prettylittlething.com Limited (formerly 21Three Clothing Company Limited)

Annual report and financial statements

Registered number 07352417

For the year ended 28 February 2018

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Company Information

Directors
Umar Kamani
Paul Papworth
Mahmud Kamani
Carol Kane
Neil Catto

Company Secretary
Keri Devine

Registered Office
49-51 Dale Street
Manchester
M1 2HF

Registered number
07352417 (England and Wales)

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
No 1 Spinningfields
Hardman Square
Manchester
M3 3EB

Strategic report

The Directors present their strategic report for the year ended 28 February 2018, the comparative period covers the 9 months ended 28 February 2017. On 16 February 2018 the Company changed its name from 21Three Clothing Company Limited to prettylittlething.com Limited.

Review of the business

Description of the business model

prettylittlething.com Limited (formerly 21Three Clothing Company Limited) sells own-brand clothing, shoes and accessories through the Prettylittlething.com websites to a core market of 16 to 24 year old consumers in the UK and internationally. Combining cutting-edge, celebrity inspired aspirational design with an affordable price tag, prettylittlething.com has grown rapidly since 2010, developing a brand identity and an international online proposition for consumers, and now has over 2.9 million (February 2017: 1.3 million) active customers.

Prettylittlething.com is a well-established brand in the UK, Ireland, USA and Australia and currently sells products into over 100 countries. The Company operates through 7 websites, and launched its first foreign language website in France in the year.

Products are designed, sourced and subsequently distributed globally from a central UK warehouse. Marketing activity is performed through a variety of media including TV advertising, billboards, social media, digital media and via the websites. Hundreds of products are added to the website each week through our on-site photography and art studio and displayed in gallery photos. The speed and agility of the company enables it to be first to market with the latest on-trend styles and fashion.

Strategy and objectives

The company's strategy is to continue to develop the UK customer base but to also grow overseas revenue, and in particular, the US, Australia, Ireland and Central European market places. In addition to developing sales internationally, the product range is being further developed, offering more categories of clothing to broaden the appeal to more consumers which included the launch of Petite, Shape, Plus and activewear ranges in the year. Prettylittlething.com ensure that their stock holding is tightly controlled whilst ensuring they offer the latest fashion trending products.

The business has invested significantly in marketing to develop its customer base, and continues to focus on being a social media led fashion site.

IT development is the cornerstone of the company's strategy and significant expenditure has been incurred to ensure each territory's website is available 24/7, 365 days a year, whilst ensuring the consumer can transact in a safe environment.

The company enjoys the benefit of boohoo.com plc's distribution and customer service expertise which ensures that their global customer base can be serviced from one UK site. On 25 April 2018 the Company announced its plans to move into a new 3rd party managed warehouse in Sheffield.

The average number of staff employed increased from 123 to 205 in the year, and at the end of February headcount was 241, with further increases expected in the 2019 financial year to support the growth of the business.

Strategic report (continued)

Performance and Key Performance Indicators for the year

Revenue for the year increased to £181.3 million, up 280% on the previous 9 months. Gross margin increased to £100.1 million (55.2%) versus £27.1 million (56.7%) in the prior period.

We have continued selling to third party internet retailers, with growth in this part of the business being significant in the current year and we continue to explore new opportunities to expand our third-party retail partners.

We continue to refine the mix of marketing expenditure and price and delivery promotions to optimise profitability and sales growth. Profit before tax was £16.1 million, up 384% on the previous nine months.

Fashion

Our customers are offered the very latest fashion trends through our "new in" updates on our websites, with 100 new styles launched every day. The combination of high fashion, great value prices and effective marketing encourages customers to shop for every occasion on a regular basis. Our test-and-repeat model reduces stock holding risk, whilst rapid response enables us to reorder strong selling lines to quickly satisfy demand.

Our core womenswear ranges of dresses, tops, jackets and footwear have continued to perform strongly. A key factor in the high growth we have experienced in the year has been the expanded range of clothing, with plus-size, petite, swimwear and denim growing very strongly. We also introduced a broader lingerie range, which has performed very well, along with an expanding range of accessories.

Financial review

The company has achieved a strong performance with revenues and profits increasing in all territories.

Sales revenue by geographical market

	Year ended 28 February 2018	9 months period ended 28 February 2017	Change
	£000	£000	
UK	**130,578**	37,871	245%
Rest of Europe	**15,264**	3,252	369%
USA	**19,537**	3,462	464%
Rest of world	**15,890**	3,141	406%
	181,269	47,726	280%

Revenue in the current year has grown 280% compared to the previous nine month period. Sales growth in the core UK market was 245% and the key USA market was 464%.

The Company had net assets of £13,628k (2017: net liabilities £441k) as at 28 February 2018. The Directors consider the financial position to be sufficient given the outlook for the Company.

Strategic report (continued)

Trends and factors likely to affect future performance

The market for online fashion is forecast to continue to grow and, along with the increasing use of the internet globally, provides a favourable backdrop for the company with much opportunity for further growth. Customers throughout the world are seeking quality product at value prices lower than those available on the high street. Prettylittlething.com's target market of 16 to 28 year olds has a high propensity to spend on fashion and the market is resilient to external macroeconomic factors.

Health and safety

The company places great importance on health and safety at work and has policies to enforce best practice.

Number of employees of each gender at the year end

	Male	Female
Directors of the company	2	-
Senior managers	9	6
Other employees	59	165
	70	**171**

Directors of the Company include the Chief Executive and Finance Director only as these are the only Directors actively involved in the day to day running of the business.

Outlook

The worldwide market for internet fashion sales continues to expand as shopping preferences lean towards the convenience and price advantage afforded by internet retailers. We have built a brand and infrastructure to capitalise upon this opportunity and we will continue to grow our market share globally by focusing on key markets.

Our strategy will be to use a combination of marketing to drive new customer acquisition and promotions to secure sales, all the while supported by the most convenient delivery and return options and high level of customer service. We will continue to broaden the range of products and to refine the online shopping experience with the latest technologies to ensure we provide the most user-friendly website possible.

On 25 April 2018 the Company announced its plans to move into a new 3rd party managed warehouse in Sheffield. The move to the new warehouse will support the Company's growth aspirations and provide the necessary increase in capacity to support planned expansion and growth.

We have had an encouraging start to the 2019 financial year, the outlook for the company remains positive and we believe that the continued implementation of our strategy will allow us to build on the success of 2018.

Principal risks and uncertainties

The board reviews annually, and additionally whenever there is a perceived major change in, the principal risks and uncertainties facing the company together with an assessment of mitigating factors.

The business relies on the continued availability of its territory websites being able to take customer orders and then in turn to fulfil these orders in a timely and efficient manner, using the core ERP systems and relevant interfaces with 3rd party carriers. To this end, the company ensures use of best in class hosting facilities, complimented by the latest security and payment processing software, in addition to having robust disaster recovery plans in the event a problem is encountered.

Strategic report (continued)

Financial risk management

The main financial instruments of the company are cash, trade creditors and trade debtors and forward currency contracts managed via intercompany relationship with boohoo.com plc.

Trade creditors are paid to agreed contractual terms. Customers pay in advance of goods being shipped and no orders are accepted without stringent fraud checks being applied. There are some credit terms to a small number of blue chip High Street retailers who pay to terms and don't pose any credit risk.

Liquidity risk

The business is self-funding from generating operating profits and there are no external bank borrowings. No significant asset investment programme is planned which can't be met from internally generated funds and or from raising longer term finance.

Cashflow and foreign exchange risk

The company is exposed to foreign exchange rates from selling to consumers overseas. These are managed by taking appropriate forward currency positions to ensure the company isn't exposed to any major changes in the key traded currencies.

Approved on behalf of the board

Paul Papworth
26 July 2018

Directors' report

The directors present their directors' report and audited financial statements for the year ended 28 February 2018. The financial statements have been prepared in accordance with FRS 101 with approval of the shareholders.

Principal activities

The principal activity of the company is that of internet clothing retailer.

Results and dividends

Profit for the year ended 28 February 2018 was £12.8m million (9 months period ended 28 February 2017: profit £3.3 million).

The directors do not recommend the payment of a dividend (2017: £nil).

Directors

The directors who held office during the year and up to the date of approving these financial statements were as follows:
Umar Kamani
Paul Papworth
Mahmud Kamani
Carol Kane
Neil Catto

The company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against the directors. The company has also provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of section 234 of the Companies Act 2006 and was in place during the year and up to the date of approval of the financial statements.

Employee policies

The quality, commitment and effectiveness of the company's employees are crucial to its continued success. Regular communication of the business performance is delivered to the team through internal meetings and by email. The HR team are continually developing improved methods of communication to ensure our staff are challenged and can develop and progress within the business.

Employment policies do not discriminate between employees or potential employees on the grounds of colour, race, ethnic or natural origin, sex, marital status, sexual orientation, religious beliefs or disability. If an employee were to become disabled whilst in employment and as a result was unable to perform his or her duties, every effort would be made to offer suitable alternative employment and assistance with retraining.

Health and safety

The company is committed to providing a safe place of work for employees. Company policies are reviewed on a regular basis to ensure that policies regarding training, risk assessment, safe working and accident management are appropriate. There are designated officers responsible for health and safety and issues are reported at each board and executive meeting.

Matters covered elsewhere in the annual report

Information on the Company's business review, financial performance and position, key performance indicators, financial risk management, principal risks and uncertainties and future outlook are included in the strategic report on pages 4 to 7.

Directors' report (continued)

Statement on disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Going concern

Having given consideration to the financial performance and position of the Company, as well as the outlook for future financial years, the Directors consider there to be sufficient resources within the business to remain in operation for a period of at least 12 months from the date of approving these financial statements and therefore continue to adopt the going concern basis of preparation.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

Statement of directors' responsibilities in respect of the annual report and financial statements

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

Company law requires the directors to prepare financial statements for each financial 9 month period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

Approved on behalf of the board

Paul Papworth
26 July 2018

Independent auditors' report to the members of prettylittlething.com Limited (formerly 21Three Clothing Company Limited)

Report on the audit of the financial statements

Opinion

In our opinion, prettylittlething.com Limited (formerly 21Three Clothing Company Limited)'s financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 28 February 2018; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

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

Reporting on other information

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

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

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

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

Independent auditors' report to the members of prettylittlething.com Limited (formerly 21Three Clothing Company Limited) (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 28 February 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

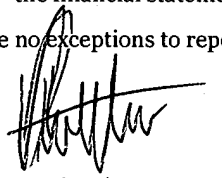
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Philip Storer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
26 July 2018

Income statement

for the year ended 28 February 2018

	Note	Year ended 28 February 2018 £000	9 months period ended 28 February 2017 £000
Revenue	2	**181,269**	47,726
Cost of sales		**(81,175)**	(20,668)
Gross profit		**100,094**	27,058
Distribution costs		**(40,661)**	(10,027)
Administrative expenses		**(43,314)**	(13,700)
Operating profit	4	**16,119**	3,331
Finance income		**29**	-
Profit before taxation		**16,148**	3,331
Tax on profit	7	**(3,360)**	(27)
Profit for the financial year/period		**12,788**	3,304

All activities relate to continuing operations.

The Company had no other comprehensive income / expense in the year or prior period and therefore no separate statement of other comprehensive income has been presented.

Notes 1 to 20 on pages 15 to 30 form an integral part of these financial statements.

Statement of financial position

at 28 February 2018

	Note	2018 £000	2017 £000
Assets			
Non-current assets			
Intangible assets	*8*	**69**	63
Property, plant and equipment	*9*	**1,415**	683
Deferred tax asset	*10*	**30**	-
Total non-current assets		**1,514**	746
Current assets			
Inventories	*11*	**11,676**	5,182
Trade and other receivables	*12*	**4,213**	1,492
Cash and cash equivalents		**35,546**	5,041
Total current assets		**51,435**	11,715
Total assets		**52,949**	12,461
Liabilities			
Non-current liabilities			
Deferred tax liabilities	*10*	**-**	(27)
Current liabilities			
Trade and other payables	*13*	**(37,057)**	(12,875)
Corporation tax payable		**(2,264)**	-
Total current liabilities		**(39,321)**	(12,875)
Total liabilities		**(39,321)**	(12,902)
Net assets / (liabilities)		**13,628**	(441)
Equity			
Called up share capital	*14*	**-**	-
Retained earnings / (accumulated losses)		**13,628**	(441)
Total equity		**13,628**	(441)

Notes 1 to 20 on pages 15 to 30 form an integral part of these financial statements.

These financial statements of prettylittlething.com Limited (formerly 21Three Clothing Company Limited), registered number 07352417, on pages 12 to 31 were approved by the board of directors on 26 July 2018 and were signed on its behalf by:

Paul Papworth
Director

Statement of changes in equity for the year ended 28 February 2018

	Called up share capital	Retained earnings / (accumulated losses)	Total equity
	£000	£000	£000
Balance as at 1 June 2016 (unaudited)	-	(3,745)	(3,745)
Profit for the financial period	-	3,304	3,304
Balance at 28 February 2017	-	(441)	(441)
Share based payments credit	-	1,281	1,281
Profit for the financial year	-	12,788	12,788
Balance at 28 February 2018	**-**	**13,628**	**13,628**

Notes 1 to 20 on pages 15 to 30 form an integral part of these financial statements.

Purpose of reserves

Share capital represents the nominal value of called up share capital in the company and is non-distributable. Retained earnings / (accumulated losses) represents the financial results for cumulative years, there have been no dividend payments. The share based payment reserve includes amounts charged to the income statement in respect of share based payment arrangements.

Notes to the financial statements

1 Accounting policies

General information

prettylittlething.com Limited (formerly 21Three Clothing Company Limited) is incorporated and domiciled in England, United Kingdom, registered number 07352417 and is a private company limited by shares. Its registered office is 49-51 Dale Street, Manchester, M1 2HF. The financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds except when otherwise indicated.

prettylittlething.com Limited (formerly 21Three Clothing Company Limited) is a UK based online retailer selling women's fashion. prettylittlething.com Limited (formerly 21Three Clothing Company Limited) has one dormant subsidiary, 21Three Clothing Company Limited (formerly prettylittlething.com Limited).

The company is controlled by boohoo.com plc and is included in the consolidated financial statements of boohoo.com plc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Basis of preparation

The financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and under the historical cost convention. The financial statements are prepared in accordance with the Companies act 2006 and have been prepared on a going concern basis.

- In accordance with FRS 101, the Company has taken advantage of the exemptions from the following disclosure requirements:
    - IFRS 7 'Financial Instruments: Disclosures' – Carrying amounts, fair values, interest income/expense and net gains/ losses for each category of financial instrument, risks associated with financial instruments (including management of risks, maximum credit risk, credit quality of financial assets, analysis of financial assets past due or impaired, maturity analysis for financial liabilities, sensitivity analysis for market risks).
    - IFRS 13 'Fair Value Measurement' – The fair value hierarchy, fair value measurements, (including valuation technique(s) and inputs), if the highest and best use of a non-financial asset differs from its current use, the reason for non-recurring fair value measurements, for Level 3 fair value measurements; unrealised fair value gains/losses in the period, the valuation process and sensitivity analysis.
    - IAS 1 'Presentation of Financial Statements' – Comparative reconciliations of the opening and closing number of shares and carrying amounts of property, plant and equipment, and intangible assets, objectives, policies and processes for managing capital.
    - IAS 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes.
    - IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – IFRSs that will impact future periods.
    - IAS 24 'Related Party Disclosures' – Compensation for key management personnel.
    - IAS 36 'Impairment of Assets' – Key assumptions in the measurement of the recoverable amount of assets and reasonable changes in those assumptions that result in impairment, where recoverable amount is based on fair value less costs of disposal; the valuation technique(s) used, and if fair value is not measured using a quoted price for an identical unit; the level in the fair value hierarchy, any change in the valuation technique(s) and the reason for the change.

Notes to the financial statements (continued)

Going concern

Having given consideration to the financial performance and position of the Company, as well as the outlook for future financial years, the Directors consider there to be sufficient resources within the business to remain in operation for a period of at least 12 months from the date of approving these financial statements and therefore continue to adopt the going concern basis of preparation.

Intangible assets

The costs of acquiring or developing software are recorded as intangible assets and stated at cost less accumulated amortisation and impairment losses. The costs include the payroll costs of employees directly associated with the project and other direct external material and service costs. Costs are capitalised only where there is an identifiable project that will bring future economic benefit. Other website development and maintenance costs are expensed in the Income Statement. Software costs are amortised over three to five years based on their estimated useful lives and charged to administrative expenses in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives they are accounted for as separate property, plant and equipment. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of each item of property, plant and equipment is written off evenly over its estimated remaining useful life. Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, as follows: motor vehicles and computer equipment 33%; and short leasehold and fixtures and fittings 33%, 20% or 10%. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Financial instruments

Financial instruments are recognised at fair value and subsequently held at amortised cost using the effective interest method.

Trade and other receivables

Trade and other receivables are recorded initially at fair value. Subsequent to this they are measured at amortised cost less any impairment losses. Provisions are recognised against trade and other receivables where evidence exists that the amounts recognised may not be recoverable. Where amount previously provided for are subsequently recovered the provision previously recognised is reversed through the Income Statement.

Trade and other payables

Trade and other payables are recorded initially at fair value. Subsequent to this they are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents, for the purpose of the statement of financial position, comprises cash in hand.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Provision for impairment of inventories is made where there is evidence that the realisable value of inventory has fallen below the cost of inventories and all provisions are charged to cost of sales.

Notes to the financial statements (continued)

Revenue

Revenue and profit before tax are attributable to the one principal activity of the business. Revenue represents net invoiced sales of goods including postage and packing receipts, excluding value added tax, less actual returns and a provision for expected returns, based on historical and forecast trends. Revenue from the sale of goods is recognised when the company has transferred the goods to the buyer.

Rebates

Retrospective rebates from suppliers are accounted for in the period to which the rebate relates to the extent that it is reasonably certain that the rebate will be paid. Early settlement discounts are taken when payment is made.

Pension costs

The company contributes to a company Personal Pension Scheme for certain employees under a defined contribution scheme. The costs of these contributions are charged to the income statement on an accruals basis as they become payable under the scheme rules.

Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Leasing commitments

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates at the start of the month. Furthermore, exchange rates are reviewed on at least a weekly basis and updated for any material movement in rates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the year end rate and exchange differences are recognised in the income statement.

Employee benefits

Short term employee benefits include wages and salaries, bonuses and accrued holiday pay. Wages and salary costs are recognised in the period over which the services are provided. Bonuses are provided for at each reporting date based on the Directors best estimates of amounts to be paid at that date. Holiday pay accrued and not taken at the reporting date is provided for at each reporting date.

Notes to the financial statements (continued)

Impairment of non-financial assets

Provision for impairment of non-financial assets is made where there is objective evidence that the value of non-financial assets has diminished below the cost, less accumulated depreciation / amortisation, of the assets. Provision is made to write down the cost of assets to the higher of their value in use of fair value less to dispose. Where in subsequent periods assets are no longer considered to be impaired the impairment provision is reversed to bring the asset back to an amount not higher than that which would have been stated had the provision for impairment not been recognised.

Classification of financial instruments

All the Company's financial assets are classified as loans and receivables in the Financial Statements.

All the Company's financial liabilities are classified as financial liabilities at amortised cost.

Share based payments

The Company participates in share based payment arrangements operated by its ultimate parent, Boohoo.com plc. Certain employees of the Company are granted equity settled share based payments in the Company's parent company Boohoo.com plc, in exchange for services rendered. These awards are measured at fair value on the date of the grant using an option pricing model and expensed in the Income Statement on a straight line basis over the vesting period after making an allowance for the estimated number of shares that will not vest. The level of vesting is reviewed and adjusted annually. Free shares awarded are expensed immediately.

Under the terms of the shareholder agreement signed as part of the acquisition of the Company by Boohoo.com plc, boohoo.com plc has the option to acquire the remaining 34% of the share capital of PLT at any time after 28 February 2022. As there are performance conditions that determine the price boohoo will pay for the shares, if the option is exercised, this gives rise to a share-based payments charge in the Company's Financial Statements. The fair value of the option has been measured at fair value on the date of the shareholder agreement using an option pricing model and expensed in the Income Statement on a straight line basis over the performance period.

Significant estimates and judgements

In preparing its financial statements, the Company has made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Company periodically monitors such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

Refund accruals

Accruals for sales refunds are estimated based on recent historical returns and management's best estimates and are allocated to the period in which the revenue is recorded. Actual returns could differ from these estimates.

Inventory valuation

Inventory is carried at the lower of cost or net realisable value. The estimation of net realisable value may be different from the future actual value realised.

Notes to the financial statements (continued)

2 Revenue

The revenue is attributable to the one principle activity of the company. An analysis of the revenue by geographical origin is given below.

	Year ended 28 February 2018	9 months period ended 28 February 2017
	£000	£000
UK	**130,578**	37,871
Rest of Europe	**15,264**	3,252
USA	**19,537**	3,462
Rest of world	**15,890**	3,141
	181,269	47,726

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

3 Auditors' remuneration

	Year ended 28 February 2018	9 months period ended 28 February 2017
	£000	£000
Audit of these financial statements	**33**	23
Total remuneration	**33**	23

No non-audit services were provided by the Company's auditors in the current year or prior period. No audit fees were charged in the prior years as the Company's financial statements were unaudited.

4 Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 28 February 2018	9 months period ended 28 February 2017
	£000	£000
Operating lease rentals for buildings	**105**	141
Depreciation of property, plant and equipment	**381**	146
Amortisation of intangible assets	**39**	28
Loss on disposal of property, plant and equipment	**11**	270
Loss on disposal of intangible assets	**5**	-
Foreign exchange gains	**(300)**	(26)
Inventories charged to cost of sales	**79,836**	19,826

Notes to the financial statements (continued)

5 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the year / period, analysed by category, was as follows:

	Number of employees	
	Year ended 28 February 2018	9 months period ended 28 February 2017
Administration	**203**	121
Distribution	**2**	2
	205	123

The aggregate payroll costs of these persons were as follows:

	Year ended 28 February 2018	9 months period ended 28 February 2017
	£000	£000
Wages and salaries	**7,666**	3,042
Social security costs	**808**	312
Other pension costs	**163**	55
Share based payment charges	**1,281**	-
	9,918	3,409

6 Directors' remuneration

Directors	**Year ended 28 February 2018** **£000**	9 months period ended 28 February 2017 £000
Short-term employee benefits	**846**	204
Post-employment benefits	**18**	2
	864	206

The aggregate of emoluments of the highest paid director was £511,000 (9 months period ended 28 February 2017: £116,667). The contributions to a money purchase pension scheme in respect of the highest paid director were £10,000 (9 months period ended 28 February 2017: £2,000). The number of directors contributing to a money purchase pension scheme was 2 (9 months period ended 28 February 2017: 1). The highest paid Director did not exercise any share options in the year or prior period.

Notes to the financial statements (continued)

7 Tax on profit

	Year ended 28 February 2018	9 months period ended 28 February 2017
	£000	£000
Analysis of charge in year / period		
Current tax on income for the year / period	**3,417**	-
Adjustments in respect of prior year taxes	**-**	-
Total current taxation	**3,417**	-
Deferred taxation		
Origination and reversal of timing differences	**(57)**	33
Impact of changes in tax rates	**-**	(6)
Total deferred tax charge	**(57)**	27
Tax on profit	**3,360**	27

The total tax charge differs from the amount computed by applying the blended UK rate of 19.1% for the year (9 months period ended 28 February 2017: 20%) to profit before taxation as a result of the following:

Profit before taxation	**16,148**	3,331
Profit before taxation multiplied by the standard blended rate of corporation tax on the UK of 19.1% (9 months period ended 28 February 2017: 20%)	**3,084**	666
Effects of:		
Expenses not deductible for tax purposes	**276**	21
Previously unrecognised tax losses utilised	**-**	(654)
Rate adjustment	**-**	(6)
Tax on profit	**3,360**	27

There have been no changes in corporation tax rates substantively enacted in the year. Therefore, the closing deferred tax balances have been measured at a blended tax rate between 19% and 17% dependant on when the deferred tax liabilities and assets are expected to unwind.

Notes to the financial statements (continued)

8 Intangible assets

	Computer software	Total
	£000	£000
Cost		
Balance at 1 June 2016 (unaudited)	282	282
Additions	5	5
Disposals/retirements	(136)	(136)
Balance at 28 February 2017	151	151
Additions	50	50
Disposals/retirements	(5)	(5)
Balance at 28 February 2018	**196**	**196**
Accumulated amortisation		
Balance at 1 June 2016 (unaudited)	60	60
Amortisation charge for period	28	28
Balance at 28 February 2017	88	88
Amortisation charge for year	39	39
Balance at 28 February 2018	**127**	**127**
Net book value		
At 31 May 2016 (unaudited)	222	222
At 28 February 2017	63	63
At 28 February 2018	**69**	**69**

Amortisation is charged within administrative expenses in the Income Statement.

Notes to the financial statements (continued)

9 Property, plant and equipment

	Short leasehold £000	Fixtures and fittings £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 June 2016 (unaudited)	258	121	275	36	690
Additions	212	84	139	-	435
Disposals/retirements	(69)	(47)	(9)	(9)	(134)
Balance at 28 February 2017	401	158	405	27	991
Additions	437	179	395	113	1,124
Disposals/retirements	(3)	(2)	(6)	-	(11)
Balance at 28 February 2018	**835**	**335**	**794**	**140**	**2,104**
Accumulated depreciation					
Balance at 1 June 2016 (unaudited)	44	14	100	4	162
Depreciation charge for period	29	21	94	2	146
Balance at 28 February 2017	73	35	194	6	308
Depreciation charge for year	139	39	190	13	381
Balance at 28 February 2018	**212**	**74**	**384**	**19**	**689**
Net book value					
At 31 May 2016 (unaudited)	214	107	175	32	528
At 28 February 2017	328	123	211	21	683
At 28 February 2018	**623**	**261**	**410**	**121**	**1,415**

Depreciation is charged within cost of sales and administrative expenses in the Income Statement.

The Company had no assets held under finance leases in the current year or the prior period.

Notes to the financial statements (continued)

10 Deferred tax asset / (liabilities)

	Total
	£000
At 1 June 2016 (unaudited)	-
Origination and reversal of timing differences recognised in the Income Statement	(33)
Impact of changes in UK tax rate	(6)
At 28 February 2017	(27)
Origination and reversal of timing differences recognised in the Income Statement	57
Impact of changes in UK tax rate	-
At 28 February 2018	**30**

The deferred tax asset can be analysed as follows:

	£000
Fixed asset timing differences	10
Share based payments	20
At 28 February 2018	**30**

11 Inventories

	2018	2017
	£000	£000
Finished goods	**11,676**	5,182

The value of inventories included within cost of sales for the year was £79,836k (2017: £19,826k). An impairment provision of £1,339k (2017: £443k) was charged to the statement of comprehensive income during the period.

12 Trade and other receivables

	2018	2017
	£000	£000
Trade and other receivables	**3,039**	946
Prepayments and accrued income	**1,174**	546
	4,213	1,492

Trade and other receivables represent amounts due from wholesale customers, rental deposits, advance payments to suppliers and other receivables. Receivables past due are £561k (2017: £nil). There is no provision for impairment of trade receivables (2017: £nil). Other receivables are stated after a provision of £500k (2017: £nil).

The fair value of trade and other receivables is not materially different from the carrying value.

Notes to the financial statements (continued)

13 Trade and other payables

	2018 £000	2017 £000
Trade payables	**10,644**	5,498
Amounts owed to parent undertaking (note 15)	**5,734**	1,041
Other payables	**641**	273
Accruals	**17,391**	5,425
Deferred income	**2,482**	-
Taxes and social security payable	**165**	638
	37,057	12,875

The fair value of trade and other payables is not materially different from the carrying value.

Amounts owed to the parent undertaking are unsecured, interest free and repayable on demand.

14 Called up share capital

	2018 £	2017 £
Share Capital	**100**	100
	100	100

No dividends have been paid or are payable for the year ended 28 February 2018 (9 months period ended 28 February 2017: £nil).

Notes to the financial statements (continued)

15 Related party disclosures

Related party	Nature of relationship	2018 £000	2017 £000
Amounts included in the statement of financial position			
Amounts owed to related party undertakings			
boohoo.com UK Limited	Directors are family members of Umar Kamani	**5,734**	1,041
Amounts included in the income statement			
Distribution costs			
boohoo.com UK Limited	Directors are family members of Umar Kamani	**16,984**	3,158
Pinstripe Limited	Directors are family members of Umar Kamani	**1,641**	895
Admin costs – customer services			
boohoo.com UK Limited	Directors are family members of Umar Kamani	**2,372**	659
Admin costs – office rental			
Kamani Commercial Property Limited	Directors are family members of Umar Kamani	**80**	47
Admin recharge – other			
boohoo.com UK Limited	Directors are family members of Umar Kamani	**627**	(79)
Admin recharge – other			
Kamani Commercial Property Limited	Directors are family members of Umar Kamani	**326**	(12)

Notes to the financial statements (continued)

16 Commitments

The company has lease agreements in respect of properties, plant and equipment, for which the payments extend over a number of years. The total of future minimum lease payments under non-cancellable operating leases due in each year/ period are:

	2018 £000	2017 £000
Falling due in less than one year	**166**	93
Falling due between one and five years	**431**	254
Falling due in more than five years	**325**	-
	922	347

At the balance sheet date the company has no planned capital expenditure commitments (2017: £nil).

17 Share based payments

Share based payment charge for the boohoo.com plc option to acquire shares in prettylittlething.com Limited (the "boohoo Option")

Under the terms of the Shareholders Agreement Relating to 21 Three Clothing Company Limited (now changed to prettylittlething.com Limited) ("PLT"), boohoo.com plc ("boohoo") has the option to acquire the remaining 34% of the share capital of PLT, not currently owned by Boohoo.com plc, at any time after 28 February 2022. As there are performance conditions that determine the price boohoo will pay for the shares if the option is exercised, this gives rise to a share-based payments charge. This charge is not for the issue of shares in boohoo.com plc but for the shares that are already held by the directors of PLT and which boohoo has the option to acquire at the end of the option period in 2022 or sooner if the directors leave or default. The price payable for the shares could be based on 34% of £1.9 million plus either 79% of the market value if maximum performance conditions are met or 74% of the market value if none of the performance criteria are met. Performance between minimum and maximum is calculated on a pro-rata basis. The performance criteria are a range of EBITDA targets and sales targets as follows:

	Minimum threshold		Maximum threshold	
Financial year ending	**EBITDA**	**Sales**	**EBITDA**	**Sales**
28/02/2018	£2,462,000	£57,789,000	£2,645,000	£62,412,000
28/02/2019	£3,201,000	£69,347,000	£3,702,000	£81,136,000
28/02/2020	£4,001,000	£79,749,000	£4,998,000	£101,420,000
28/02/2021	£4,801,000	£91,711,000	£6,498,000	£126,775,000
28/02/2022	£5,522,000	£100,882,000	£8,122,000	£154,665,000

Notes to the financial statements (continued)

17 Share based payments (continued)

The share price was calculated using a discounted cash flow method using a discount rate of 40% and perpetuity growth rate of 2.1% on management's four-year projections as at March 2017.

The option was valued using a Monte-Carlo simulation model. The inputs into the model were as follows:

Grant date	01/03/17
Share price at grant date, discounted for minority interest	£26,329
Minority interest discount factor	45%
Number of employees	2
Shares under option	340
Vesting period (years)	5
Expected volatility	60.00%
Option life (years)	5
Expected life (years)	5
Risk free rate	0.42%
Expected dividends expressed as a dividend yield	0%
Possibility of ceasing employment before vesting	0%
Expectations of meeting performance criteria	Ranging from 15% to 90% depending on the year
Total option fair value	£206,764

The charge recognised in the year by the Company in respect of the boohoo option was £1,156k.

Share option scheme

Share options have been granted to employees of the Company under three schemes, the Employee Share Option Plan ("ESOP"), the Save As You Earn Scheme ("SAYE") and the Long Term Incentive Plan ("LTIP"). The table below reconciles the number of options for each scheme in the current financial year:

	ESOP		SAYE		LTIP	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the start of the year	-	-	-	-	-	-
Granted in the year	795,000	244.50	278,814	169.00	122,700	1
Forfeited in the year	-	-	(2,130)	169.00	-	1
Outstanding at the end of the year	**795,000**	**244.50**	**276,684**	**169.00**	**122,700**	**1**
Exercisable at the end of the year	**-**	**-**	**-**	**-**	**-**	**-**

Notes to the financial statements (continued)

17 Share based payments (continued)

The assumptions used to determine the fair value of the awards made in the year, for each scheme, are set out in the table below.

	ESOP	SAYE	LTIP
Grant date	13/06/2017	06/11/2017	13/06/2017
Share price - pence	244.50	209.25	244.50
Exercise price - pence	244.50	169.00	1.00
Number of employees	23	74	2
Shares under option	795,000	276,684	122,700
Vesting period (years)	3	3	3
Expected volatility	40.85%	41.67%	40.85%
Option life (years)	10	3.5	10
Expected life (years)	3.5	3	3.5
Risk free rate	0.192%	0.513%	0.192%
Dividend yield	0.0%	0.0%	0.0%
Attrition rate	30%	30%	30%
Performance criteria expectation rate	100%	100%	10%
Fair value per option - pence	73.35	76.86	243.51

The fair value of all three option schemes was determined using a Black-Scholes Model.

The total charge recognised in the year in respect of the three option schemes was £125k.

Notes to the financial statements (continued)

18 Contingent liabilities

From time to time, the company can be subject to various legal proceedings and claims that arise in the ordinary course of business which may include cases relating to the company's brand and trading name. All such cases brought against the company are robustly defended and a liability is recorded only when it is probable that the case will result in a future economic outflow and that the outflow can be reliably measured.

As at 28 February 2018, there are no pending claims or proceedings against the company which are expected to have material adverse effect on its liquidity or operations.

19 Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking of prettylittlething.com Limited (formerly 21Three Clothing Company Limited) is boohoo.com plc, which is the smallest and largest group to consolidate the financial statements.

Copies of boohoo.com plc consolidated financial statements can be obtained from the website www.boohooplc.com or from the Company Secretary at 49-51 Dale Street, Manchester, M1 2HF.

20 Related undertakings

As at 28 February 2018, the Company owned 100% of the issued share capital of 21Three Clothing Company Limited and prettylittlething.com USA Inc.

21Three Clothing Company Limited was dormant in the year and the carrying value of the investment in the subsidiaries is £nil (2017: £nil). The registered address of the company is 49-51 Dale Street, Manchester, M1 2HF.

prettylittlething.com USA Inc is incorporated in the United States of America was dormant in the year, having been incorporated on 23 March 2017, and the carrying value of the investment in the subsidiaries is £nil. The registered address is Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.