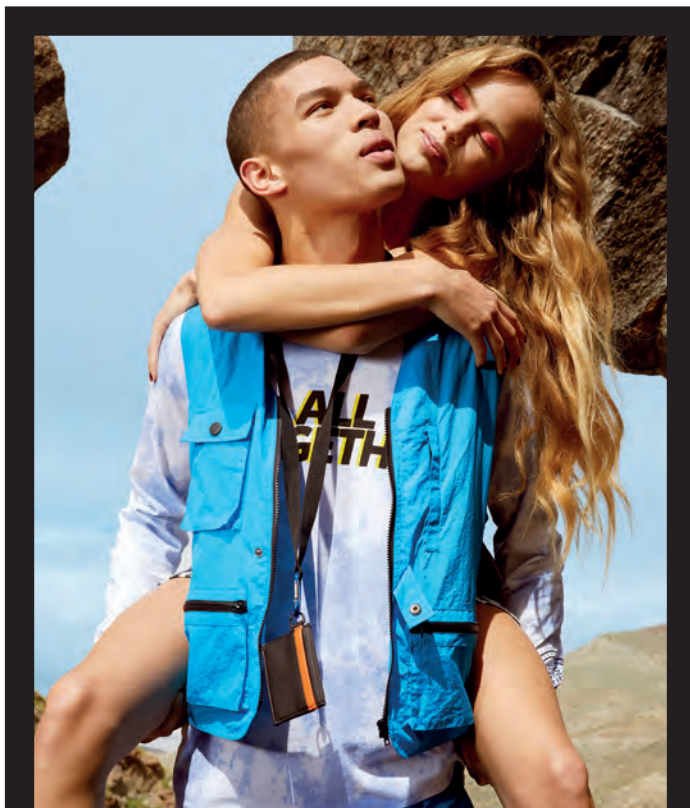




**ASOS PLC** Annual Report and Accounts  
2019

# Building A Truly Global Retail Leader

For fashion loving 20-somethings



# Authentic, Brave and Creative

## Our 2018/19 story

Back in 2000, people said online fashion wouldn't work. We proved them wrong. Almost 20 years on, we're still pushing the boundaries for the world's fashion loving 20-somethings, helping more and more people look, feel and be their best. This report introduces a more agile ASOS, a truly global retailer with our eyes set firmly on becoming the number one online fashion destination for 20-somethings globally.



## Financial highlights

### Revenue

**£2,733.5m**

2018: £2,417.3m  
2017: £1,923.6m

### Gross profit

**£1,334.3m**

2018: £1,237.1m  
2017: £958.3m

### Profit after tax

**£24.6m**

2018: £82.4m  
2017: £64.1m

### Operating profit

**£35.1m**

2018: £101.9m  
2017: £79.6m

### Diluted EPS

**29.4p**

2018: 98.0p  
2017: 76.6p

### Net assets

**£453.6m**

2018: £438.8m  
2017: £287.1m

## Non-financial highlights

**20.3m**

active customers

**85,000+**

products on website

**c.950**

third-party brands

**20,000**

young people supported  
by the ASOS Foundation

## What's inside?

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This report refers to data and performance between 1 September 2018 and 31 August 2019. It covers the worldwide operations of ASOS.com.

# ASOS: the future of fashion, today

From almost any country in the world, you can shop over 85,000 products from ASOS' own collections and other leading 20-something brands. With a single swipe or click today's must-haves could be with you tomorrow. A British success story with a truly global offer. This is ASOS: the future of fashion, today.

Our business model (page 12) is uniquely designed to give the world's 20-somethings the confidence to be whoever they want to be. This purpose is in our DNA. It's at the heart of our day-to-day business and long-term strategy. And it's behind every great customer relationship.

## A bigger and better ASOS

Taking the pioneering ASOS model to every corner of the world means customising our online platforms and scaling our infrastructure. So, in 2018/19 we made the bold move to step up the pace in transforming our digital and logistics capabilities. ASOS.com and our apps now boast more localised and personalised shopping features than ever before. What's more, you can shop in 12 languages and 19 currencies. Our global network of fulfilment and returns centres use the latest automation to improve availability and stock efficiency, while smart carrier software and best-in-class propositions make rapid and convenient deliveries and returns possible in more countries. Find out how we're ready to reach more 20-somethings than ever before on page 16.

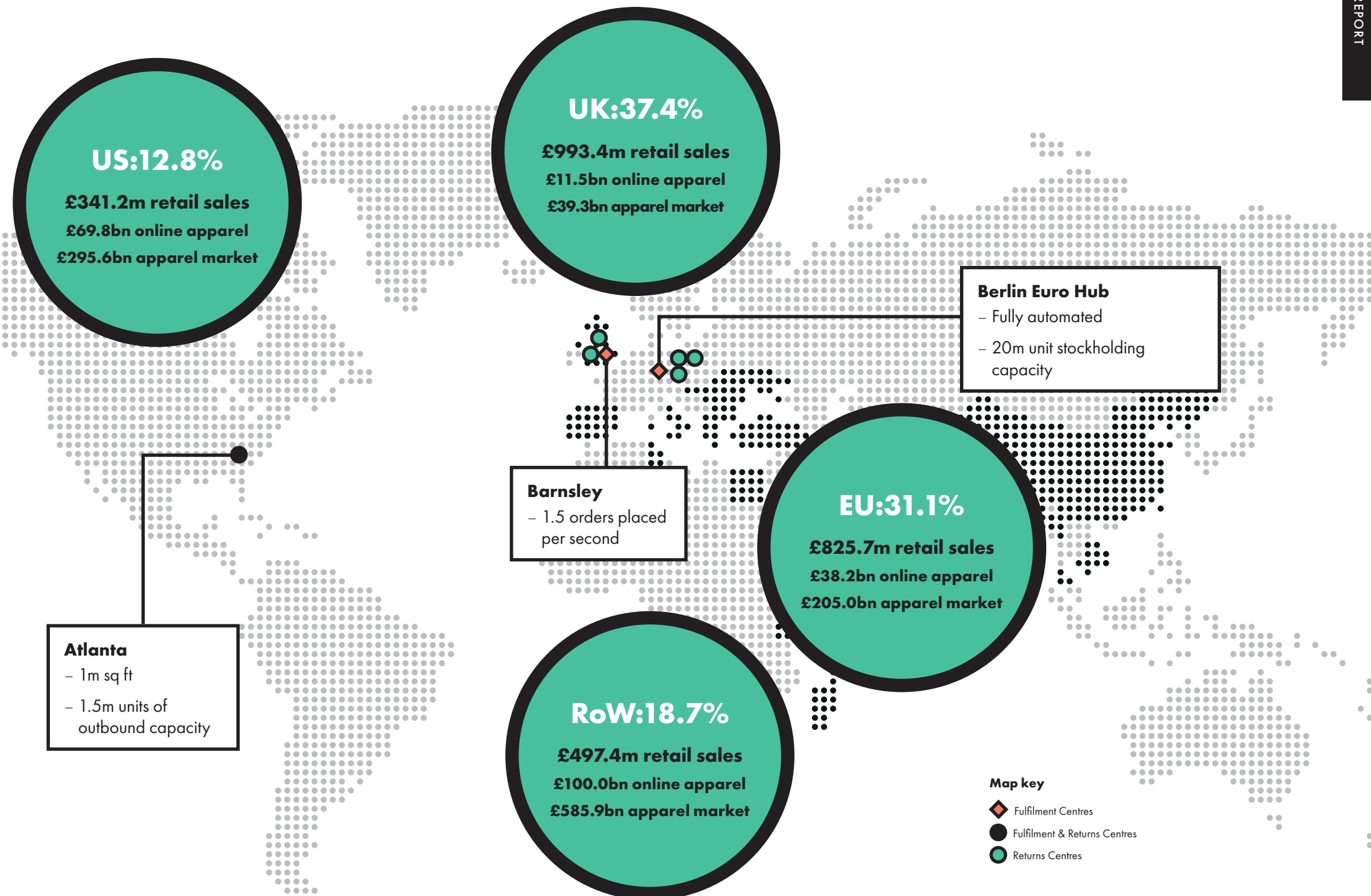
## Fashion with Integrity

Today's 20-somethings rightly expect more from retailers when it comes to transparency, sustainability and good conduct. Fashion with Integrity is not just the name of our corporate responsibility programme, it underpins everything we do – to ensure we source sustainably, trade ethically, communicate inclusively and work collaboratively with a broad range of stakeholders. And it's making a measurable difference. Find out more on pages 28 to 31.

Listed as one of the 'most engaged' fashion companies for sustainability by the UK Environmental Audit Committee

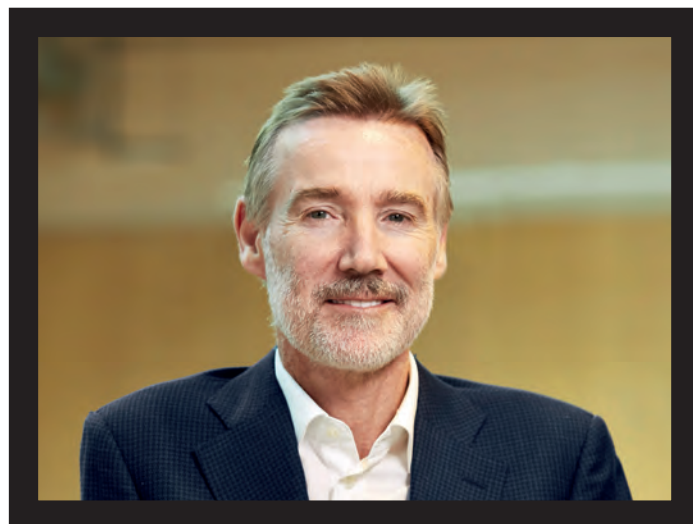
**Our mission:** To be the world's number one destination for fashion loving 20-somethings

**Our values:** Authentic, Brave, Creative





# Welcome from our new Chair



ASOS is a British success story. I believe it's one of just a handful of retailers that can become truly global. With such a clear brand identity and a team that deeply understands fashion loving 20-somethings, we remain at the cutting edge of the industry. In my first few months alone, I've been struck by the sheer talent, passion and enthusiasm of ASOSers. This relentless entrepreneurial spirit is supported by a culture that embraces brave, creative and authentic working. Being given an opportunity to become part of the ASOS story this year – at such an exciting crossroads of global growth – is a real privilege.

**“I've been struck by the sheer talent, passion and enthusiasm of ASOSers”**

## Learning and growing from 2018/19

Over the last few years, the Company has prioritised investment in the right infrastructure, in the right places, to enable our ambitious growth plans. However, I am all too aware that this has impacted our financial and operating performance over the last 12 months. In short, we have disappointed investors and, at times, ASOSers. The complexity of transitioning to an international scale was underestimated, particularly with regard to trading across an expanded warehouse network, and this negatively impacted stock availability and sales in Europe and the US.

Hindsight shows that our internal capabilities were not in line with the pace of targeted growth. However, we are clear on the root causes of the operational challenges that we have experienced, and we have made good progress in resolving them. We're now focused on building our capabilities and leveraging these critical investments to enable us to efficiently offer our market-leading proposition to customers across the world and achieve truly global scale.

## My priorities ahead

My priorities going forward are clear. We need to ensure we have world-class, lean, frictionless operations internationally. We need to replicate what we do brilliantly in every key market, keeping ASOS DESIGN front and centre, whilst also being the partner of choice for all the best 20-something brands across the world. We need to continue to provide uniquely fresh and engaging content and experiences for our customers every single day and, if we can do all of this at scale and pace, then we will have the right momentum for the future.

It is also vital that we have the right balance of experience and talent in both the Boardroom and the Executive management team to drive the next stage of growth. It's why we recently announced a refresh of the ASOS Board of Directors and the appointment of four Non-executive Directors, who will join us throughout FY20. These appointments mark a significant strengthening of our Board and bring with them world-class experience, skills, and expertise which will be essential in guiding ASOS through the next stage of global growth. We also announced that Hilary Riva and Rita Clifton will be stepping down from the Board once their six-year tenures come to an end in April 2020. On behalf of the Board, I would like to thank Hilary and Rita for their significant contribution to the Board over their tenure and the important role they have played in the development of ASOS.

The year ahead will be pivotal as we reset and prime ourselves for the next stage of growth. I have no doubt though, that with the right team of people in place, combined with robust governance, we will capture more of that online market share and, in turn, balance growth with profitability in the short, medium and long term.

Finally, I would like to thank every one of our ASOSers for their commitment over the last year and I look forward to working with you all in this exciting new era for ASOS.

**Adam Crozier**  
Chair

# CEO's Operational review

## Overview

The financial and operating performance of ASOS has been disappointing this year. The huge investment we undertook in transitioning us into a business with scale and operational capability in both the EU and US has been more challenging than we foresaw. The transformation has been huge and we underestimated the impacts of large scale operational change being executed on two continents simultaneously. With the benefit of hindsight, we were not adequately prepared for the additional complexities of planning and trading across our expanded warehouse footprint. It is also clear that our internal capabilities had not kept pace with this growth and change in complexity, and accordingly we lost focus on several of our core competencies, notably product, presentation and customer engagement.

This was reflected in our financial performance. Total sales grew by 13% to £2,733.5m supported by an improving performance in P4. Retail gross margin reduced 250bps to 47.4% reflecting the shift to a local platform in the US, expansion of our high street brand offering and adverse country mix as a result of the operational challenges experienced in the year. PBT of £33.1m further reflected a number of transitional impacts from the logistics transformation programme and warehouse implementations undertaken in the year.

We are confident in having identified the root causes of the issues faced this year and continue to make good progress against the remedial plans set out earlier in the year. Embedding automation within our Euro Hub has progressed in line with our expectations and we continue to make good progress expanding our US stock pool in advance of peak trading. Whilst we are seeing encouraging signs of recovery, both in our product performance and our customer engagement, we are clear on what we still need to do to further build momentum globally.

Having invested heavily into the platform and foundations of the business over the last few years, both in terms of physical infrastructure and technology, our focus now shifts to enhancing the capabilities needed to ensure we leverage these investments. With the current investment in the global platform largely complete, this year represents the end of a period of elevated capital spend which we expect to fall towards more normal levels going forward. As a result, in FY20 we expect capex to be around £150m.

As we look ahead to FY20 and beyond, the foundations we have built will allow us to continue capitalising on the opportunity to be one of the few truly global leaders in retail. We are positioned well, with a strong 20-something fashion focussed brand

backed by the strategic assets, and in the right channel to continue capturing market share as consumers migrate online.

In order to deliver on this global growth opportunity, our priorities for the year ahead are:

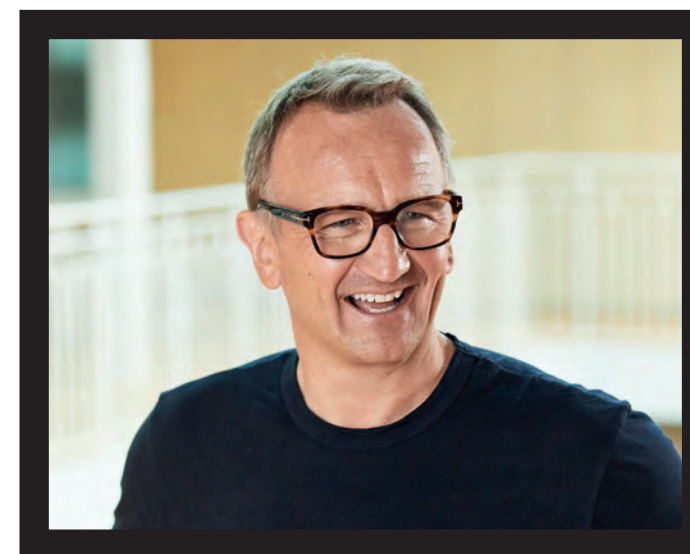
- Strengthen organisational capability to deliver effectively into the future
- Remove non-strategic cost to support future growth and profitability
- Further increase product choice, availability and newness
- Continue to improve presentation and social media engagement
- Optimise approach to customer acquisition and retention
- Leverage benefits from transformational investments to drive efficiency and enhance customer propositions

## Strengthening organisational capabilities

We are strengthening the depth and breadth of our senior management team to ensure we are well set for the next phase of growth. We have restructured our executive team and over the course of FY20 we will be adding new roles including a Chief Growth Officer, Chief Commercial Officer, Chief People Officer and a Chief Strategy Officer to sit alongside our CEO, CFO, CIO and COO.

This team will bring greater depth and experience to ASOS. The reorganisation also creates senior-level end-to-end ownership of our product and customer below the CEO for the first time. We have already acted to restructure teams in alignment with the new c-suite roles to better harness the talent and passion of our people in a more effective structure. Developing our organisational culture towards a more joined-up, empowered and efficient model in support of our global ambitions is also a key priority for us over the next few years.

We recently announced the appointment of four new independent Non-executive Directors, bringing a wealth of knowledge and skills across retail, technology, logistics, international markets and people management to our Board. Karen Geary, Luke Jensen and Mai Fyfield will all be in role by the start of November and Eugenia Ulasewicz will formally be appointed in April 2020. The additional experience and expertise will be invaluable in guiding ASOS through this next phase of growth.



## Removing non-strategic cost

We have increased focus on our deployment of all cost and investment across the business, as well as the processes we use to manage our operational and financial performance. We have started to identify areas where we are now clear we are not generating the anticipated return and therefore see an opportunity to remove cost. We have also sought to ensure that our commercial arrangements are appropriately reflecting the investments we have made to support global growth, both for us and for our commercial partners.

We have already taken action in a number of areas across the business but are clear there is more to be done. These initiatives will allow us to drive investment into areas that will support long-term growth and sustainable improvements in our profitability.

To ensure we are taking the right decisions and deriving the appropriate returns from our investments, we are instilling a greater degree of financial discipline across the business. We have already made progress in increasing the rigour in our performance management processes. However, we are clear further improvements are needed to ensure the right levels of accountability across the business.

## Increasing product choice, availability & newness

Our combination of exclusive product, brand choice and consistent newness continues to differentiate ASOS' proposition for a fashion loving 20-something customer. Our balance between curation of product from the most relevant third-party brands, alongside exclusive product from the ASOS family of brands, ensures we appeal to a broad range of styles and capture all moments within the 20-something lifestyle. Our focus for the year ahead is on further increasing our product choice, availability and newness to provide our customers with the best, most relevant product for them.

This year we launched our newest brand within the ASOS family, Collusion, to great success. It was positioned and created in collaboration with 16-24 year olds as a brand for the next generation. It has landed well and firmly established itself within our top 10 brands, resonating well with our younger customers and achieving a strong new customer mix. Collusion was searched for on-site almost two million times and we have sold over 150,000 brand carrying items indicating how our target market has really connected with this brand.

We continue to see good growth in Activewear, including ASOS 4505. Sales in the year have surpassed our expectations and we have significant growth plans in place for next season. We are especially excited about the upcoming Snow & Ski range, with the last two ranges having sold out in a matter of days. The product for our third season benefits from improvements in both design and performance.

Earlier this year we set out our approach to strengthening performance within ASOS DESIGN, where our presentation, newness and width of product had diminished. Our corrective actions are beginning to work and we are seeing an improving performance. ASOS DESIGN increased to 40% of the mix in P4, up from 36% in the first half and growing well year on year. The mix in the US was still supported to some extent by lower branded availability, but mix has stepped up in both the UK and EU in P4.

Within womenswear, performance in dresses was particularly strong with animal print, broderie and satin styles really resonating. We also saw great success with our customer segment targeted edits, notably ASOS DESIGN Luxe and our Modest Fashion edit.

We launched our first Modest Fashion edit in April, approached through the lens of a fashion loving 20-something. It is a playful, modern take and includes pieces created by ASOS DESIGN, alongside a curated edit of modest fashion brands. The collection landed well, particularly in UK, Germany and US, with strong sell-through and ASOS DESIGN representing over 60% of the mix.

In menswear, growth of ASOS DESIGN accelerated to double digits in the second half from 1% in the first half. We had success with key trends in neon and utility including the return of the casual trouser in the form of the cargo pant. Performance in shirts was strong throughout the second half and we have begun to see an improving trajectory in tailoring which had been softer earlier in the year.

Our focus now turns to ensuring we have the right mix of product available in each of our warehouses, with the right brands, newness and width of product available for each market.

## Improving presentation & social media engagement

Amplifying our focus and presentation particularly for the 'glam' customer has been a priority. Our ASOS DESIGN Luxe

collection provided customers with great product for 'going out out' with inspirational styling and presentation to match. We saw an amazing customer reaction to this collection, driving the highest ever product views for the category. We supplemented this with a selection of new direct to consumer brands, otherwise known as 'InstaGlam Brands', including 'In The Style', 'Never Fully Dressed' and 'AYM', which have all performed well on site following launch in the second half. Our Madison Beer ASOS DESIGN style edit also really resonated with this customer, which saw the singer/influencer pick her favourite ASOS DESIGN styles for Autumn/Winter, modelling a selection of them on site.

Improving our presentation and range for our 'Alpha' customer segment was a key focus for menswear. We launched an ASOS DESIGN Dark Future collection targeted at this style, which has performed well and offers inclusive sizing options for both Plus and Tall. Our recent collaboration with Ovie from Love Island also landed exceptionally well, with him providing both an ASOS DESIGN style edit of his favourite pieces as well as a design collaboration on an exclusive range. Within third-party brands, we have onboarded a number of new brands this half, including Topman and Karl Kani, a popular 'old school streetwear' brand.

We have increased the velocity and improved the content of our social media led customer conversations. Content through our most important social media channels doubled in the second half and our engagement levels have increased dramatically, supported by new channels like TikTok and IGTV.

## Optimising customer acquisition & retention

The way in which we acquire, retain and connect with our customers remains at the heart of how we drive sustainable growth. We have taken decisive action to address the areas where our approach fell short earlier in the year. Whilst we have begun to see encouraging signs in active customer growth we are clear there is more to be done, both in ensuring our approach continues to evolve and in reactivating customers in the US and Europe following the warehouse transitions.

During the year we began re-appraising our balance between 'fast' and 'slow' customer acquisition activity and the most effective tools for doing so. This ensures we are both acquiring customers where we see immediate

opportunity, responding to demand in the market by acting with agility and commercial zeal and building out our brand awareness to establish long-term consideration and engagement. Online fashion and customer expectations are fast changing so our approach will continue to adapt.

In the second half we have successfully experimented with using promotional activity as a more prominent customer acquisition and reactivation tool and we have trialled a number of different mechanics. The changes we made in velocity and content on our social media channels have also landed well with customers, driving considerably higher levels of engagement. This, alongside the changes we have made to our product newness and presentation have been effective in recovering growth with our younger customer cohorts. In the second half we saw both improving customer acquisition in the 18-21 age cohort and increasing spend from the 22-25 age cohort.

## Leveraging transformational investments

### Logistics

Over the last three years we have invested heavily into our warehousing capabilities and have doubled our warehousing capacity which provides significant headroom for growth globally. Our focus this year will be on leveraging the benefits from the transformational investments we have made. These will include both efficiency improvements and enhancements to our customer propositions in a number of markets. The facilities we have built, and the automation technology embedded within them, will allow us to serve our growing global customer base with a market leading proposition, combining choice of product with speed of delivery. These facilities allow us to cost efficiently manage a range of 85,000 customer facing SKUs, with 5,000 new SKUs added each week, and offer next day delivery to over 80% of our sales base. Our investment in dynamic buffers and AI driven purchase prediction technology within our warehouses is further driving efficiency both in throughput speed and labour cost, providing additional opportunity into the future.

### Tech

Investment in technology remains at the centre of our growth strategy enabling us to deliver a unique and constantly improving customer experience. These investments allow customers to shop our substantial range in an intuitive, friction-free and increasingly

personalised way. At the same time, we are able to acquire new customers through the increasing local relevance of our websites and content. We have also deployed technology investment into a number of efficiency and security initiatives which allow us to offer the same customer experience in a safe and secure way at a lower cost.

Our transformational tech programme has seen substantial investment over the last few years and with the implementation of our Truly Global Retail (TGR) programme which will commence in phases over the next 12 months, we will completely transform our internal systems capabilities across the business, enabling us to truly compete and trade globally.

We have developed our personalisation and customer interaction engine significantly including improvements to our recommendations algorithms, launching a style profile builder, roll out of targeted content banners and push notifications for back in stock and delivery status updates. A new tool for customer segmentation has further enhanced how we talk to customers. The second half also saw us roll out responsible filters, allowing customers to shop by recycled or sustainable materials, an area we know is increasingly important to them.

This year we have launched new payment methods for our customers including Afterpay in Australia and New Zealand, Yandex in Russia and a Klarna powered 'Pay-in-4' solution in the US, alongside four new currencies and developed local language sites for Poland and Denmark following the success of Sweden and the Netherlands launched late last year. This year also saw the roll out of our clustered US sites, allowing for regional specific targeted proposition.

Key investments in efficiency this year included embedding new returns processing software and the recent development of a paperless returns process which uses a mobile QR code rather than a customer returns label, which we are now starting to pilot in the UK and will enable us to move to 100% paperless for our customers. Investments in efficiency and productivity will continue to be a focus as we look to further embed process optimisation and automation.

Finally, investment within our Transformation programmes is beginning to fall away as we reach the end of these programmes to significantly upgrade all our internal systems capabilities across the business. Over the last three years we have delivered a new finance

system, people system, data insight systems, product enrichment system and are moving towards completion of our TGR systems.

TGR is a key component in supporting our global growth ambitions. These systems unlock much greater visibility and flexibility in how we buy, plan, merchandise and trade by warehouse. This enables better, faster decision making and improves our ability to give customers the best choice of product at the right price and to trade as a truly global retailer. Given the scale of change associated with this programme going live, we are planning a phased implementation as well as a parallel run of the more complex technical changes, allowing for more time to identify technical issues before the business starts to use the systems at scale.

## Performance by market

### UK

In the UK, where our proposition is most established, we saw strong demand from our customer base, with good growth in frequency and conversion for the year as a whole. In the early part of the year, new customer acquisition and traffic were disappointing reflecting poor trading over Black Friday, where our offer had looked uncompetitive and we experienced the results of our loss of focus on product and customer engagement. The second half saw stronger traffic, alongside an improving trajectory in monthly active customers, reflecting a more proactive promotional calendar and the corrective actions we have taken across product and engagement.

The UK market has been more promotionally intense over the last year and our approach throughout the year has evolved to respond in a more agile and demand led way, whilst not losing sight of profitability. We experimented with two-hour flash sales and using discounted Next Day Delivery mechanics in the second half, which resonated well with our UK customers and proved particularly successful in driving customer reactivation. Alternative payment methods continued to grow in prevalence during the year and drove incremental sales.

Our new brand Collusion landed particularly well in the UK, and even more so with our youngest customers, those under 21, in line with our plans for the brand positioning and supported improved performance from our younger customer cohorts.



# CFO’s Financial review

As we look forward, we expect performance to be supported by the improvements we have made to our product and presentation but in the context of an intense promotional environment. We will also watch consumer confidence carefully, particularly in the context of Brexit.

### EU

Within Europe our performance reflects to a large extent the warehouse transition issues we experienced, particularly in P3. Automation within Euro Hub is now fully operational, which has allowed us to begin unlocking improved product availability for customers in Europe alongside extending order cut off times. We will start to fully leverage the benefits next year, generating further efficiencies and opportunities to improve our customer proposition. We have already extended our Next Day Delivery cut off time to midnight for 28 German cities. We remain at a price premium to our competitors in Europe and will review our pricing carefully as we start to realise these efficiency benefits.

Sweden and the Netherlands were stand out performers in the year following the release of their local language websites, and we are looking forward to seeing the impact of sites we have recently released for Denmark and Poland. In terms of product, dresses overindex in Germany within the mix, and they reacted well to the improved stock position in P4. We also saw sales of cold weather product accelerate earlier than last year as we cycled the prolonged hot summer weather in the prior year across Europe.

We ended the year with 7.8m active customers in Europe, giving overall growth of 700k in comparison to 1.4 million in the prior year. This, in addition to the step back in conversion, are illustrative of the customer impact of a restricted stock pool and disrupted proposition. We are starting to see improvement, however, we are clear we have further work to do on reactivating customers now our proposition has been restored which will be a priority for the first half of FY20.

### US

FY19 was a year of major transition in our US operations. Our new US Hub in Atlanta opened at the end of FY18 and ramped up local fulfilment quickly as we switched our US site to face the new US Hub in February 2019. Whilst we initially faced greater problems than anticipated building the right range and profile

of stock in this warehouse, we are now making good progress with the breadth of our branded stock pool ahead of peak trading.

Our US Hub is serving us well and we have significant headroom for growth. The facility has unlocked our ability to deliver a next day proposition, via regionally clustered sites across the US, which has been rolled out to a number of cities this year from the East to the West coast and landed well with customers, making us one of the few retailers offering a true next day proposition and at a competitive price. In time as capacity increases, we will have the option to automate the warehouse which will unlock further efficiency and capacity benefits. For now the US warehouse is the least efficient in our network given the more manual nature of the operation which affects the relative cost of this operation when compared to our UK and EU operations.

Customers in the US reacted well to implementation of Klarna ‘Pay-in-4’ which launched at the end of July and quickly established a healthy share of payment mix. Roll out of new customer targeted discount codes on site also worked well in the US and drove a stronger new customer acquisition trend towards the end of the year.

### Rest of World

The start of the year was disappointing in our ROW segment, impacted by a pull back on Black Friday promotional activity in a number of our key territories, notably Australia and Russia, reflecting capacity constraints in Barnsley ahead of the US warehouse transition.

A more localised and reactive promo calendar and release of new locally relevant payment methods improved our offer and customers reacted accordingly from P2 onwards. Activity around Chinese New Year, Single’s Day and Ramadan landed particularly well. Australian customers responded extremely well to our release of Afterpay and it was a strong driver of new customer acquisition and improved the growth trajectory for the country overall in the second half. Russia and MENA have been the key performers of the year, with strong sales and active customer growth.

### Outlook

FY19 was a year of substantial operational change for ASOS. Whilst this caused disruption to both our business and our customers, the majority of the transformation

programme is behind us and has laid the right foundations to enable our future global growth. We are now refocusing on delivering the core elements of our business through a clear set of priorities which will enable us to provide our customers with the most relevant choice of amazing, competitively priced 20-something fashion.

We are clear on the actions required to further improve our performance and re-engage those customers we disappointed and are encouraged by the progress we have made on product, presentation and engagement. We have taken early actions to improve our efficiency, reduce non-strategic cost, refocus our capital expenditure and enhance our capabilities. All of which will allow us to support our growth plans and to deliver sustainable long-term increases in sales, profitability and cash flow.

We ended the year better positioned than we began it and have made a solid start to FY20. Whilst mindful of consumer uncertainty and retail trends in a number of our markets we are confident in the substantial global opportunity for ASOS and look forward to the future with confidence.

**Nick Beighton**  
Chief Executive Officer

### Overview

	Year to 31 August 2019				
	UK £m	EU £m	US £m	RoW £m	Total £m
Retail sales	993.4	825.7	341.2	497.4	2,657.7
Delivery receipts	27.4	17.5	12.1	9.4	66.4
Third-party revenues	9.0	0.3	0.1	–	9.4
<b>Total revenue</b>	<b>1,029.8</b>	<b>843.5</b>	<b>353.4</b>	<b>506.8</b>	<b>2,733.5</b>
Cost of sales					(1,399.2)
<b>Gross profit</b>					<b>1,334.3</b>
Distribution expenses					(415.6)
Administrative expenses					(883.6)
<b>Operating profit</b>					<b>35.1</b>
Finance expense					(2.0)
<b>Profit before tax</b>					<b>33.1</b>

	Year to 31 August 2019	Year to 31 August 2018	Change
Active customers <sup>1</sup> (m)	<b>20.3</b>	18.4	10%
Average basket value (including VAT)	<b>£71.29</b>	£73.00	(2%)
Average units per basket	<b>3.05</b>	3.01	2%
Average selling price per unit (including VAT)	<b>£23.34</b>	£24.29	(4%)
Average order frequency <sup>2</sup>	<b>3.56</b>	3.43	4%
Total orders (m)	<b>72.3</b>	63.2	14%
Total visits (m)	<b>2,266.5</b>	1,992.8	14%
Conversion <sup>3</sup>	<b>3.2%</b>	3.2%	0bps
Mobile device visits	<b>81.9%</b>	77.0%	+490bps
Net Promoter Score <sup>4</sup>	<b>-4</b>	-3	

1 Defined as having shopped in the last 12 months as at 31 August

2 Calculated as last 12 months’ total orders divided by active customers

3 Calculated as total orders divided by total visits

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

In FY19, we had over 72m orders, an increase of 14% on the previous year with visits to the site growing by the same amount reflecting continued strong inbound traffic for our website. Our active customer database grew by 10% with pleasing progression towards the end of the financial year. Our total active customer base is now comfortably over 20 million. The trend towards mobile as a preferred device continued with 81.9% of visits now coming via this channel.

We generated revenue of over £2.7bn from our customer base, an increase of 13% on the previous year (12% on a constant currency basis) with order frequency increasing as customers become more loyal to our platform. However, our conversion remained flat – in part impacted by the warehouse transition issues we experienced in the year. These issues also affected our ABV, with higher ASP product availability impacted, as well as impacting our NPS scores.

Gross profit increased 8%, with gross margin down 240bps versus the prior year driven by three principal factors: increased freight and duty costs reflecting the go-live of our US warehouse, adverse territory mix due to underperformance in US and EU due to warehouse transition issues and the expansion of our high street branded offer. Promotional intensity also had an impact but this was much smaller relative to the other factors.

Profit before tax decreased 68% to £33.1m after transition costs of £4.5m, up £20m on the prior year reflecting a substantial amount of one-off costs in support of our warehouse transitions. We also incurred £5.5m of restructuring costs reflecting the changes we started to make to our organisation in support of our approach to removing non-strategic cost.

Profit before tax was also impacted by an increase in finance costs as the business moved into a net debt position following the elevated investment in support of our warehouse programme.

UK performance

UK KPIs	Year to 31 August 2019
Retail Sales	+15%
Visits	+9%
Orders	+18%
Conversion	+40bps
ABV	Flat
Active Customers	6.4m (+7%)

UK retail sales grew a pleasing 15% in the year, despite an increasingly competitive market, demonstrating the strength of our proposition in our most established market. Our total UK customer base grew 7% in the year and conversion was strong, up 40bps.

In the first half of the year, our sales growth was supported by increased demand from existing customers, reflected in strong order growth (+20%) and conversion (+70bps) but softer customer acquisition and visits growth (+4%). Visits growth was stronger in H2 at +11% reflecting the product, promo and engagement improvements we have made, whilst orders growth remained robust at +15%. As a result, total orders for the year were up 18%.

ABV was flat for the year, as a small overall decline in ASP was offset by an increase in items per basket. This was an improvement from P1 when higher promotional activity had resulted in a sharper decline in ASP that was not offset by items per basket increases.

EU performance

EU KPIs	Year to 31 August 2019
Retail Sales	+12% (9% CC)
Visits	+16%
Orders	+12%
Conversion	-10bps
ABV	-6%
Active Customers	7.8m (+10%)

EU retail sales grew 12% (9% in constant currency), below our expectations as operational challenges following Euro Hub automation impacted stock availability. This was evident as order growth lagged visits growth and was particularly notable in P3. As a result, conversion stepped back 10bps. Orders growth improved in P4 as our trading stock increased and is reflected in P4 sales growth of 17%. ABV reduced 6% and was driven by restricted availability of higher ASP products throughout the period of warehouse transition.

Despite the operational challenges we have experienced, we have increased our active customer base by 10% and now have nearly 8m customers across the EU with 7m of them actively engaging with us via our apps. However, there is still work to do to re-engage customers with NPS impacted by the sub-optimal experience for our customers and we will need to actively seek to re-engage these customers in the first half of FY20.

US performance

US KPIs	Year to 31 August 2019
Retail Sales	+9% (4% CC)
Visits	+8%
Orders	+8%
Conversion	Flat
ABV	-4%
Active Customers	2.8m (+12%)

US retail sales grew by 9% (4% in constant currency). US performance was impacted by operational challenges reflecting the move for customers from the Barnsley warehouse to the newly commissioned Atlanta warehouse in February of this year. Following this transition, our performance has also been impacted by lower availability of some key product as building our range of imported brands was slower than planned. This also impacted our ABV with higher availability of lower price point product. As a result sales lagged order growth, with P4 further impacted by higher markdown mix as we looked to rebalance our stock profile appropriately ahead of the Autumn/Winter season. As a result, our sales growth for P4 was only 7%.

Despite the challenges we have experienced, our total active customer base in this region grew 12% in the year to 2.8m. ASOS DESIGN resonated particularly well, with its mix of total product up 240bps.

ROW performance

ROW KPIs	Year to 31 August 2019
Retail Sales	+12% (14% CC)
Visits	+19%
Orders	+15%
Conversion	-10bps
ABV	+3%
Active Customers	3.3m (+18%)

ROW retail sales grew by 12% (14% in constant currency) with particularly strong growth in Russia and the Middle East. Changes to our promo calendar and proposition supported a recovery in sales and momentum after a poor peak period performance in P1 (Sales -3%, Visits +4%, Orders flat). The remainder of the year saw visits growth of over 20% in P2-P4, marginally ahead of orders growth resulting in full year visits growth of 19% and orders growth of 15%. ABV increased 3% driven mainly by an increase in items per basket offsetting a small decline in ASP.

Gross margin

Group gross margin was down 240bps with retail margin down 250bps in the year. Increased freight and duty costs after opening the US Hub in Atlanta had a large impact. Gross margin was also impacted by an increase in branded product mix reflecting the expansion of our high street and Face + Body offering, which carry lower gross margins. We also absorbed a significant country mix impact, as a result of the warehouse transition issues with a greater proportion of sales in the UK rather than the EU and US in the year. There was a further impact in year, as a result of Australian and US sales taxes, as we absorbed sales taxes on behalf of our customers.

Operating expenses

£m	Year to 31 August 2019	% of sales	Year to 31 August 2018	% of sales	Change
Distribution costs	(415.6)	15.2%	(380.8)	15.8%	(9%)
Warehousing	(301.4)	11.0%	(241.1)	10.0%	(25%)
Marketing	(121.8)	4.4%	(106.7)	4.4%	(14%)
Other operating costs	(389.1)	14.3%	(352.0)	14.5%	(11%)
Depreciation and amortisation	(71.3)	2.6%	(54.6)	2.3%	(31%)
Total operating costs	(1,299.2)	47.5%	(1,135.2)	47.0%	(14%)

Operating expenses increased 14% to £1.3bn and total operating costs increased 50bps as a percentage of sales, largely due to increased warehouse transition costs resulting from the warehouse transformation programmes in the US and Europe.

This increase was partially offset by lower distribution costs as a percentage of sales, as we fulfilled more US orders locally from our new US Hub, as well as a reduction in payroll costs as a percentage of sales as we continued to streamline our corporate functions to maximise operational effectiveness. Depreciation costs increased by 30bps as a percentage of sales driven by the cycle of elevated capital investment in transformation over the last three years.

Interest

Interest costs rose to £2.0m in the year as we incurred costs from drawing down on our credit facility which supported our working capital cycle and elevated capital investment in the year.

Taxation

The effective tax rate increased by 650bps to 25.7% (2018: 19.2%). This arose mainly from a one-off permanent difference on share based payments which was driven by the substantial fall in the share price year on year, and a fall in profit before tax, meaning permanently disallowable items in the tax calculation had a greater impact. Going forward, ASOS expects the effective tax rate to be approximately 100bps higher than the prevailing rate of UK corporation tax due to permanently disallowable items.

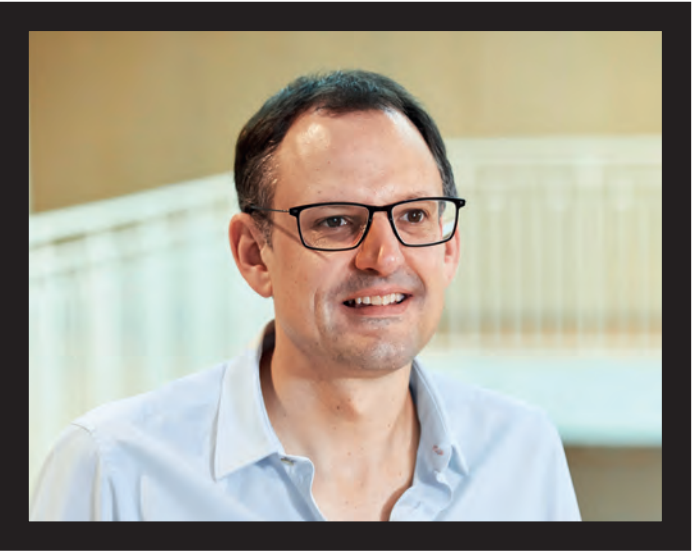
Earnings per share

Basic and diluted earnings per share decreased by 70% to 29.4p (2018: 98.9p and 98.0p). This was driven by the decrease in profit before tax during the year.

Cash flow

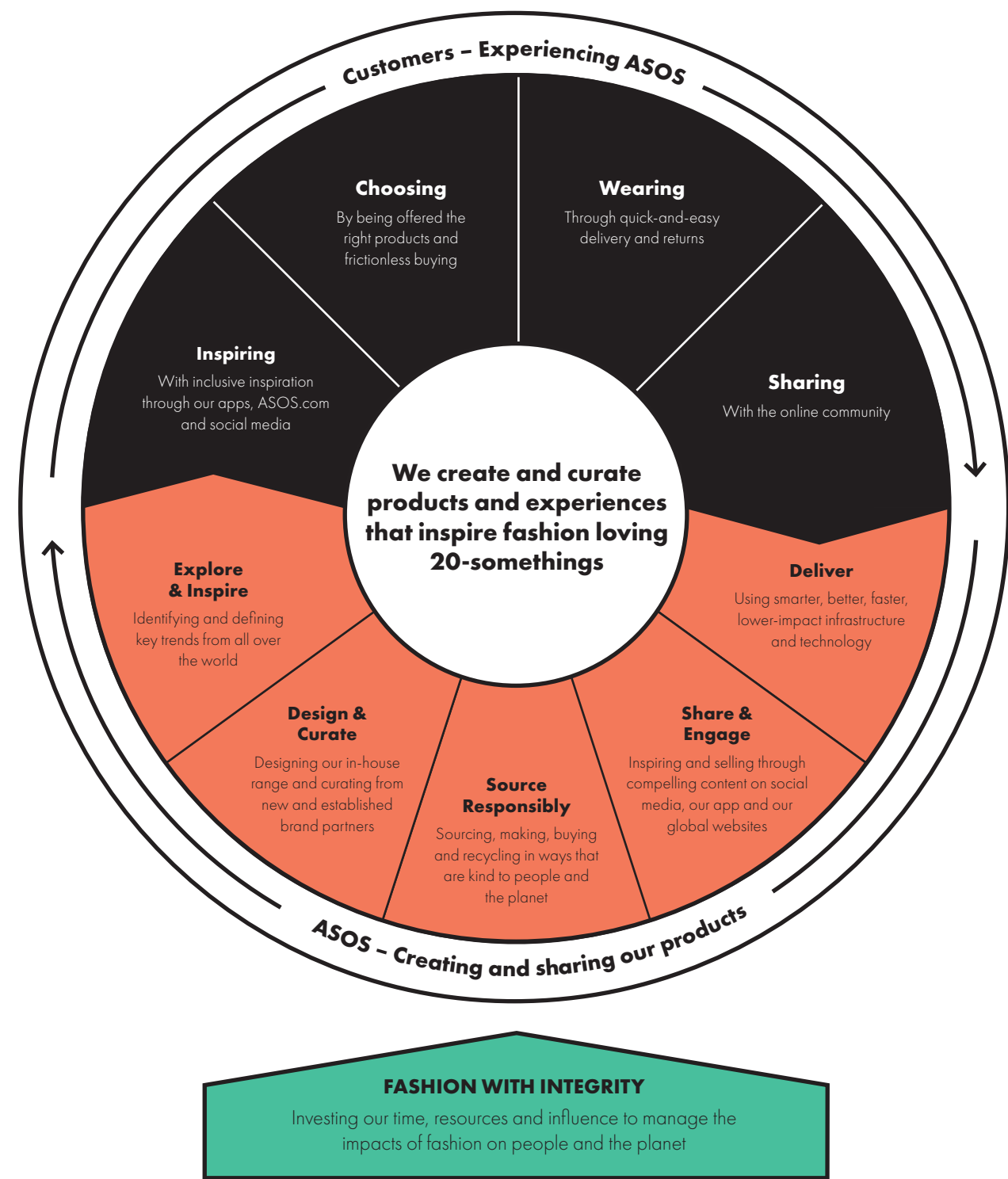
There was a £133.2m free cash outflow in the year, compared with a £117.6m outflow in the previous year. The increase in outflow this year is largely driven by a reduction in EBITDA resulting from the decrease in profit before tax detailed above. This was partially offset by a reduction in working capital outflow year on year. Cash capital expenditure was £221.6m in the year and includes a capital creditor outflow of £26.7m associated with our FY19 investment.

Mat Dunn  
Chief Financial Officer



# Profit with purpose: our business model

Fulfilling our aspiration to sell online fashion at pace and scale requires clear purpose, a streamlined business model and decisive leadership. In the last 12 months, we've been steadfast in our pursuit of these goals. We're now more prepared than ever to meet the demands of fashion loving 20-somethings around the world – today and in the future.



## What makes us different

### Living our PURPOSE

Giving people the confidence to be who they want to be through everything we say and do – including setting standards for inclusivity, diversity and ethical and sustainable fashion

### Our unique PRODUCT

Creating and curating the most relevant fashion, face and body products for every fashion loving 20-something

### Our best-in-class PROPOSITION

Delivering compelling, friction-free digital experiences that inspire and delight our customers

### Power of our PEOPLE

Supporting our customers, our partners and our amazing ASOSers to realise their potential

## How we do it

### Our ASOS behaviours:

Lead to create leaders

Learn by doing

Know my best self

Have fun

Turn left when others turn right

Look through the customers' eyes

Be comfortable with the uncomfortable

The power of our people

## The value we create

### UNDERLYING/ONGOING

#### Financial value

For our shareholders, employees, suppliers and partners

**£2,733.5m**  
revenue

#### Non-financial value

Through our unique business model, we not only create value for investors, but we contribute significantly to local economies and communities

**£8.5m**  
tax contributions

**12.2%**  
water footprint reduction

**14.6%**  
carbon footprint reduction

### FUTURE/DYNAMIC

#### Strategic value

For the growth of our business and our ability to deliver our purpose

**86%**  
of ASOSers proud to work here

**£221.6m**  
capital expenditure

**230 ASOSers** completed phase one of 'Leading@ASOS'

For our strategy and KPIs go to page 14.



# Are we on track?









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

## Financial objectives

Our key financial measures give us a clear indication of the overall performance and position of ASOS. In some cases, the figure is an alternative performance measure, i.e. not a statutory measure. In these cases, information is shown in the definition below to cross-reference to the corresponding statutory measure.

Retail sales have grown at 13% and gross profit has grown 8%. Retail gross margin decreased by 250bps and EBIT margin also decreased.









## Key financial measures

<b>Revenue</b> Retail sales, delivery receipts and third-party revenues from continuing operations	2019 2018		<b>13%</b>
<b>Gross retail margin</b> Gross retail profit as a percentage of gross retail sales	2019 2018		<b>-250bps</b>
<b>Gross profit</b> Revenue less cost of sales	2019 2018		<b>8%</b>
<b>Operating profit</b> Profit before interest and tax	2019 2018		<b>-66%</b>
<b>EBIT margin</b> Operating profit (as above) as a percentage of total revenue	2019 2018		<b>-290bps</b>
<b>Profit before tax</b>	2019 2018		<b>-68%</b>
<b>Diluted EPS</b> Profit after tax divided by the weighted average number of shares in issue during the period, adjusted for the effects of potentially dilutive share options	2019 2018		<b>-70%</b>
<b>Net assets</b> Total assets less total liabilities	2019 2018		<b>3%</b>

## Strategic objectives

We are really pleased with the progress of almost all of our key strategic measures. Active customers increased 10% to 20.3m. Orders and visits are both up 14% and the trend to access our site through mobile devices continues. Our Net Promoter Score stepped back by four points from last year.

## Key strategic measures

<b>Active customers</b> Number of customers transacting at least once a year (as at 31 August)	2019 2018		<b>10%</b>
<b>Total orders</b> Total orders placed	2019 2018		<b>14%</b>
<b>Total visits</b> Number of visits to ASOS.com via any device	2019 2018		<b>14%</b>
<b>Average order frequency</b> Average number of orders per customer per year	2019 2018		<b>1%</b>
<b>ABV</b> Average basket value, being total order value before returns and discounts, including VAT, divided by total orders	2019 2018		<b>-2%</b>
<b>Mobile device visits</b> Number of visits to ASOS.com on any mobile device divided by total visits	2019 2018		<b>490bps</b>
<b>Group conversion</b> Percentage of visits that convert to an order	2019 2018		<b>0bps</b>
<b>NPS</b> Net Promoter Score	2019 2018		<b>-4</b>

# We're ready

Already worth £220 bn+, the global market for online fashion showed no signs of slowing down in the last 12 months. With more and more of us looking online for all of our shopping needs, while expecting affordability, sustainability and inclusivity as standard, the retail industry cannot be complacent.

With a strong tech and physical infrastructure, daily conversations with 20-somethings and an ever-evolving edit of on-trend designs, we think we're ready to achieve truly global scale in the next few years.

Our 2018/19 investments in our customer experience, distribution and market growth will consolidate our position as a global leader.

## A winning fashion formula

With around 5,000 new styles going live each week, our unique combination of ASOS house-brands combines with a highly curated edit of the must-have 20-something brands, to give our customers exactly what they want, when they want it – all at the best price and quality. Our customers influence our offer and, with lead times of weeks rather than months, we can satisfy eager customers quickly. Find out more about what makes our designs different on page 19.

## Staying customer-obsessed

To stay relevant to our 20-something audience it's essential we never lose touch with what matters to them, whoever and wherever they are. We are unique in catering for all 20-somethings whatever their style and whatever moment they are shopping for, so we're constantly updating our product and styling. This year we've challenged ourselves to ensure we have the right product and outstanding presentation of our collections across all ranges. We use customer feedback to help guide that, whether on our social channels or through our customer forums.

## Unlocking the value of customer data

Our teams are constantly testing new ways we can use customer data to improve their experience, and increase the efficiency of everything we do. From using machine learning to optimise our customer acquisition campaigns, to utilising customer value segments to focus investment, our data will continue to unlock opportunities for us. Our AI team is at the heart of this programme, but the principles are now embedded into every part of the business, from customer communications, stock management, and on-site search optimisation to customer prospecting on social channels.

## The evolving ASOS customer

We analysed around 30 million Instagram posts from FY19 that contained #OOTD (Outfit Of The Day) and #Fashion. We also surveyed 3,860 customers in six key markets. We found ASOS customers expect more...

...diversity of styles (they identify with an average of 6.7 different styles) and sizes

...ethical and sustainability content (more and more mentions of these on social media)

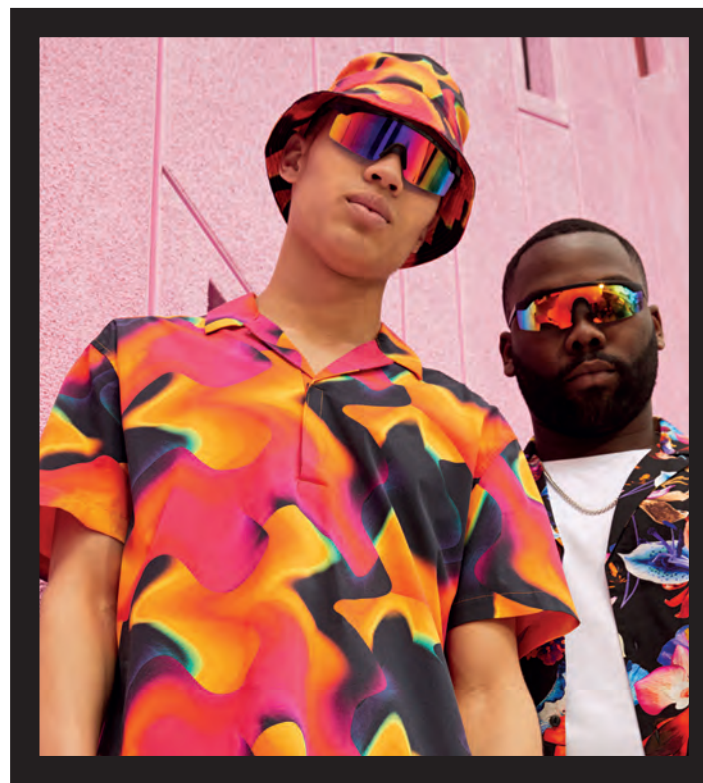
...'Instagram moment' pieces for festivals, date nights, parties etc.

...data-led insights into events, pieces, trends and body shape issues

...real reflections of the world they live in: just, honest and empathic content

“The models are different to stereotypical models which I love and can relate to more.

UK woman, 25-30, Frequent Customer



20.2m  
social media  
followers

## On-point personalisation

Our investments in tech allow our customers to shop in an intuitive and increasingly personalised way. We have made significant improvements to our recommendations algorithms, including the launch of a Style Profile Builder, Back in Stock and delivery status push notifications, and improved product recommendations with Fit Assistant. Our Responsible Edit and responsible filters help our customers make more informed, sustainable shopping decisions, an area we know is of increasing importance. Birthday notifications, targeted content banners and even edits specific to the weather where you are, all ensure that we have a leading, unique and personalised customer experience.

## A world-class retail system for our teams

In FY20 we plan to deliver our project to introduce our Truly Global Retail systems. These systems will completely transform how we buy, plan, merchandise and trade, providing us with greater visibility and flexibility, enabling us to compete on a global platform and trade as a truly global retailer. The systems offer:

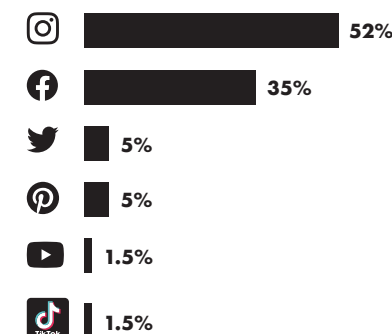
- financial planning tools that will help us plan globally and streamline tasks;
- buying and merchandising systems that will enable better decision making by providing more relevant information;
- bespoke trading dashboards that will analyse real-time business performance; and
- new metrics that will give better visibility of business KPIs globally.

## Localised experiences

We're creating the most friction-free shopping experience for our customers around the world and we're investing in initiatives to increase local relevance. During the year we've launched a range of new payment methods, including Yandex in Russia, Afterpay in Australia and New Zealand and a Klarna powered Pay-in-4 solution in the US, alongside adding four new currencies and increasing the number of local language sites. Smart Zonal Delivery is localising the delivery offer for our customers in Russia, Australia and the US, and we've now included US tax at checkout, giving full visibility of product costs and tax by state.

## Joining the conversation

We always strive to provide our customers with engaging content which offers styling tips and inspiration. Social channels are now more important than ever as they offer us the chance to showcase our product through inspiring photography, video and live streams. Instagram continues to be the main channel of conversation, though TikTok is rapidly gaining momentum and YouTube videos are generating more viral moments. As well as producing our own content we work with influencers and talent to provide additional styling advice which appeals to 20-somethings and allows us to reach new audiences.





### c.38% increase in orders via app

### c.75% of orders come from mobile devices

### Best-in-class fulfilment, dispatch and returns

We've always been famous for our rapid delivery and hassle-free returns. In 2018/19 we embarked on two ambitious transformational programmes to grow our global infrastructure network and make our customer proposition even stronger. In the last financial year we have doubled our facility space, with the opening of our third major Fulfilment Centre in Atlanta, US. The automation of our Euro Hub site outside Berlin has helped increase storage and throughput capacities across our estate by more than 60%, through smarter and quicker processing.

The ASOS network now consists of three 3PL-operated fulfilment centres in Barnsley, Berlin and Atlanta. They are complemented by five Returns Centres: Selby & Doncaster for the UK, Sweibodzin & Poznan, Poland, and Krupka, Czech Republic for Berlin. In Atlanta, returns are processed within the Fulfilment Centre.

**Barnsley:** our site shipped 143m units last year and is capable of shipping over 4.5m units during our peak weeks. As well as continuing to optimise operational processes and automation, a £1.6m investment has been made in the facility itself, including extending offices, new welfare facilities, catering and additional car parking.

**Berlin:** our site serves European customers with a stockholding capacity in excess of 20m units. In the last year, it shipped 65.5m units and is capable of shipping over 3.9m units during peak weeks. The site was automated in April 2019 at a cost of £140m, including Order Storage Retrieval Systems and more than 845,000 locations for reserve stock-conveying systems and a Pocket Sortation solution, which has significantly improved the efficiency over manual picking. Automation has also reduced order throughput time.

**Atlanta:** opened during the financial year and is now serving 100% of US customer orders and returns. The initial phase of development delivered 10m units of stockholding and 1.5m units of outbound capacity each week. This capability is supported by 4.1 miles of conveyance and an automated parcel sorter. The opening of Atlanta has enabled customer proposition improvements, such as Next Day Delivery to numerous US states. The site also launched

with best-in-class facilities including air conditioning, basketball courts and a fitness suite.

**Delivery Solutions:** our multiple award-winning Delivery Solutions team are responsible for over £400m of outbound and returns carrier spend. In the last year, we made nearly 750 changes to our customer proposition, either building on our industry-leading delivery promise or refining our existing offering to ensure we remain as commercially competitive as possible. In the year ahead, we will be looking to further expand on our green credentials. Initiatives like our eco-friendly last-leg delivery vans in London have already saved more than 150 tonnes of CO<sub>2</sub> this year.

### Ethical trade and sustainability

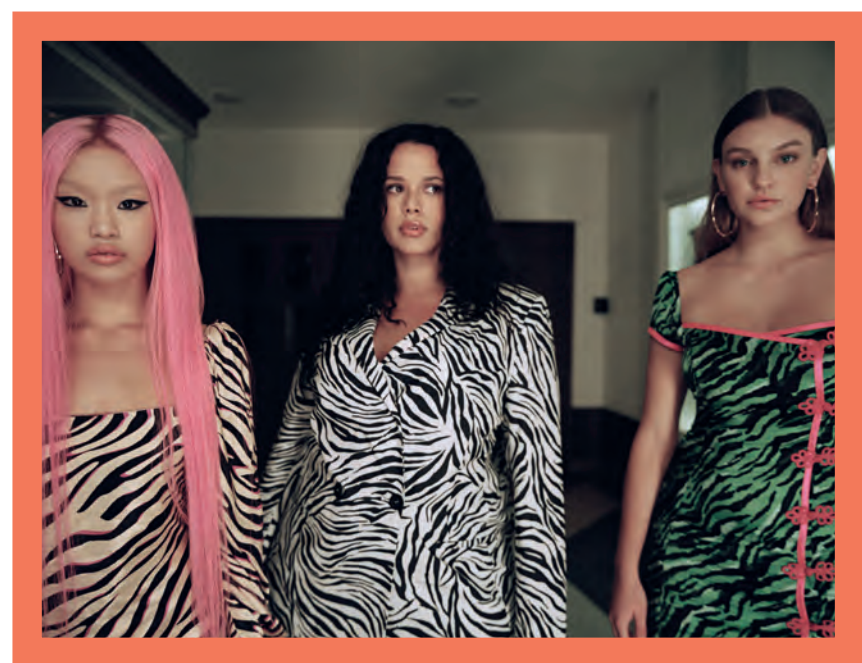
With 17m mentions of ethical trade and sustainability on our social channels since 2017, it's clear that our target customer wants to be part of a conversation about how their clothes are made. This adds further momentum to our Fashion with Integrity programme (see page 28) and going forward, we're increasing the level of social posts on ethical trade and sustainability to at least three a week.

# 20-something design

At ASOS, we embrace the new, the unexpected and the unpredictable. A unique combination of our own standout exclusives, plus the best edit of must-have brands, means we can offer an exceptionally wide choice of fashion that changes all the time and reflects trends and what our customers really want. With ASOS DESIGN at the centre of our offering, we're enabling 20-somethings anywhere to have the confidence to be whoever they want to be.

With +£1bn annual sales, ASOS DESIGN has become one of the largest fashion brands in the world – and it's exclusive to ASOS. Its success has been in interpreting global 20-something trends and Insta-style successes and making them accessible to our customers. We can do this because we truly get our target market and how 20-somethings live their lives. A staggering 1,000 ASOS DESIGN styles go live on our platforms each week; this is on the back of our continual analysis of what's trending online. And with 38% of the fibres from proven sustainable sources, plus circular design and production methods (see page 24), ASOS DESIGN is proving that fast fashion doesn't have to impact the planet.

### 3D printing technology has helped to reduce footwear lead times by up to eight weeks



### Going back in time with our customers

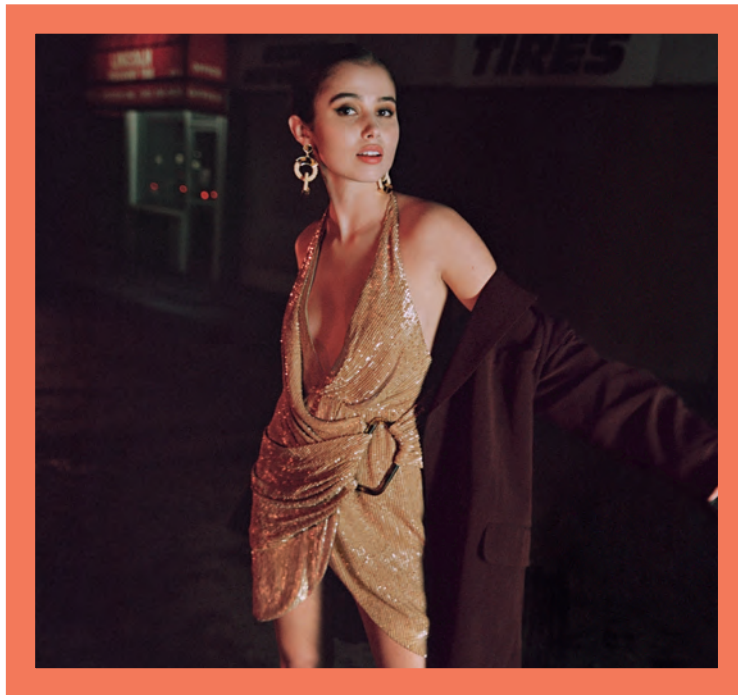
To celebrate the launch of Disney's The Lion King and to tap into the nostalgia of our target market, ASOS DESIGN released a capsule collection in collaboration with Disney, reworking iconic graphics from the 90s original in unexpected and creative ways.

### Trending in 2018/19

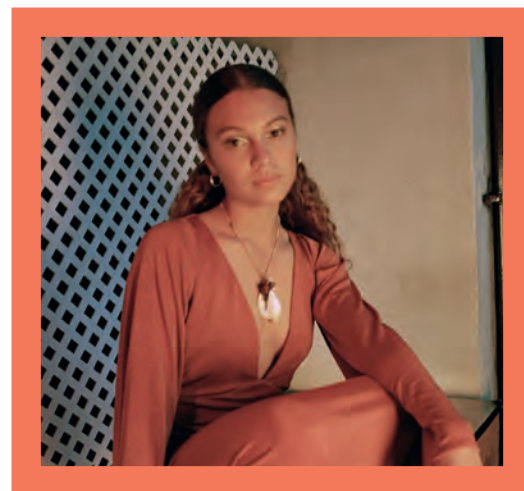
- Animal print, utility, neon and natural fabrics drove both women's and menswear sales.
- Print, broderie, satin and embellishment day dresses performed exceptionally well for womenswear.
- Shirts performed exceptionally well in menswear and we saw the return of the casual trouser in the cargo pant.



# From glam...



With 20-somethings looking for a super glam collection for that ultimate Instagram shot, we launched an ASOS DESIGN Insta-glam aesthetic. ASOS Luxe is our 30-piece range consisting of co-ords, mini dresses and satin jumpsuits for the 'glam girl', a target consumer market.



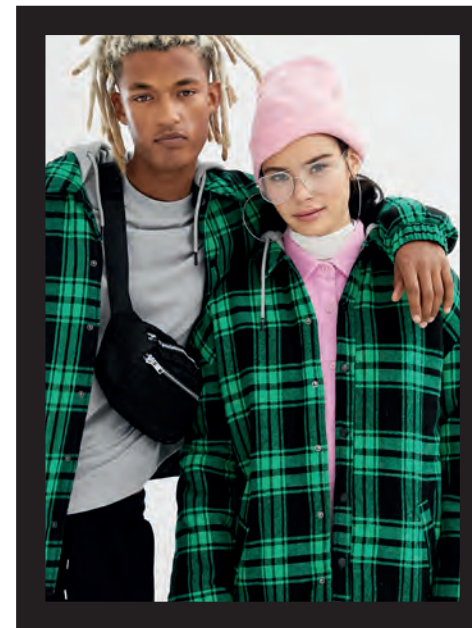
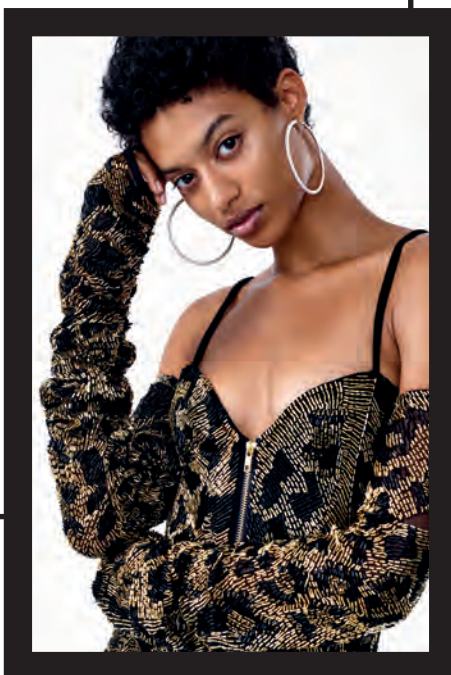
## A collaboration in luxury with LaQuan Smith

Collaborations with the ASOS DESIGN brand take many forms; whether it be supporting new talent through unique ranges, our fashion interpretation of Disney classics or our ongoing partnership with the charities GLAAD and Help Refugees. At the end of 2018, ASOS DESIGN teamed up with LaQuan Smith, a New York designer diversifying fashion with his luxurious, next-level pieces. From form-fitting dresses to standout boots, customers were invited to celebrate their individuality with the visionary's inclusive, unisex range created in collaboration with ASOS DESIGN.

**"It's always about accentuating the body and this concept collection reinforced that in an affordable and attainable way. There are so many different words I could throw out: self-love, self-respect, sex appeal, feminine, luxurious."**

On working with ASOS, **"I've had the creative freedom to do anything I want. The categories are incredible – I've always dreamt of doing shoes, bags, belts, glasses and socks."**

**LaQuan Smith**



## Collusion: made by 20-somethings, for 20-somethings

Created in collaboration with 20-something influencers, Collusion fast became one of our 2018/19 success stories. Collusion is part of our Venture Brands portfolio and our aim was to create a brand for the coming age that is shaped by, and caters for, an audience who demand something different. It's given us the opportunity to really dive into what late teen/early twenties customers want from their fashion. Collusion will constantly evolve, being as inclusive, collaborative and experimental as possible. Each year we'll bring in more

creatives from our audience to work with, continuously reimagining and reshaping what Collusion could be. It's animal-free, size-inclusive, and almost a third of the range is gender neutral. It's also at an affordable price point and includes microtrend drops every two weeks. Importantly for customers, they can trust the integrity of where the product has come from and still buy it at an affordable price point. Collusion was completely co-created with influencers who could ensure we were really representing the audience who would be buying it. As well as the outstanding sales since launch, the success of the brand can be recognised by the customers who proudly wear the Collusion brand.

# ...to casual

**1.9m**  
searches for  
Collusion on  
ASOS.com since  
it launched

For the Alpha customer, we launched Dark Future, a logo-carrier leisure menswear range designed for those casual moments in a 20-something's life, achieving sales in SS19 of over £500k (over 30k units).

Another popular men's casual collection is London-born streetwear brand Crooked Tongues. Easily identifiable for its range of bold menswear that's largely influenced by popular culture and the city's skate scene, signature denim pieces get an urban update with the label's relaxed straight leg jeans and worker jackets that come finished in classic washes and unique colours.





### Fashion with a purpose

For our 'Made in Kenya' range, we continue working with SOKO, a social enterprise clothing manufacturer that provides fair and safe employment and training. In late 2018, we launched our first Menswear collection with a series of influencer collaborations. We forecast production capacity at the SOKO factory at least doubling in the next three years. Find out more about SOKO and the ASOS Foundation on page 31.

We also announced our third exclusive collaboration with GLAAD, an organisation that promotes LGBTQ acceptance. Gender neutral collections include two Pride ranges, with imagery from the original Pride March in New York to mark the 50th anniversary of the Stonewall Uprising. All profits – £267k in 2018/19 – went to GLAAD. For more on our inclusion work, see pages 26 and 30.

Finally, we've teamed up with Help Refugees and Katharine Hamnett to create a gender neutral Choose Love T-shirt collection, with 100% of the profits going to Help Refugees which helps raise funds and awareness for people caught up in the refugee crisis.

**"Choose Love is at the core of everything we do. We can talk about politics and the reasons for the crisis endlessly, but the fundamental thing that drives us is: if you see someone without food you should help feed that person, if people are cold we should help them be warm. If we all had love at the heart of every decision, the world would be a better place."**

Josie Naughton, Co-founder & CEO, Help Refugees

### Fashion Discovery

We have a rich history in supporting emerging talent and our Fashion Discovery competition presents us with an opportunity to unearth today's brightest, most exciting brands and provide them with a platform to become tomorrow's biggest, best-loved labels. Last year's winners launched their brands on ASOS.com in 2019:



**Lyph:** Freddie really impressed the panel with the professionalism of his pitch and detailed business plan. We loved the innovation of his modular designs enabling customers to customise and update their look with different components.



**Wesley Harriott:** Designer Ricky blew us away with his passion and enthusiasm. We loved his skill and imagination in reworking classic shapes in updated and unexpected ways as well as introducing us to brand new, carefully crafted silhouettes.

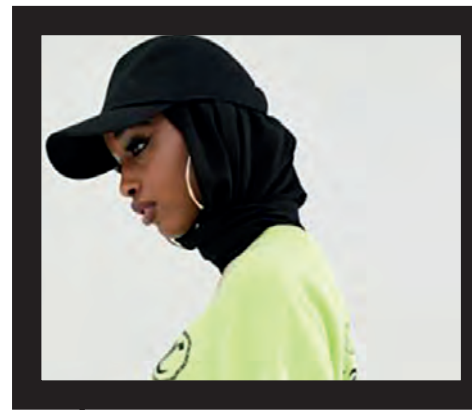


**Desree Akorahson:** For the first time we introduced a People's Pick – this was the chance for customers to have their say in the future of an emerging designer. Desree's bold, colourful and retro designs bounced off the page and got customers voting.

### Three years supporting ParalympicsGB

We first partnered with the British Paralympic Association for the Rio Paralympic Games in 2016, to design and create formal and ceremony wear for the ParalympicsGB team as part of our commitment to raising the profile of young adults with disabilities. We were proud to do the same for the ParalympicsGB team for the PyeongChang 2018 Winter

Games and we're really excited about the plans that are underway for Tokyo 2020. Made up of opening and closing ceremony attire plus formal wear for official events back in the UK, the capsule collection takes into account warmth, water- and wind-proofing, while remaining stylish and consistent with ASOS and ParalympicsGB values.



### Our modest fashion edit

We work hard to make sure the diversity of the clothes we offer matches the diversity of our customers around the world, because we believe everyone should be able to confidently express themselves through fashion. More and more 20-somethings are choosing to dress modestly, for a variety of reasons.

That's why in April we launched our first Modest Fashion edit, offering our customers fashion forward options that are easy to find and fit their personal style.

**"Our partnership with ASOS marks a big milestone for Verona and the modest fashion industry – we've carefully curated this collection with ASOS and we're excited for the opportunities this opens up."**

Hassan Mawji, Stockist, Verona Collection

### ASOS Marketplace: opening doors for fashion start-ups

ASOS Marketplace brings together 700 of the hottest new, independent, up-and-coming brands and vintage boutiques from over 45 countries. It opens doors for talented fashion start-ups by connecting entrepreneurs with our customers and the wider industry, and with mentoring and coaching in business development available to them.

In 2018/19, ASOS Marketplace welcomed charity boutiques from TRAIID, Oxfam and Barnardo's, each offering a curated set of products for our 20-something customers.

All proceeds go to the charity. This is an amazing opportunity for the charities to be able to showcase a curated selection of some of their products on a popular and well loved platform, while boosting the profile of ASOS Marketplace.

**"With the launch of Oxfam Fest, Barnardo's, and TRAIID on ASOS Marketplace, we're taking another step towards making it easy and convenient for our customers to shop in a sustainable and responsible way, while supporting the crucial work of these well known charities."**

Alex Cousins, Marketplace Lead and Senior Buyer, ASOS

### Reworked denim campaign

For two weeks in July, 21 boutiques from ASOS Marketplace led a 'reworked denim' campaign. Following a great response to the reworked lines back in January's 'Denim Month', total sales for the campaign came in at £6.4k for 228 units sold, with Avelinas being the best performing boutique. The highest price point item was a reworked Disney denim jacket, while the best-performing Instagram post was a hand-painted denim jacket from Lazey Vintage, with 1.5k likes.



### ASOS Brand Highlights 2018/19

#### ASOS DESIGN

**+£1bn**  
sales

**1,000**  
new styles a week

**38%**  
sustainable fibres

#### Exclusive to ASOS

#### ASOS WHITE

**Now offer both Menswear and Womenswear**

#### ASOS 4505

**Now in the third season, Snow & Ski ranges sold out in a matter of days**

#### ASOS Made in Kenya

**Production capacity set to potentially double over the next three years**

**Launched first Menswear collection**

#### ASOS EDITION

**+150% sales**  
our most successful year yet

# Our circular roadmap

ASOS' circular fashion commitment is our roadmap for the future of our clothes – we are redefining our approach to design to ensure that we keep circularity in mind at the beginning of the process. This presents the opportunity to design out waste, to encourage the product to remain in use for as long as possible and to minimise waste at the end of life. We're certainly not there yet but we're committed to 'closing the loop' on fast fashion.



**We are delighted to be working with ASOS, whose bold commitments continue to lead the way in sustainability, from sourcing and design for circularity to their collaborative approach, which in turn is improving sustainability across the fashion industry.**

Professor Dilys Williams, Director, Centre for Sustainable Fashion

As part of our commitment to the Global Fashion Agenda's 2020 Pledge for Circularity, we've partnered with the Centre for Sustainable Fashion at the London College of Fashion to develop a bespoke curriculum and programme to train all our design and product teams in circular design principles.

**"We've made something commercial and we've made it using less fabric and sending less to landfill. That's just one small thing across five garments but if we can use those techniques going forward in other garments and tell more people about it, we can make a difference."**

Marty Thone, Senior Designer, ASOS

**100% of ASOS designers have completed Circular Design courses 1 and 2**

We regularly share social media posts to encourage clothing swaps, upcycling, donations to charity shops, use of textile recycling apps and washing at 30 degrees.

**"The donation of ASOS samples, for sale by Oxfam, keeps clothing in use for longer, avoiding landfill as well as supporting our charity."**

Michael Taylor, Head of Corporate Engagement, Trading Division, Oxfam



We teamed up with others through initiatives like Ellen MacArthur Circular Fibres and the Textile Exchange Recycled Polyester Working Group to collectively tackle barriers to circular fashion.

**+752,000 #WearNext Instagram views of Make Fashion Circular's campaign to give New York's old clothes a new life**

Expert pattern cutters use innovative and forward thinking practices to minimise waste and create zero-waste garments.

**"When you're working on zero-waste garments, you have to work really closely with the designer in order to ensure the design vision is met but that it's also production-friendly."**

Catherine Angus, Established Womenwear Pattern Cutter, ASOS

Over the past year, we've reduced our range of product packaging by 45% and we're on the look-out for more efficiencies.

**100% recycled card in mail boxes and 25% recycled plastic in mail bags**



# The people behind the brand

During the year, we've supported our diverse talent with leadership development programmes and flexible, creative workplaces that help our people be their best selves.



Now in its third year, the ASOS Academy finds creative ways of building confidence and skills among colleagues, in line with our brand purpose. One example is the annual Festival of Learning, which delivered 4,000 hours of career development workshops and masterclasses from our London HQ and Customer Care centre in Leavesden – 70% of the sessions were run by ASOSers themselves. The Festival achieved a 95% employee engagement rate, with 17,000 subsequent LinkedIn views.

**95% employee engagement score for our Festival of Learning**

**17,000 LinkedIn views on our Festival of Learning**

**4,000 monthly views of ASOS Academy online**

**50 ASOSers received Fund Your Future bursaries**

## Finding the future leaders among us

In the context of our ambitious growth plans, our leaders play an ever-more vital role. We need leaders who bring our values and behaviours to life, create a fulfilling employee experience, embrace diversity and nurture the power of our people. In the last nine months, 230 ASOSers completed phase one of 'Leading@ASOS', our leadership development programme. They are now moving onto a blended-learning phase to build capabilities further.

## 230 employees completed Phase 1 'Leading@ASOS'

For 20 Customer Care team leaders, we're piloting a 12-month Level 3 Diploma in Management, accredited by the Chartered Management Institute and funded by the apprenticeship levy.

# 86%

are proud to say they work for ASOS

# 79%

recommend ASOS as a great place to work

Nov2018 annual employee survey

## Our standout moments from 2018/19

- Launched 'Leading@ASOS' to our top 230 leaders
- Our successful Festival of Learning events, aligned to our 2019 employee engagement survey findings, where we delivered an incredible amount of learning in just one week
- We've trained 32 mental health first aiders and equipped them to support other ASOSers
- Our continued progress in supporting emerging talent. We are very excited to now be launching several apprenticeship programmes in our Customer Care centre in Leavesden
- We attended Pride for the second year in a row in partnership with GLAAD, as well as National Student Pride Day

## Finding tomorrow's brightest talent

Being at the forefront of 20-something fashion means attracting and retaining the best young designers. Every June at Graduate Fashion Week, our Heads of Design scout for promising talent to win a one-year paid placement at our London HQ. We also work closely with universities, as well as the charity Fashion Awareness Direct, to reach youngsters who may typically be marginalised from accessing opportunities. Our 2019 Fashion Discovery competition received over 1,000 entries from budding entrepreneurs eager to benefit from selling their collections on ASOS and mentorship.

## Graduate Employer of Choice for Buying and Purchasing, the Times Graduate Recruitment Awards 2019

As well as finding the best future design talent, we offered 42 paid 12-month internships in the last year, including four positions through the Prince's Trust. We also hosted 40 graduates in Technology, Brand Experience, Customer Care and Operations and we partnered with Ada, the National College for Digital Skills, to launch a Level 4 Software Developer apprenticeship.

## 42 internships

## 23 apprenticeships in Buying and Merchandising, Garment Technology and Software Engineering



## A diverse workforce is a creative workforce

In the last year, almost 500 ASOSers, including our senior leadership, attended unconscious bias training. The course demonstrates how to recognise our own biases and avoid acting on them. Following the training, many ASOSers came back with creative ideas to reduce bias further.

On gender diversity, we continued to close the gender pay gap, which stands at 29.7% (mean average), down from 32.8% the previous year. Data indicates that for equivalent roles, men and women are paid the same and what's driving the pay gap is a gender imbalance in higher-paid levels of the business. We've started to address this with improved family-friendly and flexible working policies, a review of how we advertise and recruit our roles and re-emphasising gender inclusivity in unconscious bias training. Reporting this data in line with legislation has confirmed that we need to focus our gender diversity work on attracting, developing and retaining female leaders at ASOS.

## 3.1% closing of our gender pay gap

(29.7% in 2019 versus 32.8% in 2018)

When we look at wider inclusion, we're delivering for our customers but sometimes falling short in the workplace. We need to see our workplaces reflect our communities more in terms of race, gender identity and physical ability.

## Unleashing creativity at our London HQ

Our revamped London offices are now far more attuned to creative thinking. Bespoke mobile first technology and location-mapping software, plus flowing spaces for cross-functional interaction, all make for a flexible workspace that's conducive to our young, creative workforce.

The site houses new fitness facilities (also used to test ASOS 4505 Activewear), the ASOS Academy, cafés, breakout spaces, an auditorium, tech bar and concierge. Just some of the things that we hope will make ASOS an even greater place for our talent to thrive.

# Fashion with Integrity

Fashion with Integrity is at the heart of everything we do at ASOS and it ensures that we source sustainably, trade ethically and inclusively, and work with others to transform the impact of our business on people, planet, animals and the environment. And, it's in line with what our 20-something customers tell us really matters to them.

Our corporate responsibility, ethical trade and sustainable sourcing experts work closely with the people in our offices, warehouses, supply chain and local communities to bring our strategy to life in both our business and our supply chain. Our stakeholders help us to identify and prioritise the issues that are most important to our business and also provide expertise to help us tackle the big ethical and sustainable challenges facing the industry.

## 7 out of 200 brands in the Fashion Transparency Index<sup>1</sup>

### Transformation through collaboration

In September 2018, we hosted 'The Future of Fashion: Transformation through Collaboration'. Bringing together our top-selling 90 brands, including Levi's, Adidas, Nike and Puma, alongside organisations such as Fashion Revolution, the World's Global Style Network and the Business & Human Rights Resource Centre, we discussed worker rights, purchasing practices, transparency, circularity and raw materials.

We're committed to using our growing global reach to respect people, animals and the planet with great products that our customers can trust. With approximately 1,000 factories and 156 suppliers in 23 countries, tracking the journey of an ASOS garment<sup>2</sup> – and reducing exposure to environmental and social risks along the way – is a highly complex, but critical challenge.

### Sustainable sourcing

We now know the country of origin for 41% of textile fibres and have verified that 83% of the cotton we use is sustainably sourced<sup>3</sup> – keeping us on-track to meet our 2025 Sustainable Clothing Challenge pledge of 100% more sustainable cotton in the next five years. In March 2019, we formally banned mohair, cashmere, silk, feathers/down, bone, horn, shell and teeth across both our own brands and those we edit.

To map and identify environmental risks in our supply chain, we use the Higg Index. This year we increased the number of sites in our supply chain engaging in the Index by over 70%, helping us improve our purchasing decisions and rewarding those suppliers with high environmental standards. We also joined the Zero Discharge of Hazardous Chemicals Roadmap to Zero Programme, collaborating with industry stakeholders to drive sustainable chemical management in the textile and leader supply chains.

## PETA applauds ASOS for leading the charge for compassion in fashion.

Yvonne Taylor,  
Director of Corporate Projects, PETA

### Fashion with Integrity – our stakeholders

- ASOS Plc Board of Directors
- Customers
- Employees
- Contractors
- Charity partners
- Supply chain workers
- Suppliers of fashion products
- Suppliers of non-stock products and services
- Third-party brands sold on ASOS.com
- Industry partners
- Investors
- Local communities around ASOS sites
- Local, UK and international governments and agencies
- Non-Governmental Organisations
- Regulatory authorities
- British Retail Consortium
- UN Global Compact

For a full list of our stakeholders go to [asosplc.com](https://asosplc.com)

### Ethical Trade

Our Ethical Trade programme holds us to account when it comes to human rights impacts associated with producing our garments. We share factory information with our customers and other stakeholders through an interactive supply chain map and factory list, which are updated every two months. In the last 12 months, we conducted 690 unannounced factory audits against our Supplier Ethical Code with expert third-party auditors. For more detail on our Ethical Trade programme, see our website.

### Trusted textiles

With the ASOS Certification programme, we can back up the sustainability claims we make, including fibre origin and social, environmental and chemical standards at factory level. We are also signatories to the Sustainable Clothing Action Plan and in our latest report we demonstrated a reduction in our water footprint of 12.2% and our carbon footprint of 14.6% for every tonne of clothing sold in the UK (2012 baseline).

### Extending our approach to third-party brands

Our Branded Responsible Sourcing programme allows us to extend our ethical trading practices and sustainable sourcing principles to the 950+ brands on the ASOS site. Self-assessments give us a clear picture of the ethical and sustainable practices of the overwhelming majority of our third-party brands. To deepen this, we've issued e-guidebooks on key topics created alongside the Centre for Sustainable Fashion. We've also hosted monthly ethical trade workshops for over 80 brands and provided 'deep dive' workshops to those requesting extra support.

We host regular collaborative events, including our annual House of Lords Forum, in which 13 of our third-party brands pledged to take further action to mitigate modern slavery risks. This forum was co-hosted with Baroness Lola Young, Co-Chair of the All-Party Parliamentary Group on Ethics and Sustainability in Fashion.

**“To make change stick, we need to make it systemic. We've still got some way to go, but the consultations, workshops and events we've delivered over the past year have led to a step-change in our third-party brand programme.”**

Simon Platts, Sourcing Director, ASOS

### Reducing modern slavery risk in India

Our audit programme identified the prevalent use of contract labour in our Indian supply chain and the associated risk of modern slavery. We partnered with local organisation Kaarak to conduct an investigation in 13 factories in Delhi, which highlighted a significant opportunity to improve practices surrounding the recruitment and employment of contract workers. In August 2019, we worked with our partner Impactt to deliver HR training to 16 workers from six factories in Delhi. Participants told us the training was "vital and informative" and we will be following up with an impact assessment in December 2019.

**“The Ethical Trade team at ASOS are available to talk to if we have any questions for them and are willing to help where they can. Their existing policies are also a big help – as a smaller company, we have fewer resources and time to spend developing documents like these from scratch.”**

Chloe Broster, Plaza Group  
(whose brands include: Maya, Anaya and Dolly & Delicious).

### Worker welfare: 2018/19 milestones

**Worker rights:** as part of the implementation of our Global Framework Agreement with IndustriALL Global Union in our Turkish supply chain, an app now allows workers to instantly and anonymously report rights violations to an independent complaints handler employed by IndustriALL Global Union. The app has been downloaded 1,465 times so far.

**Purchasing practices and living wage:** as an active participant in the Action Collaboration Transformation (ACT) initiative, we assessed our purchasing practices within the ACT framework and became the first ACT brand to survey our suppliers against ACT's Supplier Purchasing Practices Assessment.

**Modern slavery:** we published our third Modern Slavery Statement and, in partnership with Anti-Slavery International and the IndustriALL Global Union, we're developing a mechanism to monitor recruitment and employment of migrant workers in our Mauritian supply chain.

**Child labour:** working with KADAV in Turkey and CCR CSR in China, we've now discovered and remediated 15 cases of child labour since 2016.

**Supplier engagement:** 83 ASOS suppliers attended conferences on ethical trade and sustainable sourcing (with a focus on modern slavery) in the UK, China and India.

<sup>1</sup> The Fashion Transparency Index rates 200 of the world's biggest fashion brands based on their public disclosure of "policy and commitments, governance, supply-chain traceability, supplier assessment and remediation, and new 'spotlight issues' covering gender equality, decent work, climate action and responsible consumption and production".

<sup>2</sup> This means our own created garments. For third-party engagement, see page 29.

<sup>3</sup> Recycled or organic, or aligning to standards of the Better Cotton Initiative or Cotton Made in Africa.



Business with integrity

At ASOS we believe in being a business that behaves in the right way. Our core values define who we are. We call this The ASOS Way. To make sure we're always supporting these values, we've established Do The Right Thing – the ASOS Code of Integrity. Our people can anonymously report any concerns about upholding the Code via a confidential hotline 'Speak Up'. More information on The ASOS Way and Do the Right Thing are available on [asosplc.com](https://www.asosplc.com)

Lower-carbon operations

As a growing company, we need to decouple our growth from emissions and extend this to our supply chain. We are committed to reducing our carbon intensity per customer order (for business operations only) every year to 2020. Our latest data (2017/18<sup>4</sup>) shows our total operational carbon emissions to be 236,720 tonnes of carbon dioxide equivalent, a 10% reduction on the previous year. This reduction was mainly delivered by improving the efficiency of garment distribution and we continue to engage with our delivery carriers to increase the use of low-carbon vehicles.

Supporting inclusive dance in the community

At the start of 2019, we embarked on an exciting new partnership with Candoco, an inclusive dance company. With our support, Candoco were able to offer a residential summer school for able-bodied and non-able-bodied dancers.

**“There is so much physical talent and artistic potential out there among young disabled and non-disabled adults and a huge demand for wider representation in the dance sector, and yet there is simply not enough access to training or routes into the profession. Our exciting partnership with ASOS enabled Candoco to use our expertise in inclusive dance practice to provide an unparalleled learning opportunity for these young artists.”**

Charlotte Darbyshire,  
Artistic Co-Director, Candoco

**Rail over road**

In the UK and Germany, it's now our standard process to transport all containers from port to fulfilment centre by rail as opposed to road. This not only reduces carbon emissions and improves air quality, but it also delivers cost efficiencies. We are now exploring rail for longer distances (e.g. from China to Germany) and look forward to reporting progress soon.

Responsible Procurement

Our Responsible Procurement programme seeks to drive visibility, promote integrity and mitigate risk in our non-stock supply chain and operations. We're currently reviewing our due diligence processes and we are working with our vendors to fully integrate ethical and working standards.



ASOS Foundation

This year we're celebrating 10 years of the ASOS Foundation. We're proud of what we've achieved alongside our charity partners. Our priority has always been to help young people around the world overcome barriers to education, skills and jobs. With support from ASOS, our suppliers, customers and employees, we've been able to tackle homelessness and poverty, through education, water and sanitation. Here are just some of the projects we've supported:

**UK:** We work with **Centrepoint** to support young people at risk of homelessness. The ASOS Foundation is the headline funder of the Centrepoin Helpline which has now reached more than 10,000 vulnerable young people, providing them with the information and support they need to help reduce the risk of homelessness. We also fund Centrepoin's mental health, counselling, and welfare services.

**20,000**  
young people supported  
by ASOS Foundation  
programmes

Non-financial disclosures

We comply with the requirements under the provisions contained in sections 414CA and 414CB of the Companies Act 2006. The information provided below is to help our stakeholders to find relevant information on key non-financial matters within this report. In addition to the information contained in this report we are already reporting under the following frameworks: Carbon reports, Modern Slavery Statements and UN Global Compact.

Reporting requirement	Relevant information
Description of the business model	Business model, pages 12-13
Non-financial key performance indicators	Are we on track?, pages 14-15
Supply Chain	Fashion with Integrity section, pages 28-31 Principal Risks, pages 34-37
Environmental matters	Fashion with Integrity section, pages 28-31
Employees	CEO's Operational overview, pages 5-8 People section, pages 26-27
Social matters	ASOS Foundation, page 31
Human Rights	Fashion with Integrity section, pages 28-31
Anti-corruption and Anti-bribery	Fashion with Integrity, pages 28-31 Principal Risks, pages 34-37
Description and management of principal risks and impact of business activity	Are we on track?, pages 14-15 Risk Report, pages 32-37

For a more in-depth understanding of our policies and access to our full reporting information on key non-financial reporting matters, please refer to [asosplc.com/corporate-responsibility](https://www.asosplc.com/corporate-responsibility)

The ASOS Foundation tackles barriers to employment through our partnership with the **Prince's Trust**. Workplace programmes funded by the ASOS Foundation give young people the skills and confidence they need to help them move into work, further education or training. Over 600 young people have completed an ASOS programme in Retail, Technology and Customer Care since 2009, and 44 graduates have been offered permanent roles since the partnership began.

**Kenya:** Project Pipeline is an ASOS Foundation programme in collaboration with **SOKO Community Trust** and **Wildlife Works Carbon Trust**. It seeks to provide water, develop talent and wellbeing through training, infrastructure and education, and establish trade opportunities. As well as funding a rainwater-harvesting system to supply drinking water for 7,000 people since 2014, the Foundation has launched Stitching Academy Kenya, with more than 40 young women and men successfully completing courses in the financial year ending 2018. In the last year, our work with SOKO has focused on issuing girls with washable, reusable sanitary pads made from the ASOS Made in Kenya offcuts. In 2018, these were shared with over 1,500 girls, alongside hygiene and confidence training, in six schools.

**India:** In partnership with **Udayan Care**, we're enabling orphaned and abandoned children to grow up in a safe and stable family environment. Since 2009, we've sponsored family homes for over 70 children, along with access to high quality education and vocational training. The ASOS Foundation also funds the construction of bespoke properties for the charity, and this year we launched a third home for 25 girls in Gurugram.

**£4.1 million+ donated to our charity partners since 2009**



4 Environmental data is unavailable at the time of this report launching due to different data year-ends. However, you can access 2018/19 performance when available at [asosplc.com](https://www.asosplc.com).



# Managing risk at ASOS

Everything we do at ASOS revolves around our purpose and mission – we are mission led, purpose driven – and that purpose and mission can only truly be secured through effective risk management. Our Risk Management Framework applies to every part of our business in the manner needed to be effective within our own unique culture, so that it empowers us to identify and determine what our key risks and opportunities are and how to manage them appropriately. This in turn enables us to meet our day-to-day objectives and our strategic objectives which underpin the sustainable growth and long-term viability of our business.

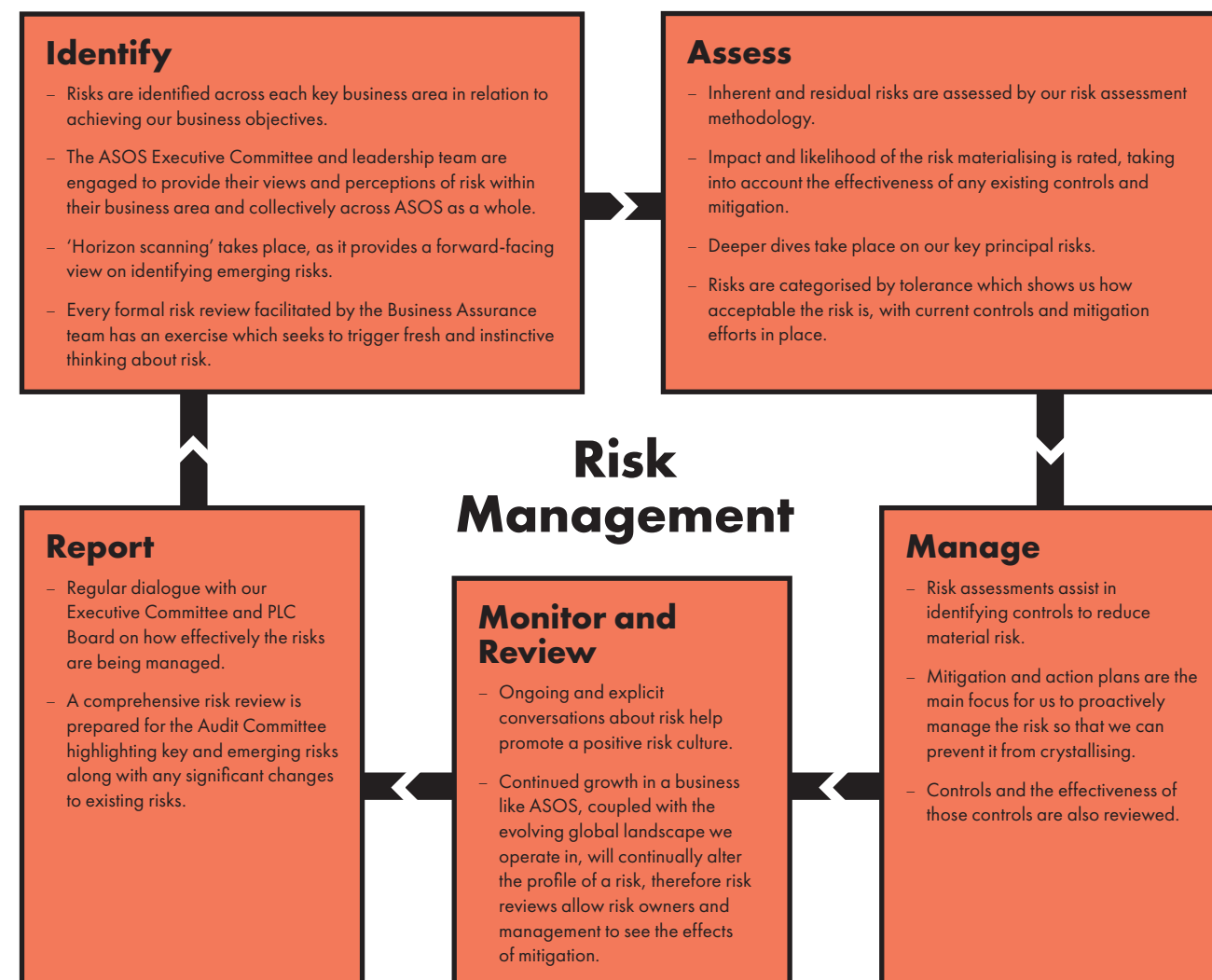
## Our approach to risk

Identifying risks and opportunities is a continual process which plays an integral part in our decision making and day-to-day operations. Sometimes without risk there is no reward, so a proactive approach is taken to risk management in accordance with our risk appetite. Creating a culture that is risk

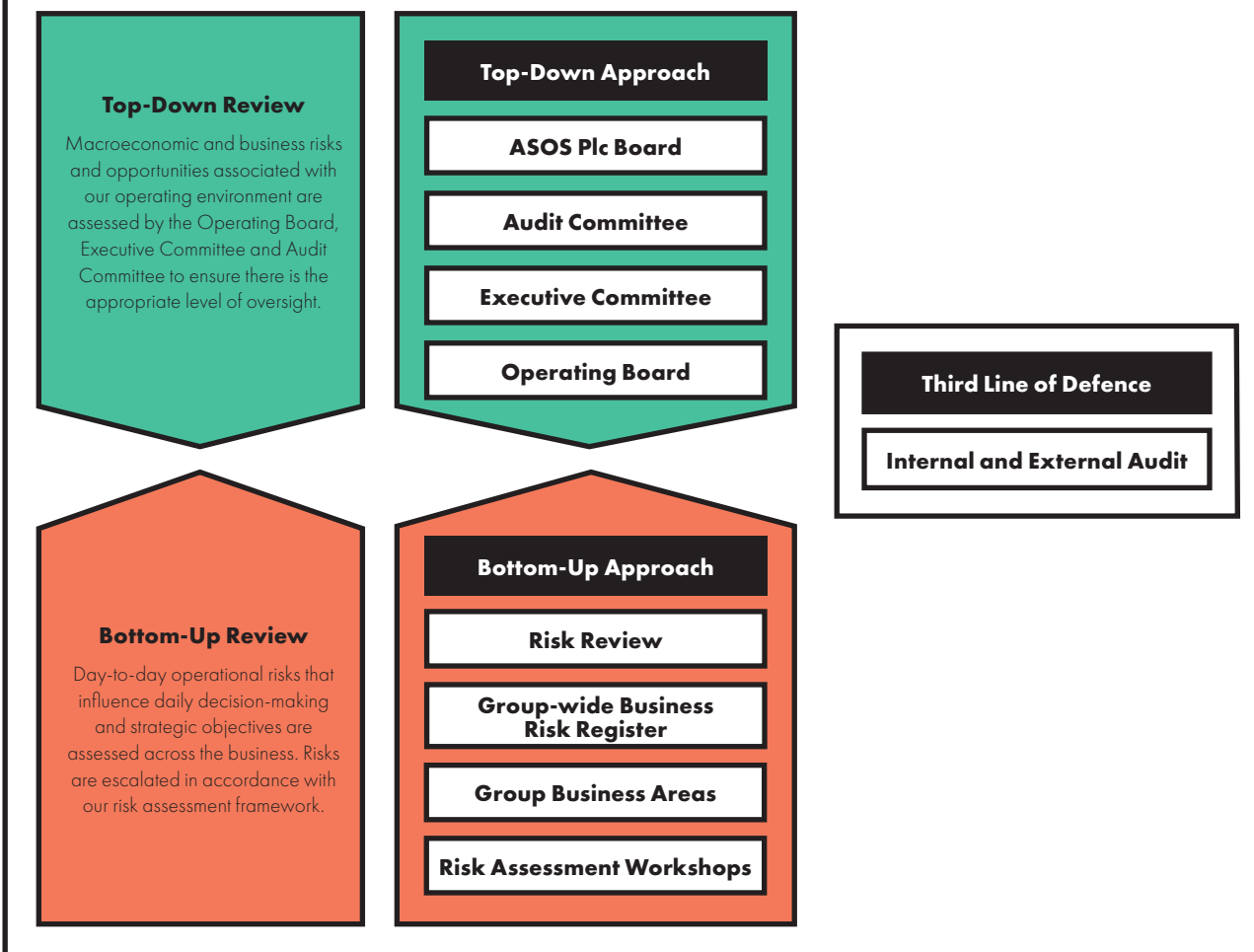
aware while opportunity driven enables us to continue to move at the pace that we do. We recognise failure to quickly identify risks before they crystallise could stop us from achieving our mission, to be the world's number one online destination for fashion loving 20-somethings.

## Our risk management process

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



## Assurance and oversight of our risks and opportunities



## Risk responsibility

The Board has overall responsibility for risk management and application of control. This includes reviewing the robustness of our risk management internal controls so that they remain fit for purpose and evolve in our dynamic business. Responsibility for reviewing specific risks and controls is delegated to the Audit Committee, while the Executive Committee, Operating Board and senior leadership are responsible for implementing processes, mitigation and controls on the ground.

The General Counsel & Company Secretary has executive responsibility for risk management. The Business Assurance team facilitates the day-to-day and strategic application of our risk management framework and process by providing a rigorous assessment of risk, while ensuring

that the approach is dynamic and engaging to influence our ASOSers. While continuity in our risk management approach is valuable to ensure a consistent assessment of risk year-on-year, the Risk Management Framework and the processes that underpin it are reviewed regularly by Business Assurance to ensure it appropriately evolves in line with business change.

## Assurance and oversight of our risks and opportunities

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

– **First Line:** Practical Assurance – day-to-day risk management within ASOS engaging the breadth of ASOS leadership, including defined accountability through ownership and application of controls and mitigation.

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

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

# Principal risks & opportunities


Like all businesses ASOS faces a variety of risks, many of which will equally unlock opportunities. As we operate globally, we recognise that our principal and emerging risks can be dynamic and influenced by the macroeconomic environment.

## Operational risks





### Transformation projects are delayed or fail to deliver

 <b>Risk movement</b> Increased risk	<b>What’s the risk?</b> To enable its global ambitions, ASOS invests heavily in transformative projects across the business to strengthen and improve our infrastructure, systems, and capacity. However, the complexity of and inter-dependencies between projects, coupled with the scale and scope of the overall programme for change, present additional challenges. These in turn increase the risk of those projects not being executed smoothly, or being delayed such that transformation outcomes or efficiencies cannot be fully utilised or result in a diminished customer proposition.	<b>How do we manage the risk?</b> <ul style="list-style-type: none"><li>– An Executive Committee member is responsible for each major transformation programme, supported by one (or more) cross-departmental Steering Committee that meets regularly to review the status of the project, including risks and impacts.</li><li>– Projects are supported by the Business Assurance function, and going forward project support and oversight will be provided on a day-to-day basis by the Company’s new Operating Board.</li><li>– The Company’s internal audit programme is used to provide an independent assessment on the Company’s progress with key projects and implementation readiness.</li><li>– Potential issues and business design or implementation concerns are reviewed and assessed as part of the periodic Business Assurance Risk Review.</li><li>– The ASOS Plc Board is kept appraised of progress and key issues at Board meetings, with additional project “deep dives” as and when required.</li></ul>
<b>Risk owner</b> COO & CIO	<b>What’s the impact?</b> Operational disruption can, where projects are co-dependent or require resources to be diverted to address delays or remediate issues, potentially lead to diminished customer proposition and/or lost opportunity. There is also a risk of change “fatigue” and the potential for lost momentum across operations in our business if projects are delayed or fail to deliver.	

### Increasing our operating model complexity

 <b>Risk movement</b> New risk	<b>What’s the risk?</b> ASOS has grown at pace over a relatively short period of time. With our ambition as strong as ever to capitalise on the opportunity to be one of the few global leaders in retail we must continuously and rapidly evolve our business operating model to support long-term scalable and sustainable global growth and success.	<b>How do we manage the risk?</b> <ul style="list-style-type: none"><li>– An Executive Committee member is assigned responsibility for each major transformative programme, and the Executive Committee as a whole, led by the CEO, exercises collective responsibility for the strategy and structure of the business.</li><li>– We have learnt that increasing complexity over a relatively short period of time requires in-depth contingency planning to anticipate and prepare for foreseeable risks, and to have robust tested processes in place to deal with the unexpected. These learnings guide future project and contingency planning.</li><li>– Technology (and continuing Tech investment and development) is crucial to improving multi-site connectivity and unlocking efficiencies. Automation and the optimisation of workflows reduce the risks associated with and need for manual interventions, in addition to driving efficiencies within existing infrastructure.</li><li>– The creation of a new Operating Board will help drive more effective governance on execution and day-to-day performance monitoring and management, with an increased focus on striking the right balance between getting correct processes in place across the business, without compromising on agility or our growth plans.</li></ul>
<b>Risk owner</b> CEO	<b>What’s the impact?</b> While issues associated with scaling the business tend to impact near-term performance rather than being symptomatic of underlying issues, rapid multi-site international expansion introduces both operational complexity and execution risks when augmenting operations and systems, and challenges in ensuring workforce readiness to adapt and up-skill. This could lead to lost opportunity and/or inability to capitalise on planned efficiencies.	


#### Risk movement key

-  Increased risk
-  Reduced risk
-  Stable
-  New risk

## Understanding local market context, globally

 <b>Risk movement</b> Stable	<b>What’s the risk?</b> ASOS has developed an impressive market-leading business model based on customer engagement, using the UK market and customer base as our ‘core learning ground’. As we continue to develop our global platform, there is a risk of misinterpreting or misunderstanding local market sensitivities or consumer habits or preferences, and replicating our UK model without fully understanding or engaging customers. We must structure our international propositions effectively, using local knowledge and in-market data to inform our strategy and ensure that our offering is locally compelling.	<b>How do we manage the risk?</b> <ul style="list-style-type: none"><li>– Global trading prioritisation and strategic planning is key to determine risks and opportunities by market, and where, when, and how we invest resource.</li><li>– Our expanded and fully operational global network of fulfilment and returns centres elevates previous over-dependency on a single site/continent, whilst also increasing our capacity and enabling us to provide more efficient and tailored ways of fulfilling key territories.</li><li>– Timely and accurate trading data is critical for planning and executing territory-by-territory trading strategies. Having a dedicated Trading Team within our Retail Team ensures that stock and strategy are aligned and carefully managed, that potential trading issues are identified and remedied quickly, and that promotions and discounting can be activated quickly and responsively to drive sales and effective pricing.</li><li>– A proactive approach to monitoring consumer trends and competitor activities in key markets. Our internal Data Insights team combine with external reporting to provide a comprehensive analysis of country-specific data and insights.</li><li>– The use of freelance consultants and local expertise can supplement or refresh internal knowledge, particularly in countries where we have a less established presence.</li><li>– Launching new local language websites and/or locally tailored customer propositions – e.g. local payment options/methods – can significantly increase or secure our in-territory presence.</li></ul>
<b>Risk owner</b> Trading Director and Brand Experience Director	<b>What’s the impact?</b> Lost opportunity: an over-reliance on the understanding of our UK customer demographic and replicating our UK model without fully understanding or engaging customers in global territories could stifle top-line growth which longer-term reduces our profitability.	

## Ethical trade or sourcing issues in our supply chain

 <b>Risk movement</b> Stable	<b>What’s the risk?</b> Ultimately ASOS’ success is defined by the products it sells. Having an engaging, exciting customer experience and first-class proposition can only get us so far if our products fall short of our customers’ expectations. We know that our customers care about integrity and want to be confident about where their clothes come from and the standards under which they are produced, with the assurance that workers and the environment are not exploited in the process. Regulatory scrutiny is also increasing in this area across the globe, and any issue is likely to result in negative impact to the ASOS brand and a loss of consumer confidence and trust.	<b>How do we manage the risk?</b> <ul style="list-style-type: none"><li>– We continue to make substantial progress mitigating our ethical trade and sourcing risks by developing our expertise around product quality and ethical trading standards, led by our Sourcing Director and with ultimate responsibility resting with our Retail Directors.</li><li>– We continue to deliver an audit programme in line with our Fashion with Integrity (FWI) strategy. FWI is actively championed by our CEO, which helps to push forward the agenda internally and drive focus on our ethical standards and corporate responsibility commitments.</li><li>– Improved technical capacity in our Garment Technology teams, overseen by our product Technical Director, to provide increased surety that the products that we receive from our suppliers meet our product quality standards and expectations before they go on our website.</li><li>– We are developing a network of in-country compliance testing and quality control facilities, with enhanced testing and reporting capabilities and to identify issues at source.</li><li>– The use of an additional in-house testing facility in Barnsley to further assess and test products for quality and compliance purposes.</li><li>– Enhanced supplier terms and conditions have been rolled out to provide an increased level of robustness and governance, with improved clarity on the standards expected of suppliers, and policies have been updated and strengthened.</li><li>– We continue to influence, collaborate, guide and train our suppliers to support them in achieving our sustainable sourcing and ethical trade principles, and are members of key industry bodies including IndustriALL.</li></ul>
<b>Risk owner</b> Retail & Sourcing Directors	<b>What’s the impact?</b> Negative PR/brand damage, loss of consumer confidence and trust, compliance issues and regulatory fines.	

Market risks

Geopolitical uncertainty, including Brexit

**Risk movement**  
Increased risk

The global political landscape continues to shift with ongoing uncertainty surrounding Brexit and emerging trade wars which has increased the volatility of this risk.

**Risk owner**  
Trading Team, Brexit Steering Committee

**What’s the risk?**

Specific macroeconomic and geopolitical factors can influence our business and ability to trade across borders. Governments in key markets influence cross-border control, which could make it more difficult for us to source, buy and move products into and out of the territories we operate in. Brexit is at the forefront of our strategic planning and preparations as a current geopolitical uncertainty.

**What’s the impact?**

Operational disruption if we are restricted in our ability to source and sell products across borders. This could lead to lost opportunity and diminished customer proposition, impacting customer willingness to engage with and buy from us. Profitability may also be put at risk as a consequence of changes to tariffs or customs legislation.

**How do we manage the risk?**

- We have a knowledgeable Tax and Customs team who engage with authorities and regulators in key markets, to keep abreast of local changes or developments globally and recommend changes or adaptations to our business operations to mitigate the impact.
- The Executive Committee and cross-functional Brexit Steering Committee continue to monitor, model and assess the potential outcomes and implications of Brexit, recommending changes or adaptations to our business operations to address and mitigate perceived risks.
- We have fulfilment centres in three different core territories (UK, Europe and US), providing cover in the event of disruption at a particular facility. In particular, the ability to serve our European customer from Euro Hub, and our UK/ Rest of World customers from Barnsley, is advantageous for our Brexit preparations, helping to insulate us against potential UK/EU cross-border disruption and the risk of a diminished customer proposition.
- We have a diverse, multifaceted sourcing and supply chain involving multiple suppliers in multiple locations. This helps to minimise an over-reliance on an individual country and/or supplier or brand, and allows us to utilise our extensive network in the event of capacity or capability changes.
- We have external advisers who provide us with additional support or information when required.
- All ASOS employees who are not UK nationals have been offered support from our People Team on their particular circumstances.

Shift in e-commerce market dynamics

**Risk movement**  
Increased risk

Due to increased saturation of the 20-something e-commerce market and the increased aggressiveness of competitor activities.

**Risk owner**  
Brand Experience Director

**What’s the risk?**

Customers that once shopped exclusively with ASOS for all their online fashion needs are now exposed to an increasingly global and competitive e-commerce environment that is more fierce and diverse than ever before. Being one of the first e-commerce players in the retail space, we are viewed as the model for success and as a result our business model is being increasingly replicated by competitors, meaning we could end up in a race to commoditisation and become part of the status quo if we don’t evolve our playbook. Many competitors are also engaging in aggressive – often unsustainable – promotional activity, some in an attempt to steal market share and others due to financial distress.

**What’s the impact?**

Failure to evolve our business model, enhance our proposition, and be top of mind for our audience in an increasingly competitive environment, could result in ASOS losing opportunity and market share. We need to stay ahead of the game and relevant despite customers having more choice in front of them. Customers being swayed by the presence of more nimble business models could impact on longer-term growth and profitability.

**How do we manage the risk?**

- We continue to drive the uniqueness of our product offering via unique ranges only available on ASOS.com such as ASOS DESIGN, ASOS EDITION, ASOS 4505, Collusion, and style edits and exclusive products from brands on site. This is alongside our expanding diverse and inclusive product offering with sustainable and modest ranges.
- We have overhauled both our marketing and studio production strategies during the year to make sure that our product and customer communications look amazing.
- We invest significantly in logistics, fulfilment, delivery, brand and customer experience to ensure our offer is compelling – to keep our existing customers loyal, to re-activate customers and to attract new customers most effectively.
- In addition to continuing to invest in driving acquisition of new customers we also need to maximise the loyalty and life time value of existing customers. We are using technology and data to optimise how we do both of these. This will involve the use of machine learning and data science to be more targeted in how we acquire and engage our customers.
- We continue to work with brands in promoting products that are only exclusively available to buy on ASOS.com, leveraging our scale and first mover advantage to curate a broad and diverse fast-moving product offering, with newness at its heart.

Cyber threat and data security

**Risk movement**  
Stable

**Risk owner**  
Data Protection Officer (DPO) and Chief Information Security Officer (CISO)

**What’s the risk?**

The cyber security landscape is continuously evolving, with threats becoming more sophisticated and aggressive. As a pure play online retailer, ASOS uses data for a diverse number of reasons, including to process orders, receive payment and effectively engage with our customers on a regular basis. With more than 20 million active customers worldwide, we work with a variety of third-party suppliers, and we employ over 4,000 ASOSers – with that comes a lot of responsibility to protect the integrity of data being used and processed, and it means that we will always be a target for cyber threats.

**What’s the impact?**

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

**How do we manage the risk?**

- We have a fully embedded and mature Cyber Security team, led by our CISO, who monitor the cyber threat and intelligence landscape and actively monitor the dark web. Significant progress has been made over the past 12 months with mitigation plans, both tactically and strategically.
- The Data Protection team actively engage across ASOS teams to ensure we have visibility of the collection, use and reuse of data and any new projects that require customer or employee data, while ensuring the right training and awareness is in place. A data breach response plan is in place for use in a major incident.
- Security controls and processes are assessed and updated continuously. Cyber Security carry out regular penetration testing to identify any potential weaknesses in our systems and infrastructure.
- Our CISO and DPO work collaboratively to ensure cross-functional alignment on key issues and to share intelligence on risk areas and opportunities.
- Policies and privacy notices are reviewed regularly and updated according to legal or corporate developments.
- Implementation of multi factor authentication (MFA) across ASOS over the past year has enhanced our protection against phishing and malware attacks, while cyber awareness campaigns continue to positively engage ASOSers on the topic of cyber security.
- Supplier contracts have been reviewed to determine where remediation action is needed, and any new supplier contracts include the required clauses to legitimise data sharing and minimise risk.

Key third party supplier or service provider failure and business continuity

**Risk movement**  
Stable

**Risk owner**  
CIO, COO & Retail Directors

**What’s the risk?**

We are reliant on multiple third-party suppliers and service providers throughout the customer journey from website to fulfilment, to the product itself. This means that if there is a failure on their part, we may suffer from a disruption to our operations and overall business.

**What’s the impact?**

Any failure in day-to-day operations risk negatively impacting our ability to process or fulfil customer orders, resulting in reduced customer proposition, lost opportunity and a loss of customer confidence.

**How do we manage the risk?**

- As our internal tech and cyber resiliency continues to mature, focus has increasingly shifted towards assurance on our key third-party suppliers and service providers, with tactical and strategic audits and, if necessary, mitigation or remediation plans in place with those service providers deemed as ‘higher risk’ (be that due to over-reliance or concerns over the security of their systems, or risk of business failure).
- The use of a diverse, multi-faceted sourcing and supply chain involving many different suppliers across multiple jurisdictions helps spread the risk and make us less dependent on exporting from specific countries and/or over-reliance on key suppliers/ brands. This is continuously monitored.
- Over the past 12 months the Business Assurance function has implemented the results of business impact assessments and enhanced ASOS’ Business Continuity capabilities in ASOS’ head office, customer care operations and supply chain, including our fulfilment centres. The refreshed approach provides greater assurance on incident notification, escalation and management.
- All new suppliers go through a rigorous selection and on-boarding process and our Procurement team monitor supplier performance on an ongoing basis.

Foreign exchange movement

**Risk movement**  
Stable

**Risk owner**  
CFO

**What’s the risk?**

We are a UK-based global retailer and sell products to customers across the world in many different currencies, whilst recognising revenues in our Financial Accounts in pounds sterling. Global growth and the increasing proportion of customers shopping with us from international markets will continue to drive greater foreign exchange exposure.

**What’s the impact?**

Lost opportunity. Any potential exposure to volatility in foreign exchange rates creates increased risk on our profitability.

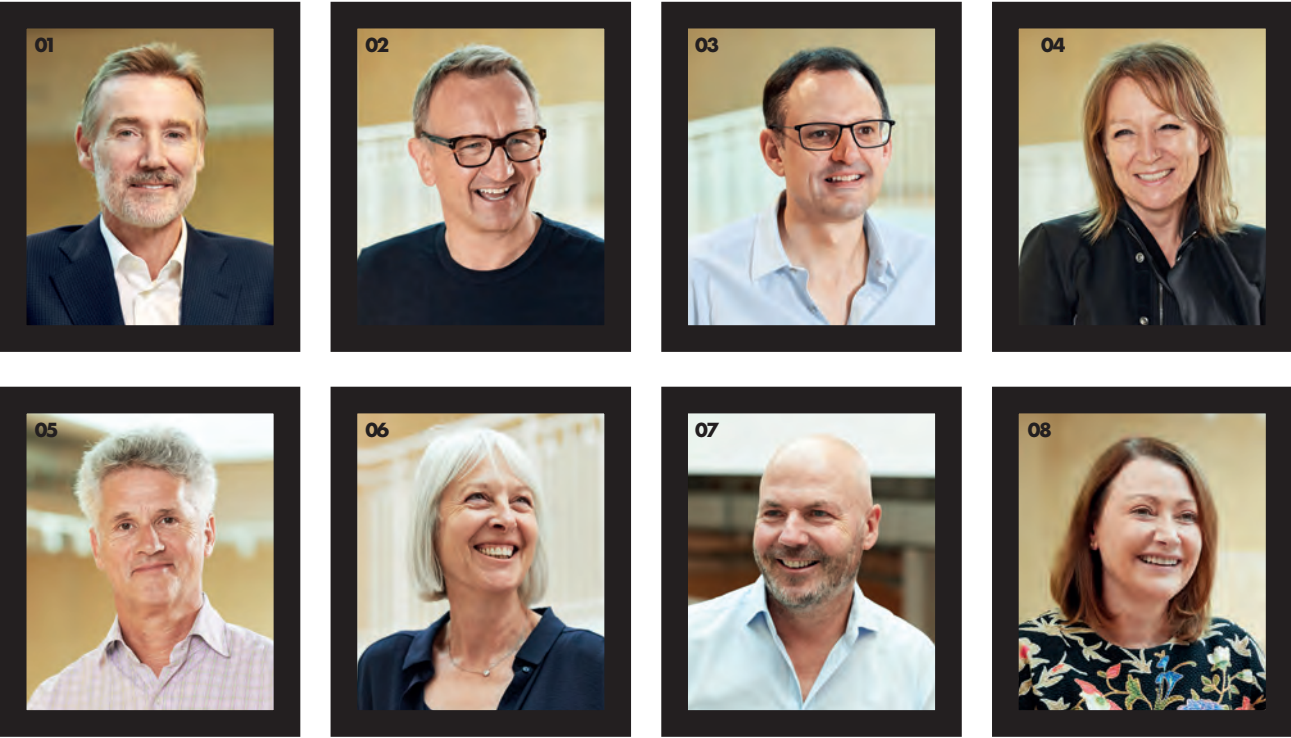
**How do we manage the risk?**

- We have strengthened our processes within our hedging policy to ensure it remains robust while we continue to increase our business operating model complexity and share of international customers.
- We continue to perform horizon scanning and monitor the implications of emerging macroeconomic risks, including Brexit, to help prepare for any volatility in foreign exchange movements.
- Increasing the level of rigour in our financial planning, including strengthening our lead indicators, helps build contingency and sensitivity against any adverse movements in foreign exchange rates.
- Continue to drive profitability through natural hedging in local fulfilment currencies.



# Board of Directors

- Key**
- A Audit Committee
  - N Nomination Committee
  - R Remuneration Committee



**01 Adam Crozier** N  
Chair

**Appointed** November 2018

**Experience** Adam is currently chairman of Whitbread plc and Vue International. Previous non-executive directorships include Stage Entertainment BV, G4S plc, Debenhams plc and Camelot Group plc.

Adam has had over 20 years' experience as a chief executive officer across four different industries, most recently as the chief executive officer of ITV plc from April 2010 to June 2017. Over that time he has built a strong track record in turning around troubled organisations and for his ability to build and lead successful management teams. Under Adam's leadership, ITV was transformed into one of the most successful and dynamic media and content companies in the world and its financial performance improved dramatically.

Before joining ITV, Adam was chief executive of Royal Mail, where over seven years he led its modernisation and transformed it from a heavily loss-making position to profitability. Prior to Royal Mail he was chief executive officer of The Football Association between 2000 and 2002 and Joint chief executive officer of Saatchi & Saatchi from 1995-2000.

**02 Nick Beighton**  
Chief Executive Officer

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

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

**03 Mat Dunn**  
Chief Financial Officer

**Appointed** April 2019

**Experience** Mat is a chartered management accountant with over 15 years of post-qualification experience. He has significant international experience in both developed and developing markets, as well as experience leading major commercial and functional improvement and transformation programmes.

Before ASOS, Mat held various financial planning, management and leadership positions at SABMiller plc from 2002, before joining EMI Music Limited as chief financial officer of their Global Catalogue division in 2009. He returned to SABMiller plc in 2010, where he held the role of chief financial officer of Asia until 2014 before becoming chief financial officer of South African Breweries Limited from 2014 until 2015. In 2015, Mat joined the board of Britvic plc as chief financial officer.

**04 Rita Clifton** A N R  
Independent Non-executive Director

**Appointed** April 2014

**Experience** Rita is chair of BrandCap, the global brand consultancy, as well as being a portfolio chair and non-executive director. Her current roles include the board of Nationwide Building Society and as senior independent director of Ascential plc, the specialist global information company. Previous non-executive directorships include Dixons Retail plc, Bupa, Emap plc and Populus, the market research firm. Rita started her career in advertising, becoming vice chairman and strategy director at Saatchi & Saatchi. She joined Interbrand as chief executive officer of the London office in 1997, becoming chairman in 2002. She's a fellow of WWF-UK, the conservation and environmental protection charity, and has been a member of the government's Sustainable Development Commission. Rita has also chaired the sustainability charity TCV and sits on the Assurance and Advisory Board for BP's carbon offsetting programme, Target Neutral. In 2014, Rita was awarded a CBE for services to the advertising industry.

**05 Ian Dyson** A N R  
Senior Independent Director and Chair of the Audit Committee

**Appointed** October 2013

**Experience** Ian is the senior independent director of Flutter Entertainment plc (formerly Paddy Power Betfair plc) and chairman of the audit committees of Intercontinental Hotels Group PLC and SSP Group plc. He has more than 20 years' experience in the public market arena and has held both executive and non-executive directorships at FTSE 100 and FTSE 250 companies. He was group finance and operations director of Marks & Spencer Group plc from 2005 to 2010 before becoming chief executive of Punch Taverns plc in 2010. Before that, Ian was group finance director of Rank Group Plc and was formerly a non-executive director and chair of the audit committee of Misy Plc.

**06 Hilary Riva** A N R  
Independent Non-executive Director and Chair of the Remuneration Committee

**Appointed** April 2014

**Experience** Hilary joined Shepherd Neame, Britain's oldest brewer, as a non-executive director in April 2016. She is also a director of the property business, Swan Quay LLP and The Alexander Centre Community Interest Company. Hilary resigned from the board of Shaftesbury Plc in February 2019 and from the board of London & Partners Limited in November 2017. Between 1996 and 2001, Hilary was a member of the management board of Arcadia serving as managing director of Evans, Topshop, Principles, Wallis, Dorothy Perkins and Warehouse. In 2001, as managing director of Rubicon Retail, she jointly led the management buy-out of Principles, Hawkshead, Warehouse and Racing Green from Arcadia. Following the sale of Rubicon in 2005, Hilary joined the British Fashion Council as chief executive officer on a pro bono basis. Hilary stood down in 2009 having put in place the industry engagement, strategic plan, financial resources and management structure to provide a sustainable future for the organisation. Hilary was awarded an OBE for services to the fashion industry in 2008.

**07 Nick Robertson**  
Founder and Non-executive Director

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

**Experience** Nick's career began in 1987 at the advertising agency Young & Rubicam. In 1991, he moved to Carat, the UK's largest media planning and buying agency. In 1995, he co-founded Entertainment Marketing Ltd, a marketing services business. He is Chairman of the ASOS Foundation, a registered charity funded by ASOS which works to improve the lives of young people in the UK and overseas through long-term partnerships with established local charities. Nick was awarded an OBE in 2011 for his achievements in the world of fashion retailing.

**08 Karen Geary** A N R  
Independent Non-executive Director

**Appointed** October 2019

**Experience** Karen is a former FTSE 100 HR Director with an extensive track record in the technology industry. Between 1998 and 2013, Karen was with The Sage Group plc, where she built the HR function and was a member of the executive committee from 2004. Between 2014 and 2016, Karen was chief people officer at Wandisco, Inc., based in the US. She was most recently with Micro Focus International, the FTSE 100 software company, as chief human resources officer, having initially joined the business as a non-executive director and chair of the remuneration committee in 2016.

Karen brings over 20 years of executive leadership experience across start-up and listed blue-chip organisations, as well as international HR and business transformation experience across a variety of industries, particularly in Europe and the US. Karen is currently non-executive director at National Express Group plc.

**Anna Suchopar**  
General Counsel & Company Secretary

**Appointed** 28 June 2019

## Changes during the year

**Brian McBride**  
Chair  
(Resigned 29 November 2018)  
Brian sits on the UK government's Digital Advisory Board, facilitating the delivery of world-class public services through emerging technologies and digital trends. Brian is the senior non-executive director and chairman of the Remuneration Committee at AO World Plc, an online retailer specialising in household appliances, and a senior adviser at Lazard. He's also a member of the Advisory Board of Scottish Equity Partners. Brian was chairman of Wiggle Ltd until May 2018 and continues to serve on the board of the private-equity owned online cycling and apparel business. Brian was the UK managing director of Amazon.co.uk from 2006 to 2011.

**Andrew Magowan**  
General Counsel & Company Secretary  
(Resigned 28 June 2019)

# Corporate Governance Report



## Chair's Governance Statement

For ASOS Plc 'Doing the Right Thing' underpins every part of our business model, and good corporate governance is a key part of this. We recognise the need for ensuring that an effective governance framework is in place to give our shareholders, employees, suppliers and other key stakeholders the confidence that the business is effectively run and has the platform to realise its strategy, while still maintaining the culture that enables us to grow.

It has been a challenging year for ASOS and Board focus has been on ensuring that the Company identified the root causes of its operational issues, fixed them, and reset the business for the short-, medium- and long-term sustainable success of ASOS. The Board has been highly engaged, supporting and challenging senior management and is committed to making the hard decisions necessary to support this transformational phase of our business.

In October 2019 we announced the significant strengthening of our Board with the appointment of four Non-executive Directors. This follows the appointment of Mat Dunn as CFO in April 2019. The appointees bring with them a wealth of knowledge and skills across online retail, technology, logistics, people management and international markets, and mark the expansion of our Board to reflect ASOS' increased size and scale. We further announced that Hilary Riva and Rita Clifton will be stepping down from the Board when their six-year tenures come to an end in April 2020. I'd like to take this opportunity to thank Hilary and Rita for the important role they have played in the development of ASOS and the Board over their tenure. More information on the new appointments can be found in the Nomination Committee Report on page 49.

At ASOS we champion the benefits of a diverse Board and we have a strong track record of female representation on the Board. As at the date of this report, we are pleased that female directors comprise 38% of our Board.

A key mechanism for informing our future development plans as a Board is our annual Board performance and effectiveness evaluation. This year the evaluation was internally facilitated through an anonymous online questionnaire. It confirmed the effectiveness of the Board whilst providing a constructive agenda for continued improvements. More information can be found on page 43.

A key focus of the 2018 UK Corporate Governance Code is stakeholder engagement. During the year, we appointed Rita Clifton as our designated Non-executive Director for employee engagement matters, to enhance the voice of ASOSers in the boardroom. Rita met with the Chairs of our employee forum, In Touch, to discuss areas of concern and opportunities, which she fed back to the Board.

During the year, we have applied the principles of, and complied with, all the provisions of the UK Corporate Governance Code 2016. The Code can be found on the Financial Reporting Council (FRC) website [www.frc.org.uk](http://www.frc.org.uk). The FRC published an updated UK Corporate Governance Code in July 2018, which applies to ASOS from 1 September 2019. We have reviewed the requirements of the new Code and we will report on our compliance with this Code in next year's Annual Report.

Adam Crozier  
Chair

15 October 2019

## Corporate governance framework

### Board & Committee structure

The table below sets out our governance framework and outlines the division of responsibilities between the Chair and the CEO, as agreed by the Board, along with a summary of the roles of the

Senior Independent Director, the Executive Directors and the Non-executive Directors, and our Committees.





	Plc Board meetings		Committee meetings					
	Eligible to attend	Attended	Audit		Remuneration		Nomination	
			Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Adam Crozier <sup>1</sup>	9	9	–	–	–	–	2	2
Nick Beighton	11	11	–	–	–	–	–	–
Mat Dunn <sup>2</sup>	4	4	–	–	–	–	–	–
Rita Clifton	11	11	4	4	5	5	3	3
Ian Dyson	11	11	4	4	5	5	3	3
Hilary Riva	11	11	4	4	5	5	3	3
Nick Robertson	11	11	–	–	–	–	–	–
Brian McBride <sup>3</sup>	2	2	–	–	–	–	1	1

1 Adam Crozier was appointed as Chair and Non-executive Director at the Annual General Meeting on 29 November 2018.  
2 Mat Dunn was appointed to the Board on 23 April 2019.  
3 Brian McBride stepped down as Chair and Non-executive Director following the Annual General Meeting on 29 November 2018.

Board meetings

The Board held eight scheduled meetings during the year and met an additional three times to consider matters of a time-sensitive nature. Directors are expected to attend all Board and relevant Committee meetings. The table above sets out attendance at all Board and Committee meetings held during the year to 31 August 2019.

The Board and its Committees receive appropriate and timely information before each meeting, a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place allowing all Board members to contribute, even if they cannot attend. Any Director can challenge proposals, and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by management.

The Directors have access to the advice and services of the Company Secretarial team, including the General Counsel & Company Secretary, who is responsible for ensuring that all Board procedures have been complied with. The appointment and removal of the Company Secretary is a matter reserved for the Board as a whole. Individual directors are also able to take independent legal and financial advice at

the Company’s expense when necessary to support the performance of their duties as directors. During the year, the Chair met with the Non-executive Directors without the Executive Directors being present.

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

Key Board actions during the year

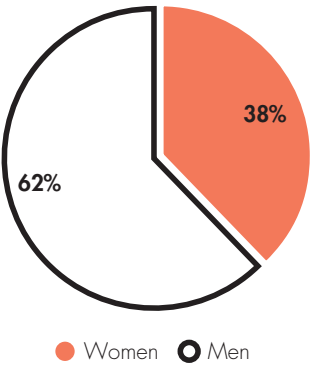
- Approved the £350m revolving credit facility
- Reviewed and monitored the Capital Expenditure programme
- Reviewed the Group’s overall strategy
- Approved expenditure for the Transformation project
- Discussed the strategic objectives and performance measures for FY20

Board composition

The Board is currently composed of the Chair, two Executive Directors (the CEO & CFO) and five Non-executive Directors, four of which are considered to be independent. There were some changes to the composition of the Board of Directors during the year. At the Annual General Meeting (AGM) in November 2018, Brian McBride stepped down as Chair and Non-executive Director, following six years on the Board. He was succeeded by Adam Crozier. In April 2019, Mat Dunn joined the Board as CFO and in October 2019, we announced the appointment of four Non-executive Directors who will join us throughout FY20. Short biographies for the Directors that are appointed as at the date of this report are set out on pages 38 to 39. More information can be found in the Nomination Committee Report on page 49.

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

Board diversity



We are committed to encouraging diversity among our workforce. Further information on diversity within ASOS can be found on page 27.

The Board, on the recommendation of the Nomination Committee, makes decisions regarding the appointment and removal of Directors and there is a formal, rigorous and transparent procedure for appointments. To facilitate their understanding of ASOS and provide an insight into the experience of an ASOS employee, all new Directors receive a comprehensive, formal induction tailored to their needs, including site visits, briefings from senior managers on key areas of the business and meetings with external advisers. In accordance with the UK Corporate Governance Code, all of our Directors stand for re-election annually at every AGM. The Board unanimously believes that the contributions of each Director standing for re-election continue to be effective. We therefore encourage shareholders to support their re-election and, in the case of Mat Dunn, Karen Geary, Luke Jensen and Mai Fyfield, election at the AGM on 27 November 2019.

Board performance

An effective Board is vital to the success of ASOS and, in order to ensure that the Board continues to operate as efficiently as possible, and that each Director is sufficiently committed to their role, the Board conducts regular evaluations of its performance, as well as that of its Committees and individual Directors, usually annually and led by the Chair. During the year, the Board conducted an internal evaluation by way of an online questionnaire. The Directors were invited to comment anonymously on the composition of the Board, its effectiveness during the year, the performance of the Chair, SID, CEO and Committees, as well as the culture of the Board. The results of the questionnaire were collated, and recommended actions were presented to the Board for discussion. The Board agreed that it was satisfied with the overall performance of the Board during the year, that the Directors had worked well together and that the Board and its Committees had discharged their duties effectively. The review identified some opportunities for the Board and some of the areas of focus for the year ahead include continuing to develop the operation of the Nomination Committee, to broaden the focus to succession planning and culture, and to enhance the relationship between the Non-executive Directors and senior management.

Relations with shareholders

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

Results and routine announcements

We communicate with shareholders through our full-year and half-year announcements and trading updates. We invite institutional shareholders and analysts to attend presentations following our full-year and half-year announcements. The presentation slides and webcasts of the presentations are made available at [www.asosplc.com](http://www.asosplc.com).

Shareholder meetings

The AGM is the principal forum for dialogue with private shareholders, and we encourage shareholders to attend and participate. The AGM was held on Thursday 29 November 2018 at our head office in London, and the results of voting were published on our website [www.asosplc.com](http://www.asosplc.com).

This year’s AGM will be held at 12 noon on Wednesday 27 November 2019 at our head office in London. Full details are included in the Notice of Meeting, which is sent to shareholders at least 21 days before the meeting. The Chair and the Chair of each Committee, as well as all other Directors, attend the AGM and are available to answer questions raised by shareholders. Shareholders vote on each resolution by way of a poll.






Website and shareholder communications

Our website [www.asosplc.com](http://www.asosplc.com) provides a range of corporate information on our business, results and financial performance, including copies of our Annual Report and Accounts, announcements and presentations.

Meetings, roadshows and conferences

The Directors actively seek to build a mutual understanding of objectives with institutional shareholders. Shareholder relations are managed primarily by the CEO, CFO and Head of Investor Relations, supported by our Chair as appropriate. A calendar of events is set out on page 44 of this report. In addition, we review analysts’ notes and brokers’ briefings to achieve a wide understanding of investors’ views. The Board is kept informed of the views and concerns of major shareholders through briefings from the Head of Investor Relations, and investment reports from analysts. The Non-executive Directors, including the Senior Independent Director, are available to meet with major shareholders whenever required to discuss issues as they arise.

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

Month	Conference name	Where
 October 2018	Full Year Results Roadshow	London, Boston, New York, Toronto
 November 2018	JP Morgan Best of British Conference	London
	Berenberg West Coast Consumer Conference	San Francisco
 December 2018	Berenberg European Conference	Hampshire
 April 2019	Half Year Results Roadshow	London, Boston, New York, Chicago, Toronto
 May 2019	Citi Internet Day	London
	JP Morgan Consumer Conference	London

Financial controls

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

- The Board is responsible for reviewing and approving overall Company strategy, approving revenue and capital budgets and plans, and for determining the financial structure of ASOS including treasury, tax and dividend policy. Monthly results and variances from plans and forecasts are reported to the Board.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements and accounting policies, as well as with the maintenance of proper internal business and operational and financial controls, including the results of work performed by the internal audit function. The Committee provides a direct link between the Board and the external and internal auditors through regular meetings.
- The Board has established an organisational authority structure, with clearly defined lines of responsibility and approval thresholds, to specify the transactions requiring its approval. The CFO is responsible for the functional leadership and development of ASOS’ finance activities, including compliance with this organisational authority structure.
- There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover profits, cash flows, capital expenditure and balance sheets. Monthly results are reported against budget and compared with the prior year, and forecasts for the current financial year are regularly revised in light of actual performance.
- ASOS has a consistent system of prior appraisal for investments, overseen by the CFO, with defined financial controls and procedures with which each business area is required to comply to be granted investment funds for development. Regular post-investment reviews are also carried out to check the extent to which investment cases were delivered in line with plans.

Non-financial controls

ASOS has a number of non-financial controls covering areas such as legal and regulatory compliance, business integrity, health and safety, risk management, business continuity and corporate responsibility (including ethical trading, supplier standards, environmental concerns and employment diversity). The key elements of those non-financial controls are set out below and remain consistent with the previous financial year in order to provide important continuity across our fast-moving business (specific details within these key elements are adapted and revised as appropriate).

**Appropriate standards and policies:** the Board is committed to maintaining appropriate standards for all our business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include Do The Right Thing, our Code of Integrity (designed to ensure that everybody who works for and on behalf of ASOS acts with integrity, behaves ethically and works within best practice); Fashion with Integrity, our corporate responsibility framework standards, which include objectives relating to the impact that the Group’s activities have on the environment, workplace, marketplace and community (further details of which are set out on pages 28 to 31) of this report; and the ASOS Supplier Standards (which set out the core trading requirements expected of all ASOS suppliers).

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

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

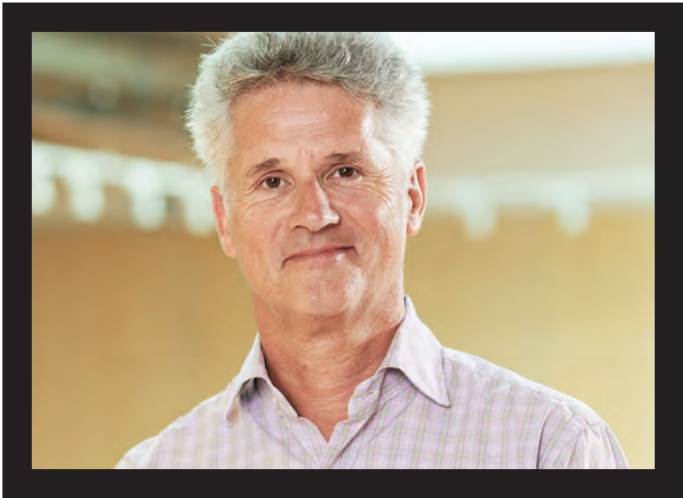
**Appropriate assistance:** each year, Deloitte, our internal auditors, carry out reviews of our internal processes in a number of different areas to assist with our risk management processes, provide an objective independent view of the effectiveness of various procedures and policies, and identify where improvements could be made. Deloitte report to the Audit Committee; and the day-to-day relationship is managed by our General Counsel & Company Secretary with links into the Business Assurance function, and with input from the CFO. The internal audit plan for each year is compiled after consultation with the Executive Committee members, approved by the Audit Committee and the reports and recommendations from each audit are reviewed by the relevant business department, the Executive Committee, Audit Committee and Business Assurance.

**Appropriate engagement:** recognising that, where standards and policies apply across ASOS, they are only effective if their intended audiences fully engage with them, and that ASOS has a non-traditional but effective culture, we dedicate a lot of time and effort to ensuring that all ASOS-wide standards and policies in all areas (including business integrity, anti-bribery, gifts and hospitality, intellectual property and design rights) are compiled and communicated to the organisation in a way that resonates with and engages ASOSers.

**Appropriate internal disclosure:** with a business as large as ASOS, we know we rely on our people to be our eyes and ears on what’s happening across the organisation. So we have a number of ways in which ASOSers can provide us with feedback on any matter, including anything that just doesn’t feel right. One of those – We’re Listening – is through an external independent provider which anyone connected to ASOS can contact to share concerns about the business. This service, which is anonymous, multilingual and independent, can be contacted through a website portal or by calling a local-rate telephone number. The Audit Committee is advised of any significant concerns raised through this service and subsequent investigations. We seek to ensure that all ASOSers, new and long-serving, know of these feedback channels and encourage their use across ASOS.



# Audit Committee Report



### Committee Chair

👤 Ian Dyson

### Members

👤 Rita Clifton   👤 Hilary Riva   👤 Karen Geary

### Responsibilities

- The Committee’s principal responsibilities are to:
- Monitor the integrity of ASOS’ financial statements in relation to the Company’s financial performance.
  - Review the effectiveness of the internal and external audit processes.
  - Review the effectiveness of the Group’s financial and internal controls, including the process for the evaluation, assessment and management of risk.

### Terms of reference

The full Terms of Reference for the Committee are available on our corporate website, [www.asosplc.com](http://www.asosplc.com). They were last reviewed on 9 October 2019.

### Committee attendance

Committee member	Role	Attendance record
Ian Dyson	Committee Chair	●●●● 4/4
Rita Clifton	Non-executive Director	●●●● 4/4
Hilary Riva	Non-executive Director	●●●● 4/4
Karen Geary <sup>1</sup>	Non-executive Director	Not applicable

<sup>1</sup> Karen Geary was appointed as Non-executive Director and joined the Audit Committee on 1 October 2019.

## Audit Committee Chair’s statement

The Audit Committee plays a crucial role in helping the Board to fulfil its oversight obligation by monitoring and reviewing the financial reporting process and internal controls, ensuring the independence and effectiveness of the external and internal audit processes and identifying and scrutinising prevailing and emerging risks. During the year, as well as the ‘business as usual’ items, the Committee continued to focus on the critical topics of cyber security and data protection, fraud, bribery, and corruption, which are key risk areas for a global, online business such as ours.

It is vital that we as a Committee assess what processes and systems make ASOS more effective, robust and sustainable in the long term, while preserving and fostering the business’s agility, adaptability and growth.

### Committee membership & activities

The members of the Committee are independent Non-executive Directors who possess the necessary depth of financial and commercial expertise to fulfil their role. Detailed information on the experience, skills and qualifications of all Committee members can be found on pages 38 to 39. The Board is satisfied that the Committee Chair, Ian Dyson, has recent and relevant financial experience.

Although not members of the Audit Committee, our Company Chair, CEO, CFO, General Counsel & Company Secretary and Senior Business Assurance manager are also invited to attend meetings, unless they have a conflict of interest. Other senior members of the business are invited to attend meetings as appropriate.

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

- Reviewing the integrity of the Company’s Annual Report and Accounts.
- Reviewing the effectiveness and performance of our external auditors, assessing their independence and recommending their reappointment.
- Considering reports from the external auditors and identifying any accounting or judgement issues requiring attention.
- Reviewing the re-financing of the ASOS debt facility before recommending to the Board for approval.
- Considering reports on the work of the Internal Audit function.
- Reviewing and approving the Group’s Tax Strategy.
- Reviewing the robustness of the cyber security processes and systems, and the work of the Cyber Security team.
- Reviewing the Company’s Business Risk Register and the risk mitigation actions undertaken during the year.

- Considering reports on the Company’s Gifts and Hospitality Policy.
- Reviewing the Committee’s Terms of Reference.

The Committee has engaged the following external advisers to help it meet its responsibilities, both of whom are invited to attend Committee meetings unless they have a conflict of interest: PricewaterhouseCoopers LLP (PwC) act as external auditors to ASOS and Deloitte LLP act as our internal auditors. The Audit Committee Chair and members also regularly meet with both the external and internal auditors, without the Executive Directors or members of the Finance team being present. ASOS also receives advice as needed from KPMG, EY and Slaughter and May LLP on tax and legal issues relating to corporate matters.

### Financial reporting

The Committee’s primary responsibility in relation to the Company’s financial reporting is to review, with management and the external auditor, the appropriateness of the annual and half-yearly financial statements. The Committee focuses on the quality of accounting policies and practices, material areas in which significant judgements have been applied or where significant issues have been discussed with the external auditor, the clarity of the disclosures and compliance with financial reporting standards, an assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable and advising the Board on the form and basis underlying the long-term Viability Statement.

The Committee received reports from management in relation to the identification of critical accounting judgements, significant accounting policies, the adoption of IFRS 15 during the current financial year and the adoption of IFRS 16 in FY20, the impact of which is disclosed on page 84.

The Board has discussed areas of risk with the auditors and agreed for the following areas of heightened risk to be reviewed and assessed in the audit of ASOS’ performance in the financial year to 31 August 2019.

- **Capitalisation of costs may not be appropriate:** given the high level of internal development of software there is a risk that staff costs are inappropriately capitalised.
- **Revenue may not be correctly recorded:** as revenue is recognised on despatch and the returns provision is based on estimates there is a risk that revenue may not be accurately recorded.
- **Inventory not recorded correctly:** having regard to the significant level of inventory holdings in both the UK and overseas warehouses, and the fast-moving nature of the fashion market, there is an increased risk that the closing inventory is not accurately recorded or that the inventory provisioning is not complete in the financial statements.

The Committee reviewed the appropriateness of management’s accounting in relation to each of these significant risks and PwC reported to the Committee on the work performed in assessing each during their audit. Details of this work are provided in PwC’s Audit Report on pages 74 to 78.

### External audit

The external auditors, PwC, were first appointed in the financial year to 31 March 2008. The fees paid to PwC for the financial year to 31 August 2019 were £374,161 (2018: £268,000). In line with its Terms of Reference, the Audit Committee undertakes a thorough assessment of the quality, effectiveness, value and independence of the audit provided by PwC each year, seeking the views of the Board, together with those of relevant members of the Executive Committee.

The Board is satisfied that the Company has adequate policies and safeguards in place to ensure PwC maintain their objectivity and independence. The external auditors report to the Audit Committee annually on their independence from ASOS. Periodic rotation of key audit partners is also required. Current PwC audit partner Andrew Latham first started overseeing ASOS’ external audit with effect from the financial year ended 31 August 2017.

The Board has a formal policy on the Company’s relationship with PwC in respect of non-audit work. Proposals for all non-audit services above £50,000 must be approved by the Audit Committee before being carried out, and PwC may only provide such services if their advice doesn’t conflict with their statutory responsibilities and ethical guidance. The non-audit fees paid for the financial year to 31 August 2019 were £1,356 for access to PwC’s online resource for accounting standards, financial reporting and regulatory matters.

Following the most recent review, the Audit Committee recommended the reappointment of PwC as auditors of ASOS, and PwC expressed their willingness to continue. A resolution to reappoint PwC and a resolution to enable the Directors to determine their remuneration will be proposed at the 2019 AGM.

Risk management and internal controls

The Board has delegated responsibility for overseeing the effectiveness of the Company’s internal controls and risk management systems to the Audit Committee. The Committee has a policy of continuous identification and review of principal business risks and considers how those risks may affect the achievement of business objectives and determines appropriate mitigation, taking into account the Company’s risk appetite.

The Executive Committee implements the internal controls and processes to put the Committee’s policies on risk and control into effect and provides assurance on compliance with these policies and processes. On a day-to-day basis, the Group risk management process is managed and co-ordinated by the General Counsel & Company Secretary, supported by the Senior Business Assurance manager, to ensure there is a more integrated, deeper focus on applying and evolving risk management and internal controls throughout the business.

Our Business Risk Register is reviewed every six months using a consistent process to identify the likelihood and business impact of any material or emerging risk, as well as any mitigating factors or controls. Progress and key themes coming out of the ongoing Risk Register review are reported to the Executive Committee and the Audit Committee. More details on our risk management and risk register can be found in the Risk Report on pages 32 to 37.

During the year, the Committee continued to monitor the progress being made to further strengthen and develop the Company’s cyber security measures. The Committee has witnessed the progress that ASOS has made in extending and improving its security controls and processes, as well as adapting to new and evolving cyber threats. Such an approach continues to be essential for these processes and controls to be effective across our fast-moving high-growth business.

The Board is satisfied that the risk management and internal controls systems for all parts of the business operated effectively for the financial year to 31 August 2019 and up to and including the date of this report.

Internal audit

Our internal audit function provides independent assurance as to the adequacy and effectiveness of the Company’s internal controls and risk management systems. Our internal audit function is outsourced to Deloitte LLP, who report on their ongoing reviews at each Committee meeting. Prior to the start of the financial year, the Committee reviewed and approved the schedule of planned internal audits to be undertaken during the year and monitored the progress and results of audit activities, particularly the timely implementation of resulting actions by management. During the year, key internal audits conducted included effectiveness of HR systems controls, returns management, website resilience, stock systems and change management. The Committee continues to monitor the effectiveness of the internal audit function.

A revised schedule of internal audit review projects for the financial year to 31 August 2020 was approved by the Audit Committee in July.

*[Signature of Ian Dyson]*

Ian Dyson  
Audit Committee Chair  
15 October 2019

Nomination Committee Report



Committee Chair

Adam Crozier

Members

Ian Dyson Rita Clifton Hilary Riva Karen Geary

Responsibilities

- The Committee’s principal responsibilities are to:
- Monitor the structure, size and composition of the Board and its Committees.
  - Identify the balance of skills, knowledge, diversity and experience on the Board and recommend new Board and/or Committee members to the Board as appropriate.
  - Review the time commitment and independence of the Non-executive Directors, including potential conflicts of interest.
  - Oversee talent and succession plans for senior management.
  - Ensure that an appropriate and tailored induction is undertaken by all new Board members and that training and development is available to existing Board members.

Terms of reference

The full Terms of Reference for the Committee are available on our corporate website, [www.asosplc.com](http://www.asosplc.com). They were last reviewed on 26 February 2019.

Committee attendance

Committee member	Role	Attendance record
Adam Crozier	Committee Chair	2/2
Rita Clifton	Non-executive Director	3/3
Hilary Riva	Non-executive Director	3/3
Ian Dyson	Non-executive Director	3/3
Karen Geary <sup>1</sup>	Non-executive Director	Not applicable
Brian McBride <sup>2</sup>	Committee Chair	1/1

<sup>1</sup> Karen Geary was appointed as Non-executive Director and joined the Nomination Committee on 1 October 2019.  
<sup>2</sup> Brian McBride stepped down as Chair of the Committee when he stepped down as Chair and Non-executive Director of the Board on 28 November 2018.

During the year, the main focus of the Committee has been on the composition of the Board and senior management, to ensure that we have the appropriate balance of skills, knowledge, experience and diversity, capable of driving the Company forward successfully to achieve its strategic goals.

In April 2019, we welcomed Mat Dunn as Chief Financial Officer, who brings a relevant mix of operational experience, with a history of implementing and overseeing finance systems at an international level. We have recently completed a refresh of the Board and in October 2019 we announced the appointment of four Non-executive Directors, who will be joining over the course of FY20. These appointments ensure that we have the world-class experience, skills and expertise that will be essential in guiding ASOS through this next stage of global growth.



Karen Geary joined the Board with effect from 1 October 2019 and has extensive HR and business transformation experience, particularly in the technology industry, across Europe and the US. Karen joined the Remuneration, Audit and Nomination Committees and will be appointed Chair of the Remuneration Committee with effect from 1 December 2019. More information can be found in Karen’s biography on page 39.

Luke Jensen and Mai Fyfield will join the Board with effect from 1 November 2019. Luke has extensive experience in online consumer business and technology in the retail sector and will join the Audit and Nomination Committees. Mai brings a wealth of digital experience on an international scale and will join the Audit and Remuneration Committees.

Eugenia Ulasewicz will join the Board on 16 April 2020. Eugenia has extensive experience in fashion and retail, particularly in the US, and will join the Audit and Nomination Committees.

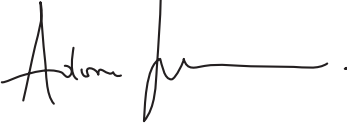
We also announced that Hilary Riva and Rita Clifton will be stepping down from the Board once they come to the end of their six-year tenures in April 2020.

The Committee engaged with Russell Reynolds Associates, who has no other connection to the Company, to undertake the search process for new Non-Executive Directors. Russell Reynolds Associates is a signatory to the Voluntary Code of Conduct for Executive Search Firms.

The Committee also helped drive progress on strengthening the Executive Committee, culminating in the introduction of four new C-suite roles who will be joining the Company over the course of FY20. They will sit alongside our existing CEO, CFO, CIO and COO and will be charged with developing strategy and continuing to scale the business at pace, to create a more diverse and global team, and establish a robust leadership pipeline.

The Committee believes that diversity and an inclusive culture is a key driver of business success and is committed to having a diverse leadership team, which provides a range of perspectives, insights and the challenge needed to support good decision making. The Committee is pleased that the Board has exceeded the target recommended in the Hampton-Alexander Review and, as at the date of this report, 38% of the Board is female.

The Committee reviewed the independence of all of the Non-Executive Directors. All are considered independent in accordance with UK requirements and they continue to make effective contributions and effectively challenge management.



**Adam Crozier**  
Nomination Committee Chair  
15 October 2019

# Directors’ Remuneration Report



**Committee Chair**

Hilary Riva

**Members**

Rita Clifton Ian Dyson Karen Geary

**Responsibilities**

The Committee’s principal responsibilities are to:

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

**Terms of reference**

The full Terms of Reference for the Committee are available on our corporate website, [www.asosplc.com](http://www.asosplc.com). These were last updated on 12 September 2019 to reflect the changes in the 2018 UK Corporate Governance Code.

**Committee attendance**

Committee member	Role	Attendance record
Hilary Riva	Committee Chair	●●●●● 5/5
Rita Clifton	Non-executive Director	●●●●● 5/5
Ian Dyson	Non-executive Director	●●●●● 5/5
Karen Geary <sup>1</sup>	Non-executive Director	Not applicable

<sup>1</sup> Karen Geary was appointed as Non-executive Director and joined the Remuneration Committee on 1 October 2019.

## Remuneration Committee Chair’s statement

Dear Shareholder,

On behalf of the Board I present the Remuneration Committee’s report for the year to 31 August 2019.

The Committee believes that our remuneration framework should support the execution of our ambitious growth strategy and the creation of value for shareholders and other stakeholders in a way which is consistent with ASOS’ culture and values.

This year has been challenging for ASOS. While our sales growth remained solid and we made good progress on improving our customer engagement, our performance was held back by operational issues with our transformation warehouse programmes in the EU and the US, which took longer to resolve than was originally anticipated. Incentive payouts for the year reflect the impact that these issues have had on our performance.

Remuneration for the year ended 31 August 2019

The annual bonus for 2018/19 was based on sales, Profit Before Tax (PBT), Net Promoter Score (NPS) and personal performance objectives. The payment of any bonus was also subject to achieving a minimum level of PBT performance. PBT performance for the year of £33.1m was below the threshold target set for the annual bonus. No payout was therefore made under the annual bonus for 2018/19.

ASOS Long-Term Incentive Scheme (ALTIS) awards granted in 2016 were subject to performance measured from 1 September 2016 to 31 August 2019. Sales over this three-year period grew by 23.3% per annum which was close to maximum. There was no vesting under the remaining three measures as performance was below threshold: fully diluted EPS declined over this period, TSR performance versus the FTSE ALL-Share General Retailers index was below median, and NPS for 2018/19 was below threshold. Overall, 27.0% of this award vested.

The Committee carefully considered the level of vesting for the 2016 ALTIS awards and whether it would be appropriate to exercise discretion to adjust vesting in light of the broader performance over the period. The Committee considered that the overall level of vesting was appropriate in the context of the excellent level of sales growth performance delivered over the period particularly in the context of the market challenges.

Remuneration review and remuneration for the year ended 31 August 2020

It has been a number of years since the Committee has undertaken a comprehensive review of our remuneration framework. During the year, therefore, we appointed Deloitte to advise the Committee and to review remuneration arrangements to ensure that they remain appropriate to support the execution of our ambitious growth strategy.

The Committee explored a range of alternative approaches to remuneration but concluded that at this point in time the current framework of an annual bonus and separate ALTIS remains appropriate. The Committee has, however, made some changes to the performance measures for the annual bonus and ALTIS to reflect our

short and medium-term strategic priorities. The Committee will continue to keep the remuneration framework under review as we progress with the execution of the current phase of our strategy – generating value from our expansion in the EU and US – to ensure that the remuneration remains appropriate as the business evolves.

For 2019/20 the annual bonus will be based 30% on revenue and 30% on PBT performance, reflecting our focus on global sales growth while ensuring that the business continues to build profitability. 15% of the bonus will be based on free cash flow, reflecting our commitment to return to positive cash flows and the need to generate cash to fund future growth. The remaining 25% of the annual bonus will be based on the achievement of strategic objectives to ensure focus on delivering mid-term business objectives which support the execution of our plan. For 2019/20 the objectives for the CEO and CFO are US and EU revenue performance, to ensure reward is aligned with our strategic priority to deliver growth in these areas, and NPS to ensure that we continue to reflect our customer experience. In addition, the CEO’s performance will also be assessed in relation to progress in developing strength and depth in the senior leadership team to ensure that it is fit for ASOS’ future and the CFO will be measured against our cost management objectives, building on the progress made during the year to reduce our cost base.

The Committee carefully considered performance measures for 2019 ALTIS awards, including whether awards should include a portion based on cash flow, reflecting our significant strategic focus on cash flow at this time. However, the Committee concluded that it was appropriate to retain a simple and transparent framework for the ALTIS to ensure that it was clear to both participants and shareholders.

2019 ALTIS awards will therefore be based 35% on revenue growth, 35% on EPS growth and 30% on relative TSR performance. ALTIS awards have historically also been based on NPS performance. The Board’s experience, however, has been that setting robust NPS targets over a three-year period is challenging. As a Company we remain as committed as ever to delivering an outstanding customer experience and

therefore while NPS is no longer a formal measure in the ALTIS, the Committee will take into consideration the customer experience during the performance period when determining the level of vesting. TSR will be measured against a bespoke group of UK retail peers listed on both the main market and AIM. The Committee refreshed the peer group in the year to include some of our closest AIM retail competitors (such as Boohoo) and exclude those companies in the existing peer group that were less closely aligned with ASOS’ business activities. The new peer group is set out on page 58.

Targets for the 2019 ALTIS awards have been set to be stretching yet realistic in the context of our growth ambitions over the next three years. Targets are set out on page 59.

The annual bonus opportunity for 2019/20 will continue to be 150% of salary for the CEO and 100% of salary for the CFO.

The Committee very carefully considered the level of ALTIS award that should be granted to the CEO in October 2019 in light of the fall in share price since awards were last granted. The Committee with the support of the CEO decided to reduce the CEO’s ALTIS award from 200% to 175% of salary. The Committee believes this level of reduction is appropriate to guard against the potential for windfall gains while continuing to motivate the CEO to deliver our long-term plans in a challenging environment.

The CFO joined the business in April 2019 and therefore the Committee considered that it was not appropriate to reduce his award. The CFO will therefore continue to receive an award of 200% of salary.

We have moved our annual salary review date from 1 September 2019 to 1 December 2019 to better align with our reward cycle. Salaries for Executive Directors will be increased by 1.5% in line with the increase received across the wider workforce. From 1 December 2019 the CEO’s salary will be £573,000 and the CFO’s salary will be £431,000. Our shareholding guidelines of 500% of base salary for the CEO and 200% of base salary for the CFO continue to apply.

Corporate governance

Maintaining high standards of governance is important to us and ASOS complies with the provisions set out in the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in April 2016. During 2018 the remuneration reporting reforms were introduced by the government and a new UK Corporate Governance Code (the ‘2018 Code’) was published. Compliance with the new regulations and the 2018 Code is effective for financial years beginning on or after 1 January 2019 and will be reported on by the Company in the 2020 Annual Report.

ASOS’ remuneration arrangements already comply with a number of areas of the 2018 Code. For example, awards are subject to malus and clawback and the Committee has the ability to exercise discretion to adjust formulaic outcomes under awards. Pension for new hires to the Board will be reduced to be in line with the rate available for the majority of the work force.

The Committee considered whether it would be appropriate to introduce a post-vesting holding period for ALTIS awards. Holding periods are not common practice in AIM and at our closest competitors. Given this the Committee has decided that it is not appropriate to introduce a post-vesting holding period at this time. The Committee believes that the leaver provisions currently in place ensure the alignment of the interests of our Executive Directors and our shareholders post-cessation of employment. The Committee will keep our approach in these areas under review.

Board changes

Mat Dunn joined the Board on 23 April 2019 in the role of CFO. Mat brings with him significant operational experience including at an international level and has made an exceptional contribution since joining. Mat’s salary was set at £425,000 per annum reflecting his experience. His maximum annual bonus opportunity is 100% of base salary and his ALTIS opportunity will be 200% of salary. In August 2019 Mat was made an award of shares with a face value of £400,000 to buy-out incentives Mat forfeited on leaving his previous employer. Further details of his buy-out award are provided on page 66.

Annual remuneration votes 2018

Total votes cast	69,514,947
Votes for	67,451,980
Votes against	2,062,566
Votes withheld (abstentions)	401

Historic annual remuneration votes



Concluding remarks

As an AIM-listed company, we voluntarily seek shareholder approval for our Remuneration Report to provide invaluable public accountability for the Board over the appropriateness of our Remuneration Policy and its implementation. At the AGM last year, 97% of shareholders voted in favour of the Directors’ Remuneration Report.

This is my last Directors’ Remuneration Report as I will be stepping down as Chair of the Remuneration Committee on 1 December 2019. It has been an honour to chair the Remuneration Committee since January 2016 and I wish my successor Karen Geary, and ASOS, every success for the future.

**Hilary Riva**  
Chair of the Remuneration Committee  
15 October 2019



# Remuneration Policy

The Remuneration Committee determines ASOS’ policy on the remuneration of the Executive Directors and other senior executives. The principles that underpin this Policy aim to:

- encourage strong performance and engagement, both in the short and long term;
- enable the Group to achieve its strategic objectives and create sustainable shareholder value;
- make sure high performance is required to access high rewards; and
- ensure that the total reward cost to ASOS is affordable and sustainable.

Our Remuneration Policy must help attract, retain and motivate high-calibre, high-performing, engaged employees. It must reward people for their contributions to the success of ASOS in a fair and responsible manner, over both the short and long term. Our Remuneration Policy must also be communicated in a way that’s straightforward, effective and easy to understand.

During the year, the Committee undertook a comprehensive review of the remuneration framework, considering a range of potential approaches to ensure that our arrangements continue to meet the principles outlined opposite. The Committee concluded that the current remuneration framework remains appropriate, although some changes have been made to the performance framework to better reflect our short and long-term strategic objectives. The Committee will continue to keep the remuneration framework under review as we progress with the execution of the current phase of our strategy – generating value from our expansion in the EU and US – to ensure that the remuneration remains appropriate as the business evolves.

In determining the practical application of the Policy, the Remuneration Committee considers a range of internal and external factors. These include pay and conditions for employees generally, shareholder feedback and appropriate market comparisons with remuneration practices in FTSE-listed, AIM-listed and other retail and internet/technology-based companies. The Remuneration Committee is satisfied that this Policy successfully aligns the interests of Executive Directors, senior managers and other employees with the long-term interests of shareholders. We do this by ensuring that an appropriate proportion of total remuneration is directly linked to the Group’s performance over both the short and long term, with an emphasis for Executive Directors and senior managers on share-based remuneration and long-term shareholding.

## Remuneration Policy components

Each component forms part of an overall competitive remuneration package designed to attract and retain appropriate talent with the necessary skills to implement the Company’s strategy in order to create long-term value for shareholders. The following provides a summary of each element of the Remuneration Policy, along with details of how the Policy will be implemented for the year ending 31 August 2020.

## Fixed remuneration elements

Element	Purpose	How it operates	Maximum opportunity	Performance-related framework	Approach to implementation in FY20
Base salary	Reflects an individual’s responsibilities, experience and performance in their role	<p>Reviewed annually.</p> <p>Salaries are normally paid monthly. When determining salary levels the Committee takes into account:</p> <ul style="list-style-type: none"><li>– Responsibilities, abilities, experience and performance of an individual</li><li>– The performance of the individual in the period since the last review</li><li>– The Company’s salary and pay structures and general workforce salary increases</li></ul> <p>Periodically the Committee reviews market data for FTSE-listed, AIM-listed and other retail and internet/technology-based companies to ensure salaries remain appropriate in this context.</p>	<p>There is no prescribed maximum annual base salary or salary increase.</p> <p>The Committee is guided by the general increase for the broader employee population, but has discretion to decide to award a lower or higher increase to Executive Directors to recognise, for example, an increase in the scale, scope or responsibility of the role.</p> <p>In addition, if salaries are set at a discount to a market rate on appointment, it may be appropriate to provide one or more increases at a higher rate than the broader employee population based on an individual’s performance and experience and/or take account of relevant market movements.</p>	When reviewing salaries, we consider the performance of the individual in the period since the last review.	<p>We have moved our annual salary review date from 1 September 2019 to 1 December 2019 to better align with our reward cycle.</p> <p>Salaries for Executive Directors will be increased by 1.5% in line with the increase received across the wider workforce. From 1 December 2019 the CEO’s salary will be £573,000 and the CFO’s salary will be £431,000.</p>
Pension	To contribute financially post retirement	<p>Defined contribution arrangement or salary supplement.</p> <p>Only base salary is pensionable.</p> <p>ASOS’ contribution depends on the employee’s seniority and may be matched to the level of contributions the employee chooses to make.</p>	<p>ASOS may contribute up to 15% of base salary (in the case of the CEO) and up to 12.5% of base salary (in the case of other Executive Directors). A cash allowance may also be paid in lieu of a pension contribution. Any cash payment would normally be net of employer’s social security.</p> <p>The Committee has discretion to amend the contribution level should market conditions change.</p>	Not applicable.	<p>No changes for the current Directors.</p> <p>For any new Executive Director appointed to the Board from 1 September 2019, the pension opportunity will be in line with the rate available for the majority of the workforce.</p>
Other benefits	<p>To support the personal health and wellbeing of employees</p> <p>To reflect and support ASOS culture</p>	<p>Package of taxable benefits offered through our flexible benefits scheme, ASOS Extras, which offers all employees a fixed value depending upon their seniority, and can be used either to buy a variety of benefits or be taken in cash.</p> <p>Benefits include private medical insurance and life assurance.</p> <p>Other benefits may be added to the package where appropriate.</p>	<p>There is no maximum level of benefits provided to Executive Directors, and the level of some of these benefits is not pre-determined but may vary from year to year based on the overall cost to ASOS.</p>	Not applicable.	No changes.

Variable remuneration elements

Element	Purpose	How it operates	Maximum opportunity	Performance-related framework	Approach to implementation in FY20
Annual bonus	Provides a link between remuneration and both short-term Company and individual performance	<p>The annual bonus is earned based on performance against targets set by the Committee.</p> <p>Targets are reviewed annually and the Committee can adapt the targets appropriately to take into account exceptional items.</p> <p>Bonus payments are normally awarded in cash and are not pensionable.</p> <p>The Committee will retain the discretion to adjust bonus payouts if it considers that the outcome does not reflect the underlying performance of the business or participants during the year, including the Company's performance against set metrics, or that the payout is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set.</p>	150% of base salary for the CEO and 100% of base salary for other Executive Directors. 60% of that maximum is payable for on-target performance.	Normally measured over a one-year performance period, based on a mix of financial targets (e.g. profit), non-financial/ strategic performance and personal objectives relevant to the year, which are set taking into account the Company's strategic objectives over that period.	<p>Maximum opportunities will continue to be 150% of salary for the CEO and 100% of base salary for the CFO.</p> <p>For FY20 the Committee has changed the performance measures to reflect the evolving strategic focus for the business. Performance measures will be as follows:</p> <ul style="list-style-type: none"><li>– 30% revenue</li><li>– 30% PBT performance</li><li>– 15% free cash flow</li><li>– 25% strategic objectives</li></ul> <p>Strategic objectives are US and EU revenue performance, NPS, developing strength and depth in the senior leadership team (CEO only), cost management (CFO only).</p>

Variable remuneration elements (continued)

Element	Purpose	How it operates	Maximum opportunity	Performance-related framework	Approach to implementation in FY20
ASOS Long-Term Incentive Scheme (ALTIS)	Supports the strategy and business plan by incentivising and retaining the ASOS senior management team in a way that is aligned with both ASOS' long-term financial performance and the interests of shareholders	<p>Annual awards of shares to selected employees, which vest after three years subject to the achievement of performance conditions.</p> <p>Clawback and malus provisions allow awards to be recouped in certain circumstances.</p> <p>The Committee retains the discretion to adjust the vesting level if it considers that the vesting outcome does not reflect the underlying performance of the business or participants during the year, including the Company's performance against customer metrics, or that the payout is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set.</p> <p>The Committee continues to believe that a post-vesting holding period should not apply to ALTIS awards, given this is not common practice in AIM-listed businesses.</p>	200% of base salary (300% in exceptional circumstances) in any financial year.  The value of any dividends paid by ASOS over the vesting period will be payable on vesting, to the extent that awards vest.	Subject to three-year performance conditions linked to the business strategy and ensuring strong alignment with the long-term interests of shareholders.	<p>For 2019 the ALTIS award for the CEO has been reduced to 175% of salary to reflect the fall in share price since awards were last granted.</p> <p>The CFO joined the business in April 2019 and therefore the Committee considered that it was appropriate that he continue to receive an award of 200% of salary.</p> <p>Performance measures for FY20 awards will be:</p> <ul style="list-style-type: none"><li>– 30% based on relative TSR</li><li>– 35% based on EPS growth</li><li>– 35% based on revenue growth</li></ul> <p>TSR will be measured against a bespoke group of UK retail peers listed on both the main market and AIM (listed overleaf).</p>
Share ownership guidelines	Increases alignment between the Board and shareholders  Shows a clear commitment by all Executive Directors to creating value for shareholders in the long term	<p>Guidelines require Executive Directors to hold 50% of any shares acquired on vesting of the ALTIS, and any subsequent share awards thereafter (net of tax), until the required shareholdings are achieved.</p> <p>The shareholding guideline for the CEO and other Executive Directors is 500% and 200% of salary respectively.</p>	Not applicable.	Not applicable.	No change.



Variable remuneration elements (continued)

Element	Purpose	How it operates	Maximum opportunity	Performance-related framework	Approach to implementation in FY20
All-employee share plans	Increase alignment between employees and shareholders in a tax-efficient manner Supports retention of employees	An HMRC-approved all-employee Save As You Earn share option scheme (SAYE) encourages employees to take a stake in the business, aligning their interests with those of shareholders.  Other all-employee plans may be introduced if appropriate.	Consistent with prevailing HMRC limits.	Not applicable.	No change.
Non-executive Directors	Provide fees appropriate to time commitments and responsibilities of each role	Cash fee normally paid on a monthly basis. Fee levels are set taking into account the responsibilities of the additional roles, for example Committee Chairs and the SID. The Chair receives a consolidated fee.  Fees are reviewed periodically.  In addition, reasonable business expenses (together with any tax thereon) may be reimbursed.	There is no prescribed maximum annual fee or fee increase. The Board is guided by the general increase for the broader employee population and takes into account relevant market movements.	Not applicable.	There was no increase in fees with effect from 1 September 2019. Non-executive fees therefore remain as follows:  Non-executive Chair – £350,000  Non-executive Director base – £55,000  SID and Audit Committee Chair – £70,000  Remuneration Committee Chair – £65,000

TSR comparator group for 2019 awards includes the following companies: AO World, B&M European Value Retail, Boohoo Group, Brown Group, Card Factory, DFS Furniture, Dixons Carphone, Dunelm Group, Halfords Group, JD Sports Fashion, Joules Group, Just Eat, Kingfisher, Lookers, Majestic Wine, Marks and Spencer Group, Next, Pets at Home Group, Shoe Zone, Sports Direct, Studio Retail Group, Topps Tiles and WH Smith.

Remuneration policy for other employees

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

All employees are entitled to base pay, benefits and pension contributions, and during the financial year 278 employees received an award under the ALTIS.

ASOS operates a Save As You Earn scheme for all employees. More information about the Scheme is given above. We encourage a strong culture of ownership across the organisation and encourage all ASOSers to behave and think like owners.

Performance measure selection and approach to target setting

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

The measures used in the FY20 annual bonus reflect ASOS’ KPIs for the year and are based on:

- Revenue achieved
- PBT
- free cash flow
- strategic objectives – US and EU revenue performance, to ensure reward is aligned with our strategic priority to deliver growth in these areas, and Net Promoter Score (NPS) to ensure that we continue to reflect our customer experience. In addition, the CEO’s performance will also be assessed in relation to progress in developing strength and depth in the senior leadership team to ensure that it is fit for ASOS’ future and the CFO will be measured against our cost management objectives, building on the progress made during the year to reduce our cost base.

Revenue and PBT are unchanged from previous years and they continue to be key measures of success for the business. A free cash flow measure has been introduced to reflect the Company’s current focus on maintaining a cash-positive position to enable further growth and expansion. The strategic objectives have been broadened to reflect our evolving strategic focus but they continue to include NPS, reflecting our continued focus on customer.

Long-term performance targets for FY20 are based on a combination of absolute and relative performance:

- TSR provides strong alignment with shareholders and will be measured against a bespoke group of UK retail peers listed on both the main market and AIM (companies are set out on page 58) as this provides a robust and relevant benchmark.
- EPS is considered an objective and well accepted measure of Company performance which reinforces the objective of achieving profitable growth.
- Revenue captures top-line growth and is a key element of our progress towards our mission.

Previously, the ALTIS included an element of NPS performance. This has been removed for FY20, due to the challenge of setting meaningful longer-term targets and also to improve simplicity. The EPS and revenue measures have both been equally increased following the removal of the NPS measure. To ensure a continued focus on the customer experience following the removal of the NPS measure, the Committee retains the discretion to adjust vesting level if it considers that the vesting outcome does not reflect the underlying performance of the business or participants during the year, including the Company’s performance against customer metrics, or that the payout is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set.

ALTIS targets for awards due to be granted in October 2019 are as follows:

	Threshold performance (25% vesting)	Maximum performance (100% vesting)
EPS (FY22)	71p	121.8p
Revenue growth (FY22 compared to FY19)	10% per annum	15% per annum
Relative TSR	Median	Upper quartile

There will be straight-line vesting in between each point.

For the 2019 ALTIS award the Committee determined that it would be appropriate to set an absolute EPS performance target to provide a clear objective for management.

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

Committee discretion

The Committee operates under the powers it has been delegated by the Board. In addition, it complies with rules that are either subject to shareholder approval or by approval from the Board. These rules provide the Committee with certain discretions which serve to ensure that the implementation of the Remuneration Policy is fair, both to the individual Director and to the shareholders. The Committee also has discretions to vary the level of the various components of remuneration. The extent of such discretions is set out in the relevant rules, and the maximum opportunity for performance metrics is set out in the Policy table on pages 55 to 58. To ensure the efficient administration of the variable incentive plans outlined above, the Committee will apply certain operational discretions.

These include the following:

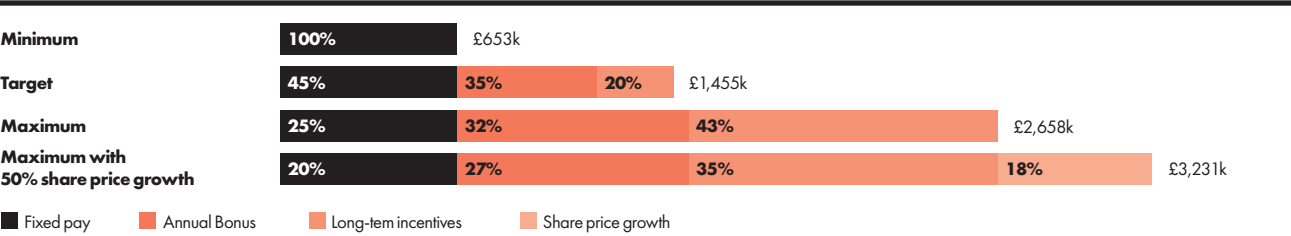
- Selecting the participants in the plans on an annual basis.
- Determining the timing of grants of awards and/or payments.
- Determining the quantum of awards and/or payments (within the limits set out in the Policy table).

- Determining the extent of vesting based on the assessment of performance.
- Determining whether malus or clawback shall be applied to any award in the relevant circumstances and, if so, the extent to which it shall be applied.
- Making the appropriate adjustments required in certain circumstances, for instance for changes in capital structure.
- Determining ‘good leaver’ status for incentive plan purposes and applying the appropriate treatment.
- Undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan and other incentive schemes, where applicable, from year to year.

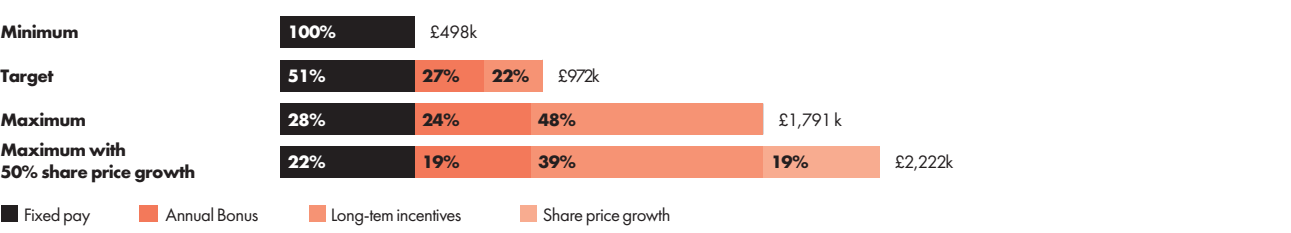
If an event occurs which results in the annual bonus plan or ALTIS performance conditions and/or targets being deemed no longer appropriate (e.g. material acquisition or divestment), the Committee will have the ability to amend the performance conditions and/or targets, provided that the revised conditions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

Total potential remuneration for Executive Directors in the 2020 financial year

Nick Beighton



Mathew Dunn



The chart above shows the potential remuneration at different levels of performance for the CEO and CFO in the 2020 financial year from the remuneration opportunity granted to them by ASOS’ Remuneration Policy.

Basis of calculation:

- Minimum – fixed pay only (salary + benefits + pension or pension allowance). Salary and pension are those effective from 1 September 2019 and benefits are based on actual figures for 2018/19.
- Target – fixed pay, plus target bonus opportunity of 90% of salary for the CEO and 60% of salary for the CFO, plus 25% of the face value of the ALTIS award on grant (i.e. 50% of salary).
- Maximum – fixed pay, plus maximum bonus opportunity of 150% of salary for the CEO and 100% of salary for the CFO, plus the full face value of the ALTIS award on grant (i.e. 200% of salary).
- Maximum plus 50% share price growth – as per the maximum scenario outlined above including an assumed 50% share price growth for the ALTIS award.

Recruiting new Executive Directors and senior executives

When recruiting any Executive Director or senior executive, we seek to apply consistent policies on fixed and variable remuneration components in line with the Remuneration Policy set out on pages 55 to 58. This helps to ensure that any new Executive Director or senior executive is on the same remuneration footing as existing Executive Directors or senior executives respectively, while still taking into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

The granting of payments or share awards on joining in order to secure the appointment of an Executive Director or senior executive is normally limited to the fair value of any deferred remuneration that would be forfeited at the previous employer, taking into account relevant factors including the form of the awards, remaining vesting period and the likelihood of any performance conditions being met. Any such proposal for Executive Directors requires the prior approval of the Remuneration Committee. The Committee may also agree that ASOS will meet certain relocation and/or incidental expenses as appropriate.

Consideration of shareholder and broader stakeholder views

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

Executive Directors’ service contracts and payments for loss of office

It is our policy that all Executive Directors should have rolling service contracts with an indefinite term, but a fixed period of notice of termination. The services of all Executive Directors may be terminated on a maximum of 12 months’ notice by the Company or the individual. Our approach to remuneration in each of the circumstances in which an Executive Director may leave is set out in the table below, with an individual’s status being determined by the Remuneration Committee in accordance with the rules of any applicable scheme.

Remuneration component	‘Bad’ leaver	‘Good’ leaver
Salary in lieu of notice	Provided up to the effective leaving date	Up to a maximum of one year’s salary; normal practice is to make a phased payment
Pension and other benefits	Provided up to the effective leaving date – no benefits would be provided after that date, unless this is in the interests of ASOS	Up to one year’s worth of pension and benefits
Bonus	None	Paid in accordance with bonus scheme terms – normal practice is for payment to be time and performance pro-rated to the effective leaving date
Long-term incentives	Awards lapse	May vest in accordance with scheme rules – normal practice is for the vested award to be time and performance pro-rated to the effective leaving date



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

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

Post-employment shareholdings

The Committee believes that the leaver provisions currently in place ensure the alignment of the interests of our Executive Directors and our shareholders post-cessation of employment. The Committee will keep this approach under review.

Non-executive Directors’ letters of appointment

Non-executive Directors do not have service contracts with ASOS. Instead, they have letters of appointment which provide for a maximum of three months’ notice of termination by the Company or the individual at any time, with no pre-determined amounts of compensation.

Annual Report on Remuneration

Details of how ASOS’ Remuneration Policy has been applied in the year to 31 August 2019 are set out below. Certain information within this section has been audited as highlighted.

Directors’ remuneration table (audited)

The remuneration of the Directors for the year to 31 August 2019 and the year to 31 August 2018 is set out in the tables below.

		Fixed remuneration			Variable remuneration			Total remuneration
Executive Director		Base salary £	Benefits £	Pensions £	Bonus £	LTIP <sup>2</sup> £	Buy out award <sup>3</sup> £	£
Nick Beighton	2019	565,000	7,957	73,049	–	150,915	–	796,921
	2018	565,000	7,329	73,056	–	2,259,229	–	2,904,614
Mat Dunn <sup>1</sup>	2019	151,326	4,610	18,916	–	–	400,000	574,852
	2018	–	–	–	–	–	–	–
Total	2019	716,326	12,567	91,965	–	150,915	400,000	1,371,773
	2018	565,000	7,329	73,056	–	2,259,229	–	2,904,614

Non-executive Director		Base fee £	Additional fee £	Taxable expenses <sup>4</sup> £	Total remuneration £	Basis for additional fee
Adam Crozier <sup>5</sup>	2019	265,152	Nil	385	265,537	
Brian McBride <sup>6</sup>	2019	46,780	Nil	552	47,333	
	2018	190,000	Nil	9,822	199,822	
Ian Dyson	2019	55,000	15,000	474	70,474	SID and Audit Committee Chair
	2018	55,000	15,000	Nil	70,000	SID and Audit Committee Chair
Hilary Riva	2019	55,000	10,000	201	65,201	Remuneration Committee Chair
	2018	55,000	10,000	Nil	65,000	Remuneration Committee Chair
Rita Clifton	2019	55,000	Nil	2,010	57,010	
	2018	55,000	Nil	Nil	55,000	
Nick Robertson <sup>7</sup>	2019	55,000	Nil	1,041	56,041	
	2018	55,000	Nil	Nil	55,000	
Total	2019	531,932	25,000	4,663	561,595	
	2018	410,000	25,000	9,822	444,822	

1 Mat Dunn was appointed to the Board as CFO on 23 April 2019 and remuneration is shown from this date.  
2 For 2019, this includes the FY17 ALTIS award as detailed on page 64. Based on a share price of £26.31, being the average share price for the last quarter of the financial year, from 1 June to 31 August 2019. The figures for 2018 are the adjusted figures to show the actual share price of £54.48 at the vesting date on 31 October 2018.  
3 Details of the buyout award are provided on page 66.  
4 The taxable expenses include travel and other expenses related to their role and have been grossed up for tax, where applicable.  
5 Adam Crozier was appointed as Chair and Non-executive Director on 29 November 2018.  
6 Brian McBride stepped down as Chair and Non-executive Director on 29 November 2018.  
7 Nick Robertson donated all of his base service fee to the ASOS Foundation.

Payments to past Directors

During the year to 31 August 2019, no payments were made to any past Directors.

Payments for loss of office

During the year to 31 August 2019, no payments were made for loss of office.

Annual bonus for the year ended 31 August 2019

For Nick Beighton, the annual bonus plan for the year ended 31 August 2019 was based on the following metrics:

	Weighting	Target	Maximum	Performance achieved
Profit Before Tax (PBT)	50%	£120m	£130m	£33.1m
Sales Growth	20%	25%	30%	13%
Net Promoter Score (NPS)	15%	+1 vs. LY	+2 vs. LY	-4
Personal performance	15%	See below		

For the CEO, the personal objectives were based around several core strategic priorities: delivering our global strategy and infrastructure programme to position the business for future growth, evolving the Company culture to ensure that it continues to support ASOS’ development from start-up to global player; developing strength and depth in the senior leadership team to ensure that it is fit for ASOS’ future; structural review and development of Board requirements with the new Chair and CFO.

For the CFO, personal objectives were set in relation to the budgeting process and cost reduction.

In order for a bonus to be paid a minimum level of PBT performance was required to be achieved. This minimum level of profit was not met and therefore no bonus was paid to the Executive Directors or any other employee for the period to 31 August 2019.

FY17 ALTIS awards vesting for performance to 31 August 2019

The ALTIS awards with a performance period ending on 31 August 2019 are due to vest on 31 October 2019. These awards were based on sales growth, EPS, relative TSR versus the FTSE All-Share General Retailers Index and NPS over the three-year performance period from 1 September 2016 to 31 August 2019. The performance targets and level of achievement against those targets were as follows:

Measures	Weighting	Targets	Percentage vesting	Actual achievement	Vesting
Sales growth	30%	Below 15% 15% Between 15% and 25% 25% or more	0% 25% Between 25% and 100%* 100%	23.3%	90%
Compound annual fully diluted EPS growth	30%	Below 15% 15% Between 15% and 25% 25% or more	0% 25% Between 25% and 100%* 100%	Below 15%	0%
TSR versus FTSE All-Share General Retailers Index	30%	Below median Median Between median and upper quartile Upper quartile or above	0% 25% Between 25% and 100%* 100%	Below median	0%
NPS	10%	Below 64 64 Between 64 and 66 66 or more	0% 25% Between 25% and 100%* 100%	Below 64	0%

\*Straight-line interpolation between points in the range

Details of vesting for each individual Executive Director:

Executive Director	Number of shares granted	Number of shares vesting	Date of vesting	Value of awards vesting <sup>1</sup>
Nick Beighton	21,245	5,736	31.10.2019	£150,915

<sup>1</sup> Based on a share price of £26.31, being the average share price for the last quarter of the financial year, from 1 June to 31 August 2019, as is normal practice.

ALTIS awards granted in the year

In the year under review, an ALTIS award with a face value of 200% of salary was granted to the CEO on 24 October 2018:

Executive Director	Basis of award	Number of shares granted	Face value of award <sup>1</sup>	% vesting for target performance	Performance period
Nick Beighton	200% of salary	21,027	£1,130,000	25%	1 September 2018 to 31 August 2021

<sup>1</sup> Based on the five-day average share price of £53.74 as at 18 October 2018.

Following his appointment, an ALTIS award with a face value of 200% of salary was granted to the CFO on 28 June 2019:

Executive Director	Basis of award	Number of shares granted	Face value of award <sup>1</sup>	% vesting for target performance	Performance period
Mat Dunn	200% of salary	22,216	£850,000	25%	1 September 2018 to 31 August 2021

<sup>1</sup> Based on the five-day average share price of £38.26 up to and including the CFO’s appointment on 23 April 2019.

The performance conditions for these awards are in the table below, with performance measured over the three-year period from 1 September 2018 to 31 August 2021, and vesting on 31 October 2021:

Measures	Weighting	Targets	Percentage vesting
Sales growth	30%	Below 15% 15% Between 15% and 25% 25% or more	0% 25% Between 25% and 100%* 100%
Compound annual fully diluted EPS growth	30%	Below 15% 15% Between 15% and 25% 20% or more	0% 25% Between 25% and 100%* 100%
TSR versus FTSE All-Share General Retailers Index	30%	Below median Median Between median and upper quartile Upper quartile or above	0% 25% Between 25% and 100%* 100%
NPS	10%	Below 63 63 Between 63 and 65 65 or more	0% 25% Between 25% and 100%* 100%

\*Straight-line interpolation between points in the range



CFO remuneration structure

Mat Dunn joined the Board on 23 April 2019 in the role of CFO. Mat’s salary was set at £425,000 per annum reflecting his significant operational and international experience. His maximum annual bonus opportunity is 100% of base salary and his ALTIS opportunity will be 200% of salary. His pension allowance is 12.5% of salary and he receives benefits in line with the Company’s normal Remuneration Policy.

On leaving his former employer Mat forfeited awards granted to him in 2016 and 2017 under the company’s incentive plans. These awards were subject to the achievement of a mix of EPS and TSR performance targets. He was not granted any incentives by his former employer in respect of 2018 as his resignation had already been announced.

In August 2019, Mat was granted an award over 17,236 share options with a face value of £400,000 based on the five-day average share price prior to the date of award in replacement of the 2016 share incentive awards he forfeited on leaving his previous employer. This award shall vest, subject to continued employment, on 16 December 2019 which is in line with the date his forfeited awards would have vested. The Committee is conscious that shareholders’ preference is for performance-based awards to be bought-out with performance-based awards. However, the Committee believes that the approach adopted here is appropriate, as the face value of this award is significantly less than the expected value of the award forfeited.

In June 2019 Mat was granted a 2018/19 ALTIS award which will vest based on the same performance criteria as other 2018/19 ALTIS awards, which are outlined on page 65. The Committee considered that it was appropriate for Mat to receive a full year ALTIS award for 2018/19 as he did not receive incentive awards in 2018 from his former employer as his resignation to join ASOS had already been announced.

Mat was eligible for an annual bonus for the year ended 31 August 2019. As noted overleaf the PBT threshold was not met and therefore no bonus was paid for the year.

Executive Director	Basis of award	Number of shares granted	Face value of award <sup>1</sup>	Vesting date
Mat Dunn	Buy-out award	17,236	£400,000	16 December 2019

1 Based on the five-day average share price of £23.21 prior to the date of award.

Directors’ interests in share plans (audited)

Director	Share option scheme	Date of grant	31 August 2018	Granted during the year to 31 August 2019	Lapsed during the year to 31 August 2019	Exercised during the year to 31 August 2019	31 August 2019	Exercise price (pence)	Exercise date/period
			(no. of shares)	(no. of shares)	(no. of shares)	(no. of shares)	(no. of shares)		
Nick Beighton	SAYE	08.06.17	369	–	–	–	369	4,869.0	01.07.20 - 31.12.20
	ALTIS	30.10.15	36,194	–	–	36,194	–	–	31.10.18
	ALTIS <sup>1</sup>	16.12.16	21,245	–	–	–	21,245	–	31.10.19
	ALTIS <sup>2</sup>	11.10.17	18,899	–	–	–	18,899	–	31.10.20
	ALTIS <sup>2</sup>	24.10.18	–	21,027	–	–	21,027	–	31.10.21
Mat Dunn	ALTIS <sup>2</sup>	28.06.19	–	22,216	–	–	22,216	–	31.10.21
	Buy-out	30.08.19	–	17,236	–	–	17,236	–	16.12.19

1 The performance conditions applying to the awards granted under the ALTIS to the Company’s Executive Directors for the performance period from 1 September 2016 to 31 August 2019 are provided on page 64.  
2 Performance conditions for these awards are set out on page 65.

Directors’ shareholdings

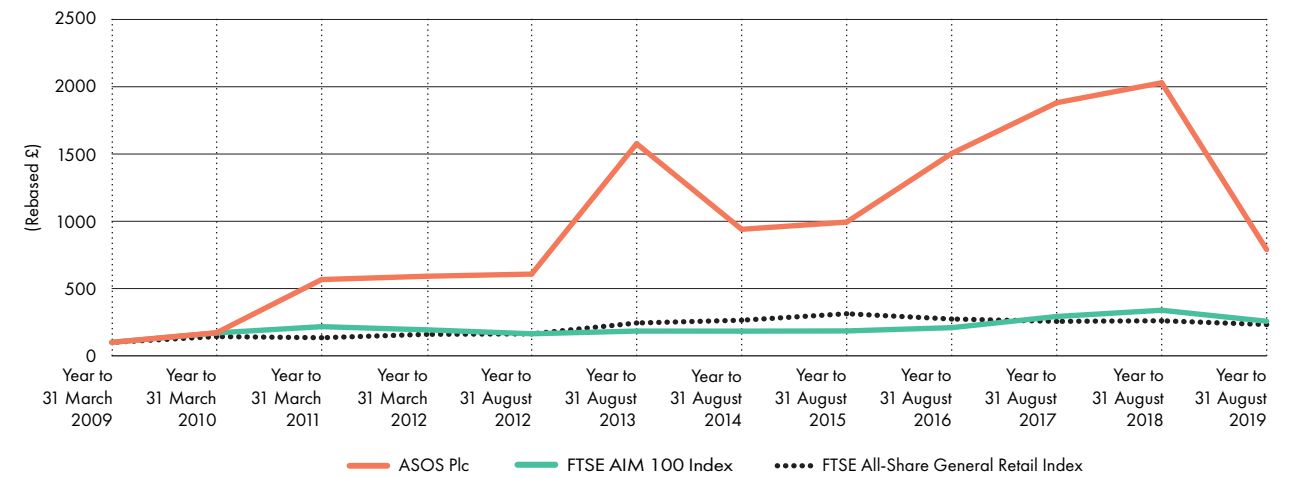
The Directors who held office at 31 August 2019 had the following interests, including family interests, in the shares of ASOS Plc. A shareholding guideline is in place for the Executive Directors; this is 500% of salary for the CEO and 200% of salary for the CFO.

Director	Beneficially owned as at 31 August 2018 (no. of shares)	Beneficially owned as at 31 August 2019 (no. of shares)	Outstanding share options (SAYE/ALTIS) (no. of shares)	Shareholding guideline met
Adam Crozier	–	7,950	–	N/A
Nick Beighton	150,503	169,903	61,540	Yes
Mat Dunn	–	994	39,452	No
Rita Clifton	–	–	–	N/A
Ian Dyson	–	–	–	N/A
Hilary Riva	227	784	–	N/A
Nick Robertson	5,196,414	4,636,414	–	N/A

Performance and CEO remuneration comparison

The market price of ordinary shares at 31 August 2019 was £23.80 (31 August 2018: £61.14) and the range during the year to 31 August 2019 was from £21.07 to £62.22 (year to 31 August 2018: £54.90 to £77.30).

This graph shows the value, by 31 August 2019, of £100 invested in ASOS Plc on 31 March 2010 compared with that of £100 invested in the FTSE AIM 100 and the FTSE All-Share General Retail Indices. The other points plotted are the values at the intervening financial year ends, including the five-month period to 31 August 2012.



CEO remuneration history\*

The table below sets out the remuneration data for Directors undertaking the role of CEO during each of the past ten financial years.

	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2012	Year to 31 August 2013	Year to 31 August 2014	Year to 31 August 2015	Year to 31 August 2016 <sup>4</sup>	Year to 31 August 2017	Year to 31 August 2018	Year to 31 August 2019
Total remuneration (£)	2,084,510	1,740,821	55,210,388	803,843	337,193	81,280	1,199,520	3,072,259	2,904,614	796,921
Annual bonus % <sup>2</sup>	–	–	60%	60%	–	–	70%	65%	–	0%
Long-term incentive % <sup>3</sup>	–	–	100%	–	–	–	–	99.1%	100%	27.0%

1 Gains made under the long-term incentive plans are recognised above in the financial year of the performance period to which they relate. The value for the FY17 award was calculated using a share price of £56.84, being the actual share price at the vesting date on 31 October 2017. The value for the FY18 award was calculated using a share price of £54.48, being the actual share price at the vesting date on 31 October 2018. The value shown for the year to 31 August 2019 is based on the average share price for the last quarter of the financial year to 31 August 2019. This will be adjusted to reflect the share price at the point of vesting on 31 October 2019.

2 Annual bonus percentage figure shows the percentage of the individual’s maximum bonus percentage received in that financial year.

3 Long-term incentive percentages show the percentage of the award that vested in the financial year.

4 During the year to 31 August 2016, the CEO changed from Nick Robertson to Nick Beighton. During the year to 31 August 2015, Nick Robertson opted to waive receipt of £442,580 of his base salary, and any entitlement to bonus.

\*Note that the data above is for 12-month periods only and excludes the five-month period to 31 August 2012 to give a consistent view of the CEO’s annual remuneration.

Percentage change in CEO’s remuneration

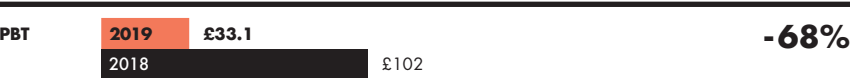
The table below shows the percentage change in the CEO’s salary, benefits and annual bonus between the financial years ended 31 August 2019 and 31 August 2018, compared with all employees of ASOS.

Executive Director	Salary change	Benefits change	Bonus change
Chief Executive Officer	0.0%	0.8%	0.0%
All employees <sup>1</sup>	2.9%	3.7%	0.0%

1 This is calculated by dividing the actual salary costs (including capitalised salaries) by the average number of employees across the year.

Relative importance of spend on pay

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



1 The above includes capitalised staff costs

Remuneration governance

Composition of the Remuneration Committee

The Remuneration Committee currently comprises four independent Non-executive Directors: Hilary Riva (Chair), Rita Clifton, Ian Dyson and Karen Geary. Appropriate members of the management team, as well as the Committee’s advisers, are invited to attend meetings as appropriate, unless there’s a potential conflict of interest.

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

Advisers to the Remuneration Committee

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

- During the year, following a competitive tender process the Committee appointed Deloitte LLP as independent advisers to the Committee; they provided advice from their appointment in February 2019 on all remuneration matters considered by the Committee. For that advice, Deloitte LLP received fees totalling £103,500 in the financial year to 31 August 2019. Deloitte LLP are signatories to the Remuneration Consultants’ Code of Conduct, and the Committee is satisfied that the advice that it receives is objective and independent. Separately, other parts of Deloitte also advised the Company during the year in relation to internal audit services.
- Prior to the appointment of Deloitte LLP in February 2019, New Bridge Street acted as independent advisers to the Committee; they provided advice throughout the financial year up to February 2019. For that advice, New Bridge Street received fees totalling £32,000 in the financial year to 31 August 2019. New Bridge Street are signatories to the Remuneration Consultants’ Code of Conduct, and the Committee is satisfied that the advice that it received was objective and independent. Aon plc, the parent company of New Bridge Street, also provides insurance broking services to ASOS.
- When required, ASOS also receives advice relating to remuneration matters from Willis Towers Watson, PricewaterhouseCoopers LLP, KPMG LLP, and Slaughter and May LLP on reward, tax and legal matters respectively.

As a matter of course, the Committee also receives advice and assistance as needed from our Reward Director, our General Counsel & Company Secretary, our CEO and our CFO.

Key areas of focus for the year ahead

- Engaging with shareholders in relation to our approach to remuneration for 2019/20
- Review and approve any salary increases for the Executive Committee
- Determine 2018/19 annual bonus outcome and 2016 ALTIS awards vesting
- Approve 2019/20 ALTIS targets and awards, and 2019/20 annual bonus
- Continue to monitor regulatory and legislative developments



# Directors’ Report

Much of the information previously provided as part of the Directors’ Report is now required, under company law, to be presented as part of the Strategic Report. This Directors’ Report includes the information required to be included under the Companies Act 2006 or, where provided elsewhere, an appropriate cross-reference is given. The Corporate Governance Report approved by the Board is provided on pages 40 to 45 and incorporated by reference into this Directors’ Report.

### Subsidiaries

The Company has 21 subsidiaries; a complete list is provided at Note 8 of the Parent Company Financial Statements on pages 112 to 113.

### Dividends

As last year, the Directors do not recommend the payment of a dividend (2018: £nil).

### Strategic Report

This is set out on the pages 5 to 11 of the Annual Report and includes an indication of likely future developments.

### Significant events since the end of the financial year

There have been no important events affecting the Group since 1 September 2019.

### Risk management and principal risks

A description of the principal risks facing the business, and the Company’s approach to managing those risks, is on pages 32 to 37.

### Directors and their interests

Details of the Directors as at the date of this report are set out on pages 38 to 39.

The interests of the Directors and their closely associated persons in the share capital of the Company as at 31 August 2019, along with details of Directors’ share options and awards, are contained in the Directors’ Remuneration Report on pages 51 to 69. At no time during the year did any of the Directors have a material interest in any significant contract with ASOS or any of its subsidiaries.

ASOS maintains Directors’ and Officers’ liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company has also provided an indemnity for its Directors, which is a qualifying third-party indemnity provision, for the purposes of section 234 of the Companies Act 2006. This was in place throughout the year and up to the date of approval of the financial statements.

### Articles of Association

ASOS’ Articles of Association can only be amended by special resolution and are available at [www.asosplc.com/investors/shareholder-information/company-documents](http://www.asosplc.com/investors/shareholder-information/company-documents).

### Share capital

The issued share capital of the Company at 31 August 2019 was 83,872,275 ordinary shares of 3.5p. Full details of the issued share capital, together with the details of shares issued during the year to 31 August 2019, are shown in Note 17 to the financial statements on page 95.

### Employee Benefit Trust

ASOS uses an Employee Benefit Trust to facilitate the acquisition of ordinary shares in the Company for the purpose of satisfying awards and options granted under ASOS share schemes. During the financial year, ASOS used both the Employee Benefit Trust (EBT) and the Link Trust (LT) to satisfy awards granted under its Save As You Earn and SIP share schemes:

- The EBT is a discretionary trust, the sole beneficiaries being employees (including Executive Directors) and former employees of the Group who have received awards under the Save As You Earn scheme (or their close relations in the event of their death). The trustee of the EBT is Apex Financial Services (Trust Company) Limited, an independent professional trustee company based in Jersey. Under the terms of the Trust Deed, ASOS funds the EBT to purchase on the EBT’s own account ordinary shares in the Company on the open market in return for the EBT agreeing to use the ordinary shares in the Company that it holds to satisfy certain outstanding awards and options made under the Company’s share schemes.
- The LT holds shares awarded under the SIP solely for the benefit of current employees (including Executive Directors) who participate in it. The trustee of the SIP is Link Asset Services Limited, an independent professional trustee company based in the United Kingdom. Under the terms of the Trust Deed, ASOS funds the LT to buy the shares on the open market and retain those shares on behalf of the underlying beneficiaries.

### Substantial shareholders

As at 1 October 2019, the Company was aware of the following interests in 3% or more of its ordinary share capital:

Major shareholder	Holding	As a % of issued shares
Bestseller A/S (DK)	22,175,451	26.44
The Capital Group Companies, Inc.	7,677,258	9.15
T. Rowe Price Group	7,463,972	8.90
Baillie Gifford & Co	6,425,254	7.66
Allianz Global Investors	5,402,442	6.44
Robertson, N	4,636,414	5.53
Immersion Capital LLP (UK)	3,434,950	4.10
Camelot Capital Partners	2,755,018	3.28

- As at 31 August 2019, the EBT and LT (combined) held 271,875 shares in ASOS Plc (2018: 283,474 shares). The total value in reserves was a credit balance of £1.0m (2018: credit balance of £1.0m). The EBT and LT are both recognised within the EBT reserve for accounting purposes. The Group’s accounting policies are detailed within Note 24 to the financial statements and movements are detailed in the Consolidated Statement of Changes in Equity on page 80.

### Going concern

The Group’s business activities, financial position and cash flows, together with the factors likely to affect its future performance and position, are set out in the Strategic Report on pages 5 to 11. In addition, details of the Group’s objectives and policies on financial risk management are set out in Note 18 to the financial statements on pages 95 to 99.

The Group ended the year with net debt of £90.5m at 31 August 2019. The Group has a £350m revolving credit facility which was approved by the Board during the year and is available until June 2022 (with a two-year extension applicable subject to the agreement of all parties). The Directors have reviewed current performance and cash flow forecasts, and are satisfied that the Group’s forecasts and projections, taking account of potential changes in trading performance, show that the Group will be

able to operate within the level of its current facilities for the foreseeable future and at a minimum for 12 months from the date of signing the Group’s financial statements. The Directors have therefore continued to adopt the going concern basis in preparing the Group’s financial statements.

### Viability statement

The Directors have also assessed the Group’s prospects and viability over a three-year period to 31 August 2022. This three-year assessment period was selected as it corresponds with the Board’s strategic planning horizon as well as the time period over which senior management are remunerated via long-term incentive plans.

In making this assessment, the Directors took account of the Group’s current financial position, annual budget, three-year plan, forecasts and sensitivity testing. The Board also considered a number of other factors, including the Group business model (pages 12 and 13), risks and uncertainties (pages 32 to 37) and internal control effectiveness (page 48). While the principal risks and uncertainties could impact future performance, none of them is considered likely, individually or collectively, to affect the viability of the business during the three-year assessment period. The Group is operationally strong with a robust balance sheet and cash position, and has a track record of delivering profitable and sustainable growth, which is expected to continue.

Based on this assessment, the Directors have a reasonable expectation that the Group will continue in operation and meet all its liabilities as they fall due during the period up to 31 August 2022.

### Statement on disclosure of information to auditors

The Directors confirm that, so far as each is aware, there is no relevant audit information of which the Group’s auditors are unaware. Each of the Directors has taken all the steps he or she should have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Group’s auditors are aware of that information.

### Political donations

No political donations have been made during this financial year.

### Annual General Meeting

The Annual General Meeting of the Company will be held at 12 noon on 27 November 2019 at Greater London House, Hampstead Road, London NW1 7FB. The Notice of Meeting will be available to view on [www.asosplc.com](http://www.asosplc.com), sufficiently in advance of that meeting.

By order of the Board



**Anna Suchopar**  
Company Secretary  
15 October 2019

# Statement of Directors' Responsibility

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

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

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

- The Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- The Company financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Company.
- The Strategic Report on pages 5 to 11 includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.



**Anna Suchopar**  
Company Secretary  
15 October 2019



# Financial Statements

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Independent Auditors’ Report  
to the Members of ASOS Plc

Report on the Audit of the Financial Statements  
Opinion

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

- give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 August 2019 and of the group’s profit and the group’s and the parent company’s cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company’s financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and parent company Statements of Financial Position as at 31 August 2019; the Consolidated Statement of Comprehensive Income, the Consolidated and parent company Statements of Cash Flows, and the Consolidated and parent company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

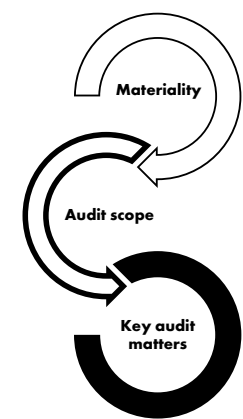
We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit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

Independence

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

Our audit approach

Overview



<ul style="list-style-type: none"><li>– Overall Group materiality: £4,500,000 (2018: £4,500,000) – based on 1% of total revenue with regard to profit before tax.</li></ul>
<ul style="list-style-type: none"><li>– Overall parent company materiality: £250,000 (2018: £250,000) – based on 1% of total assets.</li></ul>
<ul style="list-style-type: none"><li>– Full scope audit of:<ul style="list-style-type: none"><li>– ASOS Plc – the parent entity holding investments throughout the Group.</li><li>– ASOS.com Limited – the trading entity that generates 99% of Group revenue.</li></ul></li></ul>
<ul style="list-style-type: none"><li>– Capitalisation of internal staff costs.</li><li>– Fraud in revenue recognition.</li><li>– Valuation and existence of inventory.</li></ul>

The scope of our audit

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

Key audit matters

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

Key audit matter

Capitalisation of internal staff costs

Refer to pages 83 and 103 (Note 1 and Note 24)

The group continued to invest heavily in its operational infrastructure spending £79.7m on property, plant and equipment as set out in note 12, and £115.6m on intangible assets as set out in note 11. The most significant elements of this expenditure, as described in the CFO’s review, was related to the Atlanta warehouse which became operational in the year and expenditure on automating the distribution centre in Berlin, as well as further expenditure on the Total Global Retail system which is due to go live in 2020.

We focussed on this area due to the size of the costs capitalised and the fact that there was judgement involved in assessing whether the criteria set out in accounting standards for the capitalisation of such costs had been met. In particular we focussed on the capitalisation of internal staff costs to confirm that costs capitalised were a fair reflection of actual costs incurred and the associated time was spent on projects which met the criteria to be capitalised. We further assessed whether costs were appropriately moved out of assets under construction and appropriately amortised/depreciated from the point at which they came into operational use.

Fraud in revenue recognition

Refer to pages 85 and 103 (Note 3 and Note 24)

The group has one main source of revenue which relates to sales made through ASOS.com and its website. Sales of goods sold via the website are recognised on dispatch from the website with customers having the right to return the goods, should they so choose, within a predefined window. Should customers return any goods, the group will typically refund the associated revenue relating to the returned goods.

The nature of the group’s revenue and revenue recognition policies generated two specific heightened areas of focus for our audit:

Firstly, we assessed whether the policy of recognising revenue on dispatch rather than delivery could significantly enhance revenues and profits inappropriately.

Secondly, we focussed on the level of provision recorded for returns and the associated reduction in revenue and profit arising as a result of recording this provision.

Valuation and existence of inventory

The group held a significant amount (£536.8m) of inventory as at 31 August 2019, held across multiple locations, which was both desirable and fast moving, leading to an existence risk either through pilferage or accounting error.

The nature of the group’s business model is to service demand in a dynamic and fast moving fashion market which also inherently means there is a risk of inventory falling out of fashion and proving difficult to sell above cost.

There are key assumptions that drive the inventory provision, which is netted against the group’s inventory balance, including the ability to sell through older inventory and the realisable value that will be achieved on sale. The provision broadly comprises two elements a provision for items looking to be sold off at below cost and a provision for aged items which there is a concern may ultimately be sold at below cost.

How our audit addressed the key audit matter

We have gained an understanding through walkthroughs performed and discussion with management of the process in place for evaluating capital approval for staff time capitalised in relation to capital projects.

We tested management’s operational control in relation to capital funding request forms which evidences that the capitalisation criteria have been considered and are appropriately authorised. We were able to place reliance on these controls for the purpose of our audit.

Our testing approach covered capitalisation of employee time for internal staff and external contractors. We obtained an understanding of various selected capitalised projects, tested time charged back to timesheet data and independently assessed whether sufficient economic benefits were likely to flow from the projects to support the values capitalised.

Our testing did not identify any costs that had been inappropriately capitalised.

For a number of projects which became operational in the year we validated that the costs previously capitalised relating to these projects were moved out of assets under construction at the point that the associated assets became operational. We further confirmed that depreciation or amortisation was commenced on these projects at rates consistent with the Group’s accounting policies once the respective projects became operational.

We discussed the revenue recognition policy with management and performed a walkthrough to reconfirm our understanding of the revenue recognition process.

We used computer-aided auditing techniques to trace revenue transactions to debtors and cash and tested transactions which did not follow this expected flow of transactions down to an immaterial balance.

Due to the transactional nature of revenue, we deemed the risk of fraud in revenue to be specific to journal postings or judgemental adjustments. We therefore performed testing to identify unusual journals, i.e. those which do not follow the expected business process. We tested and gained evidence over the commercial rationale of these journals without issue.

Adjustments are made to revenue for cut off and returns. Regarding cut off, we deem risks and rewards to transfer on receipt by the customer, rather than despatch and therefore we examined management’s calculation to assess the estimated financial impact of recognising revenue on despatch rather than on receipt by customers. We also performed an independent calculation of the potential difference of recognising revenue on despatch rather than delivery. We determined that the sales and profit impact for the year of recognising revenue on dispatch as against delivery was not material.

We understood the methodology used to calculate the returns provision and determined it was consistent with the prior year. We tested the inputs to the calculation through to source data and assessed the key assumption driving the calculation which was historical returns rates. We also compared the provision to actual returns of sales made pre year end which were processed in the period post year end.

No issues arose from our work to suggest that the provision for returns was materially misstated.

We understood the methodology used to calculate the inventory provision. The inventory quantity and value inputs into the provision calculation were tested in our underlying work on inventory costing and existence. For inventory costing we performed testing to invoice on a sample basis and subsequently a recalculation of the average weighted cost for a sample of line items. For existence, we tested the inventory cycle count controls in place at each warehouse, including the new Atlanta warehouse and upgraded Berlin warehouse, through attendance at a number of cycle counts through the year and walkthrough procedures. We also obtained confirmation from each third party warehouse and returns centre of the year-end inventory quantity, as well as obtaining confirmations from courier companies of inventory in transit to warehouses at the year end.

To assess the appropriateness of the provision we tested the ageing of inventory, through testing a sample back to purchase invoice. We also reviewed specific categories of inventory that Management determined that would be disposed of below cost, and satisfied ourselves that the level of provision recorded was reasonable.

We did not identify any issues regarding valuation and existence of inventory through the work performed.

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

How we tailored the audit scope

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

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

Materiality

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

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

	Group financial statements	Parent company financial statements
Overall materiality	£4,500,000 (2018: £4,500,000).	£250,000 (2018: £250,000).
How we determined it	1% of revenue with regard to profit before tax.	1% of total assets.
Rationale for benchmark applied	Within the Group there is a focus on driving sales given the group’s focus on reinvesting profits into significant capital expansion to underpin future growth. At the same time, the business remains focussed on delivering an acceptable short term return as it expands sales. Having regard to both the size of the business and its profitability, £4.5m was viewed as an appropriate level to set materiality.  In determining materiality for the current year, we have regard to the fact that the Group’s revenue has increased by £316.2m. Despite this increase, we agreed with the Audit Committee that it was appropriate to hold materiality at the same level as the prior year, given the decline in profitability of the Group.	The parent company does not trade. As a result, we believe that total assets is the most appropriate benchmark to use for the Company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £4,440,000 and £250,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £250,000 (Group audit) (2018: £250,000) and £10,000 (Parent company audit) (2018: £10,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors’ identification of any material uncertainties to the group’s and the parent company’s ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to.  However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group’s and parent company’s ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group’s trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors’ Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors’ Report for the year ended 31 August 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors’ Report. (CA06)

The directors’ assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

As a result of the directors’ voluntary reporting on how they have applied the UK Corporate Governance Code (the “Code”), we are required to report to you if we have anything material to add or draw attention to regarding:

- The directors’ confirmation on pages 32 to 37 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors’ explanation on page 71 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report in respect of this responsibility.

Other Code Provisions

As a result of the directors’ voluntary reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the directors, on page 72, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group’s and parent company’s position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on pages 46 to 48 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in respect of this responsibility.



Responsibilities for the financial statements and the audit  
Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors’ Responsibility set out on page 72, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors’ responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting  
Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Andrew Latham

Andrew Latham (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Watford  
15 October 2019

Consolidated Statement  
of Total Comprehensive Income

For the year to 31 August 2019

	Note	Year to 31 August 2019 £m	Year to 31 August 2018 £m
Revenue	3	2,733.5	2,417.3
Cost of sales		(1,399.2)	(1,180.2)
Gross profit		1,334.3	1,237.1
Distribution expenses		(415.6)	(380.8)
Administrative expenses		(883.6)	(754.4)
Operating profit	4	35.1	101.9
Finance income	6	–	0.3
Finance expense	7	(2.0)	(0.2)
Profit before tax		33.1	102.0
Income tax expense	8	(8.5)	(19.6)
Profit for the year		24.6	82.4
Profit for the year attributable to owners of the parent company		24.6	82.4
Net translation movements offset in reserves		(0.8)	0.3
Net fair value (loss)/gain on derivative financial instruments	18	(14.9)	67.7
Income tax relating to these items	8	2.8	(12.8)
Other comprehensive (loss)/income for the year <sup>1</sup>		(12.9)	55.2
Total comprehensive income for the year attributable to owners of the parent company		11.7	137.6
Earnings per share attributable to the owners of the parent company during the year			
Basic per share	9	29.4p	98.9p
Diluted per share	9	29.4p	98.0p

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

## Consolidated Statement of Changes in Equity

For the year to 31 August 2019

	Note	Called up share capital £m	Share premium £m	Retained earnings <sup>1</sup> £m	Employee Benefit Trust reserve <sup>2</sup> £m	Hedging reserve £m	Translation reserve £m	Total equity £m
At 1 September 2018		2.9	6.9	422.1	1.0	7.5	(1.6)	438.8
Profit for the year		–	–	24.6	–	–	–	24.6
Other comprehensive loss for the year		–	–	–	–	(12.3)	(0.6)	(12.9)
Total comprehensive income/(loss) for the year		–	–	24.6	–	(12.3)	(0.6)	11.7
Net cash received on exercise of shares from Employee Benefit Trust	17	–	–	–	0.3	–	–	0.3
Share-based payments charge	19	–	–	3.4	–	–	–	3.4
Tax relating to share option scheme	8	–	–	(0.6)	–	–	–	(0.6)
<b>Balance as at 31 August 2019</b>		<b>2.9</b>	<b>6.9</b>	<b>449.5</b>	<b>1.3</b>	<b>(4.8)</b>	<b>(2.2)</b>	<b>453.6</b>

At 1 September 2017		2.9	6.9	327.2	(0.6)	(47.5)	(1.8)	287.1
Profit for the year		–	–	82.4	–	–	–	82.4
Other comprehensive income for the year		–	–	–	–	55.0	0.2	55.2
Total comprehensive income for the year		–	–	82.4	–	55.0	0.2	137.6
Net cash received on exercise of shares from Employee Benefit Trust	17	–	–	–	1.7	–	–	1.7
Transfer of shares from Employee Benefit Trust on exercise		–	–	0.1	(0.1)	–	–	–
Share-based payments charge	19	–	–	10.4	–	–	–	10.4
Tax relating to share option scheme	8	–	–	2.0	–	–	–	2.0
<b>Balance as at 31 August 2018</b>		<b>2.9</b>	<b>6.9</b>	<b>422.1</b>	<b>1.0</b>	<b>7.5</b>	<b>(1.6)</b>	<b>438.8</b>

1 Retained earnings includes the share-based payments reserve.

2 Employee Benefit Trust and Link Trust.

## Consolidated Statement of Financial Position

As at 31 August 2019

	Note	At 31 August 2019 £m	At 31 August 2018 £m
<b>Non-current assets</b>			
Goodwill	10	1.1	1.1
Other intangible assets	11	325.1	256.9
Property, plant and equipment	12	296.0	241.6
Derivative financial asset	18	0.1	3.8
		<b>622.3</b>	503.4
<b>Current assets</b>			
Inventories		536.8	407.6
Trade and other receivables	13	72.8	42.6
Derivative financial asset	18	11.0	10.7
Cash and cash equivalents	14	–	42.7
Current tax asset		2.6	–
		<b>623.2</b>	503.6
<b>Current liabilities</b>			
Trade and other payables	15	(669.0)	(549.7)
Cash and cash equivalents	14	(15.5)	–
Borrowings	14	(75.0)	–
Derivative financial liability	18	(12.7)	(5.3)
Current tax liability		–	(3.0)
		<b>(772.2)</b>	(558.0)
<b>Net current liabilities</b>		<b>(149.0)</b>	(54.4)
<b>Non-current liabilities</b>			
Deferred tax liability	16	(12.6)	(8.2)
Derivative financial liability	18	(7.1)	(2.0)
		<b>(19.7)</b>	(10.2)
<b>Net assets</b>		<b>453.6</b>	438.8
<b>Equity attributable to owners of the parent</b>			
Called up share capital	17	2.9	2.9
Share premium		6.9	6.9
Employee Benefit Trust reserve		1.3	1.0
Hedging reserve		(4.8)	7.5
Translation reserve		(2.2)	(1.6)
Retained earnings		449.5	422.1
<b>Total equity</b>		<b>453.6</b>	438.8

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

The consolidated financial statements of ASOS Plc, registered number 4006623, on pages 79 to 107, were approved by the Board of Directors and authorised for issue on 15 October 2019 and were signed on its behalf by:

 **Mathew Dunn**  
Chief Financial Officer

# Consolidated Statement of Cash Flows

For the year to 31 August 2019

	Note	Year to 31 August 2019 £m	Year to 31 August 2018 £m
<b>Operating profit</b>		<b>35.1</b>	101.9
Adjusted for:			
Depreciation of property, plant and equipment	4	<b>25.3</b>	17.0
Amortisation of other intangible assets	4	<b>46.0</b>	37.6
Loss on disposal of non-current assets	4	<b>-</b>	0.8
Fixed asset impairment	4	<b>1.4</b>	2.7
Increase in inventories		<b>(129.2)</b>	(84.3)
Increase in trade and other receivables		<b>(30.2)</b>	(14.0)
Increase in trade and other payables		<b>143.3</b>	35.9
Share-based payments charge	19	<b>2.5</b>	8.9
Other non-cash items		<b>0.7</b>	0.5
Income tax paid		<b>(5.2)</b>	(13.1)
<b>Net cash generated from operating activities</b>		<b>89.7</b>	93.9
<b>Investing activities</b>			
Payments to acquire intangible assets		<b>(124.9)</b>	(107.4)
Payments to acquire property, plant and equipment		<b>(96.7)</b>	(105.6)
Finance income		<b>-</b>	0.3
<b>Net cash used in investing activities</b>		<b>(221.6)</b>	(212.7)
<b>Financing activities</b>			
Proceeds from borrowings	14	<b>75.0</b>	-
Net cash inflow relating to Employee Benefit Trust		<b>0.3</b>	1.7
Finance expense		<b>(1.4)</b>	(0.2)
<b>Net cash generated from financing activities</b>		<b>73.9</b>	1.5
<b>Net decrease in cash and cash equivalents</b>		<b>(58.0)</b>	(117.3)
<b>Opening cash and cash equivalents</b>		<b>42.7</b>	160.3
Effect of exchange rates on cash and cash equivalents		<b>(0.2)</b>	(0.3)
Closing cash and cash equivalents	14	<b>(15.5)</b>	42.7

# Notes to the Financial Statements

For the year to 31 August 2019

## 1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the course of preparing the financial statements, management necessarily makes estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Actual results may differ from the initial estimate or judgement and any subsequent changes are accounted for with an effect on the financial statements at the time such updated information becomes available. The Audit Committee considers estimates and judgements made by management, as detailed in the Audit Committee Report on pages 46 to 48.

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

### Accounting estimates

#### Inventory valuation

Inventory is carried at the lower of cost and net realisable value, on a weighted average cost basis, which requires an estimation of products' future selling prices. A provision is also made to write down any slow-moving or obsolete inventory to net realisable value. The provision is £11.3m at 31 August 2019 (2018: £6.2m).

#### Refund accruals

Accruals for sales returns are estimated on the basis of historical returns and are recorded so as to allocate them to the same period in which the original revenue is recorded. These accruals are reviewed regularly and updated to reflect management's latest best estimates, although actual returns could vary from these estimates. The accrual for net refunds totalled £62.9m at 31 August 2019 (2018: £47.6m).

#### Loyalty scheme deferral

In September 2018 the loyalty scheme was closed. At 31 August 2018, £4.4m was provided against future expected redemption of outstanding points and vouchers. As at 31 August 2019 all outstanding points and vouchers have either lapsed or been utilised by customers.

#### Calculation of share-based payment charges

The charge related to equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date they are granted, using an appropriate valuation model selected according to the terms and conditions of the grant. Judgement is applied in determining the most appropriate valuation model and in determining the inputs to the model. Third-party experts are engaged to advise in this area where necessary. Judgements are also applied in relation to estimations of the number of options which are expected to vest, by reference to historic leaver rates and expected outcomes under relevant performance conditions. See Note 19 on pages 100 to 102.

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

Depreciation and amortisation are provided to write down assets to their residual values over their estimated useful lives. The determination of these residual values and estimated lives, and any change to the residual values or estimated lives, requires the exercise of management judgement. See Notes 11 and 12 on pages 91 and 92.

#### Impairment of property, plant and equipment and other intangible assets

Property, plant and equipment and other intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an impairment is required, the recoverable amount is determined based on value-in-use calculations prepared using management's assumptions and estimates. See Notes 11 and 12 on pages 91 and 92.



1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

Accounting judgements

Capitalisation criteria

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

Legal contingencies

Where legal proceedings are brought against the Group and material future economic outflow is considered possible but not probable, or cannot be reliably measured, the Group discloses the nature of the contingent liability in the notes to the financial statements but does not recognise a liability in respect of the contingency.

A liability is recognised only when a future economic outflow is probable and the amount of that outflow can be reliably measured. Judgement is required in the determination of probability and as to whether the Group’s exposure can be reliably estimated.

2 CHANGES TO ACCOUNTING POLICIES

Standards, amendments and interpretations to standards that are effective and have been adopted by the Group and/or Company

IFRS 9 ‘Financial instruments’ (effective 1 January 2018). It has been determined that all existing effective hedging instruments continued to qualify for hedge accounting under IFRS 9. The adoption of the standard has therefore had no effect on the financial statements. Changes to the classification, impairment and measurement of financial assets and liabilities have been considered and it has been concluded these changes do not impact the Group.

IFRS 15 ‘Revenue from contracts with customers’ (effective 1 January 2018). Adoption of the new standard has not impacted recognition or measurement of any of the Group’s revenue streams. The adoption of the standard has therefore had no impact on existing revenue recognition policies.

All other accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year to 31 August 2018.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group and/or Company

IFRS 16 ‘Leases’ is effective for the Group’s period beginning 1 September 2019 onwards, which the Group has not adopted early. This will be adopted by the Group from 1 September 2019, using the simplified transition approach and therefore there is no restatement of comparatives.

On adoption of IFRS 16, the main impact for ASOS will be the recognition of right-of-use assets and lease liabilities on the opening balance sheet for all applicable leases. On 1 September 2019 ASOS expects to recognise lease liabilities of £382m representing the total cash commitments under operating leases (£432m) discounted to present value. ASOS will also recognise right-of-use assets of the equivalent value (£358m). The right-of-use assets will be adjusted for the reclassification of prepaid lease expenses, lease incentives and dilapidation accruals. On transition to IFRS 16, a deferred tax asset of £4.1m will be recognised as a result of the difference between the lease liability recognised on transition, and the right of use asset.

Going forward, a straight-line depreciation expense will be recognised in the Consolidated Income Statement in relation to the right-of-use assets and an amortising interest charge will be recognised in the Consolidated Income Statement in relation to the lease liabilities. The interest charge will be front-loaded in the earlier periods of a lease as the interest element unwinds. This will replace the operating lease expense currently recognised in the income statement under IAS 17.

There will be no quantitative impact to cash flows (other than the phasing of tax cash flows related to movements in profit), however the classification of cash flows will change. It is estimated that the Group’s operating cash outflows will decrease, and financing cash outflows will increase, by approximately £26m as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The effect of the changes outlined above will also be reflected in the Group’s KPIs, including EBIT and EBITDA. For the year ended 31 August 2020, assuming no changes in the lease portfolio, this will result in a c. £3m increase in EBIT and a c. £30m increase in EBITDA.

The Group’s activities as a lessor are currently not material.

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

3 SEGMENTAL ANALYSIS

IFRS 8 ‘Operating Segments’ requires operating segments to be determined based on the Group’s internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been determined to be the Executive Committee which receives information on the basis of the Group’s operations in key geographical territories, based on the Group’s management and internal reporting structure. The Executive Committee assesses the performance of each segment based on revenue.

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

Year to 31 August 2019					
	UK £m	EU £m	US £m	RoW <sup>1</sup> £m	Total £m
Retail sales	993.4	825.7	341.2	497.4	2,657.7
Delivery receipts	27.4	17.5	12.1	9.4	66.4
Third-party revenues	9.0	0.3	0.1	–	9.4
Total revenues	1,029.8	843.5	353.4	506.8	2,733.5
Cost of sales					(1,399.2)
Gross profit					1,334.3
Distribution expenses					(415.6)
Administrative expenses					(883.6)
Operating profit					35.1
Finance income					–
Finance expense					(2.0)
Profit before tax					33.1

1 Rest of World

Year to 31 August 2018					
	UK £m	EU £m	US £m	RoW <sup>1</sup> £m	Total £m
Retail sales	861.3	739.1	311.6	443.2	2,355.2
Delivery receipts	22.3	15.3	9.0	7.8	54.4
Third-party revenues	7.4	0.1	0.2	–	7.7
Total revenues	891.0	754.5	320.8	451.0	2,417.3
Cost of sales					(1,180.2)
Gross profit					1,237.1
Distribution expenses					(380.8)
Administrative expenses					(754.4)
Operating profit					101.9
Finance income					0.3
Finance expense					(0.2)
Profit before tax					102.0

1 Rest of World

**3 SEGMENTAL ANALYSIS continued**

Due to the nature of its activities, the Group is not reliant on any individual major customers.

No analysis of the assets and liabilities of each operating segment is provided to the Chief Operating Decision Maker in the monthly management accounts. No measure of segmental assets or liabilities is therefore disclosed in this note.

The total amount of non-current assets located in the UK is £463.4m (2018: £380.8m), US: £44.7m (2018: £42.5m), EU: £113.0m (2018: £75.2m) and RoW: £nil (2018: £nil).

**4 OPERATING PROFIT**

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
<b>a) Operating profit is stated after charging/(crediting)</b>		
Depreciation of property, plant and equipment	25.3	17.0
Amortisation of other intangible assets	46.0	37.6
Impairment of assets	1.4	2.7
Loss on disposal of other intangible assets	–	0.2
Loss on disposal of property, plant and equipment	–	0.6
Cost of inventory recognised as an expense	1,378.5	1,186.4
Adjustment of inventories to net realisable value	5.4	(1.4)
Net foreign exchange losses	4.5	3.5
Operating leases	24.0	15.4
<b>b) Auditors' remuneration:</b>		
Audit and audit-related services:		
Statutory audit of parent company and consolidated financial statements	0.1	0.1
Statutory audit of the Company's subsidiaries pursuant to legislation	0.2	0.2
<b>Total</b>	<b>0.3</b>	<b>0.3</b>

Costs relating to the audit of the parent company are borne by ASOS.com Limited. The policy for the approval of non-audit fees is set out in the Audit Committee Report on pages 46 to 48. Costs related to non-audit services provided by the Group's auditors were less than £0.1m (2018: less than £0.1m).

No exceptional items were identified for the year to 31 August 2019 (2018: £nil).

**5 STAFF COSTS INCLUDING DIRECTORS' REMUNERATION**

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

	Year to 31 August 2019	Year to 31 August 2018
By activity:		
Fashion	1,070	972
Operations	2,900	2,651
Technology	785	643
	<b>4,755</b>	<b>4,266</b>

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

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
Wages and salaries	192.4	168.2
Social security costs	19.9	17.2
Other pension costs	7.4	5.3
Share-based payments charge (Note 19)	3.4	10.4
Gross total	223.1	201.1
Less: staff costs capitalised in relation to capital projects	(43.1)	(39.6)
	<b>180.0</b>	<b>161.5</b>

The Group contributes to the personal pension plans of certain employees under a defined contribution scheme. The costs of these contributions are charged to the Statement of Total Comprehensive Income on an accruals basis as they become payable under the scheme rules.

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

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
Short-term employee benefits	3.7	3.8
Post-employment benefits	0.4	0.4
Share-based payments (credit)/charge	(0.4)	3.0
	<b>3.7</b>	<b>7.2</b>

The highest-paid director exercised 36,194 share options during the year (2018: 33,614); all other components of the highest-paid director's remuneration are detailed in the directors' remuneration table on page 63.

Directors' aggregate emoluments and pension payments are detailed in the Directors' Remuneration Report on pages 51 to 53, along with directors' interests in issued shares and share options on page 67.

**6 FINANCE INCOME**

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

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
Interest receivable on cash and cash equivalents	–	0.3

**7 FINANCE EXPENSE**

Finance expense payable on cash and cash equivalents, including short-term borrowings, is recognised in the Statement of Total Comprehensive Income in the period to which it relates.

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
Interest payable on cash and cash equivalents	2.0	0.2

**8 INCOME TAX EXPENSE**

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

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
Tax on profit	4.0	15.8
Adjustment in respect of prior year corporation tax	(0.5)	(1.3)
<b>Total current tax charge</b>	<b>3.5</b>	<b>14.5</b>
Deferred tax		
– Origination and reversal of temporary differences	5.0	3.9
– Adjustment in respect of prior year	–	1.2
<b>Total deferred tax charge</b>	<b>5.0</b>	<b>5.1</b>
<b>Tax on profit</b>	<b>8.5</b>	<b>19.6</b>
<b>Effective tax rate</b>	<b>25.7%</b>	<b>19.2%</b>

**Reconciliation of tax charge**

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

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
Profit before tax	33.1	102.0
Tax on profit at standard rate of UK corporation tax of 19.00% (2018: 19.00%)	6.3	19.4
Effects of:		
Expenses not deductible for taxation purposes	2.2	1.2
Rate differences: overseas tax	0.1	0.1
Rate differences: UK tax	(0.4)	(1.0)
Tax adjustments on share-based payments	0.8	–
Adjustment in respect of prior years	(0.5)	(0.1)
<b>Tax on profit</b>	<b>8.5</b>	<b>19.6</b>

**8 INCOME TAX EXPENSE continued****Tax recognised in other comprehensive income**

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
Deferred tax credit/(charge) on net translation movements offset in reserves	0.2	(0.1)
Deferred tax credit/(charge) on movement of derivative financial instruments	2.6	(12.7)
	<b>2.8</b>	<b>(12.8)</b>

**Tax recognised in the statement of changes in equity**

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
Deferred tax credit on movement in tax base of share options	1.4	0.6
Current tax (charge)/credit on exercise of share options	(2.0)	1.4
	<b>(0.6)</b>	<b>2.0</b>

Amounts which have been recognised in equity are included in the Consolidated Statement of Changes in Equity on page 80.

**9 EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the year. Own shares held by the Employee Benefit Trust and Link Trust are eliminated from the weighted average number of ordinary shares.

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

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
<b>Weighted average share capital</b>		
Weighted average shares in issue for basic earnings per share (no. of shares)	83,565,283	83,290,514
Weighted average effect of dilutive options (no. of shares)	159,117	781,491
Weighted average shares in issue for diluted earnings per share (no. of shares)	83,724,400	84,072,005
<b>Earnings (£m)</b>		
Earnings attributable to owners of the parent company	24.6	82.4
<b>Basic earnings per share</b>	<b>29.4p</b>	<b>98.9p</b>
<b>Diluted earnings per share</b>	<b>29.4p</b>	<b>98.0p</b>



**10 GOODWILL**

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

	<b>Total £m</b>
<b>Cost</b>	
<b>At 1 September 2017, 31 August 2018 and 31 August 2019</b>	<b>1.4</b>
<b>Accumulated impairment losses</b>	
<b>At 1 September 2017, 31 August 2018 and 31 August 2019</b>	<b>(0.3)</b>
<b>Carrying value</b>	
<b>At 31 August 2019</b>	<b>1.1</b>
At 31 August 2018	<b>1.1</b>

Goodwill is not amortised, but tested annually for impairment with the recoverable amount being determined from value-in-use calculations. The goodwill balance relates to the historic acquisition of ASOS.com Limited, a 100% subsidiary of the Group.

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

**11 OTHER INTANGIBLE ASSETS**

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

	<b>Domain names £m</b>	<b>Software £m</b>	<b>Assets under construction £m</b>	<b>Total £m</b>
<b>Cost</b>				
At 1 September 2017	0.2	216.5	42.8	259.5
Additions	–	71.1	49.4	120.5
Transfers	–	18.9	(18.9)	–
Disposals	–	(21.4)	–	(21.4)
Impairments	–	(3.8)	–	(3.8)
At 31 August 2018	0.2	281.3	73.3	354.8
Additions	–	<b>85.9</b>	<b>29.7</b>	<b>115.6</b>
Transfers	–	<b>18.4</b>	<b>(18.4)</b>	–
Disposals	–	<b>(8.7)</b>	–	<b>(8.7)</b>
Impairments	–	<b>(1.8)</b>	–	<b>(1.8)</b>
<b>At 31 August 2019</b>	<b>0.2</b>	<b>375.1</b>	<b>84.6</b>	<b>459.9</b>
<b>Accumulated amortisation</b>				
At 1 September 2017	–	82.6	–	82.6
Charge for the year	–	37.6	–	37.6
Disposals	–	(21.2)	–	(21.2)
Impairments	–	(1.1)	–	(1.1)
At 31 August 2018	–	97.9	–	97.9
Charge for the year	–	<b>46.0</b>	–	<b>46.0</b>
Disposals	–	<b>(8.7)</b>	–	<b>(8.7)</b>
Impairments	–	<b>(0.4)</b>	–	<b>(0.4)</b>
<b>At 31 August 2019</b>	<b>–</b>	<b>134.8</b>	<b>–</b>	<b>134.8</b>
<b>Net book amount</b>				
<b>At 31 August 2019</b>	<b>0.2</b>	<b>240.3</b>	<b>84.6</b>	<b>325.1</b>
At 31 August 2018	0.2	183.4	73.3	256.9

All domain names have been determined to have an indefinite useful life as they relate to ongoing use of the ASOS brand, and are assessed for impairment annually based on their value-in-use. Domain names have been allocated for impairment testing based on the territory to which they relate. No impairment charge in respect of domain names has been recognised during the year (2018: £nil).

Other intangible assets and assets under construction as at 31 August 2019 relate to internal and external costs incurred for the development of software (mainly the truly global retail (TGR) system) for internal use. The majority of assets under construction are expected to go live by March 2020.

Total additions arising from internal development projects were £97.8m (2018: £102.4m).

**12 PROPERTY, PLANT AND EQUIPMENT**

See Note 24 for the Group's accounting policy on property, plant and equipment.

	Fixtures, fittings, plant and machinery £m	Computer equipment £m	Assets under construction £m	Total £m
<b>Cost</b>				
At 1 September 2017	128.0	18.7	40.1	186.8
Additions	0.1	3.4	118.4	121.9
Transfers	37.6	4.1	(41.7)	–
Disposals	(4.3)	(10.0)	–	(14.3)
At 31 August 2018	161.4	16.2	116.8	294.4
Additions	<b>3.3</b>	<b>0.6</b>	<b>75.8</b>	<b>79.7</b>
Transfers	<b>150.7</b>	<b>9.4</b>	<b>(160.1)</b>	<b>–</b>
Disposals	<b>(7.1)</b>	<b>(0.5)</b>	<b>–</b>	<b>(7.6)</b>
<b>At 31 August 2019</b>	<b>308.3</b>	<b>25.7</b>	<b>32.5</b>	<b>366.5</b>
<b>Accumulated depreciation</b>				
At 1 September 2017	36.4	13.0	–	49.4
Charge for the year	14.0	3.0	–	17.0
Disposals	(3.7)	(10.0)	–	(13.7)
FX	0.1	–	–	0.1
At 31 August 2018	46.8	6.0	–	52.8
Charge for the year	<b>20.2</b>	<b>5.1</b>	<b>–</b>	<b>25.3</b>
Disposals	<b>(7.1)</b>	<b>(0.5)</b>	<b>–</b>	<b>(7.6)</b>
<b>At 31 August 2019</b>	<b>59.9</b>	<b>10.6</b>	<b>–</b>	<b>70.5</b>
<b>Net book amount</b>				
<b>At 31 August 2019</b>	<b>248.4</b>	<b>15.1</b>	<b>32.5</b>	<b>296.0</b>
At 31 August 2018	114.6	10.2	116.8	241.6

Assets under construction as at 31 August 2019 comprise mainly costs relating to the final phase of Euro Hub automation, and development of office space at Leavesden and Greater London House.

**13 TRADE AND OTHER RECEIVABLES**

Trade receivables are non-interest bearing and are initially recognised at fair value and subsequently measured at amortised cost less an allowance for expected credit losses. Such allowances are based on an individual assessment of each receivable, which is informed by past experience, and are recognised at amounts equal to the losses expected to result from all possible default events over the life of each financial asset. The Group also performs analysis on a case by case basis for particular trade receivables with irregular payment patterns or history.

	31 August 2019 £m	31 August 2018 £m
Trade receivables	<b>19.1</b>	14.1
Provision for doubtful debts	<b>(0.1)</b>	–
Trade receivables net of provision for doubtful debts	<b>19.0</b>	14.1
Prepayments	<b>21.6</b>	14.5
Other receivables	<b>32.2</b>	14.0
	<b>72.8</b>	42.6

The other receivables balance includes £25.7m of UK VAT receivables (2018: £8.6m). The fair value of trade and other receivables is not materially different from their carrying value. Trade and other receivables fall into the 'loans and receivables' category of the Group's financial assets.

At 31 August 2019, the provision for impairment was £0.1m (2018: £nil).

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

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
At start of year	–	(0.1)
(Provided)/released during the year	<b>(0.1)</b>	0.1
At end of year	<b>(0.1)</b>	–

As at 31 August 2019, trade receivables of £0.8m (2018: £0.3m) were past due but not impaired.

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

**14 CASH AND CASH EQUIVALENTS****(a) Cash and cash equivalents**

	31 August 2019 £m	31 August 2018 £m
Net movement in cash and cash equivalents	<b>(58.0)</b>	(117.3)
Opening cash and cash equivalents	<b>42.7</b>	160.3
Effect of exchange rates on cash and cash equivalents	<b>(0.2)</b>	(0.3)
Closing cash and cash equivalents	<b>(15.5)</b>	42.7

Cash and cash equivalents comprise highly liquid funds which the Group can access without restriction.

**(b) Borrowings**

During the year the Group re-financed its existing £150.0m Revolving Credit Facility (RCF). The Group now has in place a £350.0m RCF available until July 2022. At year-end the Group had drawn down £75.0m (2018: £nil) of the RCF which is repayable within one month.

15 TRADE AND OTHER PAYABLES

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

	31 August 2019 £m	31 August 2018 £m
Trade payables and trade accruals	285.4	234.3
Taxation and social security	9.1	12.2
Non-trade accruals	270.3	231.9
Other payables	104.2	71.3
	669.0	549.7

Trade payables and trade accruals includes trade payables and GRNI, freight and duty accruals. The fair value of trade, other payables and accruals is not materially different from their carrying value.

16 DEFERRED TAX ASSET/(LIABILITY)

	Accelerated capital allowances £m	Share-based payments £m	Derivatives £m	Other £m	Total £m
At 1 September 2017	(3.3)	4.0	11.5	(3.0)	9.2
(Charge)/credit to the Statement of Total Comprehensive Income	(3.4)	0.4	(12.7)	(2.3)	(18.0)
Credit to equity (see Note 8)	–	0.6	–	–	0.6
At 31 August 2018	(6.7)	5.0	(1.2)	(5.3)	(8.2)
(Charge)/credit to the Statement of Total Comprehensive Income	(1.3)	(2.6)	2.6	(1.1)	(2.4)
Charge to equity (see Note 8)	–	(2.0)	–	–	(2.0)
At 31 August 2019	(8.0)	0.4	1.4	(6.4)	(12.6)

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

The Company has losses of £0.2m (2018: £0.2m) which are available for offset against future taxable profits. The Group has no other losses which are available to be carried forward against future taxable profits (2018: £nil). A deferred tax asset of approximately £0.1m (2018: £0.1m) relating to a portion of these losses has not been reflected in the financial statements since it is not anticipated that they will reverse in the foreseeable future. Of this unrecognised deferred tax asset, £0.1m (2018: £0.1m) relates to the UK.

The deferred tax asset on share-based payments is created by the temporary difference between the carrying value of outstanding share-based payment options in the Statement of Financial Position and the tax base of these options, being the estimated future tax deduction expected to crystallise on exercise of the option. The tax base is calculated by reference to the Company’s share price at the reporting date and the number of share options outstanding, which has decreased during the year to 31 August 2019.

It is estimated that deferred tax assets of £1.1m (2018: £3.4m) will be recovered within one year. It is estimated that deferred tax liabilities of £nil (2018: £1.0m) will be payable within one year. Deferred tax assets of £3.2m (2018: £3.4m) and deferred tax liabilities of £16.9m (2018: £14.0m) will be recovered in more than one year.

A change to reduce the main rate of corporation tax to 17% from 1 April 2020 was announced in the Chancellor’s budget on 16 March 2016. Changes to reduce the UK corporation tax rate to 17% from 1 April 2020 were substantively enacted on 15 September 2016.

17 CALLED UP SHARE CAPITAL

	31 August 2019 £m	31 August 2018 £m
Authorised:		
100,000,000 (2018: 100,000,000) ordinary shares of 3.5p each	3.5	3.5
Allotted, issued and fully paid:		
83,872,275 (2018: 83,629,761) ordinary shares of 3.5p each	2.9	2.9

Ordinary shares are classified as equity

During the year, 242,514 (2018: 199,887) ordinary shares of 3.5 pence each were issued as a result of the exercise of various employee share options. Total consideration received in respect of the exercise of the employee share options was £nil (2018: £nil). No shares were issued to the chairman (2018: nil), as part of his remuneration package.

Employee Benefit Trust

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

During the year to 31 August 2019, 12,006 shares (2018: 54,174 shares) were transferred from the Trusts to employees in settlement of share options and awards in exchange for cash consideration of £0.3m (2018: £1.7m). Nil shares (2018: nil) were purchased by the Trusts to satisfy future options and awards, at a cost of £nil (2018: £nil). The Trusts have waived the right to receive dividends on these shares.

At 31 August 2019, 271,468 shares were held by the Trusts (2018: 283,474 shares). The total value in reserves was a credit balance of £1.3m (2018: a credit balance of £1.0m).

18 FINANCIAL INSTRUMENTS

Categories of financial instruments

	31 August 2019 £m	31 August 2018 £m
<b>Financial assets</b>		
Derivative assets used for hedging at fair value	11.1	14.5
Amortised cost	51.2	70.8
<b>Financial liabilities</b>		
Derivative liabilities used for hedging at fair value	(19.8)	(7.3)
Amortised cost	(750.4)	(537.5)

Financial assets at amortised cost include trade and other receivables and cash and cash equivalents, and exclude prepayments. Included in financial liabilities at amortised cost are trade payables, overdrafts, borrowings, accruals and other payables.



18 FINANCIAL INSTRUMENTS continued

Risk management

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

Capital 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 shareholders and benefits for other stakeholders through an appropriate balance of debt and equity funding, while maintaining a strong credit rating and sufficient headroom. The Group makes adjustments to its capital structure in light of changes to economic conditions and the Group’s strategic objectives.

Liquidity risk

The Group manages its exposure to liquidity risk by continuously monitoring short- and long-term forecasts and actual cash flows and ensuring it has the necessary banking and reserve borrowing facilities available to meet the requirements of the business. At 31 August 2019, the Group had a revolving credit facility of £350.0m that is available until July 2022, of which £275.0m was not drawn down at the year end. Borrowings under the revolving credit facility bear interest at a rate linked to LIBOR. Commitment interest is payable on the daily undrawn balance of the facility. The facility, which is unsecured, includes covenants related to the earnings before interest, tax, depreciation and amortisation cover of net financing costs, and net balance sheet debt.

Any surplus cash is placed on deposit to maximise returns on cash balances, within the terms of the debt and investment policy and agreed by the Board. The Group’s financial liabilities at amortised cost as at 31 August 2019 and 31 August 2018 all mature in less than one year.

Credit risk

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

The credit risk on liquid funds is considered to be low, as the Board-approved Group Treasury Policy limits the value that can be placed with each approved counterparty to minimise the risk of loss.

Interest rate risk

The Group is exposed to cash flow interest rate risk on its revolving credit facilities to the extent that these are utilised. At year-end, £75.0m was drawn down from this facility, but this is not expected to be long term in nature and therefore the Group has not entered any interest rate derivatives to mitigate the interest rate risk.

18 FINANCIAL INSTRUMENTS continued

Foreign currency risk

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

The primary use of forward exchange contracts for sales per the Group’s policy is to layer hedges over a 24-month period, with up to 100% coverage of the net unmatched exposure for the first 12 months and up to 60% for 13 to 24 months, with hedges currently in 12 currencies. These forward foreign exchange contracts are classified as Level 2 derivative financial instruments under IFRS 13, ‘Fair Value Measurement’. Hedge effectiveness is determined at inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The derivatives have been fair valued at 31 August 2019 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value. The Group’s forward foreign exchange contracts are entered into under International Swaps and Derivatives Association (ISDA) master netting arrangements. In certain circumstances, such as when a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and in general only a single net amount is payable in settlement of all transactions. See Note 24 for further details on foreign exchange.

	31 August 2019 £m	31 August 2018 £m
<b>Fair value of derivative financial instruments</b>		
<b>Non-current assets</b>		
Fair value of derivatives	<b>0.1</b>	3.8
<b>Current assets</b>		
Fair value of derivatives	<b>11.0</b>	10.7
<b>Current liabilities</b>		
Fair value of derivatives	<b>(12.7)</b>	(5.3)
<b>Non-current liabilities</b>		
Fair value of derivatives	<b>(7.1)</b>	(2.0)
	<b>(8.7)</b>	7.2

	31 August 2019 £m	31 August 2018 £m
<b>Hedging risk strategy</b>	<b>Cash flow hedges</b>	Cash flow hedges
Carrying amount	<b>(7.3)</b>	7.2
Notional amount	<b>890.1</b>	1,116.6
Maturity date	<b>To Mar 2021</b>	To June 2020
Hedge ratio	<b>1:1</b>	1:1
Change in fair value of outstanding hedging instruments since inception of the hedge	<b>(7.3)</b>	7.2
<b>Weighted average hedged rate for outstanding hedging instruments</b>		
GBP/EUR	<b>1.12</b>	1.12
GBP/USD	<b>1.28</b>	1.34
GBP/AUD	<b>1.85</b>	1.78

**18 FINANCIAL INSTRUMENTS continued**

The foreign currency forwards are denominated in the same currency as the highly probable forecast cash flows, therefore the hedge ratio is 1:1.

The Group's forward foreign exchange contracts were assessed to be highly effective at 31 August 2019, and the net fair value of outstanding contracts was £7.3m liability (2018: £7.2m asset). Cash flows related to these contracts will occur in the periods set out below, and will impact the Statement of Total Comprehensive Income over the same periods:

	31 August 2019 £m	31 August 2018 £m
<b>Cash flows relating to forward contracts:</b>		
Within six months	<b>(0.9)</b>	4.3
Between six months and one year	<b>0.6</b>	1.1
Between one and two years	<b>(7.0)</b>	1.8
	<b>(7.3)</b>	7.2

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

	31 August 2019 £m	31 August 2018 £m
<b>Gains arising during the year on currency forward contracts:</b>		
Gains previously in OCI, reclassified to revenue	<b>5.4</b>	53.7
Gains/(losses) previously in OCI, reclassified to property, plant and equipment	<b>0.2</b>	(1.4)
Net unrealised gain/(loss) during the year	<b>(20.5)</b>	15.4
	<b>(14.9)</b>	67.7

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

**Maturity**

The table below analyses the Group's derivative financial instruments, settled on a gross basis, into relevant maturity groupings.

The table below analyses the Group's gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	31 August 2019 £m	31 August 2018 £m
<b>Forward foreign currency contracts – cash flow hedges</b>		
Outflows within one year	<b>(12.7)</b>	(5.3)
Outflows between one and two years	<b>(7.1)</b>	(2.0)
	<b>(19.8)</b>	(7.3)

**18 FINANCIAL INSTRUMENTS continued****Financial instrument sensitivities****Foreign currency sensitivity**

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

The following assumptions were made in calculating the sensitivity analysis:

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

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

	Profit before tax		Equity	
	2019 £m	2018 £m	2019 £m	2018 £m
Sterling strengthens by 10% against:				
US dollar	<b>0.2</b>	0.4	<b>0.8</b>	0.7
Euro	<b>0.6</b>	(0.3)	<b>(0.3)</b>	(0.3)
Australian dollar	<b>(0.1)</b>	–	<b>(0.3)</b>	0.1
Sterling weakens by 10% against:				
US dollar	<b>(0.2)</b>	(0.4)	<b>(0.8)</b>	(0.7)
Euro	<b>(0.6)</b>	0.3	<b>0.3</b>	0.3
Australian dollar	<b>0.1</b>	–	<b>0.3</b>	(0.1)

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

**Interest rate sensitivity**

The Group has determined that at 31 August 2019 and 31 August 2018 there was no significant sensitivity to changes in market interest rates.

19 SHARE-BASED PAYMENTS

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

The Group recognised a charge of £3.4m (2018: £10.4m) and capitalised £0.9m (2018: £1.5m) related to share-based payments during the year to 31 August 2019, all of which relates to equity-settled schemes.

Summary of movements in awards

	Save As You Earn scheme (no. of shares)	Share Incentive Plan (no. of shares)	ASOS Long-Term Incentive Scheme (no. of shares)	Total (no. of shares)	Weighted average exercise price (pence)
Outstanding at 1 September 2017	291,466	8,989	738,712	1,039,167	1,107
Granted during the year	152,958	–	333,498	486,456	1,580
Lapsed during the year	(34,408)	–	(35,432)	(69,840)	2,144
Exercised during the year	(52,029)	(2,145)	(199,644)	(253,818)	5,729
Outstanding at 31 August 2018	357,987	6,844	837,134	1,201,965	1,325
Exercisable at 31 August 2018	14,464	6,844	–	21,308	3,301
Outstanding at 1 September 2018	<b>357,987</b>	<b>6,844</b>	<b>837,134</b>	<b>1,201,965</b>	<b>1,325</b>
Granted during the year	–	–	<b>429,798</b>	<b>429,798</b>	–
Lapsed during the year	<b>(161,159)</b>	–	<b>(137,308)</b>	<b>(298,467)</b>	<b>2,537</b>
Exercised during the year	<b>(9,940)</b>	<b>(1,632)</b>	<b>(242,514)</b>	<b>(254,086)</b>	<b>130</b>
<b>Outstanding at 31 August 2019</b>	<b>186,888</b>	<b>5,212</b>	<b>887,110</b>	<b>1,079,210</b>	<b>743</b>
<b>Exercisable at 31 August 2019</b>	<b>60,222</b>	<b>5,212</b>	<b>–</b>	<b>65,434</b>	<b>2,901</b>

The weighted average share price at date of exercise of shares exercised during the year was 5,472 pence (2018: 5,729 pence).

The weighted average remaining contractual life of outstanding options at the end of the year was 1.3 years (2018: 1.6 years).  
The aggregate fair value of options granted in the year was £20.5m (2018: £21.2m).

Save As You Earn (SAYE) scheme

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

Date of grant	1 September 2018 (no. of shares)	Granted during the year (no. of shares)	Lapsed during the year (no. of shares)	Exercised during the year (no. of shares)	31 August 2019 (no. of shares)	Exercise price (pence)	Exercise period
08.05.15	14,464	–	<b>(4,635)</b>	<b>(9,829)</b>	–	3,301	01.07.18 – 31.12.18
06.06.16	76,836	–	<b>(16,614)</b>	–	<b>60,222</b>	2,901	01.07.19 – 31.12.19
08.06.17	118,540	–	<b>(59,663)</b>	<b>(111)</b>	<b>58,766</b>	4,869	01.07.20 – 31.12.20
15.12.17	1,326	–	<b>(1,142)</b>	–	<b>184</b>	4,869	01.07.20 – 31.12.20
08.06.18	146,821	–	<b>(79,105)</b>	–	<b>67,716</b>	5,028	01.07.21 – 31.12.21
	357,987	–	<b>(161,159)</b>	<b>(9,940)</b>	<b>186,888</b>		

No SAYE options were granted during the current year.

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

19 SHARE-BASED PAYMENTS continued

Share Incentive Plan (SIP)

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

Date of grant	1 September 2018 (no. of shares)	Granted during the year (no. of shares)	Lapsed during the year (no. of shares)	Exercised during the year (no. of shares)	31 August 2019 (no. of shares)	Exercise price (pence)	Exercise period
28.12.12	3,589	–	–	<b>(849)</b>	<b>2,740</b>	nil	Post 28.12.2015
15.11.13	3,255	–	–	<b>(783)</b>	<b>2,472</b>	nil	Post 15.11.2017
	6,844	–	–	<b>(1,632)</b>	<b>5,212</b>		

ASOS Long-Term Incentive Scheme (ALTIS)

Under the terms of the ALTIS, certain Executive Directors and members of management may be granted conditional awards, the base value of which is calculated as a fixed multiple of salary, and will only vest to the extent the related performance targets, as detailed in the Directors’ Remuneration Report on page 64, are met. These options grants are settled on exercise through issue of new ordinary shares by the Company.

Options granted under the ALTIS are shown below.

Date of grant	1 September 2018 (no. of shares)	Granted during the year (no. of shares)	Lapsed during the year (no. of shares)	Exercised during the year (no. of shares)	31 August 2019 (no. of shares)	Exercise price (pence)	Exercise period
30.09.15	–	–	–	–	–	nil	31.10.18
22.10.15	221,220	–	<b>(747)</b>	<b>(220,473)</b>	–	nil	31.10.18
25.02.16	16,239	–	–	<b>(16,239)</b>	–	nil	31.10.18
26.05.16	5,529	–	–	<b>(5,529)</b>	–	nil	31.10.18
14.07.16	273	–	–	<b>(273)</b>	–	nil	31.10.18
16.12.16	240,763	–	<b>(16,285)</b>	–	<b>224,478</b>	nil	31.10.19
01.03.17	30,938	–	<b>(1,895)</b>	–	<b>29,043</b>	nil	31.10.19
07.06.17	7,581	–	<b>(1,268)</b>	–	<b>6,313</b>	nil	31.10.19
14.09.17	1,524	–	–	–	<b>1,524</b>	nil	31.10.19
11.10.17	274,460	–	<b>(34,501)</b>	–	<b>239,959</b>	nil	31.10.20
01.03.18	26,805	–	<b>(6,837)</b>	–	<b>19,968</b>	nil	31.10.20
22.05.18	11,802	–	<b>(2,366)</b>	–	<b>9,436</b>	nil	31.10.20
24.10.18	–	<b>375,861</b>	<b>(69,346)</b>	–	<b>306,515</b>	nil	31.10.21
26.02.19	–	<b>18,180</b>	<b>(4,062)</b>	–	<b>14,118</b>	nil	31.10.21
28.06.19	–	<b>35,757</b>	–	–	<b>35,757</b>	nil	31.10.21
	837,134	<b>429,798</b>	<b>(137,307)</b>	<b>(242,514)</b>	<b>887,111</b>		



19 SHARE-BASED PAYMENTS continued

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

	2019			2018		
	Grant 1	Grant 2	Grant 3	Grant 1	Grant 2	Grant 3
Share price (pence)	5,782	3,085	2,550	5,882	7,452	6,412
Exercise price (pence)	–	–	–	–	–	–
Expected volatility (%)	34.3	46.6	49.3	40.8	34.2	32.1
Expected life (years)	3.0	2.7	2.3	3.1	2.7	2.4
Risk-free rate (%)	0.83	0.78	0.58	0.54	0.82	0.84
Dividend yield	–	–	–	–	–	–
Weighted average fair value of options for EPS performance condition (pence)	5,782	3,085	2,550	5,882	7,452	6,412
Weighted average fair value of options for TSR performance condition (pence) <sup>1, 2</sup>	3,510	1,873	1,548	3,312	4,195	3,610

1 Inputs to the Monte Carlo model for all three grants from 2019 were as follows: share price of 5,782 pence, exercise price of nil, expected volatility of 30.0%, expected life of 3.0 years, risk-free rate of 0.753% and dividend yield of nil.  
2 Inputs to the Monte Carlo model for all three grants from 2018 were as follows: share price of 5,882 pence, exercise price of nil, expected volatility of 40.0%, expected life of 3.0 years, risk-free rate of 0.546% and dividend yield of nil.

20 CAPITAL COMMITMENTS

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

	31 August 2019 £m	31 August 2018 £m
Fixtures and fittings	21.4	42.3
Intangible assets	33.9	10.8
	55.3	53.1

21 OPERATING LEASE COMMITMENTS

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

	31 August 2019 £m	31 August 2018 £m
Within one year	26.8	22.9
Within two to five years	107.9	92.7
In more than five years	254.2	193.6
Total	388.9	309.2

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

22 CONTINGENT LIABILITIES

From time to time, the Group is subject to various legal proceedings and claims that arise in the ordinary course of business which, due to the fast-growing nature of the Group and its e-commerce base, may concern the Group’s brand and trading name or its product designs. All such cases brought against the Group are robustly defended and a liability is recorded only when it is probable that the case will result in a future economic outflow which can be reliably measured.

At 31 August 2019, the Group had contingent liabilities of £21.6m (2018: £20.3m) in relation to supplier standby letters of credit, rent deposit deeds and other bank guarantees. The likelihood of cash outflow in relation to these contingent liabilities is considered to be low.

23 RELATED PARTY TRANSACTIONS

Transactions with key management personnel

There were no material transactions or balances between the Group and its key management personnel or their close family members during the year to 31 August 2018 and the year to 31 August 2019 other than remuneration disclosed in Note 5.

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

During the year, £0.3m (2018: £1.7m) was received by the Trusts on exercise of employee share options.

Transactions with other related parties

During the year, the Group made purchases of inventory totalling £47.7m (2018: £41.2m) from Aktieselskabet af 5.5.2010, a company which has a significant shareholding in the Group. At 31 August 2019, the amount due to Aktieselskabet af 5.5.2010 was £8.5m (2018: £5.7m).

24 ACCOUNTING POLICIES

General information

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

Going concern and viability assessment

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore been adopted in preparing the financial statements. Further details are contained in the Directors’ Report on pages 70 and 71. The directors have also assessed the prospects of the Company and the Group over a three-year period to 31 August 2021, and have a reasonable expectation that the Company and the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period under review.

Basis of preparation

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

a) Accounting convention

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

b) Basis of consolidation

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

(i) Subsidiaries

Subsidiary undertakings are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases. Subsidiary undertakings acquired during the period are recorded under the acquisition method of accounting. A list of all the subsidiaries of the Group is included in Note 8 of the parent company financial statements on page 113. All apply accounting policies which are consistent with those of the rest of the Group.

Any non-controlling interest acquired on acquisition of a subsidiary is recognised at the proportionate share of the acquired net assets. Subsequent to acquisition, the carrying amount of non-controlling interest equals the amount of those interests at initial recognition plus the non-controlling share of changes in equity since acquisition. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Total comprehensive income is attributed to a non-controlling interest even if this results in the non-controlling interest having a deficit balance.

24 ACCOUNTING POLICIES continued

(ii) Employee Benefit Trust and Link Trust

The Employee Benefit Trust and Link Trust (the Trusts) are considered to be controlled by the Group. The activities of the Trusts are conducted on behalf of the Group according to its specific business needs in order to obtain benefits from its operation and, on this basis, the assets held by the Trusts are consolidated into the Group’s financial statements.

Additional accounting policy information

a) Revenue recognition

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

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

Third-party revenue relates to advertising income earned from the website and the ASOS magazine and is measured at the fair value of the consideration received or receivable, net of value added tax, and is recognised when the magazine is delivered to customers, at which date the service is completed.

The amount of revenue arising from the sale of goods and provision of services has been disclosed in Note 3 to the financial statements.

b) Foreign currency translation

The trading results and cash flows of overseas subsidiaries are translated at the average monthly exchange rates during the year. The Statement of Financial Position of each overseas subsidiary is translated at year-end exchange rates. The resulting exchange differences are recognised in the Translation Reserve within equity and are reported in Other Comprehensive Income.

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

c) Derivative financial instruments and hedging activities

The Group operates internationally and is therefore exposed to foreign currency transaction risk, primarily on sales denominated in US dollars, euros and Australian dollars and on costs denominated in US dollars and euros, to manage this exposure the Group hedge a proportion of sales. The Group’s presentational currency is pound sterling, therefore the Group is also exposed to foreign currency translation risks due to movements in foreign exchange rates on the translation of non-sterling assets and liabilities.

The Group’s policy is to match up to 100% of foreign currency transactions in the same currency, taking into account a proportion of sales approach. For capital expenditure, the Group’s policy is to hedge pre-approved foreign currency expenditure. Where appropriate, the Group uses financial instruments in the form of forward foreign exchange contracts to hedge future highly probable forecast foreign currency cash flows. Derivatives are initially recognised at fair value at the trade date and subsequently remeasured at fair value. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). At inception of the designated hedging relationships, the risk management objective and strategy for undertaking the hedge is documented alongside the economic relationship between the item being hedged and the hedging instrument.

For hedges of sales, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses). Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. The foreign currency forwards are denominated in the same currency as the high probable forecast foreign cash flows, therefore the hedge ratio is assumed to be 1:1 based on the risk management strategy. The primary use of forward exchange contracts for sales per the Group’s policy is to layer hedges over a 24-month period, with up to 100% coverage of the net unmatched exposure for the first 12 months and up to 60% for 13 to 24 months, with hedges currently in 12 currencies.

For hedges of capital expenditure, outstanding forward contracts are valued using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value. Any fair value fluctuations during the life of the forward exchange rate contracts are taken through OCI; on the date the capital expenditure is recognised, the gain/(loss) is capitalised into the base cost of the capex and then released over the depreciable life of the asset.

These forward foreign exchange contracts are classified as Level 2 derivative financial instruments under IFRS 13, ‘Fair Value Measurement’. Hedge effectiveness is determined at inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. In these hedge relationships ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, change in quantity or if there are changes in the credit risk of the Group or the derivative counterparty. There was no ineffectiveness in the year ending 31 August 2019 (2018: no ineffectiveness). The derivatives have been fair valued at 31 August 2019 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value.

24 ACCOUNTING POLICIES continued

Derivatives are initially recognised at fair value on the date a derivative contract is entered and subsequent changes in the fair value of foreign currency derivatives, which are designated and effective as hedges of future cash flows, are recognised in equity in the Hedging Reserve and in Other Comprehensive Income, and are recycled when cash flows from the hedged items impact the accounts. Changes in the fair value of foreign currency derivatives which are ineffective or do not meet the criteria for hedge accounting in accordance with IFRS 9 are recognised immediately in the Statement of Total Comprehensive Income.

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

d) Inventories

Inventories are valued at the lower of cost and net realisable value, on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. Cost of purchase comprises the purchase price including import duties and other taxes, transport and handling costs and any other directly attributable costs, less trade discounts.

A provision is made to write down any slow-moving or obsolete inventory to net realisable value.

e) Exceptional items

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

f) Taxation

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

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

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

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

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

24 ACCOUNTING POLICIES continued

g) Share-based payments

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

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

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

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

h) Leases

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

i) Business combinations and goodwill arising thereon

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

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

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

j) Other intangible assets

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

Capitalised software development costs are stated at historic cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over the assets' expected economic lives, normally between three and seven years, except for major technical infrastructure projects which have an expected economic life of ten years. Amortisation is included within administrative expenses in the Statement of Total Comprehensive Income. Software under development is held at cost less any recognised impairment loss.

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

24 ACCOUNTING POLICIES continued

k) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable in bringing the asset to its working condition for its intended use. Residual values and useful lives are assessed at each reporting date.

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

- **Fixtures, fittings, plant and machinery:** depreciated over five years or over the remaining lease term where applicable
- **Computer equipment:** depreciated over three to five years according to the estimated life of the asset

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

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



# Company Statement of Changes in Equity

For the year to 31 August 2019

	Called up share capital £m	Share premium £m	Retained earnings <sup>1</sup> £m	Total equity £m
At 1 September 2018	2.9	6.9	23.3	33.1
Loss for the year and total comprehensive loss	–	–	(0.9)	(0.9)
Share-based payments contribution	–	–	3.4	3.4
At 31 August 2019	2.9	6.9	25.8	35.6

At 1 September 2017	2.9	6.9	14.0	23.8
Loss for the year and total comprehensive loss	–	–	(1.1)	(1.1)
Share-based payments contribution	–	–	10.4	10.4
At 31 August 2018	2.9	6.9	23.3	33.1

1 Retained earnings includes the share-based payments reserve.

# Company Statement of Financial Position

As at 31 August 2019

	Note	31 August 2019 £m	31 August 2018 £m
<b>Non-current assets</b>			
Investments	8	36.4	33.0
<b>Current assets</b>			
Other receivables	3	0.9	0.8
<b>Current liabilities</b>			
Other payables	4	(1.7)	(0.7)
<b>Net current (liabilities)/assets</b>		<b>(0.8)</b>	0.1
<b>Net assets</b>		<b>35.6</b>	33.1

<b>Equity</b>			
Called up share capital	6	2.9	2.9
Share premium		6.9	6.9
Retained earnings		25.8	23.3
<b>Total equity</b>		<b>35.6</b>	33.1

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

As shown in Note 2, the Company incurred a loss for the year of £0.9m (2018: loss of £1.1m).

The financial statements of ASOS Plc, registered number 4006623, on pages 108 to 113, were approved by the Board of Directors and authorised for issue on 15 October 2019 and were signed on its behalf by:



**Mathew Dunn**  
Chief Financial Officer

# Company Statement of Cash Flows

For the year to 31 August 2019

	31 August 2019 £m	31 August 2018 £m
Operating loss	(0.9)	(1.1)
Adjusted for:		
(Increase)/decrease in other receivables	(0.1)	0.4
Increase in payables	1.0	0.7
Net cash used in operating activities	–	–
Net movement in cash and cash equivalents	–	–
Opening cash and cash equivalents	–	–
Closing cash and cash equivalents	–	–

# Notes to the Company Financial Statements

For the year to 31 August 2019

## 1 ACCOUNTING POLICIES

### Basis of preparation

The separate financial statements of the Company are drawn up in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and with the Companies Act 2006.

The Company’s principal accounting policies are the same as those set out in Note 24 of the Group financial statements, with the addition of those included within the relevant notes below. Unless otherwise stated, these policies have been consistently applied to all the periods presented.

## 2 LOSS FOR THE YEAR

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

The loss for the year and total comprehensive loss attributable to shareholders was £0.9m (2018: loss of £1.1m).

## 3 OTHER RECEIVABLES

Other receivables are non-interest bearing and are initially recognised at fair value. Subsequently, they are measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of receivables due from subsidiary undertakings is established when there is objective evidence that amounts will not be recovered.

	31 August 2019 £m	31 August 2018 £m
Amounts due from subsidiary undertakings	0.9	0.8

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

As at 31 August 2019, receivables from subsidiary undertakings of £0.9m (2018: £0.8m) were unimpaired and considered by management to be fully recoverable. Receivables from subsidiary undertakings that are less than three months past due are not considered impaired. As at 31 August 2019, receivables of £0.9m (2018: £0.8m) were more than three months past due but not impaired. These relate to subsidiary undertakings for which there is no history of default. The ageing analysis of these receivables is as follows:

	31 August 2019 £m	31 August 2018 £m
More than six months	0.9	0.8

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

## 4 OTHER PAYABLES

	31 August 2019 £m	31 August 2018 £m
Amounts due to subsidiary undertakings	1.7	0.7

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

5 FINANCIAL INSTRUMENTS

	31 August 2019 £m	31 August 2018 £m
<b>Financial assets</b>		
Amortised cost	0.9	0.8
<b>Financial liabilities</b>		
Amortised accruals	(1.7)	(0.7)

6 CALLED UP SHARE CAPITAL

	31 August 2019 £m	31 August 2018 £m
Authorised:		
100,000,000 (2018: 100,000,000) ordinary shares of 3.5p each	3.5	3.5
Allotted, issued and fully paid:		
83,872,275 (2018: 83,629,761) ordinary shares of 3.5p each	2.9	2.9

During the year, 242,514 (2018: 199,887) ordinary shares of 3.5 pence each were issued as a result of exercise of employee share options. Total consideration received in respect of exercise of employee share options was £nil (2018: £nil). No shares were issued to the chairman (2018: nil), as part of his remuneration package.

7 RELATED PARTY TRANSACTIONS

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

	Year to 31 August 2019 £m	Year to 31 August 2018 £m
Costs recharged by subsidiary undertakings	1.0	1.1

For transactions with directors and key management of ASOS Plc, see Note 23 to the consolidated financial statements on page 103.

8 INVESTMENTS

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

In accordance with IFRS 2, ASOS.com Limited is required to recognise share-based payment arrangements involving equity instruments where ASOS.com Limited has remunerated those providing services to the entity in this way. ASOS Plc makes contributions to ASOS.com Limited equal to the charge for the share-based payment arrangement which is reflected as an increase in ASOS Plc’s capital contribution to ASOS.com Limited. For the year to 31 August 2019, ASOS.com Limited recognised a charge of £3.4m (2018: £10.4m) in respect of share-based payment arrangements. Accordingly, this is shown as an increase (2018: increase) in the capital contribution balance in the table below.

	Investment £m	Capital contribution £m	Total £m
<b>Cost and net book amount</b>			
At 1 September 2017	1.7	20.9	22.6
Additions	–	10.4	10.4
At 31 August 2018	1.7	31.3	33.0
Additions	–	3.4	3.4
<b>At 31 August 2019</b>	<b>1.7</b>	<b>34.7</b>	<b>36.4</b>

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

8 INVESTMENTS continued

At 31 August 2019, the Company’s subsidiaries were as follows:

Name of company	Country of incorporation	Proportion of ordinary shares held	Nature of business
ASOS Intermediate Holdings Limited	UK	100%	Holding company
Mornington & Co (No. 1) Limited	UK	100%	Vehicle for implementation of ALTIP
Mornington & Co (No. 2) Limited	UK	100%	Vehicle for implementation of ALTIP
ASOS.com Limited <sup>1</sup>	UK	100%	Internet retailer
Crooked Tongues Limited	UK	95%	Internet retailer
Covetique Limited	UK	100%	Discontinued internet marketplace
ASOS Marketplace Limited	UK	100%	Internet marketplace
ASOS Global Limited	UK	100%	Holding company
Eight Paw Projects Limited	UK	100%	Brand management company
ASOS US, Inc	US	100%	Employer of marketing staff based in the US
ASOS Germany GmbH	Germany	100%	Employer of marketing staff based in Germany
ASOS France SAS	France	100%	Holding company
ASOS Transaction Services France SAS	France	100%	Payment processing company
ASOS Australia Pty Limited	Australia	100%	Holding company
ASOS Canada Services Limited	Canada	100%	Non-trading company
ASOS Transaction Services Limited	UK	100%	Holding company
ASOS Transaction Services Australia Pty Limited	Australia	100%	Payment processing company
ASOS US Sales, LLC	US	100%	Payment processing company
ASOS Projects Limited <sup>2</sup>	UK	100%	Holding company
ASOS Ventures Limited <sup>3</sup>	UK	100%	Holding company
ASOS (Shanghai) Commerce Co. Limited	China	100%	Discontinued internet retailer

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

<sup>2</sup> ASOS Projects Limited has a 3.4% interest in Action Artificial Intelligence Limited.

<sup>3</sup> ASOS Ventures Limited has a 9.99% interest in Trillenyum (UK) Ltd and a 9.5% interest in Trackonomics Limited.

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

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

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

All UK incorporated entities share the same registered office as ASOS Plc and non-UK entities’ registered offices are detailed below:

ASOS US Inc: 12 Timber Creek Lane, Newark, DE 19711, US  
ASOS Germany GmbH: An der Anhalter Bahn 2, 14979 Grossbeeren, Germany  
ASOS France SAS: TMF France SAS, 3-5 Rue Saint Georges, 75009 Paris, France  
ASOS Transaction Services France SAS: TMF France SAS, 3-5 Rue Saint Georges, 75009 Paris, France  
ASOS Australia Pty Limited: Company Matters Pty Limited, Level 12, 680 George Street, Sydney NSW 2000, Australia  
ASOS Canada Services Limited: 777 Dunsmuir Street, Suite 1700, Vancouver, BC V7Y 1K4, Canada  
ASOS Transaction Service Australia Pty Limited: c/o Company Matters Pty Limited, Tower 4, 727 Collins Street, Docklands, VIC 3008, Australia  
ASOS US Sales LLC: 12 Timber Creek Lane, Newark, DE 19711, US  
ASOS (Shanghai) Commerce Co. Limited: 587 Langao Road, Putuo District, 200333 Shanghai, China



# Five-Year Financial Summary (unaudited)

## Consolidated Statement of Comprehensive Income

	Year to 31 August 2015 (restated) £m	Year to 31 August 2016 £m	Year to 31 August 2017 £m	Year to 31 August 2018 £m	Year to 31 August 2019 £m
<b>Revenue</b>	1,143.0	1,444.9	1,923.6	2,417.3	<b>2,733.5</b>
Cost of sales	(569.9)	(722.7)	(965.3)	(1,180.2)	<b>(1,399.2)</b>
<b>Gross profit</b>	573.1	722.2	958.3	1,237.1	<b>1,334.3</b>
Distribution costs	(168.2)	(216.0)	(299.2)	(380.8)	<b>(415.6)</b>
Administrative expenses	(358.8)	(443.2)	(579.5)	(754.4)	<b>(883.6)</b>
<b>Operating profit before exceptional items</b>	46.1	63.0	79.6	101.9	<b>35.1</b>
Exceptional items	6.3	(20.9)	–	–	<b>–</b>
<b>Operating profit after exceptional items</b>	52.4	42.1	79.6	101.9	<b>35.1</b>
Finance income	0.3	0.7	0.4	0.3	<b>–</b>
Finance expense	–	–	–	(0.2)	<b>(2.0)</b>
<b>Profit before tax</b>	52.7	42.8	80.0	102.0	<b>33.1</b>
Income tax expense	(11.7)	(8.1)	(15.9)	(19.6)	<b>(8.5)</b>
<b>Profit from continuing operations</b>	41.0	34.7	64.1	82.4	<b>24.6</b>
<b>Discontinued operations</b>					
Loss from discontinued operations before tax	(5.2)	(10.1)	–	–	<b>–</b>
Tax from discontinued operations	1.0	(0.2)	–	–	<b>–</b>
Loss from discontinued operations after tax	(4.2)	(10.3)	–	–	<b>–</b>
Profit for the year attributable to owners of the parent company	36.8	24.4	64.1	82.4	<b>24.6</b>
Net translation movements offset in reserves	(0.1)	(1.4)	(0.3)	0.3	<b>(0.8)</b>
Net fair value (losses)/gains on derivative financial instruments	4.1	(82.3)	15.8	67.7	<b>(14.9)</b>
Income tax relating to these items	–	16.2	(3.3)	(12.8)	<b>2.8</b>
<b>Other comprehensive income/(loss) for the year</b>	4.0	(67.5)	12.2	55.2	<b>(12.9)</b>
<b>Profit attributable to:</b>					
Owners of the parent company	36.8	24.4	64.1	82.4	<b>24.6</b>
	36.8	24.4	64.1	82.4	<b>24.6</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the parent company	40.8	(43.1)	76.3	137.6	<b>11.7</b>
	40.8	(43.1)	76.3	137.6	<b>11.7</b>
<b>Underlying earnings per share<sup>1</sup></b>					
Basic	43.4p	61.9p	77.2p	98.9p	<b>29.4p</b>
Diluted	43.4p	61.8p	76.6p	98.0p	<b>29.4p</b>
<b>Earnings per share</b>					
Basic	44.4p	29.4p	77.2p	98.9p	<b>29.4p</b>
Diluted	44.4p	29.3p	76.6p	98.0p	<b>29.4p</b>

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

## Consolidated Statement of Financial Position

	As at 31 August 2015 £m	As at 31 August 2016 £m	As at 31 August 2017 £m	As at 31 August 2018 £m	As at 31 August 2019 £m
Non-current assets	140.8	204.0	325.9	503.4	<b>622.3</b>
Current assets	337.1	446.0	514.5	503.6	<b>623.2</b>
<b>Total assets</b>	477.9	650.0	840.4	1,007.0	<b>1,245.5</b>
Equity attributable to owners of the parent company	237.3	200.4	287.1	438.8	<b>453.6</b>
Current liabilities	237.3	428.6	544.2	558.0	<b>772.2</b>
Non-current liabilities	3.3	21.0	9.1	10.2	<b>19.7</b>
<b>Total liabilities, capital and reserves</b>	477.9	650.0	840.4	1,007.0	<b>1,245.5</b>

## Consolidated Statement of Cash Flows

	Year to 31 August 2015 £m	Year to 31 August 2016 £m	Year to 31 August 2017 £m	Year to 31 August 2018 £m	Year to 31 August 2019 £m
Net cash generated from operating activities after exceptional items	93.2	130.7	145.9	93.9	<b>89.7</b>
Net cash used in investing activities	(50.1)	(78.4)	(161.0)	(212.7)	<b>(221.6)</b>
Net cash generated from financing activities	0.8	0.6	1.8	1.5	<b>73.9</b>
Net movement in cash and cash equivalents	43.9	52.9	(13.3)	(117.3)	<b>(58.0)</b>
Opening cash and cash equivalents	74.3	119.2	173.3	160.3	<b>42.7</b>
Effect of exchange rates on cash and cash equivalents	1.0	1.2	0.3	(0.3)	<b>(0.2)</b>
<b>Closing cash and cash equivalents</b>	119.2	173.3	160.3	42.7	<b>(15.5)</b>

# Company Information

## Annual General Meeting

The AGM will be held at 12.00 noon on Wednesday 27 November 2019 at:

Greater London House  
Hampstead Road  
London NW1 7FB

The Notice of Meeting is available on our website setting out the business to be transacted.

## Directors

Adam Crozier (Chair)  
Nick Beighton  
Mat Dunn  
Rita Clifton  
Ian Dyson  
Karen Geary  
Hilary Riva  
Nick Robertson

## Company Secretary

Anna Suchopar

## Registered office

Greater London House  
Hampstead Road  
London NW1 7FB

Registered in England  
Company Number 4006623

## Shareholder helpline

0871 664 0300

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## Independent auditors

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

## Lawyers

Slaughter and May  
1 Bunhill Row  
London EC1Y 8YY

## Financial adviser, nominated adviser and joint broker

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

## Joint broker

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

## Financial PR

Headland Consultancy  
Cannon Green  
1 Suffolk Lane  
London EC4R 0AX

## Registrars

Link Asset Services  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

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## **Company information**

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