | **—** | — |
| Peter Williams | — | — | **—** | — |
| Nick Robertson | 97,159 | 195,833 | **292,992** | 2009–2010 |
| Jon Kamaluddin | 58,781 | 175,000 | **233,781** | 2009–2010 |
| Rob Bready | 72,869 | 218,750 | **291,619** | 2009–2010 |

# Directors' Report

The directors submit their report and audited financial statements of the Company and the Group for the year ended 31 March 2008.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding Company. The principal activity of its subsidiary undertaking is that of internet retailing.

## BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The results for the year and the financial position of the Group are shown in the financial statements. Review of the business and future developments of the Group is within the Chief Executive's Statement and Finance Director's Review (pages 10 to 19).

## PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of risks that face the Group in the course of conducting its business operations. Although not exhaustive, the following list highlights the principal issues:

### Economic and market risks

The Group's performance is directly impacted by the economic environment and competitor pricing. Consumer spending is integral to achieve sales growth. The Group strives to deliver value to all customers via investment in quality and price, alongside the development of extensive product ranges.

### Competitive activity

Internet retailing is global and highly competitive. Competitive pressures are increasing in the UK, as high street retailers continue to extend their product offering not only in stores but to also incorporate online shopping. In order for the Company to remain competitive in the marketplace, a proactive approach is adopted to remain up to date with competitor activity and consumer trends.

### Employee engagement and retention

At year end, the Group consists of 222 employees who are central to the Company's success. In order for effective and efficient operations within the workplace, the Group relies on professional relationships amongst colleagues, and invests in staff training and development. The Group ensures employees are provided conditions for fulfilling careers, through the employment policies, competitive remuneration and benefits packages it offers staff.

### Health and safety

The Group has programmes and policies in operation to supply team members and those with access to the Group's facilities with orientation and training on safe workplace expectations and practices. There is no guarantee, however, that these practices are effectively performed in all circumstances.

### Supply chain

The Group exists within a complex supply chain. Much effort is placed on working with suppliers and the warehouse to manage potential risk of interruptions and delays in supply or distribution that may adversely impact on trade.

### Fraud

The Group has to be constantly vigilant against fraudulent transactions which are a common occurrence within internet retailing. Investment is placed in systems that monitor and control the impact of fraud, which if not managed correctly could be significant.

### Compliance

The Group must comply with regulatory requirements especially in relation to employment, competition and environmental issues, planning, pensions and taxation legislation over the Company's products and services. The Group adheres to strict compliance practices with regular audits and reviews, in addition to monitoring of regulatory developments.

### IT systems and infrastructure

To trade, the Group is dependent on its IT infrastructure. Significant impact on the business could result from a failure in these systems. Regular testing and updates are undertaken by the Group to ensure the continued integrity and efficiency of its systems.

### Research and development

The Group does not carry out research and development activities.

## RESULTS AND DIVIDENDS

The audited accounts for the 12 months to 31 March 2008 are set out on pages 34 to 67. The Group profit after tax for the financial year was £5.1m (2007: £2.5m), which will be transferred to reserves. The directors do not recommend the payment of a dividend (2007: £nil).

## SUBSEQUENT EVENTS

No matter which is material to the operations of the Group has occurred between the Balance Sheet date and the date of approval of the financial statements.

## DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements were:

Lord Waheed Alli
Peter Williams
Nick Robertson
Jon Kamaluddin
Robert Bready

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

# Directors' Report

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## PAYMENT OF CREDITORS

It is the policy of the Group in respect of all its creditors, where reasonably practicable, to settle the payment with those creditors according to the terms formally agreed with them.

The creditor payment period for the Group throughout the financial year under review is 68 days (2007: 85 days). The creditor payment period for the Company throughout the financial year under review is nil (2007: nil).

## DONATIONS

During the year charitable donations totalling £3,950 were made by the Group.

## RISK MANAGEMENT

The Group's policies on Market risk, Credit risk, Liquidity risk and Capital risk management have been considered in note 23. These are not considered to be significant risks to the business.

## TREASURY SHARES

The employee benefit trust holds shares in ASOS PLC for the purpose of the directors' performance share plan and incentive scheme (PSP). Details of treasury shares held by the Group are shown in note 18 of the financial statements.

## GOING CONCERN

The directors consider that the Group and the Company have adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

## DIRECTORS' STATEMENT REGARDING DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of the approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to ensure the Board is aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

## INDEPENDENT AUDITORS

During the year Horwath Clark Whitehill LLP resigned as auditors to the Company and PricewaterhouseCoopers LLP ("PwC") were appointed in their place. PwC have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted to the forthcoming Annual General Meeting.

By Order of the Board

**J Kamaluddin Secretary**

Registered Office
ASOS PLC
Greater London House
Hampstead Road
London
NW1 7FB

# Independent Auditors' Report to the Members of ASOS PLC

We have audited the Consolidated and Parent Company financial statements (the "financial statements") of ASOS PLC for the year ended 31 March 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Statement, the Finance Director's Review, the Directors' Remuneration Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2008 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

**PricewaterhouseCoopers LLP**
**Chartered Accountants and Registered Auditors**
St Albans
27 June 2008

THE ONLINE FASHION STORE

# Consolidated Income Statement

**For the year ended 31 March 2008**

| | Notes | Year ended 31 March 2008 £'000 | Year ended 31 March 2007 £'000 |
|---|---|---|---|
| Revenue | 2 | **81,044** | 42,614 |
| Cost of sales | | **(43,760)** | (24,488) |
| **Gross profit** | | **37,284** | 18,126 |
| Administration expenses | | **(30,322)** | (15,262) |
| Insurance proceeds | | **—** | 570 |
| Goodwill impairment | 8 | **—** | (188) |
| **Operating profit** | 3 | **6,962** | 3,246 |
| Finance income | 5 | **349** | 124 |
| **Profit before tax** | | **7,311** | 3,370 |
| Taxation | 6 | **(2,258)** | (951) |
| **Profit for the year from continuing operations** | | **5,053** | 2,419 |
| **Discontinued operations** | | | |
| Profit after tax on discontinued operations | 2 | **—** | 65 |
| **Profit for the year** | | **5,053** | 2,484 |
| **Earnings per share** | | | |
| Basic | 7 | **6.9p** | 3.4p |
| Fully diluted | 7 | **6.6p** | 3.3p |

# Statement of Changes in Equity

For the year ended 31 March 2008

| Group | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Treasury shares £'000 | Total £'000 |
|---|---|---|---|---|---|
| Balance as at 1 April 2007 | 2,544 | 3,128 | 2,949 | (236) | 8,385 |
| Shares allotted in the year | 20 | 228 | — | — | 248 |
| Purchase of shares by EBT | — | — | — | (707) | (707) |
| Share options charge | — | — | 477 | — | 477 |
| Profit for the year | — | — | 5,053 | — | 5,053 |
| Tax on share options | — | — | 2,488 | — | 2,488 |
| Balance as at 31 March 2008 | 2,564 | 3,356 | 10,967 | (943) | 15,944 |
| Balance as at 1 April 2006 | 2,517 | 3,007 | (2) | — | 5,522 |
| Shares allotted in the year | 27 | 121 | — | — | 148 |
| Purchase of shares by EBT | — | — | — | (236) | (236) |
| Share options charge | — | — | 328 | — | 328 |
| Profit for the year | — | — | 2,484 | — | 2,484 |
| Tax on share options | — | — | 139 | — | 139 |
| Balance as at 31 March 2007 | 2,544 | 3,128 | 2,949 | (236) | 8,385 |

| Company | Share capital £'000 | Share premium £'000 | Restated retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| Balance as at 1 April 2007 as previously reported | 2,544 | 3,128 | (4,605) | 1,067 |
| Adjustment for share options charge | — | — | 554 | 554 |
| Balance as at 1 April 2007 — restated | 2,544 | 3,128 | (4,051) | 1,621 |
| Shares allotted in the year | 20 | 228 | — | 248 |
| Loss for the year | — | — | (120) | (120) |
| Share options charge | — | — | 477 | 477 |
| Balance as at 31 March 2008 | 2,564 | 3,356 | (3,694) | 2,226 |
| Balance as at 1 April 2006 as previously reported | 2,517 | 3,007 | (4,495) | 1,029 |
| Adjustment for share options charge | — | — | 226 | 226 |
| Balance as at 1 April 2006 — restated | 2,517 | 3,007 | (4,269) | 1,255 |
| Shares allotted in the year | 27 | 121 | — | 148 |
| Loss for the year | — | — | (110) | (110) |
| Share options charge | — | — | 328 | 328 |
| Balance as at 31 March 2007 | 2,544 | 3,128 | (4,051) | 1,621 |

# Consolidated Balance Sheet

**As at 31 March 2008**

| | Notes | 31 March 2008 £'000 | 31 March 2008 £'000 | 31 March 2007 £'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | 8 | | **1,060** | 1,060 |
| Property, plant and equipment | 9 | | **5,590** | 2,086 |
| Deferred tax asset | 11 | | **2,876** | 490 |
| | | | **9,526** | 3,636 |
| **Current assets** | | | | |
| Inventories | 12 | **11,694** | | 5,683 |
| Trade and other receivables | 13 | **4,778** | | 1,669 |
| Cash and cash equivalents | 14 | **10,369** | | 5,379 |
| | | **26,841** | | 12,731 |
| **Current liabilities** | | | | |
| Trade and other payables | 15 | **(18,648)** | | (7,230) |
| Current tax liabilities | | **(1,095)** | | (752) |
| | | **(19,743)** | | (7,982) |
| **Net current assets** | | | **7,098** | 4,749 |
| Provisions for other liabilities and charges | 16 | | **(680)** | — |
| **Net assets** | | | **15,944** | 8,385 |
| **Equity** | | | | |
| Called up share capital | | | **2,564** | 2,544 |
| Share premium | | | **3,356** | 3,128 |
| Treasury shares | | | **(943)** | (236) |
| Retained earnings | | | **10,967** | 2,949 |
| **Total equity** | | | **15,944** | 8,385 |

The financial statements on pages 34 to 67 were approved by the Board on 27 June 2008 and signed on its behalf:

**N Robertson** Director

**J Kamaluddin** Director

# Company Balance Sheet

As at 31 March 2008

| | Notes | 31 March 2008 £'000 | 31 March 2008 £'000 | Restated 31 March 2007 £'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Investments | 10 | | **2,031** | 1,554 |
| **Current assets** | | | | |
| Trade and other receivables | 13 | **502** | | 424 |
| Cash and cash equivalents | 14 | **74** | | 25 |
| | | **576** | | 449 |
| **Current liabilities** | | | | |
| Trade and other payables | 15 | **(381)** | | (382) |
| **Net current assets** | | | **195** | 67 |
| **Net assets** | | | **2,226** | 1,621 |
| **Equity** | | | | |
| Called up share capital | | | **2,564** | 2,544 |
| Share premium | | | **3,356** | 3,128 |
| Retained earnings | | | **(3,694)** | (4,051) |
| **Total equity** | | | **2,226** | 1,621 |

The financial statements on pages 34 to 67 were approved by the Board on 27 June 2008 and signed on its behalf:

**N Robertson** Director

**J Kamaluddin** Director

# Consolidated Cash Flow Statement

**For the year ended 31 March 2008**

| | Notes | **Year ended 31 March 2008 £'000** | Year ended 31 March 2007 £'000 |
|---|---|---|---|
| **Operating profit** | | **6,962** | 3,246 |
| Adjusted for | | | |
| Goodwill impairment | 8 | **—** | 188 |
| Depreciation charge | 9 | **963** | 467 |
| Loss on disposal of fixed assets | | **17** | 15 |
| Increase in inventories | | **(6,011)** | (3,119) |
| (Increase)/decrease in trade and other receivables | | **(3,109)** | 169 |
| Increase in trade and other payables | | **11,418** | 1,822 |
| Increase in provision for other liabilities and charges | | **680** | — |
| Share options charge | | **477** | 328 |
| Impairment of fixed assets | | **254** | — |
| **Cash generated from operations** | | **11,651** | 3,116 |
| Taxation paid | | **(1,811)** | — |
| Finance income | 5 | **349** | 124 |
| **Net cash generated from operating activities** | | **10,189** | 3,240 |
| **Cash flow from investing activities** | | | |
| Payments to acquire fixed assets | | **(4,740)** | (1,621) |
| Proceeds from disposal of fixed assets | | **—** | 43 |
| **Net cash from investing activities** | | **(4,740)** | (1,578) |
| **Cash flow from financing activities** | | | |
| Proceeds from issue of ordinary shares | | **248** | 149 |
| Purchase of own shares by EBT | | **(707)** | (236) |
| **Net cash outflow from financing activities** | | **(459)** | (87) |
| **Net cash inflow from continuing operations** | | **4,990** | 1,575 |
| **Net cash inflow from discontinued operations** | | **—** | 60 |
| **Net increase in cash and cash equivalents** | 21 | **4,990** | 1,635 |

# Company Cash Flow Statement

**For the year ended 31 March 2008**

| | Year ended 31 March 2008 £'000 | Year ended 31 March 2007 £'000 |
|---|---|---|
| **Operating loss** | **(120)** | (110) |
| Adjusted for | | |
| Increase in trade and other receivables | **(78)** | (10) |
| Decrease in trade and other payables | **(1)** | (5) |
| **Cash outflow from operating activities** | **(199)** | (125) |
| **Cash flow from financing activities** | | |
| Proceeds from issue of ordinary shares | **248** | 149 |
| **Net cash inflow from financing activities** | **248** | 149 |
| **Net increase in cash and cash equivalents** | **49** | 24 |

# Notes to the Financial Statements

**For the year ended 31 March 2008**

## 1) ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and Parent Company financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

### A) BASIS OF PREPARATION

The financial statements for both the Parent Company and the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee (IFRIC) interpretations as endorsed by the European Union and those parts of the Companies Act 1985 and 2006 applicable to companies reporting under IFRS. The directors have taken advantage of the exemption available under section 230 of the Companies Act, 1985 and have not presented an Income Statement for the Company alone.

The financial statements have been prepared on the historical cost basis except share-based payment liabilities which are measured at fair value. The principal accounting policies adopted are set out below.

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

#### RECENT ACCOUNTING DEVELOPMENTS

IFRIC 11 'Group and Treasury Share Transactions' (effective for accounting periods beginning on or after 1 March 2007) addresses how to account for share-based payments in individual financial statements of each entity in Group situations.

Following the issue of this guidance the Group has reviewed the accounting treatment of share-based payments in ASOS plc and subsidiary companies. The Group's new accounting treatment results in a Balance Sheet adjustment between investments and retained earnings, and has restated prior year's comparatives to apply this treatment as if it always existed. The impact of this reclassification was to increase investments in subsidiaries and retained earnings by £554,000.

There is no impact on the Company Income Statement for the current and prior years nor the consolidated Group Income Statement and Group Balance Sheet.

During the current year, amounts previously classified as distribution costs of £596,000 have been included within administrative expenses. The 2007 comparative of £431,000 has been amended to present this on a consistent basis.

### B) BASIS OF CONSOLIDATION

The financial statements consolidate the financial statements of ASOS PLC, all its subsidiaries and the Employee Benefit Trust made up to 31 March 2008. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiary companies are consolidated using the acquisition method of accounting and where a Company is accounted for as a subsidiary, uniform accounting policies are applied and the year ends are coterminous.

The Employee Benefit Trust is considered to be a Special Purpose Entity (SPE) where the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group — in substance, the activities of the Trust are being conducted on behalf of the Group according to its specific business needs in order to obtain benefits from its operation. On this basis, the assets held by the trust are consolidated into the Group accounts.

## 1) ACCOUNTING POLICIES continued

### C) GOODWILL

Goodwill arising on acquisition is initially measured at cost, being the excess of the cost of the acquisition over the Group's share of net fair value of the acquired entity's identifiable assets and liabilities at the date of acquisition.

Goodwill is not amortised, but is reviewed for impairment at least annually; any impairment is recognised immediately in the Income Statement and is not subsequently reversed.

### D) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment in value. Depreciation is provided to write down the cost of property, plant and equipment to their estimated residual values, based on current prices at the Balance Sheet date, over their remaining useful lives by equal annual instalments.

The depreciation rates generally applicable are summarised as follows:

| | |
|---|---|
| Plant & machinery | 33% on cost |
| Fixtures & fittings | 20% on cost |
| Computer and telecoms equipment | 33% on cost |
| Systems software | 25% on cost |

Website maintenance costs are written off as they are incurred.

### E) INVESTMENTS

Investments in subsidiary companies are stated at cost, subject to review for impairment.

### F) SHARE-BASED PAYMENTS

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Balance Sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### G) INVENTORIES

Stocks are valued at the lower of cost and net realisable value, on a first in, first out (FIFO) basis. A provision is made for any slow-moving stock.

### H) TRADE RECEIVABLES

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

# Notes to the Financial Statements

**For the year ended 31 March 2008**

### 1) ACCOUNTING POLICIES continued

### I) CASH AND CASH EQUIVALENTS

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

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and short-term deposits.

### J) TAXATION

The tax expense included in the Group Income Statement consists of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted by the Balance Sheet date. Tax is recognised in the Group Income Statement except to the extent that it relates to items recognised directly in Equity, in which case it is recognised in the Statement of Changes in Equity.

Deferred tax is provided using the Balance Sheet liability method, providing for all timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated at the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax is charged or credited to the Group Income Statement, except when it related to items charged or credited directly to Equity, in which case the deferred tax is also recognised in Equity.

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.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet 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 assets and liabilities are offset against each other when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

### K) PENSION COSTS

For certain employees, the Group contributes to their personal pension plans. The costs of these contributions are charged to the profit and loss account in the year in which they become payable.

### L) LEASED ASSETS

Assets acquired under finance leases, which transfer to the lessee substantially all benefits and risks of ownership, are capitalised. The capital element of the related rental obligations is included in the Balance Sheet. The interest element of the rental obligations is charged to the profit and loss account in proportion to the reduced capital element outstanding.

Rentals applicable to operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account over the period of the lease.

### M) REVENUE

Revenue consists primarily of internet and advertising sales as well as postage and packaging receipts. Revenue is recorded net of returns, relevant vouchers, and value added tax when the significant risks and rewards of ownership have been transferred to the buyer.

## 1) ACCOUNTING POLICIES continued

## N) TRADE PAYABLES

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

## O) SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical estimates and assumptions are made in particular with regard to the calculation of fair value of employee share options using the Black–Scholes model. The inputs and assumptions of the model are detailed in note 18.

The criteria for recognition of the deferred tax assets is detailed in note 6.

## P) SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

## Q) FOREIGN CURRENCY TRANSLATION

### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in £ sterling, which is the Group's functional and presentation currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

## R) IMPAIRMENT OF GOODWILL

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested at least annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be

**1) ACCOUNTING POLICIES continued**

recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**S) FINANCIAL ASSETS AND LIABILITIES**

The Group classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Balance Sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the Balance Sheet.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residue interest in the assets of the Group after deducting all of its liabilities. Trade payables are non-interest bearing and are stated at amortised cost.

**T) DIVIDEND INCOME**

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

**U) DIVIDEND DISTRIBUTION**

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

**V) SHARE CAPITAL**

Ordinary shares are classified as equity.

**W) FINANCE INCOME**

Finance income is recognised in the period to which it relates on an accruals basis. Dividends are recognised when a legal entitlement to payment arises.

**X) PROVISIONS**

Provisions for onerous leases are recognised when the Group believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

Where material these obligations are discounted to their present value.

Other provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

1) ACCOUNTING POLICIES continued

Y) RECENT ACCOUNTING DEVELOPMENTS

**Standards, amendments and interpretations effective for 2007/8 or issued and early adopted:**

In preparing the Group financial statements for the current year, the Group has adopted the following new IFRS, amendments to IFRS and IFRIC Interpretations which have not had a significant impact on the results or net assets of the Group:

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements — Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's or Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's or Company's financial statements.

IFRIC 9 'Reassessment of Embedded Derivatives', effective for accounting periods beginning on or after 1 June 2006. The impact of this standard is not material on the Group's or Company's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's or Company's financial statements.

**Standards, amendments and interpretations effective in 2007 but not relevant**

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's or Company's operations:

Revised guidance on implementing IFRS 4, 'Insurance Contracts'.

IFRIC 6 'Liabilities Arising from Participating in a Specific Market — waste electrical and electronic equipment (WEEE)', effective from 1 July 2007 (date from which the WEEE Directive became applicable in the UK).

IFRIC 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economics', effective for accounting periods beginning on or after 1 March 2006.

**Standards, amendments and interpretations not yet effective, but not expected to have a significant impact on the Group:**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group and Company have not early adopted them:

IFRS 8 'Operating Segments' was issued in November 2006 and is effective for accounting periods beginning on or after 1 January 2009.

This new standard replaces IAS 14 'Segment Reporting' and requires segmental disclosures to be presented on the same basis that management uses to evaluate performance of its reporting segments in its management reporting. The Group does not expect the adoption of IFRS 8 to have a significant impact upon the segmental disclosures within the financial statements.

1) **ACCOUNTING POLICIES continued**

Amendments to IFRS 3 'Business combinations', effective for accounting periods beginning on or after 1 January 2010. The Group does not expect the adoption of the amendments to IFRS 3 to have a significant impact upon the results or net assets.

IFRIC 13 'Customer loyalty programmes' was issued in June 2007 and becomes effective for accounting periods beginning on or after 1 July 2008. This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group does not expect the adoption of IFRIC 13 to have a significant impact upon the results or net assets.

Amendment to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statements — Puttable Instruments and Instruments with Obligations Arising on Liquidation'. The Group does not expect the adoption of the amendments to IAS 32 to have a significant impact upon the results or net assets.

Amendment to IAS 23 'Borrowing Costs' was issued in March 2007, and becomes effective for accounting periods beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. We do not expect the adoption of the amendments to IAS 23 to have a significant impact upon the results or net assets of the Group.

IFRIC 12 'Service Concession Arrangements' was issued in November 2006 and becomes effective for accounting periods beginning on or after 1 January 2008. This interpretation applies to public sector service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is a public sector operator and hence this interpretation will have no impact on the Group.

IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' was issued in July 2007 and becomes effective for accounting periods beginning on or after 1 January 2008. This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 'Employee Benefits'. The Group expects that this interpretation will have no impact on the financial position or performance of the Group.

**Standards, amendments and interpretations not yet effective and under review as to their impact on the Group:**

Amendment to IAS 1 'Presentation of Financial Statements', effective for accounting periods beginning on or after 1 January 2009.

Amendment to IFRS 2 'Share-based Payment', effective for accounting periods beginning on or after 1 January 2009.

Amendment to IAS 27 'Consolidated and Separate Financial Statements', effective for accounting periods beginning on or after 1 July 2009.

Z) **TREASURY SHARES**

The Group purchases shares on the market as part of the Performance Share Plan for directors (refer note 18). The investment held at year end is reflected as a reduction of Equity within the Group accounts. The right to the shares is deemed to be an employee benefit and, therefore, is charged to the Income Statement over the vesting period.

## 2) SEGMENTAL ANALYSIS

The revenue and profit of the Group for the year was derived from the same classes of businesses as noted in the Directors' Report. The revenue was derived from the following sources:

**Primary segment by class of business**

| | Internet retailing | | Marketing services (Discontinued) | | Total | |
|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 |
| Revenue | **81,044** | 42,614 | **—** | 488 | **81,044** | 43,102 |
| Cost of sales | **(43,760)** | (24,488) | **—** | — | **(43,760)** | (24,488) |
| **Gross profit** | **37,284** | 18,126 | **—** | 488 | **37,284** | 18,614 |
| Operating costs | **(30,322)** | (14,880) | **—** | (426) | **(30,322)** | (15,306) |
| **Operating profit** | **6,962** | 3,246 | **—** | 62 | **6,962** | 3,308 |
| Net finance income | **349** | 124 | **—** | 3 | **349** | 127 |
| **Profit before tax** | **7,311** | 3,370 | **—** | 65 | **7,311** | 3,435 |
| Taxation | **(2,258)** | (951) | **—** | — | **(2,258)** | (951) |
| **Profit for the year** | **5,053** | 2,419 | **—** | 65 | **5,053** | 2,484 |
| Assets | **35,937** | 16,203 | **430** | 164 | **36,367** | 16,367 |
| Liabilities | **(20,418)** | (7,923) | **(5)** | (59) | **(20,423)** | (7,982) |
| Capital expenditure | **4,740** | 1,621 | **—** | — | **4,740** | 1,621 |
| Depreciation | **963** | 467 | **—** | — | **963** | 467 |
| Impairment of goodwill | **—** | — | **—** | 188 | **—** | 188 |

The above figures are net of inter-company balances and transactions.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Capital expenditure comprises mainly fixtures, fittings and computer equipment.

# Notes to the Financial Statements

For the year ended 31 March 2008

## 2) SEGMENTAL ANALYSIS continued

**Secondary segment by geographical analysis**

Total assets and capital expenditure cannot be apportioned meaningfully across the geographical areas, as all turnover originates in the UK. An analysis of Group revenue based on customer location is as follows:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| **Internet retailing** | | |
| UK | **73,044** | 38,127 |
| North America | **659** | 568 |
| Rest of the world | **7,341** | 3,919 |
| | **81,044** | 42,614 |
| **Marketing services** | | |
| UK (Discontinued) | **—** | 488 |

## 3) PROFIT BEFORE TAXATION

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| **Profit before tax is stated after charging/(crediting)** | | |
| Depreciation of property, plant and equipment — owned | **963** | 467 |
| Cost of inventory recognised as an expense | **37,050** | 20,764 |
| Write-down of inventories to net realisable value | **173** | 133 |
| Net gain on exchange rate differences | **(1,029)** | (95) |
| Loss on the sale of property, plant and equipment | **17** | 15 |
| Insurance proceeds | **—** | (570) |
| Impairment of goodwill | **—** | 188 |
| Operating leases — land and buildings | **1,304** | 478 |
| Operating leases — other | **106** | 17 |

## 3) PROFIT BEFORE TAXATION continued

In addition, the following has been charged in respect of auditors' remuneration:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| **Auditors' remuneration:** | | |
| **Audit and audit related services** | | |
| Statutory audit of Parent, Company and Group financial statements | **15** | 12 |
| Statutory audit of the Company's subsidiaries pursuant to legislation | **42** | 25 |
| **Other services including non-audit services:** | | |
| **Other services relating to taxation** | | |
| Fees payable to Company's auditors for other services relating to taxation | **18** | 21 |

Insurance proceeds relate to final payments relating to the losses caused by the Buncefield fuel depot explosion in December 2005.

The impairment of goodwill relates to Entertainment Marketing (UK) Limited.

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

## 4) STAFF COSTS INCLUDING DIRECTORS' REMUNERATION

The average number of employees (including executive directors) employed by the Group and Company was as follows:

| | 2008 No. | 2007 No. |
|---|---|---|
| Management | **3** | 3 |
| Sales and administration | **173** | 90 |
| Warehouse | **—** | 38 |
| Average number of employees in year | **176** | 131 |

# Notes to the Financial Statements

**For the year ended 31 March 2008**

## 4) STAFF COSTS INCLUDING DIRECTORS' REMUNERATION continued

The employee costs, including directors, for the Group during the year was as follows:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Wages and salaries | 7,199 | 3,960 |
| Social security costs | 884 | 447 |
| Other pension costs | — | 2 |
| Share-based payments | 792 | 328 |
| Total | 8,875 | 4,737 |

Aggregate compensation to key management personnel, being the directors of ASOS PLC, was as follows:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Aggregate emoluments | 855 | 586 |
| Aggregate gains made on exercise of share options | — | 388 |
| Share-based payments | 452 | 175 |
| Total | 1,307 | 1,149 |

During the year there was no exercise of share options by directors (2007: one).

Three (2007: three) directors were entitled to shares under the ASOS Performance Share Plan (PSP).

In relation to the highest paid director:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Aggregate emoluments | 353 | 240 |
| Aggregate gains made on exercise of share options | — | 388 |
| Total | 353 | 628 |

The highest paid director exercised no share options during the year. An award was also made under the ASOS Performance Share Plan (PSP).

## 5) FINANCE INCOME

### Finance income

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Interest on bank deposits | **349** | 124 |
| Total | **349** | 124 |

## 6) INCOME TAX EXPENSE

### a) Analysis of tax charge

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax on profits of the year | **2,355** | 752 |
| **Deferred tax** | | |
| Deferred tax on capital allowances | **124** | 287 |
| Deferred tax on share options | **(221)** | (88) |
| Tax on profit on ordinary activities | **2,258** | 951 |

### b) Factors affecting the tax charge for the period

The tax assessed for the period is higher (2007: lower) than the standard rate of corporation tax in the UK 30% (2007: 30%). The differences are explained below:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Profit before tax | **7,311** | 3,435 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% | **2,193** | 1,030 |
| Effects of: | | |
| Expenses not deductible for taxation purposes | **65** | 30 |
| Movement in deferred tax not provided | **—** | (21) |
| Share options charge | **—** | (88) |
| Total | **2,258** | 951 |

# Notes to the Financial Statements

**For the year ended 31 March 2008**

## 6) INCOME TAX EXPENSE continued

**c) Tax on recognised gains and losses not included in the Income Statement**

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| UK corporation tax at 30% | | |
| Current tax charge on exercise of share options to equity | **199** | — |
| | **199** | — |

**d) Deferred tax assets recognised**

In addition to the amount charged to the Income Statement, tax movements recognised directly in equity were as follows:

| | **2008** | 2007 |
|---|---|---|
| **Deferred tax** | **£'000** | £'000 |
| Share-based payments | **2,289** | 139 |

**Deferred tax assets recognised**

A deferred tax asset of £2,876,000 (2007: £490,000) has been recognised as the directors believe this amount is likely to be recovered in the foreseeable future. This asset arises from deferred tax on share-based payments less accelerated capital allowances. This asset will be recovered as share options are exercised.

The Company has excess management charges of £246,000 (2007: £318,000) which are available for offset against future taxable profits.

## 7) EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year, adjusted for the effects of potentially dilutive share options.

The dilution effect is calculated on the full exercise of all ordinary share options granted by the Group, including performance-based options which the Group considers to have been earned.

The calculations of earnings per share are based on the following:

| | **2008 £'000** | 2007 £'000 |
|---|---|---|
| Profit attributable to shareholders (continuing operations) | **5,053** | 2,419 |
| Earnings per share (pence) | **6.9** | 3.4 |
| **Weighted average number of shares** | | |
| For basic earnings per share | **72,865,070** | 72,089,825 |
| For diluted earnings per share | **77,140,316** | 75,522,076 |

There have been no transactions involving ordinary shares between the reporting date and the date of the approval of these financial statements which would significantly change the earnings per share calculations shown above.

## 8) GOODWILL

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Carrying value at 1 April | **1,060** | 1,248 |
| Impairment | **—** | (188) |
| Carrying value at 31 March | **1,060** | 1,060 |

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis or more frequently if there are any indications that the goodwill may be impaired. Goodwill acquired in a business combination is allocated to groups of cash-generating units according to the level at which management monitor that goodwill.

Recoverable amounts for cash-generating units are based on the higher of value in use and fair value less costs to sell. Value in use is calculated from cash flow projections for five years using data from the Group's latest results and internal forecasts, the results of which are reviewed by the Board. The key assumptions for the value in use calculation include growth rates, expected changes in margins and future changes in the market.

In March 2008 and 2007 impairment reviews were performed by comparing the carrying value of goodwill with the recoverable amount of the cash-generating units to which goodwill has been allocated. Management determined that there has been no impairment in the current year. The impairment on goodwill in the prior year relates to Entertainment Marketing (UK) Limited, a 100% owned subsidiary of ASOS PLC which ceased trading on 31 March 2007.

## 9) PROPERTY, PLANT AND EQUIPMENT

| | Plant & machinery £'000 | Fixtures & fittings £'000 | Computer equipment £'000 | Assets under construction £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2006 | 22 | 713 | 534 | 32 | 1,301 |
| Additions | 3 | 31 | 1,580 | 7 | 1,621 |
| Disposals | — | (74) | — | — | (74) |
| Transfers | — | — | 32 | (32) | — |
| At 1 April 2007 | 25 | 670 | 2,146 | 7 | 2,848 |
| Additions | 8 | 3,788 | 923 | 21 | 4,740 |
| Disposals | — | (51) | (117) | — | (168) |
| Transfers | — | — | — | — | — |
| At 31 March 2008 | 33 | 4,407 | 2,952 | 28 | 7,420 |
| **Accumulated depreciation** | | | | | |
| At 1 April 2006 | 3 | 108 | 201 | — | 312 |
| Charge for the year | 8 | 141 | 318 | — | 467 |
| Disposals | — | (17) | — | — | (17) |
| At 1 April 2007 | 11 | 232 | 519 | — | 762 |
| Charge for the year | 1 | 349 | 612 | 1 | 963 |
| Impairment | — | 254 | — | — | 254 |
| Disposals | — | (32) | (117) | — | (149) |
| At 31 March 2008 | 12 | 803 | 1,014 | 1 | 1,830 |
| **Net book value** | | | | | |
| **At 31 March 2008** | **21** | **3,604** | **1,938** | **27** | **5,590** |
| At 31 March 2007 | 14 | 438 | 1,627 | 7 | 2,086 |
| At 31 March 2006 | 19 | 605 | 333 | 32 | 989 |

The impairment charge comprises fixtures & fittings written down to nil as a result of vacated warehouse property (refer note 16).

# Notes to the Financial Statements

For the year ended 31 March 2008

## 10) INVESTMENTS

**Company**

| | Investment £'000 | Capital contribution £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2006 (restated) | 2,766 | 226 | **2,992** |
| Additions | — | 328 | **328** |
| At 1 April 2007 (restated) | 2,766 | 554 | **3,320** |
| Additions | — | 477 | **477** |
| At 31 March 2008 | 2,766 | 1,031 | **3,797** |
| Investment in subsidiaries | | | |
| **Provisions** | | | |
| At 31 March 2007 and at 31 March 2008 | | | **(1,766)** |
| **Net book value** | | | |
| **31 March 2008** | | | **2,031** |
| 31 March 2007 | | | 1,554 |

The following are the Company's subsidiaries:

| Name of Company | Country of incorporation | Proportion of ordinary shares held | Nature of business |
|---|---|---|---|
| ASOS.com Limited | UK | 100% | Internet retailer |
| Entertainment Marketing (UK) Limited | UK | 100% | Dormant |
| Brindle Limited | UK | 100% | Dormant |

## 11) DEFERRED TAX ASSETS

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Deferred tax | **2,876** | 490 |

## 11) DEFERRED TAX ASSETS continued

The following are the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior year:

| | Accelerated tax depreciation | Share-based payments | Losses | Total |
|---|---|---|---|---|
| At 31 March 2006 | (56) | 343 | 262 | **549** |
| (Charge)/credit to the Group Income Statement | (25) | 228 | (262) | **(59)** |
| (Charge)/credit to equity | — | — | | **—** |
| At 31 March 2007 | (81) | 571 | — | **490** |
| (Charge)/credit to the Group Income Statement | (124) | 221 | — | **97** |
| (Charge)/credit to equity | — | 2,289 | | **2,289** |
| At 31 March 2008 | (205) | 3,081 | — | **2,876** |

On 21 March 2007 it was announced that the corporation tax rate would reduce from 30% to 28% with effect from 1 April 2008. Consequently, all deferred tax calculations have been affected using the revised rate. The impact of the change in the corporation tax rate on the deferred tax asset is not considered material.

## 12) INVENTORIES

| | **2008** **£'000** | 2007 £'000 |
|---|---|---|
| Goods for resale | **11,694** | 5,683 |

## 13) TRADE AND OTHER RECEIVABLES

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | **£'000** | **£'000** | £'000 | £'000 |
| Trade receivables | **1,843** | **—** | 288 | — |
| Less: provision for impairment of trade receivables | **(66)** | **—** | (5) | — |
| Trade receivables — net | **1,777** | **—** | 283 | — |
| Prepayments | **286** | **2** | 547 | — |
| Receivables from related parties | **—** | **500** | — | 424 |
| Other receivables | **2,715** | **—** | 839 | — |
| Current portion | **4,778** | **502** | 1,669 | 424 |

The fair values of trade and other receivables are as follows:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | **£'000** | **£'000** | £'000 | £'000 |
| Trade receivables | **1,777** | **—** | 283 | — |
| Receivables from related parties | **—** | **500** | — | 424 |
| Other receivables | **2,715** | **—** | 839 | — |
| | **4,492** | **500** | 1,122 | 424 |

The above trade and other receivables fall into the 'loans and receivables' category of the Group's financial assets.

As of 31 March 2008, Group trade receivables of £59,000 were impaired. The amount of the provision was £66,000 as at 31 March 2008 which includes an additional provision for supplier advances. The individually impaired receivables mainly related to wholesalers considered to be experiencing financial difficulties. It was assessed a portion of the receivables are expected to be recovered. The ageing of these impaired receivables is as follows:

| | 2008 | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| 3 to 6 months | **7** | — |
| Over 6 months | **59** | 5 |
| | **66** | 5 |

### 13) TRADE AND OTHER RECEIVABLES continued

As of 31 March 2008, Group trade receivables of £122,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| 3 to 6 months | 118 | 31 |
| Over 6 months | 4 | 9 |
| | 122 | 40 |

As of 31 March 2008, Company receivables from related parties of £500,000 (2007: £424,000) were fully performing. Company receivables from related parties that are less than three months past due are not considered impaired. As of 31 March 2008, receivables of £500,000 (2007: £424,000) were 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:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| 3 to 6 months | — | — |
| Over 6 months | 500 | 424 |
| | 500 | 424 |

The carrying amounts of the Group and Company's receivables are denominated in the following currencies:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Pounds sterling | 1,777 | 283 | 500 | 424 |

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

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| As at 1 April | 5 | — |
| Impairment of trade | 61 | 5 |
| As at 31 March | 66 | 5 |

## 13) TRADE AND OTHER RECEIVABLES continued

The creation and release of provision for impaired receivables have been included in 'administration expenses' in the Income Statement. Amounts charged to the allowance account are generally written off, where there is no expectation of recovery.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

## 14) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

## 15) TRADE AND OTHER PAYABLES

| | **2008** | | 2007 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | **£'000** | **£'000** | £'000 | £'000 |
| Trade payables | **8,201** | **—** | 4,841 | — |
| Amounts due to subsidiary undertakings | **—** | **381** | — | 382 |
| Accruals and other payables | **10,447** | **—** | 2,389 | — |
| Total | **18,648** | **381** | 7,230 | 382 |

## 16) PROVISIONS FOR OTHER LIABILITIES AND CHARGES

| | Property provisions £'000 |
|---|---|
| At 1 April 2007 | — |
| Charged to the Income Statement: | |
| Additional provisions | 680 |
| Utilised during the year | — |
| **At 31 March 2008** | **680** |

Property provisions comprise future rent and rates payable on onerous and vacant property leases. The majority of the provision is expected to be utilised over the period to 2010.

## 17) CALLED UP SHARE CAPITAL

| | **2008 £'000** | 2007 £'000 |
|---|---|---|
| Authorised: | | |
| 100,000,000 (2007: 100,000,000) ordinary shares of 3.5p each | **3,500** | 3,500 |
| Allotted, issued and fully paid: | | |
| 73,262,013 (2007: 72,676,013) ordinary shares of 3.5p each | **2,564** | 2,544 |

During the year 586,000 ordinary shares of 3.5p each were issued as a result of exercise of employee share options. Total consideration received in respect of these options was £248,000.

# Notes to the Financial Statements

**For the year ended 31 March 2008**

## 18) SHARE-BASED PAYMENTS

**Equity settled share-based payments**

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year. The settlement method for these is equity.

| | **2008** | | 2007 | |
|---|---|---|---|---|
| | **Share options (no.) '000** | **Weighted average exercise (p)** | Share options (no.) '000 | Weighted average exercise (p) |
| Outstanding at the beginning of the year | **5,840** | **47.4** | 5,357 | 32.1 |
| Granted during the year | **738** | **138.1** | 1,426 | 92.7 |
| Forfeited during the year | **(9)** | **117.0** | (300) | 49.1 |
| Exercised during the year | **(586)** | **42.3** | (643) | 21.5 |
| Outstanding at the end of the year | **5,983** | **58.7** | 5,840 | 47.4 |
| Exercisable at the end of the year | **3,928** | **32.5** | 2,575 | 19.7 |

Options were exercised on twelve occasions throughout the year and the weighted average share price upon exercise was 186 pence (2007: 117 pence).

Options outstanding at 31 March 2008 are exercisable at prices ranging between 4.5 pence and 232.5 pence (2007: 4.5 pence and 98.0 pence) and have an average remaining contract life of 6.4 years (2007: 7.0 years) and a weighted average fair value of 31.5 pence (2007: 24.2 pence).

The fair value of share options granted is calculated at the date of grant using a Black-Scholes option pricing model. The inputs into the model are the risk-free interest rate at the date of grant which during the year ranged from 4.25% to 5.28%; expected volatility of 35%; the share price at the date of grant; the option life; and an expected exercise date of 50% of the life of the option.

Expected volatility was found using a historical volatility calculator and with reference to that of comparable companies.

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

## 18) SHARE-BASED PAYMENTS continued

### Share options

Details of options granted under both the Company's EMI Approved Share Option scheme and an unapproved share option scheme are shown below.

| | Number of shares outstanding | | | | | Option | Period in which exercisable | |
|---|---|---|---|---|---|---|---|---|
| Issue date | 01/04/2007 | Issued | Exercised | Lapsed | 31/03/2008 | price | From | To |
| 06/12/2000 | 1,579,657 | | | | **1,579,657** | 12.7p | 16/01/2001 | 15/01/2011 |
| 31/01/2003 | 75,000 | | 16,000 | | **59,000** | 4.5p | 31/01/2005 | 31/01/2013 |
| 26/02/2004 | 424,599 | | 65,000 | | **359,599** | 10.25p | 26/02/2006 | 25/02/2014 |
| 30/07/2004 | 250,000 | | | | **250,000** | 56.5p | 30/07/2006 | 29/07/2014 |
| 10/08/2004 | 275,000 | | 100,000 | | **175,000** | 43.5p | 10/08/2006 | 09/08/2014 |
| 29/04/2005 | 850,000 | | 350,000 | | **500,000** | 49.5p | 29/04/2007 | 28/04/2015 |
| 09/05/2005 | 50,000 | | 50,000 | | **—** | 43p | 09/05/2007 | 08/05/2015 |
| 07/07/2005 | 160,000 | | | | **160,000** | 53p | 07/07/2007 | 06/07/2015 |
| 08/07/2005 | 50,000 | | 5,000 | | **45,000** | 49.5p | 08/07/2007 | 07/07/2015 |
| 11/07/2005 | 750,000 | | | | **750,000** | 57.5p | 11/07/2007 | 10/07/2015 |
| 04/01/2006 | 50,000 | | | | **50,000** | 68p | 04/01/2008 | 03/01/2016 |
| 04/04/2006 | 100,000 | | | | **100,000** | 94.5p | 04/04/2006 | 04/04/2008 |
| 26/04/2006 | 500,000 | | | | **500,000** | 93.25p | 26/04/2008 | 25/04/2016 |
| 04/07/2006 | 446,000 | | | | **446,000** | 98p | 04/07/2008 | 03/07/2016 |
| 26/07/2006 | 280,000 | | | | **280,000** | 82.75p | 26/07/2009 | 25/07/2016 |
| 30/04/2007 | | 502,521 | | 9,470 | **493,051** | 117p | 23/04/2010 | 22/04/2017 |
| 03/09/2007 | | 100,000 | | | **100,000** | 116.5p | 03/09/2010 | 02/09/2017 |
| 31/01/2008 | | 135,000 | | | **135,000** | 232.5p | 31/03/2011 | 30/01/2018 |
| | 5,840,256 | 737,521 | 586,000 | 9,470 | **5,982,307** | | | |

## 18) SHARE-BASED PAYMENTS continued

**ASOS Performance Share Plan**

Under the rules of the ASOS Performance Share Plan (PSP) and subject to performance conditions, the PSP allows the directors to be awarded ordinary shares in the capital of the Company.

**Vesting of awards**

Awards will normally vest on or following the third anniversary of grant once the committee has determined the extent to which the applicable performance conditions (see below) have been satisfied and provided that the participant is still employed in the Company's Group.

The performance conditions will be structured such that the vesting of an award will be determined by the Company's annual compound growth in normalised earnings per share ("EPS") in excess of inflation ("RPI") over a three year performance period commencing on the first day of the financial year in which the award is granted.

For the initial awards the annual growth targets will be as set out in the table below:

| Annual compound EPS growth of the Company over the performance period | Vesting percentage of the shares subject to an award |
|---|---|
| Less than RPI + 10% | 0% |
| Equal to RPI + 10% | 25% |
| Greater than or equal to RPI + 30% | 100% |
| Between RPI + 10% and RPI + 30% | Between 25% and 100% pro rata on a straight-line basis |

The Committee may amend the performance conditions applying to existing awards at any given time if an event occurs which causes the Committee to consider it appropriate to amend them, provided that, in the opinion of the Committee, the amended conditions are not materially less challenging to achieve in the changed circumstances than those originally set.

The Committee will review the performance conditions each time awards are granted and may impose different performance conditions for subsequent awards, provided that, in the opinion of the Committee, the different performance conditions are not materially less challenging in light of the Company's circumstances than those set for the initial awards.

The ASOS.com Limited Employee Benefit Trust (EBT) was set up to satisfy awards granted under the ASOS Performance Share Plan 2006. The trustees of the plan are Ogier Employee Benefit Trustee Limited and are resident in Jersey.

As at 31 March 2008 the EBT held 818,392 shares (2007: 228,809) to the value of £943,000 (2007: £235,500). The consideration paid for ordinary shares of 3.5p each held by the EBT as at 31 March 2008 has been shown as an EBT reserve and presented within equity for the Group as a treasury share.

## 19) OPERATING LEASE COMMITMENTS

Total of future lease payments under non-cancellable operating leases are as follows:

| Group | 2008 Land and buildings £'000 | 2008 Other £'000 | 2007 Land and buildings £'000 | 2007 Other £'000 |
|---|---|---|---|---|
| Leases which expire | | | | |
| Within one year | **1,019** | **—** | 984 | 6 |
| Within two to five years | **7,900** | **—** | 3,430 | 9 |
| In over five years | **5,665** | **—** | 183 | — |
| Total | **14,584** | **—** | 4,597 | 15 |

## 20) RELATED PARTY TRANSACTIONS

**Transactions with key management personnel**

Only members of the Board of directors of ASOS PLC are deemed to be key management personnel. It is the Board which has responsibility for planning, directing and controlling the activities of the Group. Key management personnel compensation is disclosed in Note 4 and in the Directors' Remuneration Report.

During the year, there were no other material transactions or balances between the Group and its key management personnel or members of their close family.

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

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| **Transactions during the year with subsidiary undertakings** | | |
| Costs recharged by subsidiary undertakings | **116** | 100 |
| **Balance at 31 March 2008 with subsidiary undertakings** | | |
| Amounts due from subsidiary undertakings | **500** | 424 |
| Amounts due to subsidiary undertakings | **382** | 382 |
| Loans made to employee benefit trust | **943** | 236 |

# Notes to the Financial Statements

**For the year ended 31 March 2008**

## 20) RELATED PARTY TRANSACTIONS continued

During the year the Group made a loan of £707,000 to the ASOS.com Ltd employee benefit trust to acquire shares in the Company to satisfy grants made under the rules of the PSP plan.

1,579,657 share options were granted to Lord Waheed Alli in December 2000. Lord Alli has agreed to indemnify ASOS PLC against 50% of the employer's national insurance liability that will arise on exercise of the above options.

## 21) NOTES TO THE CASH FLOW STATEMENT

| | At 1 April 2007 £'000 | Cash flow £'000 | **At 31 March 2008 £'000** |
|---|---|---|---|
| Cash and cash equivalents | 5,379 | 4,990 | **10,369** |

## 22) FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise cash, short-term borrowings and various items such as trade debtors, trade creditors, etc. that arise directly from operations. The main purpose of these financial instruments is the funding of the Group's trading activities. It has been the Group's policy throughout the year under review that no trading in financial instruments should be undertaken.

**Interest rate risk profile of financial assets**

The only financial asset of the Group is cash at bank and in hand which is denominated in sterling. The balance at 31 March 2008 was £10,369,000 (31 March 2007: £5,379,000).

Management has adopted a low risk policy relating to the investment of surplus funds, which are held on time deposit with the Group's bank. Exposure to credit risk is monitored on an ongoing basis.

## 23) FINANCIAL RISKS

### Financial risk factors

The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge certain risk exposures.

**(a) Market risk**

**(i) Foreign exchange**

The Group operates internationally and is therefore exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro and US dollar. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities.

**(ii) Cash flow and fair value interest rate risk**

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

As the Group has no significant interest-bearing borrowings, the Group is not exposed to cash flow interest rate risk.

**(b) Credit risk**

The Group's credit risk arises through credit exposure to customers and Group companies and also with banks with which cash is held.

Management have a credit control process. As the majority of the Group's advertising customers are large companies with which the Group has a long-standing relationship, the risk of default is considered to be low and write-offs due to bad debts are extremely low.

Management consider the risk of default of Group debtors to be negligible.

The Group ensures that deposits are only placed with banks which have a minimum credit rating of AA (Standard and Poor's rating).

**(c) Liquidity risk**

Management are responsible for managing the Group's liquidity. Sufficient funds need to be available to meet business needs as and when they arise. Once all business needs have been met, any surplus cash will be invested in daily deposit accounts with the Group's bank.

**(d) Capital risk management**

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 their shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

# Five Year Group Financial Summary

| | 2008 £'000 | 2007 £'000 | 2006 £'000 | 2005 £'000 | 2004[1] £'000 |
|---|---|---|---|---|---|
| **Income Statement** | | | | | |
| **Revenue** | 81,044 | 42,614 | 20,317 | 14,428 | 8,196 |
| Cost of sales | (43,760) | (24,488) | (11,668) | (7,949) | (4,338) |
| **Gross profit** | 37,284 | 18,126 | 8,649 | 6,479 | 3,858 |
| Operating costs | (30,322) | (15,262) | (9,744) | (5,411) | (3,236) |
| Goodwill impairment | — | (188) | — | (228) | (228) |
| Insurance proceeds[2] | — | 570 | 2,439 | — | — |
| **Operating profit/(loss)** | 6,962 | 3,246 | 1,344 | 840 | 394 |
| Finance income | 349 | 124 | 61 | 39 | 3 |
| **Profit before taxation** | 7,311 | 3,370 | 1,405 | 879 | 397 |
| Taxation | (2,258) | (951) | 12 | — | 270 |
| **Profit/(loss) for the financial year** | 5,053 | 2,419 | 1,417 | 879 | 667 |
| **Earnings per share** | | | | | |
| Basic | 6.9p | 3.4p | 2.0p | 1.3p | 1.0p |
| Fully diluted | 6.6p | 3.3p | 1.9p | 1.2p | 1.0p |
| **Balance sheet** | | | | | |
| Cash at bank | 10,369 | 5,379 | 3,744 | 2,060 | 1,004 |
| Net assets | 15,944 | 8,385 | 5,522 | 3,612 | 2,581 |

[1] In 2003 the accounting period was changed from 31 December to 31 March. This gave rise to a 15 month audited set of accounts for 2003/04. In order to make a meaningful comparison, the unaudited pro forma 12 months to 31 March 2004 is shown rather than the audited 15 months to 31 March 2004.

[2] 2007 and 2006 — business interruption insurance claim following Buncefield fuel depot explosion which caused damage to the Company's warehouse.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the "Meeting") of ASOS PLC (the "Company") will be held at at the offices of JP Morgan Cazenove, 20 Moorgate, London, EC2R 6DA on 1 October 2008 at 11.00 am.

You will be asked to consider and vote on the resolutions below. Resolutions 1 to 6 will be proposed as ordinary resolutions and resolution 7 will be proposed as a special resolution. The business to be transacted under Resolutions 1 to 6 is deemed to be ordinary business under the Company's Articles of Association and the business to be transacted under Resolution 7 is deemed to be special business under the Company's Articles of Association.

**ORDINARY RESOLUTIONS**

1. To receive and adopt the Financial Statements of the Group for the 12 months ended 31 March 2008 together with the Reports of the Directors and Auditors thereon.

2. To re-elect as a director Peter Williams who retires by rotation in accordance with the Company's Articles of Association and offers himself for re-election.

3. To re-elect as a director Robert Bready who retires by rotation in accordance with the Company's Articles of Association and offers himself for re-election.

4. To re-elect as a director Jonathan Kamaluddin who retires by rotation in accordance with the Company's Articles of Association and offers himself for re-election.

5. To reappoint PricewaterhouseCoopers LLP, Chartered Accountants, London as auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company , at a level of remuneration to be determined by the directors.

6. THAT in substitution for any existing and unexercised authority and for the purposes of Section 80 of the Companies Act 1985 ("Section 80"), the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80) up to an aggregate nominal amount of £854,723 provided that this authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 10 January 2010, save that the Company may at any time before such expiry make offers, or enter into agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the directors may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

**SPECIAL RESOLUTION**

7. THAT in substitution for any existing and unexercised powers granted to them and subject to the passing of Resolution 6 above, the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act, including the sale of shares previously held as treasury shares within the scope of Section 94(3A) thereof) for

# Notice of Annual General Meeting

cash pursuant to the authority conferred by Resolution 6 as if Section 89(1) of that Act did not apply to any such allotment (or sale of treasury shares) provided that this power shall be limited:

(a) to the allotment of equity securities in connection with an issue by way of rights (including without limitation under a rights issue, open offer or similar arrangement) in favour of holders of ordinary shares in the Company where the equity securities respectively attribute to the interests of all holders of Ordinary Shares are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them but subject to such exclusion or other arrangement as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under laws of, or the requirements of, any regulatory or stock exchange authority in any jurisdiction or shares held by an approved depository or in issue in uncertified form;

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities (or sale of treasury shares) up to an aggregate nominal amount of £128,209; and

(c) (otherwise than pursuant to paragraphs (a) and (b) above), in connection with the issue of shares pursuant to existing share options issued under the Company's Enterprise Management Investment Scheme and the Company's unapproved share option scheme (the "Share Options"), the allotment of ordinary shares of the Company pursuant to the exercise of the Share Options up to an aggregate nominal amount of £209,381

and shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 10 January 2010, except to the extent that the same is renewed or extended prior to or at such meeting save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the directors may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

By Order of the Board

**J Kamaluddin**
**Company secretary**
ASOS PLC
Greater London House
Hampstead Road
London
NW1 7FB
21 August 2008

## NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

### Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 6.00 pm on 29 September 2008 or, if this Meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting shall be entitled to attend and vote at the Meeting.

### Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (the "Company's Registrars") in advance of the time and date specified in note 6 below who will advise you on how to do so. Please note that failure to specify the number of shares to which each proxy appointment relates, or specifying a number of shares in excess of those held will result in the proxy appointments being invalid.

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

### Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy you must use the hard copy Proxy Form. The form must be completed and signed, and it must be received by the Company's Registrars no later than 6.00 pm on 29 September 2008.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a notarially certified copy of such power or authority) must be included with the proxy form.

### Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

### Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

# Notice of Annual General Meeting

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company's Registrars in advance of the time and date specified in note 6 who will advise you on how to do so. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

**Termination of proxy appointments**

9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's Registrars in advance of the time and date specified in note 6. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a notarially certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by the Company's Registrars no later than the time and date specified in note 6. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

    Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

**Appointment of proxy via CREST**

10. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 6.00 pm on 29 September 2008. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 6.00 pm on 29 September 2008.

**Issued shares and total voting rights**

11. As at 6.00 pm on 15 August 2008, the Company's issued share capital comprised 73,734,162 ordinary shares of 3.5 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company. Of this total, 1,119,741 ordinary shares are held on behalf of Ogier Employee Benefit Trustee Limited in their capacity as trustees of the Company's employee share schemes and these shares do not carry voting rights. Therefore the total number of voting rights in the Company as at 6.00 pm on 15 August 2008 is 72,614,421.

**Documents on display**

12. Copies of the service contracts and letters of appointment of executive directors of the Company will be available for inspection on 1 October 2008 at the place of the Annual General Meeting from 10:30am until the conclusion of the Meeting.

**Communication**

13. You may not use any electronic address (other than the use of the CREST system as stated above) to communicate with the Company for any purposes in connection with this Notice of AGM.

# Company Information

**DIRECTORS:**
Lord W Alli (Chairman)
N Robertson
J Kamaluddin
R Bready
P Williams

**SECRETARY:**
J Kamaluddin

**REGISTERED OFFICE:**
Greater London House
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London NW1 7FB

Registered in England No. 04006623

**INDEPENDENT AUDITORS:**
PricewaterhouseCoopers LLP
10 Bricket Road
St Albans
Herts AL1 3JX

**LAWYERS:**
Lawrence Graham LLP
4 More London Riverside
London SE1 2AU

**FINANCIAL ADVISOR, NOMINATED ADVISOR AND JOINT BROKER:**
JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA

**JOINT BROKER:**
Kaupthing Singer & Friedlander Capital Markets Limited
One Hanover Street
London W1S 1AX

**FINANCIAL PR:**
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30 Coleman Street
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**REGISTRARS:**
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