FOOTASYLUM PLC   05535565

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COMPANIES HOUSE

ANNUAL REPORT AND ACCOUNTS 2018

IMAGE REMOVED

WE ARE FOOTASYLUM

Creativity connects our bricks, clicks and kicks; through our 60+ stores, website and own brands we're story tellers, intent on pushing boundaries. From the moment we opened our first store in 2006, we became a part of our consumers' community: urban style leaders who drive new trends and do things our way. Endorsed by this community of tribes we're young and agile – never straight-laced. We are Footasylum. The streets' local retailer.

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HIGHLIGHTS

REVENUE

£194.8m

FY17: £147.0m

REVENUE GROWTH

33%

FY17: 33%

ADJUSTED EBITDA MARGIN[1]

6.4%

FY17: 7.6%

NON-GAAP ADJUSTED DILUTED EPS [2]

6.16p

FY17: 5.83p

NUMBER OF EMPLOYEES

2,270

FY17: 1,869

NUMBER OF STORES

65

FY17: 56

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For more information visit:
Corporate website: INVESTORS.FOOTASYLUM.COM/
Consumer website: WWW.FOOTASYLUM.COM

LOGO REMOVED

This is Footasylum's first Annual Report as a publicly-listed company on the London Stock Exchange's AIM. It describes our financial and non-financial performance, and how we engage with our consumers, suppliers and key partners to manage the business, control risks and deliver long-term value for our shareholders.

1 Adjusted EBITDA is stated as earnings before interest, tax, depreciation, amortisation, exceptional items and the share-based payment charge.

2 Non-GAAP adjusted diluted earnings per share ('EPS') is stated as profit after tax ('PAT') before exceptional items and the share-based payment charge per the diluted issued ordinary shares as at 24 February 2018 for both FY18 and FY17.

STRATEGIC REPORT

IMAGE
REMOVED

WE ARE CONSUMER FOCUSED

IMAGE REMOVED

We are our consumers. By sharing the experiences that define them, we engage the full spectrum of urban style leaders, drawing from local and global movements to feed their appetite for breaking streetwear and sportswear trends.

We share the dynamism of our audience: identifying and developing trends, creating engaging media and selling product through cutting-edge retail and digital experiences.

TARGET AUDIENCE

Urban trend leaders

16-24

year-old digital natives

WE ARE FOOTASYLUM

IMAGE REMOVED

WE ARE PRODUCT-LED

IMAGE REMOVED

We bring together the best you know, and the best you've yet to discover. As a product-led business, we depend on consistently evolving coveted footwear and apparel that has a deep connection with our audience.

From our head buyers to our sales assistants, our confidence in the relevance and quality of every product – from global brands to in-house designs – fuels the passion. Sharing this passion with our consumers brings each brand to life.

BRANDS SOLD

c.300

WE ARE FOOTASYLUM

WE ARE DIGITAL

IMAGE REMOVED

Our creation of digital campaigns, commitment to new media and strength of our online platform put us at the forefront of multi-channel digital engagement. Committed to challenging our own practices, we keep ahead of emerging trends.

We make cool. A brand-new studio space housing our talented designers, photographers and videographers feeds our digital obsession and sets us apart from the competition, putting us in a unique position as market-leading digital content innovators.

NEW STUDIO SPACE

10,000 sq ft

WE ARE FOOTASYLUM

WE COLLABORATE

IMAGE REMOVED

We value relationships. We place global names alongside fresh concepts to create the most relevant head-to-toe looks for the consumer, defining the essence of each emerging trend. We have established long-term and collaborative relationships with key partners, earning preferential status with brands who resonate with our consumers. The success of our own brands opens doors through our wholesale operation. Collaborating with large UK and international retailers means that when trends move on, our brands can find longer-term success outside of Footasylum's agile, leading edge retail space.

WE ARE FOOTASYLUM

VALUED BRAND RELATIONSHIPS

Working with key brand partners since our inception

IMAGE
REMOVED

WE LEAD

IMAGE REMOVED

We move fast. Pushing the boundaries isn't optional, it's our defining quality. Keeping step with the urban trend leaders defying convention, we steer trends and drive them across every channel.

It doesn't stop there. Understanding emerging trends means we're constantly evolving our product range, story-telling through in-house labels and building additional retail brands. We're growing a wider, more diverse audience every day.

WE ARE FOOTASYLUM

OUR RETAIL BRANDS

FOOTASYLUM, SEVEN and DROME

WE SWEAT THE SMALL STUFF

IMAGE REMOVED

Innovative digital marketing, dynamic technology and logistics, a flexible online sales platform and 65 stores in towns and cities across the UK. Thinking big is all about the detail. Our people sweat the small stuff to ensure Footasylum remains relevant and hyper-local.

Everything we do is designed to nurture the DNA of our business. We have a clear vision for our future and continue to build a powerful retail brand with great long-term prospects.

NUMBER OF STORES

65

WE ARE FOOTASYLUM

OUR PRODUCTS

We bring trend-leading, in-demand footwear and apparel to our core audience of 16 to 24-year-old fashion-conscious urban style leaders.

OUR OWN BRANDS

Footasylum's own brands have become increasingly respected by the consumer, as demonstrated by their success with our wholesale partners who stock a number of our own brands.

LOGOS REMOVED

THIRD PARTY BRANDS

We have an unrivalled ability to blend global brands with smaller niche brands (or 'bedroom' brands) that appeal to the hearts and minds of the urban style consumer.

LOGOS REMOVED

Footwear and apparel are the biggest contributors of growth in the retail sector. Our marketing is directed towards raising the profile of Footasylum in a market worth £52 billion.

Our core competence remains firmly around our **16 to 24-year old male demographic**, but we are now building on our successful entries into the womenswear and childrenswear markets.

The **brand composition** of our products shifts over time, but we work closely with global names like Nike and adidas, as well as smaller, up-and-coming brands such as Society Sport and Prè London.

Where there is no existing brand that we believe meets upcoming trends, our design team works closely with our buyers to create an **in-house product** to fill the gap.

IMAGE REMOVED

OUR CHANNELS

Our strategy depends on continued investment in the expansion of our existing routes to market, to support future growth and to optimise engagement with our consumers.

BREAKDOWN OF RETAIL STORES

GRAPHIC REMOVED

LOCATIONS

GRAPHIC REMOVED

We have a very strong **retail estate** – with 'hyper-local' stores that bring regionally relevant trends and influences to a variety of high street, mall and retail park locations in cities and towns throughout Great Britain.

Our fast-growing **online platform** generates almost a third of our total sales, supported by innovative digital content created by our in-house team.

We have two additional retail brands, each with one store and a dedicated website. Drome also has in-store presence at select Footasylum stores and is focused on higher tier menswear, while SEVEN is a digitally innovative retail concept that showcases a curated selection of the world's best products across progressive sportswear, contemporary fashion and limited release sportswear sneakers.

We launched our **wholesale operation** in FY18 and it has grown rapidly during the year, leveraging our own brand portfolio, creating incremental value and driving the global recognition of our maturing brands.

IMAGE REMOVED

WELCOME TO OUR FIRST ANNUAL REPORT

IMAGE REMOVED

> "We have a strong business model that is delivering today and offers excellent growth prospects for the future. Footasylum is well-positioned to take advantage of the exciting opportunities that lie ahead."

BARRY BOWN
EXECUTIVE CHAIRMAN

REVENUE

£194.8m

2017: £147.0m

WELCOME TO FOOTASYLUM

This is Footasylum's first Annual Report as a public company following our admission to trading on AIM in November 2017 (the 'IPO'). It is also my first opportunity, having taken on the role of Executive Chairman in June 2018, to welcome shareholders who have joined the Company on or following the IPO. The Board was delighted with the support we received for the IPO which, together with the refinancing of our banking facilities in July 2017, will enable us to continue to invest and capitalise on further growth opportunities in the years to come.

FY18 was another good year of disciplined growth for the Company, with revenue up 33 per cent to £194.8 million. Our adjusted EBITDA increased by 12 per cent to £12.5 million and we invested in our infrastructure and talent to support further growth.

I would like to thank John Wardle who, as our previous Executive Chairman and before that as Chief Executive Officer, played such an important leadership role in helping to build Footasylum into the retailer we are today. I bring many years of experience and contacts in the industry to Footasylum, especially when it comes to developing strong brand-retailer relationships, so I am confident that we can continue to enhance our competitive position in the market.

EXCITING SHOPPING EXPERIENCES

I am enthused by Footasylum's prospects and the ability of its people to deliver value for our shareholders. This is a great time to join the business, after more than 10 years that have seen the Company create an exciting shopping experience on the high street, in retail malls and, importantly, online. We have much work ahead of us as we expand our thinking as well as our retail footprint but we stand ready as a business that is fit for a digital age. Our online sales are growing and we are investing in the technology we need to continue improving consumer engagement.

GOVERNANCE AND FINANCIAL DISCIPLINE

While Footasylum continues to be an agile and dynamic business, I am pleased to report that we are fully committed to supporting high standards of corporate governance and applying strong financial discipline to our growth plans and day-to-day operations.

We operate appropriate measures to comply with the Quoted Companies Alliance Code for small and mid-sized quoted companies across the organisation. This has helped us enhance our corporate governance arrangements and we hope it will encourage positive engagement between the Company and its shareholders.

At the time of our IPO the leadership team was further strengthened with the appointment of two new Non-Executive Directors to our Board, Stephen Robertson and Brendan Hynes. We are already benefiting from their experience and knowledge and look forward to their contributions in the years to come.

CAPITAL STRUCTURE AND DIVIDEND POLICY

The Board is satisfied that the current capital and funding structure of the Company is robust, allowing it to invest in the systems and stores that will fuel future growth. In the short-term, as disclosed at the time of the IPO, we will retain the Company's earnings for re-investment to continue funding this growth. Therefore, we are not proposing a final dividend for FY18. Ultimately, it is the Board's intention to pursue a progressive dividend policy which will be balanced against the need to retain sufficient earnings to expand and develop the Company.

OUR COLLEAGUES

In FY18, we have expanded and restructured several of our teams and attracted and retained top talent who remain committed to delivering on our strategic objectives. We are a business focused on delivering sustainable long-term growth and our colleagues across the business are committed to this objective.

I would like to take this opportunity to thank our senior management team and all our colleagues for their hard work, energy, innovation and seamless teamwork that has delivered an exceptional consumer experience and business performance during the year.

THE FUTURE

The UK retail environment remains uncertain, not least with the ongoing negotiations of the UK's exit from the European Union and the impact of weak consumer sentiment on the high street. However, we have a differentiated, multi-channel business model that positions us well for robust long-term growth.

We see significant opportunities to deliver further growth through disciplined store upsizes and openings and the continued expansion of our digital sales channels. The Company is currently targeting a number of store upsizes in key locations and up to eight new stores per annum in the medium-term, with a view to building a total estate of around 150 stores in the UK. Footasylum is also developing a greater digital presence and is targeting 50 per cent of total revenue to come from online and wholesale channels in the medium-term.

Footasylum is well-positioned to take advantage of the opportunities that lie ahead. With our brand differentiation and deep understanding of our consumers, a growing online presence in both domestic and international markets and a dynamic diversified business model, that now includes a meaningful wholesale operation, I am excited about the Company's future.

CURRENT TRADING AND OUTLOOK

While our core target market of the 16 to 24-year-old consumer has proved to be comparatively resilient in a downturn, our trading since the beginning of the new financial year has undoubtedly been impacted by the widely documented weak consumer sentiment on the high street.

Despite this, the Board is confident that continued investment in digital and in our stores will allow the Company to deliver strong revenue growth for the full year in line with market expectations. This includes increased investment in our consumer offering ahead of our usual peak trading period in the second half and delivering additional store upsizes alongside new store openings. However, this will have an associated increase in both expected capital expenditure and property costs for the current year and as a result, the Board now anticipates that, adjusted EBITDA for FY19 is likely to show more modest growth than in FY18.

In the longer-term, the Board remains confident that the Company's differentiated, product-led, multi-channel proposition, combined with strong partnerships with core suppliers, will underpin its continued progress.

BARRY BOWN
EXECUTIVE CHAIRMAN

UNDERSTANDING OUR CONSUMERS

HOW WE CREATE VALUE

A STRONG UNDERSTANDING OF OUR CONSUMERS

We understand our consumers and the trends in our marketplace. They trust us to provide the products they want to buy and to give them access to the trends they will want next. That's critical to everything we do. It drives our business model, enables us to create value and ensures we deliver on our strategy.

GRAPHIC REMOVED

ACCESS TO THE RIGHT PRODUCTS AND BRANDS

We sell the most wanted apparel, footwear and accessories. That requires a unique blend of the world's most famous sports and casual names, with exciting up-and-coming niche brands. These include our own brands, which are designed in-house, with products sourced through carefully selected partners. Our knowledge of our target markets allows us to anticipate and drive the trends that matter. We take a hyper-local approach in our stores, tailoring our product offer to meet different regional and demographic trends.

GRAPHIC REMOVED

WAREHOUSING AND DISTRIBUTION

Through our modern warehouses and increasingly efficient logistics, we ensure our product range is picked, packed and delivered on time to both digital and store consumers.

GRAPHIC REMOVED

BUYING AND MERCHANDISING

From the nightclubs of Ibiza, to the urban streets of Birmingham, we are where our consumers are. We know them. And our buying team curate the products they want to wear.

OUR COMPETITIVE STRENGTHS UNDERPIN HOW WE CREATE VALUE

High calibre management
Professional and entrepreneurial, with strong retail, financial and operational expertise.

Product-led proposition
Access to established brands and the expertise to identify emerging trends from up-and-coming brands or to develop our own brands.

Symbiotic relationships
Longstanding collaborations with influential brands and proactive support for new on-trend brands have enabled us to build symbiotic relationships with both.

GRAPHIC REMOVED

OUR ROUTES TO MARKET

Retail stores
We have 65 stores around the UK in regional shopping centres, major cities, secondary cities, towns and retail parks.

Online
Our online sales account for over 30 per cent of our total sales.

Wholesale
Our wholesale partners sell our own brands through their own outlets.

GRAPHIC REMOVED

IN-HOUSE MARKETING CAPABILITY

We rely on the energy and passion of our people – and we give them what they need to get the job done. Our marketing function is split into teams dedicated to brand, marketing and creativity, and has access to a full range of in-house design, photography and videography capabilities to support their activities.

ULTIMATELY, UNDERSTANDING OUR CONSUMERS ENABLES US TO:

- Create a loyal following of fans
- Build strong relationships with our suppliers
- Deliver for our shareholders
- Drive and maximise the next opportunity

Multi-channel approach
Offering different enhanced consumer experiences and diverse revenue streams.

Strong competitive position
Proven and modern business model with a distinct profile, digitally and on the high street.

Strong financial performance and growth potential
Delivered solid financials and rapid growth supported by focused investment in our integrated multi-channel strategy.

OUR KEY RESOURCES AND RELATIONSHIPS

We rely on a number of key resources and relationships, both within and external to the Company, to run our business effectively.

GRAPHIC REMOVED

OUR CONSUMERS

Our core target consumers are fashion conscious 16 to 24-year olds. They tend to prioritise discretionary spend on aesthetics and image and are more willing to embrace new trends. Footasylum's customer service team is responsible for handling consumer communications via phone, email and social media. Their feedback is used to continually improve consumer experience both in store and online.

GRAPHIC REMOVED

OUR TRIBES

We segment our consumers into six core audiences (or 'Tribes'). Each tribe is characterised by a different demographic and regional profile. For example, product for the 'Trend' Tribe is targeted at early adopters who covet being 'first': jumping on emerging trends and helping to develop them through their peer groups and social media. The other Tribes are 'Sport', 'Urban', 'Premium', 'Terrace' and 'Everyday'.

GRAPHIC REMOVED

OUR PEOPLE

The success of Footasylum is down to our fantastic people across all disciplines. We have invested strongly in several areas, including our IT function which gives us better visibility and increased efficiency, from product sourcing to delivering a better customer experience. We are building the solid foundations that will allow us to leverage new technologies such as AI through our internal platform.

GRAPHIC REMOVED

THIRD-PARTY BRANDS

We adopt a relationship-led approach with our brand suppliers and where possible collaborate on product creation to optimise our collections for our core tribes. As we have grown and proved Footasylum is a valuable route to market, we have benefitted from greater access to products from global brands. We also incubate and support young, up and coming brands (so called 'bedroom' brands). This helps us target local trends by being more flexible and relevant at each store location.

GRAPHIC REMOVED

OUR OWN BRANDS

We have invested in our in-house design expertise to curate a stable of own brands that capitalise on upcoming trends in markets underserved by existing products. Footasylum's own brands – Kings Will Dream, Condemned Nation, Alessandro Zavetti and Zavetti Sport – are all successful through our own stores, with Kings Will Dream also available through our wholesale partners.

GRAPHIC REMOVED

DIGITAL

We don't just aim to 'sell' our products online, our in-house creative professionals set out to engage and entertain our consumers. By using innovative digital-led initiatives such as the 'Week of Darkness', our unique take on a 'Black Friday' campaign, we are able to drive brand and product awareness and further develop our competitive position.

They enable us to source, manage and market our products, meet or exceed our consumers' expectations and create value for our shareholders and other stakeholders.

GRAPHIC REMOVED

OUR FOOTASYLUM STORES

At our 65 stores across the UK, we flex our product range to meet local trends and demographics. Each store is fitted out in our distinctive style, using video, music and photography to create lively and relevant environments that are tailored to the local market. They offer a broad range of footwear, apparel and accessories, mainly targeted to a male audience, but increasingly to women and children.

GRAPHIC REMOVED

OUR OTHER RETAIL BRANDS

We have two additional retail brands, which both command their own dedicated store on the high street. Drome is a menswear retailer operating at the higher tier of the mainstream market – also appearing as a concession in select Footasylum stores – while SEVEN is a premier retail brand selling men's progressive sportswear, contemporary fashion and limited release sneakers.

GRAPHIC REMOVED

OUR WHOLESALE PARTNERS

In March 2017, we launched a standalone wholesale arm with a view to expanding the distribution of our own brands through key wholesale accounts to reach a wider audience. We have already signed up multiple wholesale accounts, from small independent retailers to larger players, such as ASOS and Zalando.

GRAPHIC REMOVED

WAREHOUSING AND DISTRIBUTION

We have two warehouses in Rochdale: a 133,875 sq ft distribution centre (known as 'M3'); and, since June 2017, a further 143,800 sq ft facility (known as 'Point 62'). We use a local transport provider to deliver goods to our stores and a pool of courier firms to deliver online orders.

GRAPHIC REMOVED

OUR SYSTEMS AND TECHNOLOGY

We are investing in our IT systems to better manage our business growth. This includes introducing new systems to become more efficient in our operations, such as our new in-store EPOS system, machine learning in our warehouses, rewriting the checkout experience on our digital platform and new systems to support our buying and merchandising teams. Harnessing the power of AI and big data, the development of a single consumer view will drive growth through advanced targeting and personalisation across all of our channels.

UNDERSTANDING OUR MARKETS

The global apparel and footwear retail market was valued at approximately US$1.7 trillion in 2017 and is estimated to grow by 2 per cent by 2022 according to Euromonitor.

THE UK MARKET OPPORTUNITY

UK FOOTWEAR MARKET[1]

CHART REMOVED

UK FOOTWEAR MARKET BY CATEGORY IN 2017[1]

CHART REMOVED

UK APPAREL MARKET[1]

CHART REMOVED

UK APPAREL MARKET BY CATEGORY IN 2017[1]

CHART REMOVED

1 Source: GlobalData, Clothing & Footwear Retailing in the UK, Market Shares, Summary and Forecasts to 2021, December 2017

According to GlobalData estimates, the UK clothing and footwear market was worth £52 billion (£44 billion clothing / £8 billion footwear) in 2017. This value is forecast to reach almost £59 billion by 2021. Clothing and footwear continue to be among the biggest contributors of growth in the overall retail market, with a CAGR forecast of 2.8 per cent over the five years to 2021.

Men's categories are expected to be the key growth segments in the medium term. GlobalData predicts 15 per cent growth in the market for men's clothing during 2017-2021 and 11 per cent growth in the men's footwear market during 2017-2021.

Women's clothing and footwear are also expected to grow over the same time periods, but at slightly lower rates of 12 per cent and 10 per cent respectively. However, they will remain the largest categories in absolute terms.

IMAGE REMOVED

IMAGE REMOVED

COMPETITIVE LANDSCAPE

Footasylum operates in the UK fashion retail market selling clothing, footwear and accessories for men, women and children. We face competition from a range of generalist and specialist retailers. These include small independents to large, established nationwide and international retailers. Some of these retailers trade purely online, while others are omni-channel operators.

Within our overall market, Footasylum is in the competitive mainstream for both footwear and apparel, competing most frequently against retailers such as ASOS and JD Sports. Our SEVEN concept competes at the premium end of the footwear market, across progressive sportswear, contemporary fashion and limited release sportswear sneakers, while our menswear retail brand Drome operates at the higher end of the mainstream apparel market.

IMAGE REMOVED

CONSUMER TRENDS

GRAPHIC REMOVED

ACTIVE LIFESTYLES

Trends in clothing are driven primarily by shifts in consumer lifestyles and behaviour, along with the average rise in global incomes. More active lifestyles and a growing acceptance of casualwear has driven an increased demand for sportswear, leisurewear and genderless fashion.

GRAPHIC REMOVED

'MINI-ME' TREND

Globally, childrenswear continues to outperform menswear and womenswear. This is due to a rising middle class in emerging markets and the popularity of the 'mini-me' trend, as children's awareness of brands increases, and families enjoy sharing their clothing opinions and choices.

GRAPHIC REMOVED

USE OF ONLINE CHANNELS

The overall trend towards online sales across all retail categories continues, with clothing and footwear at the forefront of this trend. The highest users of online channels are 16 to 24-year-old consumers, our core audience, according to a survey by GlobalData.

GRAPHIC REMOVED

USE OF SOCIAL MEDIA MARKETING

Retailers around the world are looking for innovative ways to capture consumer attention, especially making use of social media. By generating integrated online and offline video and related content, we use social media to engage the consumer where they spend the most time.

STRONG UNDERLYING FINANCIAL PERFORMANCE

IMAGE REMOVED

"The key pillars to our growth strategy remain the continued development of our online and digital marketing platforms, our disciplined UK store roll out and the expansion of our new wholesale operation alongside the growth of our own brand products."

CLARE NESBITT
CHIEF EXECUTIVE OFFICER

REVENUE

+33%

PHASE OF GROWTH

We have built an energetic, well-respected business since opening our first Footasylum store in March 2006. From day one our strategic objective was to collaborate and bring together global brands and smaller niche brands, including our own brands, to serve the consumer in a hyper-personal way. Our stores are all tailored towards their local market and we are building on our digital capabilities, both to boost our online sales and to launch engaging social content. We understand our target audience, and through our stores and digital content our target audience understands us – as specialists across the full spectrum of urban fashion.

We continue to specialise in identifying, developing and driving the trends that shape the markets we operate in. Footasylum is in a significant phase of investment – we are not a 'like-for-like' business. We are pushing forwards and investigating new directions based on the strong platform we have created, and the investments we have made in the last year in our people, digital capabilities, stores and infrastructure.

Our IPO in November 2017 was also a significant step for our business. It takes us to the next level, imposing controls that we have largely taken on voluntarily over the years, but also providing the funds we need for future growth and enabling us to develop relationships with shareholders who have a new interest in our business.

STRONG UNDERLYING FINANCIAL PERFORMANCE

The UK's retail market remains a tough trading environment. However, the overall value of the clothing and footwear market in the UK is still expected to grow over the next five years, according to data from GlobalData, and we believe that our highly differentiated offering and hyper-local approach gives us an edge.

For FY18, I am delighted to report to all our shareholders that we made strong progress on sales, both online and in our stores. Combined with careful cost control throughout the year this has helped us deliver good underlying growth in profits.

Total revenue was £194.8 million in FY18, an increase of 33 per cent compared to the prior year (FY17: £147.0 million). Digital sales played a significant role in the overall growth, contributing £59.0 million in FY18, an increase of 41 per cent.

Revenue from stores rose to £133.2 million (FY17: £105.0 million), reflecting good underlying growth as well as 10 new Footasylum store openings during the year and the successful upsizing of a number of stores in existing locations.

Reflecting investments made to meet the demands of our growing consumer base, adjusted EBITDA grew by 12 per cent to £12.5 million (FY17: £11.2 million). Our adjusted EBITDA margin was, as expected, slightly lower than FY17, as a function of the gross margin reduction and due to the planned investments we made in the business during the year. Non-GAAP adjusted diluted earnings per share grew by 6 per cent to 6.16 pence (FY17: 5.83 pence).

OUR STRATEGIC PRIORITIES

While we are pushing boundaries and embracing the future, our core target audience remains on-trend 16 to 24-year-olds. Our people sweat the small stuff, understand the details that matter to our consumers, and take a visionary approach to identifying the trends that will drive our product offering.

The key pillars of our growth strategy continue to be the development of our online and digital marketing platforms, our disciplined UK store roll out, including upsizing in a number of key locations, and the expansion of our new wholesale operation alongside the growth of our own brand products. We have also expanded our womenswear and childrenswear product offers and we will further integrate them into the Footasylum store and online estate.

KEY INVESTMENTS

In FY18 we invested further in the technology, people and infrastructure that we need to support our growth online and through our stores. The refocusing of our marketing function, to create teams dedicated to brand, marketing and creativity, has added experience and structure that will enable us to plan and execute the creative campaigns needed to engage and entertain our consumers. Our investment in a new 10,000 sq ft studio in Manchester also strengthens our in-house design, photography and videography capabilities to support our activities, both digitally and through our stores.

During the year, we doubled our warehouse space to support sales online and in store. The opening of our second warehouse provides improvements to our logistics and operational capacity. We have invested to ensure our facilities are now open 24/7, meaning that stock sold in our stores by 9.00 pm will be replenished as part of the store's next delivery, which is often as soon as the following morning. Online orders made by consumers before midnight can also be fulfilled the next day.

OUR BRANDS

Our ability to build relationships with the key global brands, while nurturing smaller 'bedroom' brands, has always been an important part of Footasylum's DNA. During FY18, we have further strengthened these links and Barry Bown's appointment as our Executive Chairman means we have access to his vast experience and network of contacts that will enable us to strengthen further our third-party relationships.

The development of our own brands is also a key priority, as they underline the quality and choice we offer our consumers, while ensuring that we can drive trends when we identify a gap in the ranges of third-party brands. In FY18 our own brand sales reached £22.9 million, around 11.7 per cent of our total revenue (FY17: 8.7 per cent). We also launched a new website for Kings Will Dream.

WHOLESALE

The success of our own brands led to the launch of our wholesale operation, partly at the request of our partners who saw the relevance of our brands for their consumers. Through the strength of our own brands we are building a diverse range of wholesale relationships from major UK and international platforms to small, independent shops.

As well as being a valuable addition to our business model, our wholesale operation cements the market positioning of our own brands and gives them a longer life cycle. Where appropriate, it means we can take advantage of a broader market rather than on-trend appeal, selling a more mature brand through a wholesale route even when it is no longer right for our stores. We see volume potential in this area and we believe wholesale presents another route to access international markets.

CLARE NESBITT
CHIEF EXECUTIVE OFFICER

A STRATEGY FOR GROWTH

Our strategy is built on our ambitions to achieve future growth and optimise our engagement with our consumers. This will require continued investment, the expansion of our existing routes to market, upgrades to our technology systems and innovative marketing programmes.

A portion of the net proceeds from the IPO in 2017 has been made available to facilitate future growth, along with the Company's existing cash resources and debt facilities. This will include significant investments over the next three years to increase our digital presence.

We believe this investment, combined with our exciting, product-led, multi-channel proposition and our well-established business model, will ensure we have significant opportunities for continued growth for many years to come. To help us achieve this, the Board has set out our strategic objectives (as detailed right).

OUR STRATEGIC OBJECTIVES

DELIVER LONG-TERM SUSTAINABLE VALUE CREATION

INCREASE THE COMPANY'S SHARE OF ITS CHOSEN MARKETS

ENHANCE OUR REPUTATION AS A CORE DISTRIBUTION CHANNEL FOR BRAND PARTNERS

CONTINUOUSLY STRENGTHEN OUR BRAND RELATIONSHIPS

CONTINUE TO BUILD BRAND AUTHORITY AMONG OUR TARGET AUDIENCE

THINKING BIGGER

Our Leeds store has really made its mark on the city's shopping scene since it opened its doors in 2015, with our hyper-local approach bringing a distinct blend of on-trend branded products alongside displays of the work of homegrown Leeds artists. The store also gave a huge focus to our women's ranges, for the first time embodying our women's DNA and curated product range.

In 2017, we almost tripled our selling space at the flagship store. Working with a range of partners, we took the store to a whole new level, including our first standalone segment showcasing women's footwear, apparel and accessories.

IMAGE REMOVED

KEY DRIVERS OF GROWTH

We are driving growth by making full use of our multi-channel proposition:

Developing our digital platform and capabilities	• Digital engagement with our core target audience is integral to our business growth plans. • We are investing in the further development of our online and digital marketing capabilities. • We expect this to drive participation through our digital channels in the coming years.	**MEDIUM-TERM STRATEGIC GOAL:** • 50 per cent of overall revenue from online channels and wholesale
UK store rollout and the upsizing of existing sites	• Increasing our selling space in towns, cities and shopping malls is vital to reaching our audiences. • We are doing this through an ongoing programme of new store openings and store upsizing. • Upsizing stores or relocating them to larger sites is helping us drive a greater market share in store and online.	**MEDIUM-TERM STRATEGIC GOALS:** • Up to eight new store openings per annum (net of any closures) • Upsize 3-6 stores per annum or relocate to larger sites
Expanding our own brand portfolio and our wholesale operation	• Developing and selling our own brand products is a key component of our growth strategy. • Our new wholesale arm is growing rapidly by leveraging our own brand portfolio. • We are creating incremental value and driving the global recognition of our own brands.	**MEDIUM-TERM STRATEGIC GOAL:** • 50 per cent of overall revenue from online channels and wholesale

LIGHTING UP THE DARKNESS

When it comes to traditional retail promotions, we like to introduce our own unique twist. And while 'Black Friday' has become a firm fixture in the retail calendar, we wanted to do more than just blitz our consumers with price cuts. That's why we launched our innovative digital-led 'Week of Darkness' in November 2017, with a whole week of offers, restocks and new product launches.

Rooted in dark sci-fi imagery, the 'Week of Darkness' was introduced in a dramatic video clip released through our social media channels. During the week itself, we offered a new planet of deals each day, with unmissable launches and offers on some of the world's leading brands, available both online and in our stores around the UK.

IMAGE REMOVED

ASSESSING OUR PERFORMANCE

We have a wide range of indicators by which we assess our performance. The Board monitors various KPIs on a regular basis, to ensure that our strategic objectives are being achieved.

To ensure our management's focus is aligned with our shareholders, our KPIs are reflected in their remuneration through our management incentive schemes.

→ SEE PAGE **51** FOR MORE INFORMATION

REVENUE

GRAPHIC REMOVED

£194.8m

+33%

Relevance

Monitoring the revenue generated is critical to understanding how we manage our offer and focus our efforts and future investment.

Performance

Revenue increased 33 per cent, reflecting growth in all product categories across the Company's multiple channels - from further store rollout, increasing volumes of online traffic and the launch of the Company's wholesale business.

GROSS PROFIT

GRAPHIC REMOVED

£87.6m

+30%

Relevance

Understanding our gross profit is essential to measuring the production efficiency of our business.

Performance

Gross profit was up 30 per cent year-on-year reflecting the growth in revenue. Gross margin was 45.0 per cent, down from 45.9 per cent in the prior year, due to channel mix, a reduction in the footwear margin and an increase in central provisions. This was partially offset by the benefit from increased own brand participation.

ADJUSTED EBITDA

GRAPHIC REMOVED

£12.5m

Relevance
This is a measure of the underlying profitability of the business and is widely used in the retail industry.

Performance
Adjusted EBITDA increased 12 per cent to £12.5 million in the year. Adjusted EBITDA margin was 6.4 per cent down from 7.6 per cent in FY17, reflecting the reduction in gross margin and the investment in head office facilities and functions.

NUMBER OF STORES

GRAPHIC REMOVED

65

Relevance
This shows the level of coverage and penetration we have in the UK to reach our consumers.

Performance
We opened 10 new stores around the UK during the year and closed one, taking our total number of stores to 65. New locations included Hull, Milton Keynes and Carlisle.

NON-GAAP ADJUSTED DILUTED EARNINGS PER SHARE

6.16p

FY17: 5.83p

Relevance
This measure helps gauge the quality of a company's earnings per share. The figures are stated as profit after tax before exceptional items and the share-based payment charge per the diluted issued ordinary shares as at 24 February 2018 for both FY18 and FY17.

Performance
As part of the IPO process, the Company issued 26.5 million new shares, issued bonus shares of 12 to 1 for existing shareholders and sub-divided existing ordinary shares by 1,000 with the result being that share count increased to 104 million (from 6,000 shares in FY17), resulting in the movement seen year-on-year.

ONLINE AND WHOLESALE REVENUE AS A PERCENTAGE OF TOTAL REVENUE CHART

GRAPHIC REMOVED

32%

Relevance
This is important as we develop Footasylum's multi-channel retail experience and, as online is our fastest growing channel, and wholesale is our newest channel, it is a critical measure for us.

Performance
Online continues to grow strongly, with sales across five platforms, including platforms for its three fascias, Footasylum, Drome and SEVEN, as well as its own brand website for Kings Will Dream. We also launched our wholesale operation in March 2017, selling own brands to major European partners.

OUR RETAIL BRANDS

Footasylum is the Company's core retail brand, offering a broad range of footwear, apparel and accessories to our core audience of 16 to 24-year-old urban style leaders.

We take a digital-first approach in our marketing, working in partnership with established and up-and-coming players in industries aligned with our core audience to create online content that inspires, engages and entertains our consumers. By partnering with relevant musicians, sportspeople and trending pop-culture personas we become part of their online social lives, inspiring loyalty and raising Footasylum's profile among our target audience. This runs through the style and functionality of our whole digital platform.

Our 65 stores across the UK are also fitted out in our distinctive style, tailored to their local markets. These physical stores accounted for 68 per cent of the Group's revenue in FY18, while our online sales accounted for 30 per cent of FY18 revenue.

We continue to invest in both our digital platform and our retail footprint, adding 10 stores in FY18, as well as upsizing a number of our existing stores, including Leeds, Cardiff and Meadowhall. We currently plan to open further stores in the coming year and upsize or relocate to larger sites in strategically important locations.

We have two additional retail brands, which together accounted for 2 per cent of FY18 revenue:

- Drome is focused on menswear and we have one standalone store and five concessions within our Footasylum stores, as well as a dedicated website.
- SEVEN is a digitally innovative retail concept that showcases a curated selection of the world's most desired products across our related genres, with a single concept store in Liverpool and a dedicated website. It is strategically positioned to access high-end products, which are typically subject to limited distribution.

While significantly smaller than the core Footasylum estate in terms of scale, both these retail brands play an important role in accessing additional consumers and strengthening relationships with suppliers. They enhance access to product and, having invested further in our SEVEN team during the year, we are looking to expand the retail brand in FY19.

OUR CONSUMERS

Our core target consumers are fashion conscious 16 to 24-year olds. This demographic tends to prioritise discretionary spend on aesthetics and image, particularly clothing and footwear. They are also more willing to embrace new trends and are prominent users of digital sales channels.

We have segmented our target male consumers into six core audiences (or 'Tribes') to help us select relevant product offerings. Each Tribe ('Sport', 'Trend', 'Urban', 'Premium', 'Terrace' and 'Everyday') has a nuanced demographic and regional profile. Understanding the characteristics of each Tribe helps us tailor our product range as needed and protect against a reliance on any one trend.

Footasylum continues to focus on menswear products, but we are expanding our ranges for women and children, as we believe there are attractive prospects for growth in both these markets.

When we upsized our Leeds store in 2017, roughly tripling our selling space, the new store included our first standalone segment of the store showcasing women's footwear, apparel and accessories. The Leeds store has delivered a strong performance in both revenue and EBITDA terms following the upsize.

IMAGE REMOVED

IMAGE REMOVED

IMAGE REMOVED

OUR PRODUCTS

Footasylum offers an extensive range of footwear, apparel and accessories for men, women and children, with no over-reliance on any particular individual product, or stock keeping unit (SKU). In fact, our top 20 SKUs accounted for just 6 per cent of FY18 revenue. We believe this is not only strategically important in differentiating us from our competitors, but also forms the key to our ability to be hyper-local and give each of our stores its unique character.

CHART REMOVED

Footwear remains our largest category by sales, accounting for 53 per cent of FY18 revenue. (FY17: 58 per cent). However, we continue to add new product ranges, and the apparel and accessory categories are growing strongly both in absolute terms and as a proportion of overall revenue. Together they accounted for 47 per cent of FY18 revenue (FY17: 42 per cent).

OUR BRANDS

Footasylum sells 'on-trend' fashion, that's why the brand composition of our products shifts over time. During a typical year, we sell around 300 distinct brands that our consumers want to wear. We offer a unique combination of globally established brands such as Nike and adidas, with smaller, up-and-coming brands ('bedroom' brands) such as Prè London and Society Sport, alongside our own in-house labels.

Third-party brands

Global third-party brands are at the core of our offering, but revenues by brand as a proportion of total revenues fluctuate with current trends. By proving ourselves to be a valuable route to market, we have built strong relationships with these global brands and continue to gain greater access to their product.

However, our distinctive product offering and business model rely on more than the labels everyone recognises. We support young, up-and-coming 'bedroom' brands that have a more exclusive appeal to our target audiences. Access to these brands allows us to target local trends and offer flexible and relevant product collections at our individual stores.

Own brands

And where we find a gap in the market, when there is no existing brand that meets the upcoming trends in our markets, we have shown that we can create one. Our design team works closely with our buyers to research and identify new trends to inspire fresh and relevant own brand products that will augment our third-party branded ranges.

We are currently seeing our strongest results from the following core own brands:

LOGO REMOVED

Our Kings Will Dream brand was launched at the end of FY14. Kings Will Dream has its own website and Android app, which were both launched in March 2017. Our own brands will benefit from the investments we are making in FY19 to improve our technology and the customer journey online, at our stores and through our wholesale operation.

Our in-house expertise sets us apart

We have invested in the in-house design expertise required to curate this stable of own brands, so we are not dependent on external resources to develop new brands as opportunities arise. Rather than compromise on quality for price, our own brands are premium products that can help us to capitalise on fast-moving trends. This is because we have complete control of their development and can bring them to market quicker, with shorter lead times from concept to store. We also have a dedicated Supply Chain Manager in place, to focus on the quality and speed to market, as well as ethical sourcing.

Wholesale

The emergence of our successful own brands also led to the launch of our wholesale operation in March 2017. As at the end of FY18, we have multiple wholesale accounts, from small independents to well-known retailers including ASOS and Zalando.

Selling our own brands through wholesale helps to authenticate them and raise their profile. It also has the potential to lengthen their profitable life. They may still generate volume sales through wholesale for some time, even when they cease to be at the leading edge of today's trends and have been replaced by other brands in our Footasylum sales channels.

Revenue from wholesale in FY18 was £2.6 million. This is expected to increase considerably in the years ahead as we develop this area of the business further.

INVESTING IN OUR TEAMS AND DESIGN CAPABILITIES

During the year we added both experience and structure to our Marketing team, focusing on brand, marketing and creativity. We have also invested in a new 10,000 sq ft studio in Manchester, adding new video capability and streamlining our creative department, so that content and assets can be developed for digital use and across other media.

Our Buying and Merchandising function maintains its 'boots on the ground' research strategy, with our people spending time in the field assessing trends to determine Footasylum's future product offering. Increasingly this can be done through following relevant social media and the use of Artificial Intelligence (AI), but the priority is getting close to our consumers, understanding their daily lives and what they are wearing.

WAREHOUSING AND SYSTEMS

In 2017, we opened a new 143,800 sq ft warehouse (known as 'Point 62') in Rochdale. To mitigate any possible operational risks, the new facility was not brought into operation for our peak period in FY18 therefore the migration of stock to the warehouse was completed in February 2018.

SNEAKER WONDERLAND

Our 2017 Christmas campaign ran across our digital channels and physical stores, focusing on out-of-home advertising and showcasing the on-trend must haves for our peak season. It was a modern take on a traditional Christmas, with striking imagery – the photo shoot was split between a local studio and stunning outdoor locations in Iceland.

We created impactful displays in key cities – Birmingham, Cardiff, Glasgow, Leeds, Liverpool, London and Manchester – and these were mirrored online and in our digital marketing. With more than 60 million out-of-home impressions in the month running up to Christmas, the campaign contributed significantly to our brand awareness during this key trading period.

IMAGE REMOVED

Our existing warehouse, the 133,875 sq ft distribution centre, also in Rochdale (known as 'M3'), has now been converted to a bulk warehouse and also houses our wholesale operation. All picking for stores and online orders is now done at Point 62.

We are investing in new IT systems which will benefit our warehousing and logistics operations, helping us store, pick and track items in a more efficient way. Machine learning could drive process efficiencies and optimise the storage of stock using AI. By learning the combinations of products our consumers tend to buy, we can group these to reduce the walking distance and picking time. The way we supply stock to stores could also benefit from machine learning as the system would look at sell-rates and where people live, ensuring that specific products go out to the store locations where they are most in demand.

We are in the process of introducing a new in-store EPOS system and an initial version of this has now been deployed. As we develop this system further, it will help us tailor experiences for our consumers. We also plan to upgrade our digital platform to give consumers more choice on delivery and add new systems to benefit the support teams at our Head Office.

IMAGE REMOVED

FEEDING OUR DIGITAL OBSESSION

Whether we're snapping digital marketing shots in our purpose-built studio, or working with models out on location, there's always a lot going on for our specialist photographers and videographers. We surround ourselves with visual inspirations, doing everything we can to push the boundaries when it comes to engaging with consumers through image and video.

Our brand-new 10,000 sq ft studio in Manchester also houses our talented designers, who are at the hub of our efforts to produce the social content that will continue to build our brand. The creativity of our photographers and videographers feeds our digital obsession and secures our position as market-leading digital content innovators.

IMAGE REMOVED

DELIVERING A STRONG PERFORMANCE

SUMMARY FINANCIALS

	FY18	FY17	Var
Revenue (£m)	**194.8**	147.0	33%
Gross profit (£m)	**87.6**	67.5	30%
Gross margin	**45.0%**	45.9%	(90) bps
Adjusted EBITDA (£m)[1]	**12.5**	11.2	12%
Adjusted EBITDA margin	**6.4%**	7.6%	(120) bps
Adjusted profit before tax (£m)[2]	**8.4**	8.1	4%
Profit before tax (£m)	**1.9**	8.1	(77)%
Non-GAAP adjusted diluted EPS (p)[3]	**6.16**	5.83	6%
Cash (£m)	**11.4**	2.8	307%

1. Adjusted EBITDA is stated as earnings before interest, tax, depreciation, amortisation, exceptional items and the share-based payment charge.
2. Adjusted profit before tax is stated as adjusted EBITDA after interest, depreciation and amortisation.
3. Non-GAAP adjusted diluted EPS is stated as profit after tax before exceptional items and the share-based payment charge per the diluted issued ordinary shares as at 24 February 2018 for both FY18 and FY17.

Footasylum delivered a strong underlying performance in FY18. Revenue increased 33 per cent, reflecting growth in all product categories across the Company's multiple channels, from further store roll out, increasing volumes of online traffic and the launch of the Company's wholesale business.

Footasylum is investing in its infrastructure and talent to support further growth. While adjusted EBITDA increased 12 per cent to £12.5 million, the adjusted EBITDA margin of 6.4 per cent was lower than FY17 (7.6 per cent), predominantly as a function of the gross margin reduction and investment in central functions.

Despite a challenging consumer backdrop Footasylum's highly relevant brands continued to appeal to a growing consumer base. Following the debt refinancing carried out in the year and the IPO, Footasylum remains well positioned to capitalise on this growth in demand, both online and in-store, while delivering long-term sustainable returns to shareholders.

Adjusted metrics reflecting underlying business performance

The Financial Review focuses on the financial results while further commentary on Footasylum's operating performance is provided within the Business Review on pages 30 to 33.

The table below reconciles the adjusted result to the statutory accounts. Footasylum reports adjusted EBITDA, which represents earnings before interest, tax, depreciation, amortisation, the share-based payment charge and exceptional items. This metric reflects internal reporting and provides a useful measure of the underlying profitability of the business. Share-based compensation plans were established following the IPO with awards (and associated payment charges) being made on an annual basis over the next three years, subject to performance criteria being met.

£m	FY18	FY17
Adjusted EBITDA	**12.5**	11.2
Depreciation and amortisation	**(3.9)**	(2.7)
Share-based payment charges	**(0.4)**	–
Operating profit before exceptional items	**8.2**	8.5
Exceptional items	**(6.0)**	–
Operating profit	**2.2**	8.5

STRONG REVENUE GROWTH ACROSS ALL CHANNELS AND PRODUCT CATEGORIES

Overall revenue increased 33 per cent in FY18 to £194.8 million (FY17: £147.0 million). Revenue is reported net of sales taxes and returns, which remained low as a proportion of revenue in the financial year reflecting Footasylum's relevant product offering.

Revenue by channel

£m	FY18	FY17	Var
Store	**133.2**	105.0	27%
Online	**59.0**	42.0	41%
Wholesale	**2.6**	–	
	194.8	147.0	33%

Footasylum operates a multi-channel model across: a 65-strong store estate in the UK; online; and a recently launched wholesale business which distributes Footasylum own brand products to select partners.

In FY18 the store estate accounted for 68 per cent of total revenue (FY17: 71 per cent), online for 30 per cent of total revenue (FY17: 29 per cent) and wholesale for less than 2 per cent of total revenue (FY17: 0 per cent).

Menswear, including both apparel and footwear, remains the main focus for Footasylum representing 69 per cent of total revenue in FY18. This has decreased as a proportion of total revenue from 71 per cent in FY17, reflecting growth in women's ranges which, along with children's ranges, have launched in selected stores as well as online.

Stores

Growth in store revenue was the main driver of the overall revenue increase in the financial year. During the year Footasylum opened 10 new stores (FY17: 12), expanded the size of seven stores (FY17: nil) and refitted two stores (FY17: 2). Reflecting both this and revenue growth in existing stores, store revenue increased 27 per cent in the year to £133.2 million (FY17: £105.0 million).

Of the 65 stores open at 24 February 2018, 63 were operated under the core Footasylum fascia, while a further two stores operate under offshoot fascia, branded Drome and SEVEN. These offshoot stores accounted for only 2 per cent of total revenue in both FY18 and FY17 but play a strategic role in strengthening supplier relationships and providing access to third party products.

Footasylum's store estate is relatively immature, with 32 of the 65 stores open at the end of FY18 having been opened since February 2015. The Company is currently targeting up to eight new store openings per annum (net of any store closures), and a number of upsizes in key locations to increase selling space and drive contribution. The Company sees potential to grow the total store estate in the UK to around 150 stores.

Online

Online revenue continues to grow strongly, up 41 per cent in FY18 to £59.0 million (FY17: £42.0 million), accounting for 30 per cent of total revenue, up from 29 per cent in FY17. The Company sells across five platforms, including platforms for its three fascias, Footasylum, Drome and SEVEN, as well as its own brand website for Kings Will Dream, which launched in the financial year.

More than 80 per cent of the traffic to these websites in FY18 came from mobile and tablet devices. Outside of this, the Company continues to develop its mobile offering, with apps launched in the year for Footasylum, Kings Will Dream and SEVEN.

Wholesale

In March 2017 Footasylum launched its wholesale operation, selling its own brands – initially Kings Will Dream – through a network of partners from small stores to major European partners. Revenue from wholesale was £2.6 million in FY18 (FY17: £nil), less than 2 per cent of total revenue (FY17: 0 per cent).

As a result of its online and wholesale operations, the Company generated a proportion of its revenue internationally in FY18, although UK-generated revenue still accounted for 98 per cent of total revenue for the year (FY17: 98 per cent).

Revenue by product category

£m	FY18	FY17	Var
Footwear	**102.6**	84.7	21%
Apparel	**84.4**	56.3	50%
Accessories	**7.8**	6.0	30%
	194.8	147.0	33%

All product categories across almost 300 brands delivered strong growth in the year. Apparel experienced the largest increase, up £28.1 million, or 50 per cent, to £84.4 million. Footwear increased 21 per cent to £102.6 million, and accessories which remain a small proportion of overall revenue, were up 30 per cent to £7.8 million.

Footwear remained the largest product category, representing 53 per cent of FY18 revenue (FY17: 58 per cent). However, the apparel and accessories categories are both growing strongly as Footasylum further diversifies its product range. In FY18, Footasylum sold over 19,000 SKUs (FY17: 17,000 SKUs) across all channels, with the top 20 SKUs accounting for just 6.0 per cent of FY18 revenue (FY17: 6.4 per cent), highlighting a limited reliance on any one product.

INVESTING FOR THE FUTURE

Summary income statement

£m	FY18	FY17	Var
Revenue	**194.8**	147.0	33%
Cost of sales	**(107.2)**	(79.5)	35%
Gross profit	**87.6**	67.5	30%
Gross margin %	**45.0%**	45.9%	(90) bps
Admin expenses	**(85.4)**	(59.0)	45%
Operating profit	**2.2**	8.5	(74)%
Adjusted EBITDA	**12.5**	11.2	12%
Adjusted EBITDA margin %	**6.4%**	7.6%	(120) bps
Depreciation and amortisation	**(3.9)**	(2.7)	44%
Share-based payments	**(0.4)**	–	
Exceptional items	**(6.0)**	–	
Operating profit	**2.2**	8.5	(74)%
Finance expense	**(0.3)**	(0.3)	0%
Profit before tax	**1.9**	8.1	(77)%
Tax	**(1.7)**	(1.9)	11%
Profit after tax	**0.2**	6.2	(97)%

Footasylum's routes to market have differing margin profiles, reflecting the underlying product mix across footwear, apparel and accessories. The overall gross margin will vary due to the impact of this mix, as well as the proportion of revenue coming from the Company's own brand labels in any given period. The FY18 gross margin was 45.0 per cent, down 90 basis points from 45.9 per cent in FY17. This was due to a number of reasons including: *channel mix; a reduction in the footwear margin; and an increase in* central provisions. These points were partially offset by the benefit from increased own brand participation. A combination of these factors could continue to impact gross margin in FY19.

Excluding exceptional items, depreciation, amortisation and the share-based payment charge, admin expenses were broadly similar at 38.6 per cent of revenue (FY17: 38.2 per cent of revenue). Admin expenses include rent and rates on the Company's store portfolio, distribution costs, marketing costs as well as head office costs.

Footasylum is investing ahead of the curve in its infrastructure to support future business expansion. During the year the Company opened a second distribution facility in Rochdale (known as Point 62) in addition to its existing distribution centre (known as M3), it upgraded its technology systems to support its growing digital presence and grew its Head Office team and central functions. As at the end of FY18 Footasylum had 2,270 employees across the Company (FY17: 1,869). These investments are intended to support Footasylum's growing consumer base and to meet peak trading period demand. Any short-term margin impact is expected to be offset by the benefits of the investment over time.

Adjusted EBITDA increased 12 per cent to £12.5 million (FY17: £11.2 million). The adjusted EBITDA margin, at 6.4 per cent, was 120 basis points lower (FY17: 7.6 per cent), reflecting the 90 basis point reduction in overall gross margin and the investments referred to above.

Depreciation and amortisation was £3.9 million for the year (FY17: £2.7 million), reflecting the increased capital expenditure in new stores, investments in IT and in the new distribution facility.

Exceptional items

Exceptional items in the year totalled £6.0 million (FY17: £nil). £4.1 million related to the costs of the IPO and £1.9 million related to an HMRC VAT provision.

Tax

The effective rate of tax for the year was 23.0 per cent of pre-exceptional profit before tax (FY17: 23.0 per cent). This is higher than the blended UK statutory rate of tax for the year of 19.1 per cent (FY17: 20.0 per cent), due to costs which are disallowable for tax.

Earnings per share (EPS)

After exceptional items, profit after tax was £0.2 million (FY17: £6.2 million). Following a capital reorganisation and an issue of new ordinary shares at the time of the IPO in November 2017, the Company had 104,474,390 ordinary shares of £0.001 each in issue (pre-IPO: 6,000 ordinary shares of £1 each). The non-GAAP adjusted diluted EPS of 6.16 pence is stated as profit after tax before exceptional items and the share-based payment charge per the diluted issued ordinary shares as at 24 February 2018 for both FY18 and FY17 (FY17: 5.83 pence). See Note 8 on page 81 of the statutory accounts for further detail.

Consolidated statement of financial position

£m	**At 24 Feb 2018**	At 25 Feb 2017
Intangible assets	**0.5**	0.0
Property, plant and equipment	**19.9**	14.2
Non-current assets	**20.4**	14.2
Working capital	**15.3**	8.3
Cash and cash equivalents	**11.4**	2.8
Preference shares	**–**	(18.7)
Accruals and Deferred Income	**(4.9)**	(2.1)
Director Loans	**–**	(3.9)
Net assets	**42.2**	0.6

Net assets increased significantly during the year, largely due to the net proceeds from the IPO of £41.1 million. £18.7 million of these proceeds were used to redeem outstanding preference shares (which were classified as debt) and £3.9 million was used to repay a director's loan. As anticipated at the time of the IPO Footasylum subsequently completed a capital reduction in February 2018, cancelling the Company's share premium account to create distributable reserves of £37.7 million.

Investments in Footasylum's stores, IT and warehousing accounted for the increased property, plant and equipment position, while working capital increased as a function of the Company's growth during the year.

£m	**At 24 Feb 2018**	At 25 Feb 2017
Capex on stores	**6.9**	4.8
Warehouse	**1.2**	0.5
Technology	**1.6**	0.5
Other	**0.3**	0.1
Total capital expenditure	**10.0**	5.9

During FY18 capital expenditure was £10.0 million (FY17: £5.9 million). Of this amount, £6.9 million (FY17: £4.8 million) was spent on enhancing the store estate, including opening 10 new stores, refitting two stores to enhance the consumer experience and upsizing seven stores to maximise their contribution.

Other investments in the year included rolling out a new in-store EPOS system across the store estate to speed up the buying process, and further investment in the Company's digital platforms to enhance the user experience. There was modest spend on the new warehousing facility, Point 62, which became fully operational in FY19.

Consolidated cash flow statement

£m	52 week period ended 24 Feb 2018	52 week period ended 25 Feb 2017
Profit before tax	**1.9**	8.1
Depreciation	**3.9**	2.7
Interest	**0.3**	0.3
Share-based payments charge	**0.4**	–
Tax	**(1.8)**	(1.5)
Working capital	**(5.4)**	3.2
Operating cash flow	**(0.7)**	12.8
Property, Plant and Equipment	**(8.0)**	(5.7)
Intangible assets	**(0.5)**	–
Free cash flow	**(9.2)**	7.2
Net proceeds from IPO	**41.1**	–
Repayment of preference shares, directors loan account and interest	**(22.7)**	–
Other	**(0.6)**	(0.1)
Net cash flow	**8.6**	7.1
Cash and cash equivalents/ (overdraft) at beginning of year	**2.8**	(4.3)
Cash and cash equivalents at end of year	**11.4**	2.8

Footasylum had £11.4 million net cash at 24 February 2018 (25 February 2017: £2.8 million). A reduction in operating cash flow to £(0.7) million (FY17: £12.8 million) and free cash outflow of £9.2 million (FY17: free cash inflow of £7.2 million) was funded by the net proceeds from the IPO.

The change in operating cash flow was largely due to working capital movements. Working capital fluctuates throughout the year around trading activity, and was highest in November 2017 around peak trading. Inventory at 24 February 2018 was higher than at 25 February 2017 due to growth in the store estate, the new distribution facility, and an earlier Easter. This was partly offset by payables due in relation to an exceptional HMRC VAT provision.

In July 2017 Footasylum negotiated a new multi-currency revolving credit facility with HSBC of £30 million. The facility was made available to fund capital expenditure and future working capital requirements. The interest payable on the loan is LIBOR plus 1.9 per cent. At 24 February 2018 the facility was undrawn.

Dividend policy

As disclosed at the time of the IPO the Directors intend, in the short-term, to retain the Company's earnings for re-investment to fund growth. It is the Directors' ultimate intention to pursue a progressive dividend policy subject to the need to retain earnings to expand the growth and development of the Group.

RISK MANAGEMENT FRAMEWORK

Effective risk management is critical to meeting the strategic objectives of the Group. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Risk management is carried out by the Group's finance department, in accordance with these principles and under policies approved by the Board of Directors. We have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The Board continually reviews the potential risks facing the Group and the actions, controls and processes in place to mitigate any potential adverse impact on the Group. Our risk register is monitored, updated, and considered by the Board on a monthly basis.

OVERVIEW OF OUR PRINCIPAL RISKS

The following table shows the principal risks the Group is exposed to and the Group's approach to mitigating those risks. The Group's approach to internal control and managing risk is further explained in the Corporate Governance Report on page 49.

OPERATING RISKS

RISK AREA AND POTENTIAL IMPACT	MITIGATING FACTORS AND ACTIONS
Store roll out Rolling out new stores in the UK and upsizing existing ones is key to our growth strategy. This is dependent upon several factors that present risks as well as opportunities, including: • the identification of suitable vacant sites in appropriate locations; • the negotiation of acceptable financial terms; • the general macroeconomic conditions in the UK. There may be competition for suitable sites and there can be no assurances that the Company will be able to open new stores on a timely basis or that new sites will be secured on acceptable terms.	• The Group has a dedicated property team that carefully selects suitable vacant sites, taking account of the local population in the target demographic, to ensure the best locations are selected. • There is a breadth of input into this process and support for the property team, including from Buying & Merchandise, Retail and the Directors.
Reputation and brand The development and retention of the Footasylum brand is fundamental to the continued success of the Group. Any failure to protect and manage the brand could lead to a reduction in consumer loyalty and repeat purchases. This could be caused by a poor product selection, an inferior in-store experience, or poor customer service. In addition, any compromise of our ethical sourcing policy could have a significant impact on the reputation and brand of the Group.	• The Board continually monitors the performance of the Group and that of competitors to ensure that the Footasylum brand continues to grow.

RISK AREA AND POTENTIAL IMPACT	MITIGATING FACTORS AND ACTIONS
IT and cyber security We rely significantly on the uninterrupted operation of our IT network and systems for the efficient running of our business operations. Any significant disruption to these systems could have an adverse effect on the proper functioning of our stores and online sites. Footasylum is currently upgrading its IT systems to better manage our business growth. With any IT Project there is a risk of poorly managed implementation which could result in business disruption. Malicious attacks, data breaches or viruses could lead to business interruption and reputational damage.	• The Board applies detailed oversight on any major change projects and implements new systems on a cautious basis. • Footasylum has a Disaster Recovery plan, has robust back-up systems and uses reputable server providers to ensure that its business is never interrupted. • A regular assessment of vulnerability to malicious attacks is performed and we deploy a suite of tools (email filtering, anti-virus etc) to protect against such events.
Logistics Should our logistics solution fail this would have an adverse effect on the proper functioning of our stores and online sites, and the business could incur extra delivery costs in the short term, miss out on sales and lose stock in transit.	• Footasylum is committed to keeping its logistics options under review. • Should a provider for consumer deliveries fail, we can move volume through another channel for both UK and international deliveries with relatively minimal disruption to normal service.

PEOPLE AND STRATEGIC RISKS

RISK AREA AND POTENTIAL IMPACT	MITIGATING FACTORS AND ACTIONS
Third-party manufacturers The Company outsources the production of its own brand products to external manufacturers with appropriate expertise and capacity. A material proportion of these own brand products are manufactured overseas. The inability of third-party manufacturers to produce and dispatch orders in a timely manner, to the required quality, or to comply with their obligations or other regulations and laws (including the Anti-Bribery Act) could have a negative impact on Footasylum's business and wholesale operations.	• Footasylum has an inspection and quality control process which it is continuing to review and improve and requires all third-party manufacturers to comply with all applicable labour, health and safety laws and regulations.
Key management personnel Footasylum's operational and financial performance depends on the ability to attract and retain effective personnel, and on the efforts and abilities of key senior personnel. Such personnel are vitally important assets to the Company and, following the loss of such a team member, Footasylum may not be able to find an effective replacement in a timely manner and the business may be disrupted or damaged.	• The Company's remuneration policy, including long-term incentives, is designed to attract and retain the best people. • Footasylum is a desirable place to work, with a pioneering approach to online retail technology and a fresh and exciting range of products. • We have relevant controls in place but they remain under review and are undergoing ongoing improvements.
Business continuity and health and safety Fire, flood or a significant incident at a store, head office or our warehouses could make it impossible to trade/work from that site temporarily or for a longer period. Any risk could be exacerbated by the health and safety implications for our people, the public in our stores and contractors we employ.	• A detailed Disaster Recovery plan is in place and this is regularly tested, reviewed and updated to reflect the rapid changes in the business. • Having two functional warehouses reduces the risk of not being able to supply stock. • We have well-established health and safety training and policies and are compliant with all regulations and standards and keep these under review.

PEOPLE AND STRATEGIC RISKS

RISK AREA AND POTENTIAL IMPACT	MITIGATING FACTORS AND ACTIONS
Competitive environment and brands The lifestyle fashion industry is highly competitive, and our peer group includes general and specialist retailers. This competition puts us under pressure to differentiate our product offering in the form of access to brands and their respective ranges. Footasylum is dependent on ongoing relationships with brand partners and their ability to remain desirable to consumers. Third-party brands may prefer to supply our competitors with high-demand product rather than to us, or they may try to impose policies regarding brand and product presentation as a condition of continuing supply that we feel unable to comply with. This could mean that Footasylum is unable to compete successfully against current competitors or future new entrants to the market, leading to a material adverse impact on the Company's revenue and profitability.	• The Footasylum brand is highly distinctive and operates in a different space to other retailers. The in-store experience, combined with a clear focus on regional tailoring, fresh product and a mix of large brands with own brands and 'bedroom' brands sets Footasylum apart. By continually investing in our store estate and online presence, and ensuring our product lines are current and tailored, the Group is able to remain nimble to the actions of competitors. • The Group also communicates effectively with its consumer base, engendering loyalty and strengthening the Footasylum brand. • The Board believes that there aren't direct competitors who are successful in Footasylum's space, however this is continually monitored to ensure that a potential future entrant is closely watched, and the Footasylum strategy is adjusted as required.
Changing consumer demand Footasylum derives a significant proportion of revenue from the sale of products that are subject to rapidly changing consumer preferences. Our revenue and profitability are sensitive to these changing preferences and, accordingly, we must identify and interpret prospective in-demand trends sufficiently within the Company's store network and online. Failure to do so may result in excess inventory, resulting in markdowns and lower revenue that would be likely to impact profitability.	• The Group has a best-in-class Buying & Merchandise team, with excellent relationships and agreements with the key suppliers and brands. • Footasylum continues to grow and perform strongly, in part due to its ability to spot trends and react quickly to these, allowing the product offering to be more relevant and current than its competitors. • Footasylum makes good use of sales data to predict local demand, run test sales online to assess demand, and make decisions in store based on online product sales (and vice versa).
The economy and Brexit As a majority of the Group's revenue is generated in the UK a significant decline in the UK economy and/or in consumer confidence could have a material adverse impact on Footasylum's business. The impact on our business of the UK's exit from the European Union is uncertain as to when or what extent the Brexit process will impact on the economy in the UK but it is likely that it could increase the risk and likelihood of a decline in the UK economy and consumer confidence as outlined above.	• Footasylum has a diversified business model with three principal channels (in store, online and wholesale). • The Board continues to monitor the progress of the Brexit negotiations, assessing the potential impact on the business.
Legislation, regulation and politics Any change in legislation, regulation or tax legislation may have an adverse effect on the profitability of the Group. Such changes may require extensive system and operating changes, including the establishment of new policies and training programmes. These may be difficult to implement and could increase Footasylum's cost of doing business. Failure to comply with applicable laws and regulations could expose the Group to legal risks, including enforcement action and/or fines, which could have a material adverse impact on the business.	• In conjunction with external advisors, the Group has a robust process for identifying new legislation and regulation with the potential to impact on our operations, well in advance of its implementation. This allows the Group to carefully plan for the post-implementation environment and ensure compliance with all aspects of the new regulation or legislation. • The financial forecasts of the Group reflect the impact of new regulation.

OUR RESPONSIBILITIES

We are serious about our responsibilities to the environment, our employees, our partners, our communities and the human rights matters we are able to influence. Delivering for our shareholders and other stakeholders means putting a focus on sustainability in every corner of our business.

IMAGE REMOVED

IMAGE REMOVED

Our sustainability approach is based on safety, collaboration, quality and responsibility:

Safety
Our first priority in the workplace is to protect the health and well-being of all our people and those who visit our stores and premises. We take a proactive approach to health and safety and our goal is continuous improvement.

Quality
We maintain a clear focus on excellence, quality and continuous improvement in everything we do. Remaining 'on-trend' and providing quality service and products is how we build trust and deliver superior returns.

Collaboration
Our business is founded on the relationships we build with our consumers, our suppliers, our wholesale partners and third-party brands. These relationships are based on integrity, collaboration and mutual benefit.

Responsibility
Like any business, what we do has an impact on our communities and the environment. We care deeply about our performance in relation to health and safety, human rights, waste management and environmental protection.

ENVIRONMENT
We aim to minimise our impact on the environment across the business, especially through reducing waste, and consider what this means in our supply chain, for our logistics and at our premises.

ETHICAL SOURCING
We endeavour to comply with all relevant legislation in each country we operate in, strive to meet all best practices and expect all third-parties we work with to do the same. Footasylum will only do business with contractors who respect the human rights of their employees and we require them and any organisations that supply them to comply with our Code of Conduct and Ethical Sourcing Policies.

MODERN SLAVERY
To date, Footasylum has not been informed of any incidents of slavery or human trafficking in our supply chain. However, we remain committed to continually assessing slavery and human trafficking via internal and external auditing, and in all cases will address any incidents identified. Our statement in response to section 54 of the Modern Slavery Act 2015, 'Transparency in the Supply Chains', is available on our website: investors.footasylum.com/investor-relations

HEALTH AND SAFETY

Health and safety is always high on our business agenda and is championed by management at all levels. With the recent changes at Footasylum and further changes to the regulatory landscape, our health and safety policies and practices are under constant review.

The Board receives monthly reports on slips/trips/falls and other injuries to staff or consumers. We also include 'near-miss' reporting and ensure that any incidents are tracked, and the appropriate action taken, such as training or a review to our processes. Our aim is to move well beyond compliance to achieve a 'gold standard'.

We also protect our employees' well-being by offering an anonymous support line that provides our people with confidential advice on managing stress or other issues.

TRAINING

We are committed to enabling our employees to build their careers wherever they are in the business. No door at Footasylum is closed and we see it as our mission to foster talent and ensure our people have every opportunity to progress and fulfil their potential.

This has a positive effect on our commercial performance, as it helps us to attract and retain high calibre, dynamic individuals, who are able to develop their skills through the training, performance management and coaching we offer.

DIVERSITY

There is no place at Footasylum for discrimination on the grounds of disability, gender, sexual orientation, religion, nationality, ethnic background or race. We value the diversity in our business and strongly believe it is an important contributor to our ability to stay 'on-trend' and understand our consumers.

Employee gender diversity in FY18

	Male		Female	
	%	Number	%	Number
Directors	60%	3	40%	2
Senior managers	77%	10	23%	3
All employees	51%	1,162	49%	1,108

Approval of the Strategic Report

By order of the Board,

DANIELLE DAVIES
CHIEF FINANCIAL OFFICER

IMAGE REMOVED

IMAGE REMOVED

IMAGE REMOVED

IMAGE REMOVED

GOVERNANCE

DIRECTORS AND NON-EXECUTIVE DIRECTORS

IMAGE REMOVED

BARRY BOWN

Executive Chairman
from 1 June 2018

Barry joined the Company and was appointed to the Board as Executive Chairman on 1 June 2018. He is a very experienced retailer with a strong background in retail, marketing, buying and merchandising. Prior to Footasylum, he had been integral to the growth of the JD Sports Fashion Group since 1984, serving as their Group Chief Executive Officer from 2000 to 2014.

IMAGE REMOVED

JOHN WARDLE

Executive Chairman
(until 31 May 2018)

John joined the Company in 2008 as its Chief Executive Officer and moved to Executive Chairman in 2015, upon the promotion of Clare Nesbitt to Chief Executive Officer. He retired from the Board at the end of May 2018. John has over 30 years of retail experience and co-founded the JD Sports chain in 1981 with David Makin. John was Chairman of Manchester City Football Club from 2003 to 2008.

IMAGE REMOVED

CLARE NESBITT

Chief Executive Officer

Clare joined the Merchandising Team at Footasylum in 2009 as a merchandising assistant, becoming Assistant Chief Executive Officer in 2010. She was appointed Deputy Chief Executive Officer in 2012 and Chief Executive Officer in 2015. During Clare's tenure, the Company has grown from 15 to 65 stores and has delivered significant revenue and EBITDA growth.

IMAGE REMOVED

DANIELLE DAVIES

Chief Financial Officer

Danielle joined the Company as Chief Financial Officer and was appointed to the Board in January 2017. Danielle was previously Director of Finance at Pets at Home from 2011 to 2016, where she worked on a number of refinancings and acquisitions under private equity ownership, prior to supporting its subsequent initial public offering in 2014. Before that, Danielle was Financial Controller at Matalan and held several roles at The Co-operative Group. Danielle qualified as an Associate Chartered Accountant with EY in 2003.

IMAGE REMOVED

STEPHEN ROBERTSON

Independent Non-Executive Director

A R N

Stephen joined the Board as a Non-Executive Director in October 2017. He is a member of the Audit, Remuneration and Nomination Committees and chairs the Remuneration and Nomination Committees. Stephen is also currently the Chairman of Retail Economics (an independent economics research consultancy) and a Non-Executive Director of Clipper Logistics plc, Hargreaves Lansdown plc and Timpson Group plc. He is a former Director General at the British Retail Consortium and has held non-executive positions at Sofology Ltd, Business West, the National Portrait Gallery Company and Fresca Group. Stephen's executive career was in retail at B&Q, Screwfix Direct and Woolworths following marketing roles at consumer businesses such as Mars and Unilever.

IMAGE REMOVED

BRENDAN HYNES

Independent Non-Executive Director

A R N

Brendan joined the Board as a Non-Executive Director in October 2017. He is a member of the Audit, Remuneration and Nomination Committees and chairs the Audit Committee. Brendan is also currently Non-Executive Chairman of Swallowfield PLC and a Non-Executive Director of Churchill China PLC. From 2002 to 2013 Brendan was Chief Executive of Nichols PLC. Brendan is a Fellow of the Chartered Institute of Management Accountants.

Key

- A Member of the Audit Committee
- R Member of the Remuneration Committee
- N Member of the Nomination Committee
- ● Denotes Chairman

IMAGE
REMOVED

"

Footasylum is committed to high standards of corporate governance. The Board provides entrepreneurial leadership within a framework of prudent and effective controls to manage risk.

BARRY BOWN
EXECUTIVE CHAIRMAN

EXECUTIVE CHAIRMAN'S INTRODUCTION

I am pleased to introduce the Footasylum plc Corporate Governance Statement, our first since our IPO on 2 November 2017. As the Company's new Executive Chairman, I have the pleasure to lead a Board that has an appropriate balance of executive, non-executive and independent directors, as well as a blend of knowledge, skills, objectivity and experience that serves the Group and its stakeholders well.

AIM companies do not have to comply with the UK Corporate Governance Code ('Code'), however, the Board is committed to supporting high standards of corporate governance. In this section of the Annual Report we set out our governance framework and describe the work we have done to ensure good corporate governance throughout the Group. In particular, we operate appropriate measures to comply, where relevant and practicable, with the Quoted Companies Alliance Code for small and mid-sized quoted companies (published in April 2018) ('Governance Code').

BARRY BOWN
EXECUTIVE CHAIRMAN

THE ROLE OF THE BOARD

The Board provides entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed.

The Board also reviews and sets the Company's strategic aims; ensures that the necessary financial and human resources are in place for the Company to meet its objectives; reviews management performance; sets the Company's values and standards and ensures that its obligations to its shareholders and other stakeholders are understood and met.

All directors act in what they consider to be the best interests of the Company, consistent with their statutory duties.

BOARD MEMBERS

The Board comprises five Directors: three Executive Directors and two independent Non-Executive Directors, reflecting a blend of different knowledge, skills, experience and backgrounds.

The responsibilities of the Executive Directors and Non-Executive Directors are clearly defined. The Executive Directors have direct responsibility for the business operations of the Group, while the Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions, providing scrutiny of management, the overview of financial and risk processes, and determining the remuneration of Executive Directors.

IMAGE REMOVED

IMAGE REMOVED

IMAGE REMOVED

MATTERS RESERVED FOR THE BOARD AND ITS COMMITTEES

The Board is ultimately responsible for the management and direction of the Group and monitors performance of the business. Certain matters are reserved for approval by the Board and its Committees, including:

- Group strategy;
- Financial reporting and controls and dividend policy;
- Internal control and risk management;
- The structure and capital of the Group;
- Corporate governance;
- Board membership, committee membership and delegation of authority;
- Appointment of auditors;
- Material capital expenditure and other material contract commitments (including store leases); and
- Material litigation.

BOARD MEETINGS

The Board meets regularly to consider strategy, performance and the framework of internal controls.

The Board met three times in the period from the IPO on 2 November 2017 until the year-end 24 February 2018. To enable the Board to discharge its duties, all directors receive appropriate and timely information. For all Board meetings an agenda is circulated with supporting information a minimum of two days prior to the meeting. The main agenda items covered are:

- Financial performance, cash-flow and banking covenants;
- Management accounts and KPIs;
- An update on governance, legal and regulatory matters;
- Significant business projects;
- Significant capital expenditure; and
- Health and safety.

The Board receives updates and written reports from the Executive Directors and a business strategy review and an assessment of Board effectiveness will be conducted annually. Presentations from members of the senior management team are also made to the Board on key strategic areas of the Group's business.

Attendance at Board meetings and Board Committee meetings:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
John Wardle	**3/3**	–	–	–
Clare Nesbitt	**2/3**	–	–	–
Danielle Davies	**3/3**	–	–	–
Stephen Robertson	**3/3**	1/1	1/1	–
Brendan Hynes	**3/3**	1/1	1/1	–

EFFECTIVE DIVISION OF BOARD RESPONSIBILITIES

There is a clear division of responsibilities at the head of the Company between the running of the Board and the executive responsibility for the running of the Company's business. No one individual has unfettered powers of decision.

The Executive Chairman

The Executive Chairman position is held by Barry Bown, who succeeded the Company's previous Executive Chairman, John Wardle, on 1 June 2018. The position is separate from the Chief Executive Officer role held by Clare Nesbitt. The Executive Chairman is responsible for the leadership and effectiveness of the Board, including the scope of Board meetings, provision of information on a timely basis, and the annual strategy and Board effectiveness reviews described above (under Board meetings).

Board Committees

The Board has delegated certain responsibilities to the Audit, Remuneration and Nomination Committees. The terms of reference of those Committees were put in place on Admission and are available on the Company's website or by request to the Company Secretary at companysecretary@footasylum.com. The terms will be kept under review and updated to ensure they remain appropriate and reflect any changes to law, regulation or best practice.

Stephen Robertson and Brendan Hynes (the Non-Executive Directors) are the two independent directors on all of the Committees. Brendan is the Chair of the Audit Committee and Stephen is the Chair of the Remuneration and Nomination Committees. The Company Secretary is the Secretary of all the Committees.

A report from the Audit Committee is set out on page 50 of this document and a report from the Remuneration Committee is set out on pages 51 to 54 of this document.

The Nomination Committee did not meet between Admission and the end of the financial year ending 24 February 2018, as no further appointments to the Board have been considered necessary. Accordingly, no Nomination Committee report is set out in this document. However, the Committee intends to meet during the course of the financial period ending 2019 to consider senior management succession planning, review its terms of reference and consider our management framework and governance structure. A Nomination Committee report will be set out in our next annual report.

APPOINTMENTS TO THE BOARD

John Wardle stepped down from the role of Executive Chairman at the end of May 2018, and was replaced by Barry Bown, who took on the role on 1 June 2018.

Barry Bown's appointment process and terms were approved at the time of the Company's Admission to AIM and were set out in the Company's Admission Document, which is available on the Company's website.

Commitment

The Board is satisfied that all the Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

Induction and development

All directors received an induction upon joining the Board at the time of the Admission to AIM. The Chairman and Company Secretary are responsible for ensuring that the Directors continually update their skills, as well the knowledge and familiarity with the Company they require to fulfil their roles, both on the Board and on Board Committees.

Information and support

All directors have access to the advice and services of the Chief Financial Officer and the Company Secretary, who are responsible for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice, where necessary in the course of their duties, at the Company's expense.

The Company Secretary is also responsible for advising the Board, through the Chairman, on all governance matters.

Re-election of Board members

All directors are submitted for re-election at the Company's AGM at regular intervals, subject to continued satisfactory performance.

As this year will be the first AGM following Admission all of the Directors will be subject to election at the 2018 AGM.

Diversity

The Group diversity policy is considered when making Board appointments.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board maintains sound risk management and internal control systems. However, any such system of internal control can only provide reasonable assurance against material misstatement or loss, it cannot eliminate these risks altogether.

The Board considers the internal control framework to be appropriate to the size, scale and nature of operations at Footasylum. The Group continually monitors the appropriateness of its internal control framework and the processes that are in place, making improvements and changes as the risk landscape evolves. The Group does not have a formal internal audit function; however, the loss prevention team have responsibility for auditing stock holdings at our stores and warehouses.

RELATIONS WITH SHAREHOLDERS

Dialogue with shareholders

Open dialogue with shareholders based on the mutual understanding of objectives occurs, with the Board as a whole holding responsibility for ensuring that a satisfactory dialogue with shareholders takes place, and with the Chairman assuming the principal responsibility.

Constructive use of the AGM

The Board will use the AGM to communicate with investors and to encourage their participation. The 2018 AGM will be held at Sandbrook House, Sandbrook Park, Rochdale, OL11 1RY at 10:00 am on 8 August 2018. The Annual Report and Accounts and AGM Notice will be sent to shareholders at least 20 working days before the date of the Meeting.

IMAGE REMOVED

IMAGE REMOVED

IMAGE REMOVED

GOVERNANCE
AUDIT COMMITTEE REPORT

CHAIRMAN'S STATEMENT

On behalf of the Board I am pleased to present the Audit Committee report for the period ending 24 February 2018.

THE ROLE OF THE AUDIT COMMITTEE

The Audit Committee has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on. It also reviews reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of shareholders.

COMPOSITION OF THE AUDIT COMMITTEE

Membership of the Audit Committee comprises Brendan Hynes and Stephen Robertson. It is chaired by Brendan Hynes.

MEETINGS AND BUSINESS

The Audit Committee meets formally at least twice a year and otherwise as required. The first meeting held following the Admission in November 2017 was held in February 2018 to confirm the Committee's plan for the year, and to discuss the year-end external audit. The Committee discussed the upcoming introduction of new IFRS standards, in particular IFRS 15 Revenue, IFRS 16 Lease and IFRS 9 Financial Instruments.

As disclosed in Note 1 to the financial statements, the principal impact on the Group financial statements is expected to be on the introduction of IFRS 16 for the period ending February 2020. Other items of business for the Committee in the current year included a review of the going concern position of the business, a review of the annual report and associated matters, and a review of the processes and controls in place for risk management and control.

EXTERNAL AUDITOR

The external auditor (Grant Thornton LLP) was originally appointed on 1 February 2006, and their performance is monitored by the Audit Committee, in particular to oversee their continued independence and objectivity. As part of this oversight, the Audit Committee monitors the granting of non-audit service contracts to the auditor, with the fees for audit and non-audit services being presented in Note 3 to the financial statements.

The Audit Committee will keep under review when the external audit service should be put out for re-tender.

RISK MANAGEMENT AND INTERNAL CONTROL

The Audit Committee maintains an oversight role in relation to risk management and internal control systems. The Group has adopted a detailed framework of policies and procedures to manage risk and maintain robust internal controls. The Audit Committee considers this framework regularly for appropriateness given the size, scale and complexity of the business.
The Committee is satisfied that the framework is well designed, has been implemented robustly, and is operating effectively.

WHISTLEBLOWING

The Group has a whistleblowing policy in place whereby anonymous submissions can be made to an HR representative and the Audit Committee.

INTERNAL AUDIT

Due to the size, scale and nature of the business, management believe they are able to derive assurance as to the effectiveness of internal controls and risk management procedures without a formal internal audit function. However, this is continuously re-considered for appropriateness by the Audit Committee.

The Group has an expert loss prevention team, with responsibility for continuously auditing the stock held at the two warehouses, in addition to store loss prevention and store stock audits.

BRENDAN HYNES
CHAIRMAN OF THE AUDIT COMMITTEE

DIRECTORS' REMUNERATION REPORT

This report describes the activities of the Remuneration Committee for the period to 24 February 2018. It sets out the remuneration policy and remuneration details for the Executive and Non-Executive Directors of the Company.

The report is split into three main areas:

- Annual Statement by the Remuneration Committee Chairman;
- Annual report on remuneration; and
- Remuneration policy.

ANNUAL STATEMENT BY THE REMUNERATION COMMITTEE CHAIRMAN

On behalf of the Board I am pleased to present the first Directors' Remuneration Report which Footasylum has prepared following its Admission to the AIM market in November 2017.

The year to 24 February 2018 was a very significant one for Footasylum, covering the period in which the Company was preparing for its Admission to AIM and the first 4 months of our trading as an AIM quoted plc.

By reporting on a financial year during which the Company was both a privately-owned company and an AIM quoted plc, the Remuneration Report for this year inevitably shows a position of transition in terms of the remuneration arrangements for our Directors.

Governance of remuneration at Footasylum

Our Remuneration Committee comprises the two independent Non-Executive Directors, myself and Brendan Hynes. Our remit is to set the policy for, and oversee the operation of, remuneration for the Executive Directors and for the most senior executive managers within the Company. This will include approving all fixed pay levels (base salary, benefits and pensions), annual bonus plans and long-term incentives for these individuals.

Although as an AIM company we are not required to produce a separate Directors' Remuneration Report, we intend to do so each year to provide appropriate information for our shareholders and to demonstrate how pay arrangements at Footasylum support the overall business strategy.

This report is accordingly presented in two sections:

- Our annual report on remuneration for FY18, detailing amounts paid or awarded to directors in that year, and
- A forward-looking explanation of how we intend to operate our remuneration arrangements in FY19.

Remuneration in FY18

The steps which were taken on Executive Directors' remuneration in FY18 were regarded as appropriate and commercially necessary given the Company's admission to the AIM market in the year. A number of these actions were described in our AIM Admission Document, and include the following:

- Base Salaries for Executive Directors – these were reviewed during the year.
- Annual bonus for FY18 – this ran for the full financial year and was assessed against the performance metrics set at the commencement of the year.
- Cash LTIP – this arrangement, established in 2016, was measured to the end of FY18 and performance was assessed against the originally specified EBITDA Margin and New Stores' Contribution targets over the FY17 and FY18 financial years.
- Share Plans – shortly after Admission to AIM, awards of time-vesting 'Restricted Stock' were made to selected senior executives, including our CFO, Danielle Davies. These awards were considered appropriate as a means of:
  - ensuring the future retention of the selected individuals
  - providing a very straightforward and direct alignment for the individuals with the interests of our shareholders over the period of 5 years from Admission, which is the period before the shares subject to these awards will be fully realisable.
- We oversaw the launch of our first Sharesave offer in November 2017. We were pleased that 190 employees (c.14 per cent of our employees) elected to participate.

Remuneration in FY19

Barry Bown became our Executive Chairman on 1 June 2018. Details of the remuneration arrangements for Barry are set out in the section of this report relating to our remuneration arrangements in FY19.

In FY19 we will again operate an annual bonus plan. We have set targets for the year based on EBITDA performance: any bonus pay-outs to our Executive Directors and our senior executives will accordingly be 'self-funded'.

We also intend to make our first LTIP awards as an AIM company. These awards are designed to reward our executives for driving our profits performance (measured as Adjusted EPS) over the next 3 years.

As our Group has a strong 'team culture' there is a high level of consistency in how packages are structured across the whole senior management team, with the intention being that all Executive Directors and senior executives should participate in the same annual bonus plan and long-term incentive plan in the period from Admission, and with all the team being incentivised on the same performance measures.

The Remuneration Committee hopes that you will support our approach to the challenges we face on remuneration matters as we transition to an AIM listed company. We are confident that the structures and governance arrangements which we have in place on remuneration are the correct ones for the Company in its next stage of development.

STEPHEN ROBERTSON
CHAIRMAN, REMUNERATION COMMITTEE

The table below provides details of Directors' remuneration in FY18 and, for comparison, details of remuneration in FY17

		Salary / fees	Benefits	Pension	Annual bonus	Other	Total
Executive directors							
Jack Spellacy[3]	**FY18**	**£111,717**	–	–	**£100,788**	–	**£212,505**
Amy Mason[3]	**FY18**	**£4,167**	–	–	–	–	**£4,167**
John Wardle	**FY18**	**£20,833**	–	–	–	–	**£20,833**
	FY17	–	–	–	–	–	–
David Makin[3]	**FY18**	**£24,208**	–	–	–	–	**£24,208**
	FY17	£159,558	–	–	–	–	£159,558
Thomas Makin[3]	**FY18**	**£113,333**	**£9,237**	**390**	–	–	**£122,960**
	FY17	£62,333	–	–	–	–	£62,333
Peter Norbury[3]	**FY18**	**£18,750**	–	–	–	–	**£18,750**
	FY17	£47,917	–	–	–	–	£47,917
Clare Nesbitt	**FY18**	**£148,566**	**£41,285**	**£7,428**	–	–	**£197,279**
	FY17	£100,000	£18,364	£5,405	£18,500	–	£142,269
Danielle Davies[1]	**FY18**	**£174,833**	**£4,829**	**£8,742**	–	**£129,250**	**£317,654**
	FY17	£25,436	–	£4,363	£60,000	–	£89,799
Non-Executive Directors							
Stephen Robertson[2]	**FY18**	**£15,333**	–	–	–	–	**£15,333**
	FY17	–	–	–	–	–	–
Brendan Hynes[2]	**FY18**	**£15,333**	–	–	–	–	**£15,333**
	FY17	–	–	–	–	–	–

1 Danielle Davies was appointed in January 2017. The annual bonus paid to Danielle Davies in FY17 relates to joining arrangements and the SBP charge during FY18 relating to options granted on admission to Danielle Davies was £162,000.

2 Stephen Robertson and Brendan Hynes were appointed in October 2017

3 Jack Spellacy was appointed on 1 May 2017. Thomas Makin, David Makin, Amy Mason, Peter Norbury and Jack Spellacy resigned on 13 October 2017.

Benefits

Benefits for Executive Directors are private medical insurance (family cover) and a car allowance (£11,000 per annum). In addition, certain living expenses for Clare Nesbitt were technically treated as benefits in 2017/18; this was a transitional matter and the provision of these expenses has been discontinued from IPO.

Pension

Pension contributions are five per cent of annual salary for Executive Directors.

Annual bonus FY18 (and 2-year Cash LTIP)

The annual bonus for FY18 was based on a 'profit pool', with individual allocations proposed by the CEO to the Remuneration Committee. The CEO and CFO declined to be considered for an annual bonus for FY18.

For completeness, the Company's Cash LTIP (as disclosed in the Admission Document) was assessed following the end of the FY18 financial year. This was a cash based plan assessed on financial performance in each of FY17 and FY18. The metrics looked at EBITDA Margin (70 per cent weighting) and New Stores Contributions (30 per cent weighting) in each year.

The maximum payment for an individual participant was £75,000. Although the metrics were achieved so as to produce an outcome of 67.7 per cent of the maximum under the Cash LTIP, the CEO waived her entitlement to a payment under this plan.

Other

The amount shown in this column for Danielle Davies represents a one-off payment as a reward for additional work in the period leading up to the Company's IPO. The intention to make this payment was disclosed in the Company's Admission Document.

LTIP

Prior to Admission, the Company established the Footasylum Long Term Incentive Plan ('LTIP'). Full details of the LTIP are disclosed in the Company's Admission Document.

The award detailed below was made to Danielle Davies on 2 November 2017 and the terms of the award were disclosed in the Admission Document. The award is capable of vesting on 2 November 2020 (subject to continued employment) and will be subject to a further 2-year post-vesting holding period. The award is not subject to pre-vesting performance conditions.

	Options held at start of financial year	Options granted	Options exercised	Option grant price (p)	Options lapsed	Options held at year end
Danielle Davies	–	609,756	–	0.1p	–	609,756

Save As You Earn

Prior to Admission, the Company established the Footasylum Save As You Earn Scheme ('SAYE'). This is a standard HMRC tax-advantaged share plan under which participation must be offered to all employees on similar terms. SAYE was offered shortly following Admission and the first options were granted on 30 November 2017. Details of the SAYE options granted to the Executive Directors are shown below.

	Options held at start of financial year	Options granted	Options exercised	Option grant price (p)	Options lapsed	Options held at year end
Clare Nesbitt	–	13,719	–	131.2p	–	13,719
Danielle Davies	–	13,719	–	131.2p	–	13,719

The SAYE option exercise price represents a 20 per cent discount to the Company's share price on Admission (£1.64). The SAYE options are normally exercisable between 1 February 2021 and 31 August 2021.

Directors' interests

The beneficial interests of the Directors in the Company's Ordinary Shares as at 24 February 2018 are set out below:

	Ordinary Shares beneficially owned
John Wardle	–
Clare Nesbitt [1]	21,520,000
Danielle Davies	–
Stephen Robertson	11,933
Brendan Hynes	15,000

1 The beneficial shareholdings of Clare Nesbitt include 13,720,000 Ordinary Shares held in trust by The John Wardle 2016 Settlement.

Service contracts and letters of appointment

The details of the Directors' service contracts and letters of appointment are shown below.

	Date of contract /letter of appointment	Notice period
John Wardle	11 October 2017	Three months
Clare Nesbitt	11 October 2017	Twelve months
Danielle Davies	11 October 2017	Twelve months
Stephen Robertson	26 October 2017	Six months
Brendan Hynes	26 October 2017	Six months
Barry Bown (from 1 June 2018)	18 August 2017	Twelve months

IMAGE REMOVED

IMAGE REMOVED

IMAGE REMOVED

PROPOSED OPERATION OF REMUNERATION ARRANGEMENTS IN FY19

Base salary

The Executive Directors' base salaries for FY19 will be as follows:

- John Wardle: £50,000 (until 31 May 2018)
- Clare Nesbitt: £200,000
- Danielle Davies: £170,000
- Barry Bown: £225,000 (from 1 June 2018)

Pension

As set out in the Annual Report on Remuneration, pension contribution rates for Clare Nesbitt and Danielle Davies are 5 per cent of base salary. Barry Bown's pension contribution rate is 10 per cent of base salary.

Benefits

Details of the benefits received by Executive Directors are set out in the Annual Report on Remuneration. There is no current intention to introduce additional benefits in FY19.

Annual bonus

The overall bonus plan maximum will be 100 per cent of salary for Executive Directors in FY19. Bonuses are payable in full in cash.

The targets for Executive Directors will be based as to 100 per cent on Group EBITDA. Due to issues of commercial sensitivity, we do not believe it is in shareholders' interests to disclose any further details of these targets on a prospective basis. However, the Committee will, taking account of commercial sensitivity, consider the retrospective disclosure of the targets (and achievement against the targets) in the Directors' remuneration report for FY19.

Long-term incentives

As described in the Admission Document, Barry Bown will be made an award within the 42 day period following the publication of the Company's preliminary results, under the LTIP over Ordinary Shares which, as at the date of award, had a value of £2 million*.

The terms of this one-off award were disclosed in the Admission Document. The award is capable of vesting on the third anniversary of its award date (subject to continued employment) and will be subject to a further 2-year post-vesting holding period. The award is not subject to pre-vesting performance conditions.

The Company also proposes to make its first performance-linked LTIP awards in FY19. The terms of the proposed awards for the Executive Directors will be disclosed in the directors' remuneration report for FY19 but will include:

- a vesting term of 3 years from the date of award plus the application of a further 2 year holding period for performance vested shares
- stretching performance conditions based on the Company's earning per share which will be measured during FY21 results

Non-Executive Directors' fees

Stephen Robertson and Brendan Hynes will each receive a fee of £40,000 per annum.

IMAGE REMOVED

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the period ended 24 February 2018 ('the Period'). The Corporate Governance Statement set out on pages 46 to 49 forms part of this report.

Details of significant events since the balance sheet date are contained in Note 25 to the financial statements. An indication of likely future developments in the business of the Company and details of research and development activities are included in the Strategic Report.

Information about the use of financial instruments by the Company and its subsidiaries is given in Note 19 to the financial statements.

DIVIDENDS

The Board intends in the short term, to retain the Company's earnings for re-investment to continue growing the business and is therefore not proposing a final dividend for the Period. Ultimately, it is the Board's intention to pursue a progressive dividend policy, subject to the availability of sufficient distributable profits and the need to retain sufficient earnings to expand and develop the Group.

GOVERNANCE

The Board is committed to supporting high standards of corporate governance and, for this reason, we have continued to operate appropriate measures to comply, where relevant and practicable, with the Quoted Companies Alliance Code for small and mid-sized quoted companies (published in April 2018).

CAPITAL STRUCTURE

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the period are shown on page 70 of the financial statements. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities – other than the Relationship Agreement (summarised under the heading Relationship Agreement with Controlling Shareholders) and the Placing Agreement. Under the Placing Agreement, each of the Directors and the Existing Shareholders (being the shareholders immediately prior to the IPO, namely, John Wardle, David Makin, Clare Nesbitt, Thomas Makin and Amy Mason) have agreed (subject to certain exemptions) that they will not sell or dispose of their interests in or rights over any of their Ordinary Shares for a period of 12 months from Admission (2nd November 2017) and, for a further 12 months thereafter, they will only sell or dispose of their interests in or rights over their Ordinary Shares subject to orderly market restrictions.

Details of employee share schemes are set out in Note 21 to the financial statements.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on pages 46 to 49.

By written resolution dated 25 October 2017 it was resolved that the Company has authority to issue up to an aggregate nominal amount of £34,824.80 (34,824,797 ordinary shares), comprising one third of the Company's issued share capital on Admission to AIM.

GOING CONCERN

See Note 1 to the financial statements for the Group's statement on going concern.

BRANCHES

The Company has no branches outside of the UK.

POST BALANCE SHEET EVENTS

There have been no material post balance sheet events.

ANNUAL GENERAL MEETING (AGM)

The Company's AGM will be held on 8 August at 10:00 am at Sandbrook House, Sandbrook Park, Rochdale, OL11 1RY.

DIRECTORS

The Directors of the Company, who served throughout the Period except as noted, were as follows:

- Clare Nesbitt
- Danielle Davies
- John Wardle (resigned 31 May 2018)
- Stephen Robertson (appointed 26 October 2017)
- Brendan Hynes (appointed 26 October 2017)

FUTURE DEVELOPMENTS

The Strategic Report on pages 14 to 42 sets out the likely future developments of the company.

FINANCIAL RISK MANAGEMENT

Details of the Directors' assessment of the principal risks and uncertainties that could affect the business are set out in pages 38 to 42. The Board manages internal risk through the ongoing review of the Company's risk register and external risk through monitoring the economic and regulatory environment and market conditions.

DIRECTORS' INDEMNITIES

The Company has made qualifying third-party indemnity provisions for the benefit of its directors, which were made during the Period and remain in force at the date of this report.

POLITICAL CONTRIBUTIONS

The Company and its subsidiaries made no political donations or political contributions during the period under review.

SUBSTANTIAL SHAREHOLDINGS

On 24 February 2018, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

Name of holder	Percentage of voting rights and issued share capital	No. of ordinary shares
The John Wardle 2016 Settlement	34.60%	36,148,866
Old Mutual Global Investors (UK) LTD	11.31%	11,815,291
Hargreave Hale, LTD	8.22%	8,586,210
Amy Mason	7.47%	7,800,000
Clare Nesbitt	7.47%	7,800,000
Thomas Makin	7.47%	7,800,000
David Makin	6.00%	6,270,000

David Makin, Amy Mason, Clare Nesbitt, Thomas Makin and The John Wardle 2016 Settlement are presumed to be acting in concert.

The beneficiaries of The John Wardle 2016 Settlement are:

Name of holder	Percentage of voting rights and issued share capital	No. of ordinary shares
Thomas Makin	11.7%	12,259,176
Amy Mason	9.7%	10,169,690
Clare Nesbitt	13.1%	13,720,000

During the period between 24 February 2018 and 18 June 2018 the Company did not receive any notifications under chapter 5 of the Disclosure and Transparency Rules.

RELATIONSHIP AGREEMENT WITH CONTROLLING SHAREHOLDER/S

Under the Relationship Agreement each of the Existing Shareholders agreed not to acquire any further shares (other than pursuant to a share incentive plan) without consultation with the UK Panel on takeovers and mergers and further agreed not to acquire any interest in ordinary shares which when aggregated with existing interests would exceed more than 63.03 per cent of the issued ordinary share capital except with the prior consent of the independent Non-Executive Directors or immediately prior to the announcement of a firm intention to make an offer in accordance with the Takeover Code.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, newsletters and announcements. The employee share scheme has been running successfully since its inception on 2 November 2017. It is open to all employees and, on Admission, invitations to participate were sent to all eligible employees, who could apply to save between £5 and £500 per month. Options were granted on 30 November 2017 over 858,018 shares in favour of 190 employees. The Board will keep under review the appropriate timing for further invitations to participate in the scheme.

CORPORATE AND SOCIAL RESPONSIBILITY

Environmental, employee, social, community and human right matters

The Board recognises its responsibilities in respect of environmental, employee, social, community and human rights matters with the Chief Executive Officer having overall Board responsibility.

Ethical sourcing

Footasylum believes it is an obligation of the third parties we engage with to pursue their activities without impairing the human rights of any workers, whether employed by Footasylum directly or indirectly, and to minimise the impact on the environment. Our policy is therefore to endeavour to comply with all relevant legislation in each country in which we operate and, in doing so, strive to match the best practices in the country concerned.

Footasylum will do business only with contractors who we believe similarly respect the human rights of their employees and in turn require the same standards from any organisations that supply them and comply with our Code of Conduct and Ethical Sourcing policies (Code of Conduct). The Code of Conduct includes the following clear policies:

- Child labour is not used;
- Employment is chosen freely;
- There is no harsh or inhumane treatment;
- Non-discrimination is practiced;
- Working conditions are safe and hygienic;
- Living wages are paid; and
- Working hours are not excessive.

ENVIRONMENT

The Group seeks to minimise its impact on the environment through reducing waste and considering the impact on the environment as part of the procurement process.

TRAINING

We are committed to enhancing the skills of our employees through development and training, to foster talent and improve commercial performance. We continue to attract and retain high calibre, dynamic individuals, and channel and develop their skills through training, performance management and coaching.

DIVERSITY

Our employment policies make clear that there can be no place for discrimination on the grounds of disability, gender, sexual orientation, religion, nationality, ethnic background or race.

SUPPORT FOR CHARITIES AND COMMUNITIES

We keep under review our support for local community causes and last year made a donation of £15,000 to the Manchester Evening News/British Red Cross fundraising campaign in connection with the Manchester Arena bombing. Donations are made to causes championed by our employees.

DISCLOSURE OF INFORMATION TO THE AUDITORS

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

Grant Thornton UK LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board,

NANCY KELSALL
COMPANY SECRETARY
18 June 2018

* As described in the Admission Document, Barry Bown was granted an option on 21 June 2018 to acquire 2,531,645 ordinary shares under the LTIP which had a market value of £2.0 million by reference to the mid-market closing price of an ordinary share as at the day before the award.

GOVERNANCE
DIRECTORS' RESPONSIBILITIES

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 such financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation. They have also chosen to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. 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 Company and of the profit or loss of the Company for that period.

In preparing the Parent Company 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 Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Parent Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

This responsibility statement was approved by the Board of Directors on 18 June 2018 and is signed on its behalf by:

By order of the Board

CLARE NESBITT
CHIEF EXECUTIVE OFFICER

DANIELLE DAVIES
CHIEF FINANCIAL OFFICER

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOOTASYLUM PLC

for the year ended 24th February 2018

OPINION

Our opinion on the financial statements is unmodified

We have audited the financial statements of Footasylum plc (the 'parent company') and its subsidiaries (the 'group') for the 52-week period ended 24 February 2018, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- 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 24 February 2018 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £400,000, which represents 5% of the group's profit before taxation, excluding exceptional items.
- Key audit matters were identified as improper revenue recognition and inventory not being valued at the lower of cost and net realisable value.
- Since the Group consists only of the trading parent company and dormant subsidiaries, the parent company was the only component we assessed as significant.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOOTASYLUM PLC CONTINUED

for the year ended 24th February 2018

KEY AUDIT MATTERS

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.

GRAPHIC REMOVED

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) that we identified. These matters included those that 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 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.

Key Audit Matter – Group and parent	How the matter was addressed in the audit – Group and parent
Improper revenue recognition There is a risk that revenue has been misstated through fraudulent entries, or entries made in error. This is considered to be a key audit risk given the importance of reported revenue to key stakeholders. Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is also a presumed risk of fraud in revenue recognition, present in all entities. We therefore identified improper revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing the accounting policies for compliance with the financial reporting framework and in particular that revenue was recognised at the point in time that the risks and rewards of ownership were transferred to the customer • Testing of a sample of revenue transactions in the period through agreement to source documentation in order to confirm the sale occurred and was recognised in the correct period • Testing a sample of revenue transactions just prior to and post the 24 February 2018 period end to confirm that the transactions were recognised in the correct financial period • Undertaking trend analysis and ratio analysis to identify any potential unusual movements in revenue. The group's accounting policy on revenue is shown in note 1.5 to the financial statements and related disclosures are included in note 2. **Key observations** Based on our audit work, we found that the revenue recognition policy set out in note 1.5 has been applied consistently, and that revenue is free from material misstatement.
Inventory is not held at the lower of cost and net realisable value There is a risk that the carrying value of inventory has been misstated as a result of not being held at the lower of cost and net realisable value. This is considered to be a key audit risk due to the seasonal nature of the Group's retail business and the changing desirability of branded products over time. There are inherent uncertainties in inventory provisions as future sales prices have to be estimated. We therefore identified inventory not being held at the lower of cost and net realisable value as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing the overall consistency of the application of the Group's accounting policy with reference to prior periods and compliance with the financial reporting framework • Testing the integrity of the obsolescence provision calculation and the ageing of a sample of inventory items upon which the provision has been derived • Challenging the key assumptions within the obsolescence provision including the expected proceeds for certain aged items • Assessing the provision with reference to stock sold below cost during the financial period and subsequent to the period end • Testing a sample of inventory items held at the period end to subsequent evidence of sale and comparison of the net realised value to the cost of the item • Trend analysis and ratio analysis to identify any potential unusual movements The group's accounting policy on inventory is shown in note 1.9 to the financial statements and related disclosures are included in note 13. **Key observations** Based on our audit work, we found that the inventory accounting policy set out in note 1.9 has been applied consistently and that inventory is held at the lower of cost and net realisable value. We consider the inventory obsolescence provision to be reasonable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOOTASYLUM PLC CONTINUED

for the year ended 24th February 2018

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£400,000, which is 5% of the group's profit before taxation, excluding exceptional items. This benchmark is considered the most appropriate because of the importance that management apply to this measure in relation to the performance of the business, and is the measure on which growth is monitored. Materiality for the current period is lower than the level that we determined for the 52-week period ended 25 February 2017. Whilst our benchmark is consistent with the prior year, we have reduced the percentage threshold to reflect the additional risk subsequent to the Group being admitted onto AIM. The reduction in the percentage threshold is the main reason for the overall reduction in materiality but the decrease in the profit before taxation, excluding exceptional items, figure of £176,000 has also contributed.	£393,000, which is 4.9% of the company's profit before taxation, excluding exceptional items. This benchmark is considered the most appropriate because of the importance that management apply to this measure in relation to the performance of the business, and is the measure on which growth is monitored. Materiality for the current period is lower than the level that we determined for the 52-week period ended 25 February 2017. Whilst our benchmark is consistent with the prior year, we have reduced the percentage threshold to reflect the additional risk subsequent to the Company being admitted onto AIM. The reduction in the percentage threshold is the main reason for the overall reduction in materiality but the decrease in the profit before taxation, excluding exceptional items, figure of £51,000 has also contributed.
Performance materiality used to drive the extent of our testing	65% of financial statement materiality.	65% of financial statement materiality.
Communication of misstatements to the audit committee	£20,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£19,650 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

GRAPHIC REMOVED

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- an evaluation by the audit team of identified components. Since the Group consists only of the trading parent company and dormant subsidiaries, the parent company was the only component we assessed as significant. We performed the majority of our audit procedures at the Group's head office in Rochdale.
- an evaluation of the group's controls relevant to the audit.
- an assessment of material accounting policies for compliance with the financial reporting framework.
- an evaluation of significant management estimates or judgments.
- there were no significant changes in the current period audit approach when compared to the prior period, with the exception of procedures performed in respect of share based payments and allocation of IPO related costs, neither of which arose in the prior period. We also performed additional testing in relation to areas impacted by the admission on the AIM, such as additional financial statement disclosure requirements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOOTASYLUM PLC CONTINUED

for the year ended 24th February 2018

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 58, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

MICHAEL FRANKISH
SENIOR STATUTORY AUDITOR
for and on behalf of Grant Thornton UK LLP Statutory Auditor, Chartered Accountants
Manchester 18 June 2018

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FINANCIAL STATEMENTS

FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

for the year ended 24th February 2018

	Notes	**52 Week Period ended 24 February 2018 £'000**	52 Week Period ended 25 February 2017 £'000
Revenue	2	**194,769**	146,963
Cost of sales		**(107,160)**	(79,499)
Gross profit		**87,609**	67,464
Administrative expenses	3	**(85,399)**	(59,013)
Operating profit		**2,210**	8,451
Underlying EBITDA*	3	**12,457**	11,228
Depreciation and amortisation	3	**(3,803)**	(2,777)
Share-based payments charge	3	**(421)**	–
Operating profit before exceptional items		**8,233**	8,451
Exceptional items	3	**(6,023)**	–
Operating profit		**2,210**	8,451
Finance expense	6	**(269)**	(311)
Profit before tax		**1,941**	8,140
Taxation	7	**(1,780)**	(1,897)
Profit and total comprehensive income for the financial period attributable to shareholders		**161**	6,243

* Underlying EBITDA is stated as earnings before interest, tax, depreciation, amortisation, exceptional items and share-based payments charge.

All activities relate to continuing operations.

	Notes	**52 Week Period ended 24 February 2018 £'000**	52 Week Period ended 25 February 2017 £'000
Basic and diluted earnings per share attributable to equity shareholders of the Company:			
Basic	8	**0.19p**	8.00p
Diluted	8	**0.18p**	8.00p

Dividends paid and proposed are disclosed in Note 6.

Notes 1 to 26 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 24th February 2018

	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
Profit for the financial year	**161**	6,243
Total comprehensive income for the year	**161**	6,243

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended 24th February 2018

	Notes	At 24 February 2018 £'000	At 25 February 2017 £'000
Non-current assets			
Intangible assets	11	**477**	21
Property and equipment	12	**19,905**	14,215
		20,382	14,236
Current assets			
Inventory	13	**35,720**	23,522
Trade and other receivables	14	**7,493**	3,615
Deferred tax asset	14, 17	**104**	104
Cash and cash equivalents	15	**11,416**	2,839
		54,733	30,080
Total assets		**75,115**	44,316
Current liabilities			
Trade and other payables	16	**(27,977)**	(19,007)
Preference shares	16, 19	**–**	(18,700)
		(27,977)	(37,707)
Net current assets / (liabilities)		**26,756**	(7,627)
Non-current liabilities			
Accruals and deferred income	16	**(4,693)**	(2,109)
Net obligation under finance lease and hire purchase	16	**(235)**	(71)
Director loans	16	**–**	(3,850)
		(4,928)	(6,030)
Total liabilities		**(32,905)**	(43,737)
Net assets		**42,210**	579
Equity			
Share capital	22	**104**	6
Share premium account		**3,510**	249
Retained earnings		**38,596**	324
Total equity		**42,210**	579

Notes 1 to 26 form part of these financial statements.

On behalf of the Board:

DANIELLE DAVIES
CHIEF FINANCIAL OFFICER
18 June 2018

Company number: 05535565

FINANCIAL STATEMENTS
CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

for the year ended 24th February 2018

	Notes	At 24 February 2018 £'000	At 25 February 2017 £'000
Cash generated from operating activities			
Profit for the period:	3	**161**	6,243
Adjustments for:			
Depreciation of property, plant and equipment	3	**3,803**	2,777
(Gain) / Loss on disposal of tangible assets		**(7)**	20
Net finance charge	6	**269**	311
Share-based payments charge	3	**421**	–
Taxation charge	7	**1,780**	1,897
Increase in stock		**(12,199)**	(4,447)
Increase in debtors		**(3,878)**	(1,578)
Increase in creditors		**10,727**	9,125
Corporation tax paid		**(1,787)**	(1,517)
Net cash (used in) / generated from operating activities		**(710)**	12,831
Investing activities			
Purchase of intangible assets		**(530)**	–
Purchases of property, plant and equipment		**(8,005)**	(5,711)
Sale of property, plant and equipment		**18**	68
Net cash used in investing activities		**(8,517)**	(5,643)
Financing activities			
Finance leases	20	**(75)**	117
Dividends paid	6	**–**	(109)
Interest paid		**(214)**	(121)
Proceeds from the issue of ordinary share capital		**43,418**	–
Share issue costs		**(2,318)**	–
Debt issue costs		**(330)**	–
Repayment of preference shares	20	**(18,700)**	–
Repayment of Director loan account capital	20	**(3,850)**	–
Repayment of Director loan account interest		**(127)**	–
Net cash generated from / (used in) financing activities		**17,804**	(113)
Net increase in cash and cash equivalents		**8,577**	7,075
Cash and cash equivalents / (overdraft) at beginning of period		**2,839**	(4,236)
Cash and cash equivalents at end of period	15	**11,416**	2,839

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Reconciliation of 52 week period to 25 February 2017

	Share capital £'000	Preference Shares £'000	Share premium £'000	Retained earnings / (losses) £'000	Total equity £'000
Balance at 26 February 2016	6	18,700	249	(5,810)	13,145
Comprehensive Income:					
Profit for the period	–	–	–	6,243	6,243
	6	18,700	249	433	19,388
Transactions with owners recorded directly in equity:					
Dividends	–	–	–	(109)	(109)
Reclassification of preference shares to debt	–	(18,700)	–	–	(18,700)
Balance at 25 February 2017	6	–	249	324	579

Reconciliation of 52 week period to 24 February 2018

	Share capital £'000	**Preference Shares £'000**	**Share premium £'000**	**Retained earnings / (losses) £'000**	**Total equity £'000**
Balance at 25 February 2017	**6**	**–**	**249**	**324**	**579**
Comprehensive Income:					
Profit for the period	**–**	**–**	**–**	**161**	**161**
	6	**–**	**249**	**485**	**740**
Transactions with owners recorded directly in equity:					
Bonus issue of shares[(i)]	**72**	**–**	**(72)**	**–**	**–**
Issue of shares[(ii)]	**26**	**–**	**43,392**	**–**	**43,418**
Share issue costs[(iii)]	**–**	**–**	**(2,318)**	**–**	**(2,318)**
Capital reduction[(iv)]	**–**	**–**	**(37,741)**	**37,741**	**–**
Share-based payments charge	**–**	**–**	**–**	**370**	**370**
Balance at 24 February 2018	**104**	**–**	**3,510**	**38,596**	**42,210**

i On the 2nd of November 2017, the Company issued bonus shares of 12 to 1 for existing shareholders

ii On the 2nd of November 2017, the Company sub divided existing ordinary shares by 1000

iii On the 2nd of November 2017, the Company issued 26,474,390 ordinary shares

iv On the 13th February 2018, the Company reduced share premium account by £37,740,525

FINANCIAL STATEMENTS
COMPANY STATEMENT OF CHANGES IN EQUITY

Reconciliation of 52 week period to 25 February 2017

	Share capital £'000	Preference Shares £'000	Share premium £'000	Retained earnings / (losses) £'000	Total equity £'000
Balance at 26 February 2016	6	18,700	249	(5,817)	13,138
Comprehensive Income:					
Profit for the period	–	–	–	6,243	6,243
	6	18,700	249	426	19,381
Transactions with owners recorded directly in equity:					
Dividends	–	–	–	(109)	(109)
Reclassification of preference shares to debt	–	(18,700)	–	–	(18,700)
Balance at 25 February 2017	6	–	249	317	572

Reconciliation of 52 week period to 24 February 2018

	Share capital £'000	**Preference Shares £'000**	**Share premium £'000**	**Retained earnings / (losses) £'000**	**Total equity £'000**
Balance at 25 February 2017	**6**	**–**	**249**	**317**	**572**
Comprehensive Income:					
Profit for the period	**–**	**–**	**–**	**161**	**161**
	6	**–**	**249**	**478**	**733**
Transactions with owners recorded directly in equity:					
Bonus issue of shares[i]	**72**	**–**	**(72)**	**–**	**–**
Issue of shares[ii]	**26**	**–**	**43,392**	**–**	**43,418**
Share issue costs[iii]	**–**	**–**	**(2,318)**	**–**	**(2,318)**
Capital reduction[iv]	**–**	**–**	**(37,741)**	**37,741**	**–**
Share-based payments charge	**–**	**–**	**–**	**370**	**370**
Balance at 24 February 2018	**104**	**–**	**3,510**	**38,589**	**42,203**

i On the 2nd of November 2017, the Company issued bonus shares of 12 to 1 for existing shareholders
ii On the 2nd of November 2017, the Company sub divided existing ordinary shares by 1000
iii On the 2nd of November 2017, the Company issued 26,474,390 ordinary shares
iv On the 13th February 2018, the Company reduced share premium account by £37,740,525

COMPANY STATEMENT OF FINANCIAL POSITION

for the year ended 24th February 2018

	Notes	At 24 February 2018 £'000	At 25 February 2017 £'000
Non-current assets			
Intangible assets	11	**477**	21
Property and equipment	12	**19,905**	14,215
Investments		**1**	1
		20,383	14,237
Current assets			
Inventory	13	**35,720**	23,522
Trade and other receivables	14	**7,493**	3,615
Deferred tax asset	14, 17	**104**	104
Cash and cash equivalents	15	**11,416**	2,839
		54,733	30,080
Total assets		**75,116**	44,317
Current liabilities			
Trade and other payables	16	**(27,985)**	(19,015)
Preference shares	16, 19	**-**	(18,700)
		(27,985)	(37,715)
Net current assets / (liabilities)		**26,748**	(7,635)
Non-current liabilities			
Accruals and deferred income	16	**(4,693)**	(2,109)
Net obligation under finance lease and hire purchase	16	**(235)**	(71)
Director loans	16	**-**	(3,850)
		(4,928)	(6,030)
Total liabilities		**(32,913)**	(43,745)
Net assets		**42,203**	572
Equity			
Share capital	22	**104**	6
Share premium account		**3,510**	249
Retained earnings		**38,589**	317
Total equity		**42,203**	572

Company profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The company profit after tax for the period is £161,000 (2017: £6,243,000).

Notes 1 to 26 form part of these financial statements.

DANIELLE DAVIES
CHIEF FINANCIAL OFFICER
18 June 2018

Company number: 05535565

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 *General information*

Footasylum plc (the 'Company') is a company limited by shares and incorporated and domiciled in the UK.

Footasylum plc is incorporated in the UK. The registered office is Sandbrook House, Sandbrook Park, Rochdale, Lancashire, OL11 1RY.

The principal activity of the Company is the retail of sports and fashion footwear and clothing.

1.2 Basis of preparation

The Consolidated and Company Financial Statements have been prepared in accordance with IFRS and the International Financial Reporting Interpretation Committee ('IFRIC') interpretations endorsed by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The functional currency of the Company and its subsidiary undertakings (the 'Group') is pounds sterling and the financial statements are presented in pounds sterling, rounded to the nearest thousand.

These financial statements are the first prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The financial statements have been prepared under the historical cost convention, as modified for financial assets and liabilities at fair value through the Consolidated Income Statement.

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

In preparing the financial statements of the parent company, the following disclosure exemptions have been taken advantage of, in accordance with FRS 101. Therefore these financial statements do not include:

- A statement of cash flows and related notes
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the Group as they are wholly owned within the Group
- Presentation of comparative reconciliations for property, plant and equipment and intangible assets
- Disclosure of key management personnel compensation
- Capital management disclosures
- The effect of future accounting standards not adopted
- Certain share-based payment disclosures
- Disclosures in relation to impairment of assets
- Disclosures in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value)

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies set out below have unless otherwise stated been applied consistently to all periods present in these financial statements and have been applied consistently by all Group entities.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, having particular regard to the net assets position of the Group, the access to a revolving credit facility (£30 million), and its forecast performance for the next 12 months. Thus, the Directors consider that the Group can continue in operation as a going concern for the foreseeable future, adopting the going concern basis in preparing the financial statements.

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed and require adoption by the Group in future reporting periods. The Group has summarised the expected impact of standards, amendments or interpretations issued by the IASB, but not yet applicable, in 1.19.

1.3 Critical accounting estimates and judgements

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

The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities is considered to surround inventory, due to the seasonal nature of the Group's retail businesses and the judgement required in assessing the recoverability of its carrying value. This is discussed further below:

Provisions to Write Inventories Down to Net Realisable Value (Estimate)

The Group makes provisions for obsolescence, mark downs and shrinkage based on historical experience, the quality of the current season buy, market trends and management estimates of future events. The provision requires estimates for shrinkage, the expected future selling price of items and identification of aged and obsolete items.

Provision for HMRC (Estimate)

Valuation of HMRC provisions – The Group holds provisions for expected regulatory and legislative costs that it expects to incur. Management exercises judgement to determine the amount of these provisions with reference to past experience and other known factors. Each provision is considered separately and the amount provided reflects the best estimate of the most likely amount, being the single most likely amount in a range of possible outcomes. In some cases, it can be difficult to predict the outcome and actual results may differ from this assessment. The Directors believe that a reasonable provision is made for each known risk and included in the statement of financial position as at 24 February 2018.

Provision for IPO costs (Judgement and Estimate)

Allocation of IPO-related costs – Management have undertaken an assessment of the IPO related costs as to whether these were incremental costs that were directly attributable to the issuing of new shares. Costs that met this definition were treated as a deduction from equity whilst all other IPO related costs were recognised as exceptional items in the income statement. This assessment is inherently judgemental and involves a degree of estimation where certain costs relate jointly to the issuing of new shares and listing.

1.4 Other accounting estimates and judgements

Impairment of Property, Plant and Equipment and Non-current Other Assets (Estimate)

Property, plant and equipment and non-current other assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset or a cash-generating unit is not recoverable. A cash-generating unit is an individual store. The recoverable amount is the greater of the fair value less costs to sell and value-in-use. Impairment losses recognised in prior periods are assessed at each reporting period date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would be held (net of depreciation) if no impairment had been realised.

Rebates (Estimate)

Trade discounts and settlement discounts for prompt payment are deducted from the cost of inventories.

1.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

In the case of goods sold through the retail stores and trading websites, revenue is recognised when goods are sold and the title has passed, less provision for returns. Accumulated experience is used to estimate and provide for such returns at the time of the sale and this provision is included within accruals. Retail sales are usually in cash, by debit card or by credit card.

Wholesale revenue is recognised when the title and the risks and rewards of ownership have passed to the consumer. In some instances, goods are sold with a right of return. Where wholesale goods are sold with a right of return, a provision is made to estimate the expected level of returns based on accumulated experience and historical rates. The provision for returns is included within accruals. Wholesale sales are either settled by cash received in advance of the goods being dispatched or made on agreed credit terms.

1.6 Intangible assets

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Software development costs (including website development costs) are capitalised as intangible assets if the technical and commercial feasibility of the project has been demonstrated, the future economic benefits are probable, the Group has an intention and ability to complete and use or sell the software and the costs can be measured reliably. Costs that do not meet these criteria are expensed as incurred.

Software development is stated at cost less any accumulated amortisation and any recognised impairment loss. Software development costs are being amortised straight line over a usual life of 2-7 years.

1.7 Property, plant and equipment

Items of property, plant and equipment are stated at purchase cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following basis.

Motor Vehicles	–	25% reducing balance
Fixtures and fittings	–	10% straight line or over the term of the lease
Computer equipment	–	17 - 25% straight line
Plant and machinery	–	20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

1.8 Leases

Operating lease payments

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.9 Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and production or conversion costs.

1.10 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the statement of financial position date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the income statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.11 Exceptional costs

Items that are material in size and / or non-recurring in nature are presented as exceptional items in the income statement. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the group's underlying business performance. Events which may give rise to the classification of items as exceptional include restructuring of businesses, gains or losses on the disposal or impairment of assets and other significant non recurring gains or losses.

1.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.13 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the income statement when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

1.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the income statement in the period that the Group becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

1.15 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except when a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been substantively enacted by the reporting date.

1.16 Preference shares

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the Group's own equity instruments.

When these conditions are not satisfied, preference shares are presented as a liability in the balance sheet. The corresponding dividends relating to the preference shares are charged as interest expense in the income statement.

1.17 Share capital & share premium

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

1.18 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

1.19 New standards, amendments to standards or interpretations

The Group has not early adopted the following standards and statements which are not yet effective. The adoption of these standards is not expected to have a material impact on the Group's accounts when adopted, except where stated:

- IFRS 9 Financial Instruments.
  The new standard is effective for annual reporting periods beginning on or after 1 January 2018. The standard is not expected to have a material impact on the Group.
- IFRS 15 Revenue from Contracts with Customers.
  The new standard is effective for annual reporting periods beginning on or after 1 January 2018. The Group continues to assess the impact of the standard but it is not expected to be material.
- IFRS 16 Leases.
  The new standard is effective for annual reporting periods beginning on or after 1 January 2019. Although the Group has not fully assessed the impact of the new standard, it is expected to be material due to the significant commitments under operating leases shown in Note 23, the effect being the recognition of assets and liabilities in respect of these leases on the statement of financial position.

The Group intends to adopt the new standards and amendments no later than their applicable date, subject to endorsement by the EU.

1.20 Treatment of IPO costs

Various costs were incurred when listing and issuing shares as part of the IPO. The nature of these costs have been determined to ensure that the costs are correctly accounted for either through equity or profit or loss, namely:

- Transaction costs directly attributable to the issuance of new shares that otherwise would have been avoided are deducted from equity;
- Transaction costs relating to the listing of shares, whether new or existing, should be expensed through profit or loss;
- Where transaction costs relate jointly to more than one transaction (e.g. the issue of new shares, the sale of existing shares and listing all the shares), the costs have been appropriately allocated to each activity.

1.21 Share-based payments

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured by use of the Black-Scholes simulation. The main assumptions are provided in Note 20.

1.22 Tax provisions

Provision is made for known issues based on management's interpretation of legislation and the likely outcome of negotiations or litigation. The Group's approach is to consider each uncertain tax position separately. Where management considers it is probable that there will be a future outflow of funds to an authority, a provision is recognised. The position is reviewed on an ongoing basis.

Provisions are measured using management's best estimate of the most likely amount, being the single most likely amount in a range of possible outcomes. The Group discloses any significant uncertainties in relation to tax matters to the relevant tax authority. The resolution of tax positions taken by the Group can take a considerable period to conclude and in some cases, it is difficult to predict the outcome.

2 SEGMENTAL REPORTING

The Directors consider there to be one operating and reportable segment, being that of the sale of products through retail outlets, the Group's website and wholesale.

Whilst the business and Chief Operating Decision Maker ('CODM') does review analysis of revenues at a disaggregated level, as disclosed below, information in relation to assess business performance and make resource allocation decisions at a level below the whole business is not made available. In particular, operating profit is not calculated at a level below the whole business. As such, the Directors consider there to be one operating and reportable segment.

	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
Store	**133,119**	104,963
Web	**59,027**	42,000
Wholesale	**2,623**	–
	194,769	146,963

Geographic Information

The following table provides analysis of the Group's revenue by geographical market:

	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
United Kingdom	**191,282**	143,313
Rest of the World	**3,487**	3,650
	194,769	146,963

3 PROFIT BEFORE TAX

This is stated after charging:

	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
Exceptional costs	**6,023**	–
Depreciation of property, plant and equipment	**3,803**	2,777
(Gain) / Loss on disposal of property, plant and equipment	**(7)**	20
Exchange differences	**30**	50
Hire of assets - operating leases	**14,572**	11,609
Share-based payments charge	**421**	–

Exceptional cost in the period ending 24 February 2018 relate to preparations for admission (£4,145,000) and HMRC VAT provisions (£1,878,000).

Total costs incurred in relation to the admission on AIM were £6,462,000 with £2,317,000 charged to the share premium as being directly related to newly issued shares.

HMRC VAT provisions are made for known issues based on management's interpretation of legislation and the likely outcome of negotiations or litigation. Each provision is considered separately and the amount provided reflects the best estimate of the most likely outcome, being the single most likely in a range of possible outcomes.

	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
Auditor's remuneration		
Fees payable for the auditing of the Group's annual accounts	**45**	23
Other taxation advisory services	**10**	5
Other assurance services (relating to IPO)	**75**	–
Taxation compliance services	**4**	2

	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
EBITDA reconciliation		
Operating profit	**2,210**	8,451
Exceptional items	**6,023**	–
Underlying operating profit before share-based payments charge, depreciation and amortisation	**8,233**	8,451
Depreciation and amortisation	**3,803**	2,777
EBITDA	**12,036**	11,228
Share-based payments charge	**421**	–
Underlying EBITDA	**12,457**	11,228

Underlying EBITDA is calculated as Group underlying operating profit under IFRS plus depreciation and amortisation. Excludes exceptional items and IFRS 2 related share-based payments credit and charge. FY18 exceptional expenses of £6,023,000 were attributable to costs associated with the Initial Public Offering (£4,145,000) and HMRC VAT provisions (£1,878,000).

4 STAFF NUMBERS AND COSTS

Staff costs (including directors) consist of:

	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
Wages and salaries	**28,284**	20,121
Social security costs	**1,447**	2,149
Pension costs	**127**	95
	29,858	22,365

The average number of employees (including directors) during the period was as follows:

	52 Week Period ended 24 February 2018	52 Week Period ended 25 February 2017
Retail	**885**	746
Administration	**243**	173
Warehouse	**184**	156
	1,312	1,075

5 DIRECTORS' REMUNERATION

	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
Directors' emoluments	**932**	511
Company contributions to defined contribution pension scheme	**17**	10
Share-based payments	**388**	–
	1,337	521

A breakdown of Directors' remuneration for each individual Director can be found in the Directors' Remuneration Report.

6 FINANCE INCOME AND EXPENSE

	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
Finance expense		
Bank interest payable	**147**	210
Director's loan interest	**57**	99
Other interest payable	**65**	2
	269	311

No equity dividends were paid or proposed in 2018 (2017: £109,000)

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Group and Company	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
Current tax expense		
Current period	**1,702**	2,023
Adjustments in respect of prior periods	**78**	(16)
Current tax expense	**1,780**	2,007
Deferred taxation (income) / expense		
Origination and reversal of timing differences	**–**	(106)
Changes to tax rates	**–**	–
Adjustment in respect of prior periods	**–**	(4)
Deferred tax expense	**–**	(110)
Total tax expense	**1,780**	1,897

The tax charge for the period can be reconciled to the profit per the income statement as follows:

	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
Profit before tax	**1,941**	8,140
Profit at the standard rate of corporation tax in the UK of 19.1% (2017: 20.0%)	**371**	1,628
Effects of: Expenses not deductible for tax purposes	**1,331**	289
Adjustments to tax charge in respect of prior periods	**78**	(20)
Total tax charge for the period	**1,780**	1,897

The UK corporation tax rate was 20 per cent between the period 1 April 2015 to 31 March 2017. The rate reduced to 19 per cent with effect from 1 April 2017 and will reduce to 17 per cent with effect from 1 April 2020. This will reduce the Group's future current tax charge accordingly. The deferred tax asset as at 24 February 2018 has been calculated based on a rate of 19 per cent based on when the Group expects the deferred tax liability to reverse.

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

	52 Week Period ended 24 February 2018		52 Week Period ended 25 February 2017	
	Profit after tax £	PAT before exceptional costs and share-based payments charge £	Profit after tax £	PAT before exceptional costs and share-based payments charge £
Profit attributable to equity shareholders of the parent	160,883	6,604,305	6,243,367	6,243,367
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	86,413,779	86,413,779	78,000,000*	78,000,000*
Effect of dilutive potential ordinary shares: Share options	2,687,286	2,687,286	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	89,101,065	89,101,065	78,000,000*	78,000,000*
Diluted shareholdings at 24 February 2018 (Non-GAAP measure)**	107,161,676	107,161,676	107,161,676	107,161,676
Non-GAAP diluted earnings per share**	0.15p	6.16p	5.83p	5.83p
Basic earnings per share	0.19p	7.64p	8.00p	8.00p
Diluted earnings per share	0.18p	7.41p	8.00p	8.00p

*Restated in accordance with IAS33 to reflect the impact of the sub-division and bonus issue of shares on 2 November 2017 (Note 22).

** Non-GAAP measure is based on shareholdings as at 24 February 2018 for both FY18 and FY17.

9 PROFIT FOR THE FINANCIAL YEAR

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group profit for the period includes a profit after tax of £161,000 (2017: £6,243,000)

10 SUBSIDIARIES

The following companies were the undertakings of the Group as at 24 February 2018:

Name of subsidiary	Place of registration	Registered Address	Nature of business and operation	Ownership interest	Voting rights interests
Drome Limited	England	Sandbrook House, Sandbrook Park, Rochdale, Lancashire, OL11 1RY	Dormant	100%	100%
Footasylum Brands Limited	England	Sandbrook House, Sandbrook Park, Rochdale, Lancashire, OL11 1RY	Non–trading	100%	100%
Loyalti Limited	England	Sandbrook House, Sandbrook Park, Rochdale, Lancashire, OL11 1RY	Non–trading	49%	49%
Projekts NYC Limited	England	Sandbrook House, Sandbrook Park, Rochdale, Lancashire, OL11 1RY	Dormant	100%	100%

11 INTANGIBLE ASSETS

Group and Company

	IT Development Software £'000	Goodwill £'000	Total £'000
For the year ended 24 February 2018			
Cost:			
As at 25 February 2017	–	21	21
Additions	530	–	530
As at 24 February 2018	**530**	**21**	**551**
Accumulated amortisation:			
As at 25 February 2017	–	–	–
Depreciation charge	(74)	–	(74)
As at 24 February 2018	**(74)**	**–**	**(74)**
Net book value:			
As at 24 February 2018	**456**	**21**	**477**
For the period ended 25 February 2017			
Cost:			
As at 27 February 2016	–	21	21
As at 25 February 2017	–	21	21
Accumulated amortisation:			
As at 27 February 2016	–	–	–
As at 25 February 2017	–	–	–
Net book value:			
As at 25 February 2017	–	21	21

Goodwill acquired through business combinations has been allocated for impairment testing purposes on an ongoing business basis as a single cash–generating unit (CGU). An impairment test is a comparison of the carrying value of the assets of a business or CGU to their recoverable amount. Where the recoverable amount is less than the carrying value, then an impairment results. The Company carries out its impairment testing each period.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management, based on the business plan approved by the Board.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre–tax rates that reflect current market assessments of the time value of money and risks. The discount rate used in the impairment review during the periods was 3 per cent. Management have considered sensitivity analysis and are satisfied that there is no risk of material impairment.

12 PROPERTY, PLANT AND EQUIPMENT

Group & Company	Motor Vehicles £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Plant and machinery £'000	Total £'000
For the year ended 24 February 2018					
Cost:					
As at 25 February 2017	**790**	**21,604**	**3,214**	**–**	**25,608**
Additions	**312**	**7,829**	**1,155**	**144**	**9,440**
Disposals	**(65)**	**(666)**	**–**	**–**	**(731)**
As at 24 February 2018	**1,037**	**28,767**	**4,369**	**144**	**34,317**
Accumulated depreciation:					
As at 25 February 2017	**(383)**	**(9,298)**	**(1,712)**	**–**	**(11,393)**
Depreciation charge	**(214)**	**(2,915)**	**(542)**	**(58)**	**(3,729)**
Disposals	**44**	**666**	**–**	**–**	**710**
As at 24 February 2018	**(553)**	**(11,547)**	**(2,254)**	**(58)**	**(14,412)**
Net book value:					
As at 24 February 2018	**484**	**17,220**	**2,115**	**86**	**19,905**

Group & Company	Motor Vehicles £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Plant and machinery £'000	Total £'000
For the period ended 25 February 2017					
Cost:					
As at 27 February 2016	845	16,304	2,726	–	19,875
Additions	114	5,312	488	–	5,914
Disposals	(169)	(12)	–	–	(181)
As at 25 February 2017	790	21,604	3,214	–	25,608
Accumulated depreciation:					
As at 27 February 2016	(301)	(7,022)	(1,386)	–	(8,709)
Depreciation charge	(159)	(2,276)	(342)	–	(2,777)
Disposals	77	–	16	–	93
As at 25 February 2017	(383)	(9,298)	(1,712)	–	(11,393)
Net book value:					
As at 25 February 2017	407	12,306	1,502	–	14,215

Assets held under finance lease had a net book value of £443,000 (2017: £138,000) with a depreciation charge of £141,000 (2017: £2,000).

During the year, management reassessed the useful economic life of assets and this resulted in an additional depreciation charge of £273,000.

13 INVENTORIES

	Group At 24 February 2018 £'000	Group At 25 February 2017 £'000	Company At 24 February 2018 £'000	Company At 25 February 2017 £'000
Inventory	**37,804**	25,381	**37,804**	25,381
Provision	**(2,084)**	(1,859)	**(2,084)**	(1,859)
	35,720	23,522	**35,720**	23,522

Expenses recorded within cost of sales:

	Group 52 Week Period ended 24 February 2018 £'000	Group 52 Week Period ended 25 February 2017 £'000	Company 52 Week Period ended 24 February 2018 £'000	Company 52 Week Period ended 25 February 2017 £'000
Inventory expense	**106,693**	79,252	**106,693**	79,252
Impairment	**467**	247	**467**	247

14 TRADE AND OTHER RECEIVABLES

	Group At 24 February 2018 £'000	Group At 25 February 2017 £'000	Company At 24 February 2018 £'000	Company At 25 February 2017 £'000
Trade receivables	**1,162**	37	**1,162**	37
Other debtors	**3,671**	1,580	**3,671**	1,580
Prepayments and accrued income	**2,660**	1,998	**2,660**	1,998
	7,493	3,615	**7,493**	3,615
Deferred tax asset (see Note 17)	**104**	104	**104**	104
	7,597	3,719	**7,597**	3,719

During the year the Group entered into an exclusivity agreement with a supplier by way of a loan of £1,000,000. At 24 February 2018 there was £750,000 outstanding, held within other debtors and repayable in full on 31 January 2019.

15 CASH AND CASH EQUIVALENTS

	Group At 24 February 2018 £'000	Group At 25 February 2017 £'000	Company At 24 February 2018 £'000	Company At 25 February 2017 £'000
Cash and cash equivalents	**11,416**	2,839	**11,416**	2,839
	11,416	2,839	**11,416**	2,839

16 TRADE AND OTHER PAYABLES (CURRENT)

	Group At 24 February 2018 £'000	Group At 25 February 2017 £'000	Company At 24 February 2018 £'000	Company At 25 February 2017 £'000
Trade payables	**11,973**	6,382	**11,973**	6,382
Corporation tax	**861**	868	**861**	868
Other taxation and social security	**3,993**	4,876	**3,993**	4,876
Net obligation under finance lease and hire purchase	**180**	46	**180**	46
Accruals and deferred income	**10,970**	6,835	**10,978**	6,843
	27,977	19,007	**27,985**	19,015
Preference shares	**–**	18,700	**–**	18,700
	27,977	37,707	**27,985**	37,715

16 TRADE AND OTHER PAYABLES (NON-CURRENT)

Accruals and deferred income includes £84,000 of unamortised debt costs (2017: £nil) and HMRC VAT provision of £1,878,000 (2017: £nil). The preference shares of £18,700,000 were repaid at nominal value from the proceeds of the IPO.

	Group At 24 February 2018 £'000	Group At 25 February 2017 £'000	**Company At 24 February 2018 £'000**	Company At 25 February 2017 £'000
Director's loan accounts (See Note 19 and 20)	**–**	3,850	**–**	3,850
Net obligation under finance lease and hire purchase	**235**	71	**235**	71
Accruals and deferred income	**4,693**	2,109	**4,693**	2,109
	4,928	6,030	**4,928**	6,030

Accruals and deferred income includes £198,000 of unamortised debt costs (2017: £nil).

The minimum lease payments under finance leases fall due as follows:

	Group At 24 February 2018 £'000	Group At 25 February 2017 £'000	**Company At 24 February 2018 £'000**	Company At 25 February 2017 £'000
Within 1 year	**180**	46	**180**	46
Between 1 and 5 years	**235**	71	**235**	71
After 5 years	**–**	–	**–**	–
	415	117	**415**	117
Future finance charges on finance leases				
Present value of finance lease liabilities	**(8)**	(2)	**(8)**	(2)
	407	115	**407**	115

17 DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised by the Group and Company in the period.

Group & Company	**At 24 February 2018 £'000**	At 25 February 2017 £'000
Deferred tax asset	**104**	104
Deferred tax liability	**–**	–
	104	104

	At 24 February 2018 £'000	At 25 February 2017 £'000
Reconciliation of deferred tax balances		
Balance at beginning of period	**104**	(6)
Deferred tax credit	**–**	110
Balance at end of the period	**104**	104

Deferred tax balances relate to the following:

	At 24 February 2018 £'000	At 25 February 2017 £'000
Tax losses carried forward	**–**	–
Other temporary differences	**104**	104
	104	104

18 INTEREST-BEARING LOANS AND BORROWINGS

Group & Company	At 24 February 2018 £'000	At 25 February 2017 £'000
Creditors falling due after more than one year		
Unsecured borrowings at amortised cost		
Director's loan (see Note 19 and 20)	–	3,850
Preference shares (see Note 19 and 20)	–	18,700
Finance lease liabilities	**235**	71
Creditors falling due within less than one year		
Finance lease liabilities	**180**	46
Secured bank facility – revolving credit facility (see Note 19)	–	–
Total interest-bearing loans and borrowings	**415**	22,667

The bank facility is secured against certain defined non-current assets held by the Group.

19 FINANCIAL INSTRUMENTS

(a) Fair values of financial instruments

Footasylum's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Risk management framework

Risk management is carried out by the Footasylum finance department under policies approved by the Board. The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

(i) Foreign currency risk

Footasylum sources an amount of purchases in US dollars and Euro and monitors its foreign currency requirements through short, medium and long-term cash forecasting. The Group is in advanced discussion to enter into forward contracts to hedge key currencies in proportion to the calculated net exposure.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments:

24 February 2018	US Dollar £'000	Euro £'000	Total £'000
Trade payables	1	38	39
Balance sheet exposure	1	38	39

25 February 2017	US Dollar £'000	Euro £'000	Total £'000
Trade payables	916	201	1,117
Balance sheet exposure	916	201	1,117

Sensitivity Analysis

A 5 per cent weakening of the following currencies against pounds sterling at the balance sheet date would have decreased profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

	At 24 February 2018 £'000	At 25 February 2017 £'000
US Dollar	**–**	(59)
Euro	**(2)**	(11)

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

A 5 per cent strengthening of the above currencies against the pounds sterling in any period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. As at 24 February 2018, the Group has drawn down £nil of it's revolving credit facility. The same facility has an undrawn revolving credit facility of £30,000,000, which expires on 6 July 2021. The borrowings incur interest at varying rates between 1.40 per cent to 2.15 per cent plus LIBOR which exposes the Group to cash flow interest rate risk. The analysis of loan repayments is detailed in Note 20. The Director loan incurred interest at 2 per cent above base rate and the loan was paid off in full during the financial year.

Profile

At the balance sheet date, the interest rate profile of the Group's interest-bearing financial instruments was

	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
Variable rate instruments		
Financial assets	**–**	–
Financial liabilities	**–**	22,550
Total financial liabilities	**–**	22,550

Revolving credit facilities

As at 24 February 2018, the Group has drawn down £nil of its revolving credit facility. The same facility has an undrawn revolving credit facility of £30,000,000, which expires on 6 July 2021. The borrowings incur interest at varying rates between 1.40 to 2.15 per cent plus LIBOR which exposes the Group to cash flow interest rate risk.

Director loans

The Director's loan of £3,850,000 was repaid in full during the financial year leaving a £nil balance as at 24 February 2018.

Preference shares

The preference shares of £18,700,000 were settled in full during the financial year leaving a £nil balance as at 24 February 2018.

19 FINANCIAL INSTRUMENTS CONTINUED

Sensitivity analysis

A change of 0.5 basis points in interest rates at the balance sheet date would have increased / (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates. The analysis is performed on the same basis for comparative period.

	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
Increase	**–**	1,128
Decrease	**–**	(1,128)

Credit risk

Financial risk management

Credit risk arises from the possibility of consumers and counterparties failing to meet their obligations to the Group. Investments of cash surpluses, borrowings and derivative instruments are made through major banks, which must meet minimum credit ratings as required by the Board.

All consumers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for impairment where amounts are not thought to be recoverable. At the reporting date there were no significant concentrations of credit risk and receivables which are not believed to be recoverable.

Exposure to credit risk

The Group's maximum exposure to credit risk being the carrying amount of financial assets is summarised in the table within the fair values section below.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Management prepares and monitors rolling forecasts of the Group's cash balances based on expected cash flows to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without risking damage to the Group's reputation. Covenants are monitored on a regular basis to ensure there is no risk or breach which would lead to an 'Event of Default'.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	52 Week Period ended 24 February 2018 £'000	52 Week Period ended 25 February 2017 £'000
Non-derivative financial liabilities		
Unsecured revolving credit facility	**–**	–
Trade and other payables	**(32,905)**	(43,737)
	(32,905)	(43,737)

Fair values of financial instruments

Trade and other payables and receivables

The fair value of these items are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Long-term and short-term borrowings

The fair value of bank loans and other loans approximates to its carrying value as it has an interest rate based on LIBOR.

Short-term deposits

The fair value of short term deposits is considered to be the carrying value as the balances are held in floating rate accounts where the interest rate is reset to market rates.

Preference shares

The Directors believe that the fair value of preference shares approximates to its carrying value.

Fair values

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Group carrying amount 24 February 2018 £'000	**Group fair value 24 February 2018 £'000**	Group carrying amount 25 February 2017 £'000	Group fair value 24 February 2017 £'000
Cash and cash equivalents	**11,416**	**11,416**	2,839	2,839
Trade and other receivables	**7,597**	**7,597**	3,719	3,719
Trade and other payables	**(32,905)**	**(32,905)**	(43,737)	(43,737)
Total financial liabilities	**(13,892)**	**(13,892)**	(37,179)	(37,179)

The Directors believe that the fair value of the Group's financial instruments are not materially different to its carrying value.

	Company carrying amount 24 February 2018 £'000	**Company fair value 24 February 2018 £'000**	Company carrying amount 25 February 2017 £'000	Company fair value 24 February 2017 £'000
Cash and cash equivalents	**11,416**	**11,416**	2,839	2,839
Trade and other receivables	**7,597**	**7,597**	3,719	3,719
Trade and other payables	**(32,913)**	**(32,913)**	(43,745)	(43,745)
Total financial liabilities	**(13,900)**	**(13,900)**	(37,187)	(37,187)

20 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group & Company	Preference Shares £'000	Directors Loans £'000	Lease Liabilities £'000	Total £'000
27 February 2016	18,700	3,850	–	22,550
Cash-flows:				
- Repayments	–	–	(24)	(24)
- Proceeds	–	–	–	–
- New finance leases	–	–	141	141
Non-cash:				
- Acquisition	–	–	–	–
- Fair value	–	–	–	–
- Reclassification	–	–	–	–
25 February 2017	18,700	3,850	117	22,667
25 February 2017	**18,700**	**3,850**	**117**	**22,667**
Cash-flows:				
– Repayments	**(18,700)**	**(3,850)**	**(75)**	**(22,625)**
– Proceeds	–	–	–	–
– New finance leases	–	–	**446**	**446**
Non-cash:				
– Acquisition	–	–	**(73)**	**(73)**
– Fair value	–	–	–	–
– Reclassification	–	–	–	–
24 February 2018	–	–	**415**	**415**

21. SHARE-BASED PAYMENTS

At 24 February 2018, the Group has two share award plans all of which are equity settled schemes.

1 The LTIP

On 2 November 2017 the Company adopted the LTIP. Awards under the LTIP (as described in section 1(b) below) were made on 2 November 2017 to Executive Directors and the Senior Executives by reference to corresponding investment pledges by those colleagues.

These matching awards vested over a period of three years. These awards were granted at £0.001 cost.

(a) Eligibility

Only the Executive Directors, the Senior Executives and certain other senior colleagues were selected to participate in the LTIP.

(b) Type of awards

Colleagues were invited to participate in the LTIP upon IPO.

(c) Individual limits

There is a limit in individual awards linked to salary.

(d) Performance, vesting and performance adjustment

There are no performance obligations.

2 SAYE

On 2 November 2017, the Company adopted the SAYE (which was registered with and self-certified with HMRC on 2 November 2017). The rules of the SAYE were adopted pursuant to Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003 and provide for the grant of tax approved options. The Executive Directors have elected to participate in the Sharesave, along with 14 per cent of eligible colleagues.

The first options under the SAYE were granted in 30 November 2017, and in normal circumstances they are not exercisable until completion of a three year savings period, beginning on 1 December each year, and will then be exercisable for a period of six months following completion of the relevant savings period. The Board will keep under review the appropriate timing for further invitations to participate in the scheme.

(a) Eligibility

All colleagues and full-time Directors of the Group, who have been in continuous service for such period of time (not exceeding five years) as may be determined by the Board prior to the relevant date of grant of an option and who are liable to UK income tax, are eligible to participate in the SAYE.

Participation may also be offered, at the discretion of the Board (taking account of the recommendations of the Remuneration Committee), to other Directors or employees who otherwise do not satisfy all of the above criteria, although Non-Executive Directors are not eligible to participate in the SAYE.

(b) Issue of invitations

Invitations to participate in the SAYE may be made during each 42 day period from (and including) (i) the date on which any amendment to the SAYE is approved or adopted by the Company's shareholders (ii) the announcement of the Company's final or interim results for any financial period, (iii) the occurrence of an event which the Remuneration Committee considers to be an exceptional event concerning the Group or (iv) changes to the legislation affecting tax approved SAYE option schemes coming into effect. If any of the above periods is a 'close period' as a result of the application of the Model Code for Securities Transactions by Directors of Listed Companies (or as a result of the Company's equivalent internal share dealing rules) and the Company is prohibited from issuing invitations and/or granting options as a result, then invitations may be made within 42 days of the end of the close period.

Invitations may be issued by the trustee of an employee benefit trust. No invitations may be issued or options granted more than 10 years after the adoption of the SAYE.

(c) Exercise price

The price at which an option holder may acquire shares on the exercise of an option shall be determined by the Board but shall not be less than the greater of 80 per cent of the market value of a share at the time of grant and its nominal value.

(d) Savings contract

Options may be granted by the Board or the trustee of an employee benefit trust. Upon applying for an option, the colleague will be required to enter into an approved savings contract with a savings institution nominated by the Company which lasts for three years. The maximum amount which an employee is permitted to contribute under SAYE contracts is £500 per month. The Board may set lower savings limits than this for different colleagues by reference to objective criteria such as levels of salary or length of service. The minimum contribution is £5 per month (or such greater amount as the Board may specify, not to exceed £10). The total exercise price of the shares over which the option is granted may not exceed the aggregate of the monthly contributions and bonus payable at the end of the colleague's related SAYE contract.

(e) Scheme limits

The number of newly issued shares over which (or in respect of which) options may be granted under the SAYE on any date of grant shall be limited so that the total number of shares issued or capable of being issued in any 10 year period under all the Company's employee share schemes is restricted to 10 per cent of the Company's issued shares calculated at the relevant time. Any options or rights to acquire shares granted before, on or in connection with Admission will be excluded from this limit, and no account will be taken of options or awards which have lapsed, been surrendered or otherwise become incapable of exercise or vesting.

(f) Exercisability

Options will normally be exercisable during a period of six months following the allocation of a bonus under the related SAYE contract and will normally lapse upon cessation of employment. Earlier exercise is, however, permitted if the colleague dies or leaves employment through injury, disability, redundancy or retirement or where a colleague leaves employment of the Group by reason of his employing company ceasing to be a member of the Group, or if the undertaking in which he is employed is sold outside the Group. Early exercise will also be permitted in the event of a takeover, reconstructions or voluntary winding up of the Company.

2 SAYE CONTINUED

Fair value of share awards

The expected volatility is based on historical volatility of a peer group of companies over a relevant period prior to award. The expected life is the average expected period to exercise, which has been taken as three years. The risk free rate of return is the yield on zero-coupon UK government bonds with a life equal to this expected life.

Options are valued using a Black-Scholes option-pricing model for the non-market based (EPS element) performance conditions.

Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement or because the Company which employs the option holder ceases to be part of the Group, or in the event of a change in control, reconstruction or winding up of the Company.

The key assumptions used in the fair value of the awards were as follows:

	LTIP 2017	SAYE 2017
At grant date		
Share price	£1.64	£2.06
Exercise price	£0.00	£1.31
Expected volatility	30%	30%
Option life (years)	3	3
Risk free interest rate	1.32%	1.32%
Weighted average fair value of options granted	£1.63	£0.89

As LTIP awards have a £0.001 exercise price the risk free rate of return does not have any effect on the estimated fair value.

Movements in awards under share-based payment schemes:

	LTIP	SAYE	Total
Outstanding at start of year	–	–	–
Granted	1,829,268	858,018	2,687,286
Forfeited	–	–	–
Exercised	–	–	–
Lapsed	–	–	–
Outstanding at end of year	**1,829,268**	**858,018**	**2,687,286**
Weighted average exercise price	**0.1p**	**131.2p**	**–**

The Group and Company income statement charge recognised in respect of share-based payments for the current period is £421,000 (2017: £nil).

22 SHARE CAPITAL

	Group & Company At 26 February 2018 £'000	Group & Company At 25 February 2017 £'000
Allotted and fully paid		
6,000 'A' ordinary shares of £1 each	**–**	6
104,474,390 ordinary shares of £0.001 each	**104**	–
	104	6
Shares classified as debt		
18,700,00 'B' Preference shares of £1 each classified as liabilities	**–**	18,700

On 2 November 2017, the Company issued bonus shares of 12 to 1 for existing shareholders and the sub divided existing ordinary shares by 1000. On 2 November 2017, the Company issued 26,474,390 ordinary shares.

On 3 November 2017, the 'B' preference shares were settled in full leaving a £nil balance as at 24 February 2018.

23 COMMITMENTS UNDER OPERATING LEASES

The Group and the Company had minimum lease payments under non-cancellable operating leases as set out below:

	Group & Company At 26 February 2018 £'000	Group & Company At 25 February 2017 £'000
Less than one year	**17,575**	13,429
Between one and five years	**61,554**	41,396
More than five years	**43,136**	26,906
	122,265	81,731

The Group have capital commitments at the balance sheet date of 24 February 2018 of £2,279,000 (2017: £514,000).

24 RELATED PARTY TRANSACTIONS

During the period the Group entered into commercial transactions with related parties as show in the table below.

52 Week Period ended 24 February 2018	**Description of related party**	**Sales to related party £'000**	**Purchases from related party £'000**	**Balance owed by related party £'000**	**Balance owed to related party £'000**
John Wardle	**a**	–	–	–	–
2Squared Agency Limited	**b**	–	**464**	**2**	**5**
Refuel Global Brands Limited	**b**	–	**1,725**	–	**37**
Creative Pedestrian Limited	**c**	–	**129**	**5**	–
Above Surface Limited	**c**	–	**60**	–	–

52 Week Period ended 25 February 2017	**Description of related party**	**Sales to related party £'000**	**Purchases from related party £'000**	**Balance owed by related party £'000**	**Balance owed to related party £'000**
John Wardle	a	–	–	–	3,850
2Squared Agency Limited	b	–	2,419	–	–
Refuel Global Brands Limited	b	–	396	–	8
Creative Pedestrian Limited	c	–	585	–	–
Above Surface Limited	c	–	–	–	–

The nature of the relationship and the transactions entered into with the related party are:

a) The company had a unsecured loan outstanding from one of its directors, repayable on 6 August 2021. Interest is charged at 2 per cent above base. The loan was repaid in full on 2 November 2017.

b) The company made purchases from 2Squared Agency Limited and Refuel Global Brands Limited, companies which David Makin's brother, Steve Makin is a director.

c) The company made purchases from Creative Pedestrian Limited and Above Surface Limited, companies which David Makin's brother, Martin Makin is a director.

Key management compensation

The remuneration of the Directors, who are considered to be the only key management personnel of the Group, is disclosed in Note 5 of these financial statements and remuneration report on page 51. The total key management compensation was £1,337,000 (2017: £521,000). Shareholding and disposals / acquisitions as disclosed in the remuneration report on page 53.

25 EVENTS AFTER THE REPORTING PERIOD

There have been no events after the reporting period which have a material impact on the financial statements.

26 TRANSITION TO FRS 101

The company financial statements for the periods up to and including the 52 weeks ended 24 February 2018 have been prepared in accordance with FRS 101. Previously, the Company prepared its financial statements for these periods in accordance with FRS 102.

Accordingly, the Company has prepared financial information which complies with FRS 101 applicable for periods ending on or after 24 February 2018, as described in the summary of significant accounting policies. In preparing the financial information, the Company's opening Combined Statement of Financial Position was prepared as at 28 February 2016, the Company's date of transition to FRS 101. In restating its financial statements, the Company has reversed a charge for the amortisation of goodwill in accordance with accounting policies described below.

A summary of the impact of transition to the Company Statement of Financial Position is as follows:

	Company 52 Week Period ended 25 February 2017 £'000
Equity reported in accordance with FRS 102	**920**
Transition adjustments: Goodwill*	**(348)**
Equity reported in accordance with FRS 101	**572**

Notes:

Goodwill is not amortised but is subject to annual impairment review under FRS 101. Under FRS 102, goodwill is amortised.

A summary of the impact of transition to the combined statement of Comprehensive income is as follows:

	Company 52 Week Period ended 25 February 2017 £'000
Total recognised gains and losses reported per FRS 102	**6,118**
Transition adjustments:	**125**
Total comprehensive income per FRS 101	***6,243***

*Upon transition to FRS 101, the Directors' identified that the goodwill balance in the parent company should be reduced by £348,000 due to a historic misalignment upon the hive up of Drome Limited trade and assets into Footasylum plc.

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