Nasty Gal Limited

Annual report and financial statements
Registered number 10487954

For the year ended 29 February 2020

Contents

Company Information

Directors
Mahmud Kamani
Carol Kane
John Lyttle
Neil Catto

Company secretary
Keri Devine

Registered office
49-51 Dale Street
Manchester
M1 2HF

Registered number
10487954 (England and Wales)

Independent auditors
PricewaterhouseCoopers LLP
No 1 Spinningfields
1 Hardman Square
Manchester
M3 3EB
United Kingdom

Strategic report

The Directors present their strategic report for the year ended 29 February 2020.

Review of the business

Description of the business model

The company designs, sources, markets and sells clothing, shoes, accessories and beauty products targeted at 16-30 year-old consumers globally.

Nasty Gal is a bold and distinctive brand for fashion-forward, free-thinking young women, offering limited edition clothing to a global audience. The brand's largest market so far has been in the USA and has a global reach with enormous potential for growth.

Performance

Revenue growth across all territories has been exceptionally strong, with an overall 106% increase to £98,833,000. USA revenue continues to grow strongly and remains the brand's largest territory. In the UK and internationally, growth has continued at an exceptional pace, with the brand gaining recognition and attracting a far-reaching customer base. Gross margin reduced to 54.2% (2019: 56.7%), which is in line with the re-alignment of the customer proposition.

Supply chain

The company is a subsidiary of boohoo group plc, which in July was the subject of the publication of allegations of supply chain malpractice. Following these allegations, the group took the decision to accelerate the UK compliance programme as well as launch an Independent Review of its supply chain, led by Alison Levitt QC. As part of our own review, the frequency and coverage of our regular, independently-operated supplier audits has increased to detect any instances of non-compliance and to work with suppliers on remedial action plans. This reflects our determination to continue to support Leicester factories to benefit the local community, its individual workers and the city, whilst continuing to provide a viable source of supply to the group.

The group has recognised that the progress in upscaling its supplier compliance function that began in late 2019 needs to be substantially improved and accelerated and, following the recommendations of the Independent Review, has established a programme of management, structural and procedural changes, some of which the group was already adopting. This agenda for change programme is comprehensive and includes independent oversight of the change agenda, the appointment of two non-executive directors, one of whom it is our intention shall be an individual experienced in dealing with Environmental, Social and Governance (ESG) matters, and embedding supply chain compliance at every board meeting through a new committee.

The group has recruited a Director of Responsible Sourcing to lead our compliance programme and to establish new buying principles, including more predictable ordering to assist suppliers in load planning and to consolidate the number of Leicester suppliers. The group will support this through publication of our UK supplier list later this year, and we will improve auditing control and supply chain compliance through the use of a software solution. We will also create a Garment and Textiles Community Trust to provide advice and support to garment workers in Leicester and set up our own manufacturing facility to showcase the best of British manufacturing.

The group published the Independent Review in full on its website at www.boohooplc.com/newsroom. The board is wholly supportive of Ms Levitt's recommendations and intends to implement these in full. Our actions to implement the recommendations are outlined in detail in the group's RNS announcement of 25 September 2020 and are categorised under: corporate governance; redefining our purchasing practices; raising standards across our supply chain; supporting Leicester's workers and workers' rights; support for suppliers; and demonstrating best practice in action.

Product

Nasty Gal's exciting product range now encompasses over 16,000 styles, doubling in size over the year. Other key areas of growth include recycled ranges and further expansions of Nasty Gal Vintage, a great collection of sustainably-sourced, true reworked vintage product, drawing on the brand's heritage, unique DNA and a commitment by the company in terms of sustainability. Comprehensive size ranges have also helped support the inclusiveness of the brand and extend its appeal to women globally.

Marketing

The marketing strategy has focussed on building brand awareness, working with an increasing number of influencers to engage customer interest and promote brand loyalty. This summer we launched an iconic collection edited by Emily Ratajkowski (EmRata) and throughout the year have worked with high profile fashion collaborators Claire Rose Cliteur, Emma Louise Connelly and Josefine HJ. The autumn saw the biggest collaboration the brand has ever worked on, partnering with supermodel Cara Delavigne on our holiday collection.

On social media Nasty Gal has 4.4 million followers on Instagram and 1.3 million Facebook likes.

Distribution centre

The company operates through its Burnley distribution centre. Automation at the Burnley warehouse went live in April 2019 and has been instrumental in improving efficiency throughout, enabling the facility to handle the rapid growth of the company and maintain high customer service levels. Phase 2 of the automation at Burnley is planned to commence in the first half of the 2021 financial year, further boosting the peak load capacity to ensure we continue our great customer service. The facility gives us the scale and capacity required in the medium term as the company develops.

Technology

As we recently invested in a team focussed on expanding our in-house app development capabilities, we have been able to introduce improved app functionality and user experience at a faster pace. A greater percentage of our customers now use the apps for the entire browsing and purchasing journey, enabling us to provide them with more relevant and targeted marketing and an optimised user experience.

Financial review

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

Sales revenue by geographical market

	2020	2019	Change
	£000	£000	
USA	**49,953**	28,809	+73%
UK	**30,955**	13,127	+136%
Rest of Europe	**10,725**	3,283	+227%
Rest of world	**7,200**	2,691	+168%
	98,833	47,910	+106%

Income statement

	2020	2019	Change
	£000	£000	
Revenue	**98,833**	47,910	+106%
Cost of sales	**(45,301)**	(20,765)	+118%
Gross profit	**53,532**	27,145	+97%
Gross margin	***54.2%***	*56.7%*	*-250bps*
Distribution costs	**(20,532)**	(12,020)	
Administrative expenses	**(30,375)**	(18,188)	
Profit / (loss) before taxation	**2,625**	(3,063)	+186%

Taxation

The effective rate of tax for the year was 21.5% (2019: 16.9%), which is higher (2019: lower) than the blended UK statutory rate of tax for the year of 19% (2019: 19%), due to expenditure not deductible for tax purposes.

Statement of financial position

	2020	2019
	£000	£000
Intangible assets	**10,549**	12,398
Non-current assets	**10,549**	12,398
Working capital	**(13,550)**	(17,404)
Cash and cash equivalents	**139**	83
Net liabilities	**(2,862)**	(4,923)

Working capital reflects amounts owed to related parties and is negative, reflecting the immaturity of the newly acquired brand, investment in the customer proposition and the building of our infrastructure to support the future business expansion.

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 a wide choice of quality products at value prices lower than those available on the high street with the convenience of home delivery. The company's target market has a high propensity to spend on fashion and, apart from times of pandemic, the market is resilient to external macroeconomic factors.

Outlook

At Nasty Gal Limited, our top priority remains the health and wellbeing of our colleagues, our customers, and the many suppliers who work alongside us from around the world. From the outset of the pandemic, we have been closely following the government initiatives that support businesses and the public. We have been following all guidance regarding self-isolation, social distancing and personal hygiene in order to keep everyone in our Nasty Gal family safe and well. The vast majority of our office-based teams are now working remotely. Our fantastic warehouse teams have adapted to completely new ways of working to ensure that they abide by all the social distancing procedures that we have in place. We are in constant contact with them and are working day and night to ensure that everyone is following the new systems, has what they need and, most importantly, that our teams are happy and healthy. Their ongoing safety and wellbeing is our number one priority.

As a company, we are standing alongside our suppliers, continuing to pay them promptly with industry-leading payment terms for all of their orders. We have also set up an emergency fund to help suppliers through this difficult period. Since Nasty Gal was founded, we have invested in our supplier relationships and by continuing to support them through these short-term challenges, we will further secure these relationships for the long-term.

The company has taken steps to understand, as far as possible, the risks and impact that the pandemic may potentially have on its operations, analysing a range of scenarios, factoring in a downturn in demand and the possibility of warehouse closures. Although it is not possible to predict precisely the impact from COVID-19, we have ensured that we have stress-tested our liquidity under these scenarios. From this, we are comfortable that the company has sufficient financial headroom, benefitting from its largely variable cost base, low cash burn rate and access to continued financial support from the ultimate parent company boohoo group plc.

A key strength of our business lies in its agility and flexibility, and we have moved quickly to take mitigating actions, so as to best manage our inventory and cost base and ensure the health, safety and wellbeing of all colleagues. Our inbound supply chain continues to operate efficiently, benefitting from its international diversification and we are working with our logistics partners to minimise any potential disruption.

As always, our focus is to maintain an outstanding customer proposition, with the latest fashion at great prices, combined with excellent customer service. To this end, we have a plan of continuous investment in our systems, infrastructure and technology to ensure we offer an optimal online shopping experience. International expansion will continue as we add more country-specific websites, refine our customer proposition and raise brand awareness through marketing and social media. We are also committed to continuing to drive improvements across our environmental responsibilities and are constantly exploring ways to accelerate our sustainability journey.

Risk management

On an annual basis, the board reviews the principal risks and uncertainties facing the company and assesses the mitigating factors. This assessment is also undertaken whenever there is a perceived major change in the principal risks and uncertainties. The following are considered to be the principal risks and uncertainties, although these may not be exhaustive in that other unknown risks may have an adverse effect on the business.

Strategic Risks		
Risk Heading	**Risk Factors**	**Mitigation**
Covid19 pandemic	• Severe loss of revenue • Closure of the warehouses • Loss of or absence of employees due to illness • Loss of supply chain • Transport disruption	• Government financial support • Safe working practices rigorously imposed • Employees working from home wherever possible • Expense reduction initiatives • Close liaison with suppliers and carriers to normalise services as far as possible
Competition risk	• Competitors may be able to offer consumers like-for-like better quality, better value, superior customer service, more generous or superior delivery service, better website functionality or better brand image, thereby eroding market share • European customers may be deterred from purchasing from a UK company following the UK's decision to leave the EU	• Competitor activity and offerings are reviewed regularly to remain abreast of market developments and identify competitive advantages • Consumers' changing preferences are monitored internally and by market research to ensure product and service is relevant to demand • Developments in ecommerce trends are monitored to keep abreast of the latest developments and innovations • Performance targets control key deliverables (product quality, customer service and traffic)
Fashion and consumer demands risk	• Failing to keep abreast of the latest trends in colour and style could lead to lost sales and erosion of market share • Failure to react quickly enough to fashion changes could lead to lost sales • Failure to respond to changing customer preferences on	• Highly competent designers and buyers are adept at interpreting fashion and acquiring desirable product • Buyers and designers keep up to date with fashion changes through fashion shows, predictive agencies and fashion press • Sustainability is integral to the company ethos with a function headed at a director level to focus

	sustainability issues could affect sales • Buying the incorrect quantities of product relevant to demand may result in lost sales opportunities or excess inventory	on creating more sustainable products and supply chain operations and reduce environmental impact • Product range planning ensures sufficient product offering to cover expected demand using the test-and-repeat model • Rapid response to fashion trends is achieved by using factories capable of short lead times • Buying, merchandising and marketing departments operate cohesively, with regular cross-functional communication

Operational risks

Risk Heading	Risk Factors	Mitigation
Systems and technical risk	• Hardware or software failure could disable the website or operational systems • Cyber-attack is an increasingly major risk • System capacity due to high transactional volumes may be compromised, leading to error or failure • Websites hosted by third party, which may be subject to business failure • Loss of or theft of consumer data could lead to loss of reputation and breach of data protection regulations	• Duplicate back-up system in remote location protects against hardware failure and to some extent software failure • Systems documentation and recovery procedures are in place and tested periodically • High security threshold and appropriate IT access and usage policies protect from virus and malicious attack and are regularly reviewed • System load planning is undertaken to ensure transaction volumes do not impinge on performance • Storage of personal data is tightly controlled and limited in accordance with data protection guidelines and PCI requirements, with additional mapping and controls introduced to ensure compliance with GDPR
Supply chain risk	• The business is dependent upon suppliers with whom relationships have been developed over time and whose loss through insolvency, disaster or denial of supply may be difficult to replace at short notice	• Supply risk is spread over many suppliers with no major individual dependencies • Extensive and up-to-date knowledge of supplier base would enable alternative sources to be found relatively quickly

	• Labour or environmental abuse in the supply chain could result in closure of supply or reputational damage	• Levels of inventory are adequate to cover short periods of supply delay • Regular auditing of suppliers, unscheduled inspections and imposition of conformance agreements ensures adequate standards are maintained in the supply chain as far as possible
Key facilities	• Fire, flood, or other disaster could lead to part or total, temporary or permanent closure of facilities • Failure to adequately plan for warehouse capacity to cater for business expansion could restrict revenue growth	• Warehouse is protected by 24-hour security, access control, fire protection and sprinkler systems • Head office is protected by security alarm, access control, fire protection and sprinkler systems • Electric power continuity is protected by back-up generators • A comprehensive disaster recovery and business continuity plan supported by a disaster recovery committee exists • Long-range planning aims to ensure adequate warehouse facilities are available to keep pace with business growth
People risk	• Competitors are inclined to poach key staff and talented individuals • Employees may leave the company for better pay and prospects elsewhere	• Incentive schemes for senior managers are operated, including share ownership, bonus and incentive schemes linked to business performance • Succession planning aims to reduce key person dependencies
Brexit (no deal) risk	• The UK's decision to leave the EU may increase costs if tariffs are imposed on imports • Exports to the EU in the event of a no-deal Brexit at the end of the transition period may be impacted, becoming less competitive or reducing margins • Delays at ports could impact customer service	• Less than 10% of inventory is sourced from the EU and so any duty or tariff increases are not expected to be material. The company has a large portfolio of suppliers in many regions of the world and constantly changes sources to obtain the best prices and quality • Most exports to the EU fall below the minimum threshold at which duty is payable by the consumer. Sales tax is already charged on EU sales and the company would continue to pay sales tax on imports to the EU

		• The company has developed plans to manage imports and exports to/from the EU in the event of a no-deal Brexit.

Reputational risks

Risk Heading	**Risk Factors**	**Mitigation**
Negative perception of the brands	• Adverse customer experience through poor product quality, product recall due to faulty manufacture or use of illegal substances in manufacture, labour abuses, environmental damage by third party suppliers or concerns over environmental sustainability could lead to reputational damage and customer boycott of the brand • Adverse customer experience through refund disputes or poor customer service could damage reputation	• A system of factory approvals is operated, ensuring that manufacturers agree to a set of acceptable standards • Compliance with manufacturers' agreements is monitored by periodic audit • The company monitors and has action plans to improve sustainability across product and processes throughout the business and supply chain and reduce the environmental impact • Customer service levels and complaints are monitored and internet sites are reviewed for customer opinion

Financial risks

Risk Heading	**Risk Factors**	**Mitigation**
Financial risk	• Poor business performance or lack of appetite for the sector may impede raising of capital • Exchange rate fluctuations may erode margins	• Regular budgeting and forecasting ensures working capital is sufficient for business requirements and rapid reaction to adverse business performance • Uncertainty due to fluctuating exchange rates is reduced by appropriate hedging policies

On behalf of the board

Neil Catto
Director

9 December 2020

Directors' report

The directors present their directors' report and the audited financial statements for the year ended 29 February 2020.

Principal activities

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

Results and dividends

The company's profit after tax for the year to 29 February 2020 was £2,061,000 *(2019 loss: £2,546,000)*. The audited financial statements for the year for the company are set out on pages 16 to 28.

The directors do not recommend the payment of a dividend so that cash is retained in the company for capital expenditure projects that are required for the rapid growth and efficiency improvements of the business and for suitable business acquisitions.

Directors

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

Mahmud Kamani
Carol Kane
John Lyttle
Neil Catto
Allan Pollitt (resigned 10 November 2020)

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.

Going concern
The directors considered it appropriate to prepare the financial statements on a going concern basis, as explained in the basis of preparation in note 1 to the financial statements.

Financial risk management

Financial risk management is detailed in note 14 to the financial statements.

Engagement with stakeholders – employees, suppliers and customers and community and environment

The board's responsibilities to promote the success of the group under section 172 of the Companies Act 2006, as modified by the Companies (Miscellaneous Reporting) Regulations 2018 are outlined as follows:

a. Employee engagement

The quality, commitment and effectiveness of the company's employees are crucial to its continued success. Employee policies and programmes are designed to encourage employees to become interested in the company's activities and to reward employees according to their contribution and capability and the company's financial performance. Employee communications are a priority and regular briefings are used to disseminate relevant information. Employee surveys are undertaken to allow employees to express their views anonymously on many aspects of their work lives. Suggestion boxes are used to allow employees to voice their opinions for improvements and change. Employee share ownership is encouraged through free share schemes and employee share option plans.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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.

Independent auditors

The company is in the process of appointing a new independent auditor, which at the point of approving these financial statements has not been finalised. A resolution will be passed to approve the appointment of the new auditors upon finalisation.

On behalf of the board

Neil Catto
Director

9 December 2020

b. Suppliers and customers

The boohoo group plc, of which the company is a member, maintains an ongoing dialogue with its customers and suppliers through news announcements on the group's website and through the group's regulated market announcements. In addition, the company engages in supplier face-to-face meetings, email and telephone conversations with directors and senior management and annual social events for key suppliers. Engagement with customers is a major part of the company's communication activities performed through social media sites and via email where customers have opted in to receive such communication

c. Community and environment

As part of the boohoo group plc we have active community and environmental policies in place. Full details of these policies can be found in the boohoo group plc Annual Report and Accounts on pages 24 to 37. The boohoo group plc annual report and financial statements are publicly available and can be found at www.boohooplc.com.

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 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 10.

Statement of directors' responsibilities in respect of the 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 year. 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 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 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.

Independent auditors' report to the members of Nasty Gal Limited

Report on the audit of the financial statements

Opinion

In our opinion, Nasty Gal Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 February 2020 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 29 February 2020; the income statement and 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 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 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 Nasty Gal Limited

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 29 February 2020 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 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.

Kevin MacAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
9 December 2020

Income statement
for the year ended 29 February 2020

	Note	**2020**	2019
		£000	£000
Revenue	*2*	**98,833**	47,910
Cost of sales		**(45,301)**	(20,765)
Gross profit		**53,532**	27,145
Distribution costs		**(20,532)**	(12,020)
Administrative expenses		**(30,375)**	(18,188)
Profit / (loss) before taxation	*4*	**2,625**	(3,063)
Income tax (expense) / credit	*7*	**(564)**	517
Profit / (loss) for the financial year		**2,061**	(2,546)

All activities relate to continuing operations.

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

The notes 1 to 16 on pages 19 to 28 are an integral part of these financial statements.

Statement of financial position

As at 29 February 2020

	Note	**2020** **£000**	2019 £000
Fixed assets			
Intangible assets	*9*	**10,549**	12,398
Current assets			
Trade and other receivables	*10*	**3**	68
Cash and cash equivalents		**139**	83
Total current assets		**142**	151
Total assets		**10,691**	12,549
Creditors – amounts falling due within one year	*11*	**(13,553)**	(17,472)
Net current liabilities		**(13,411)**	(17,321)
Net liabilities		**(2,862)**	(4,923)
Equity			
Ordinary shares	*12*	**-**	-
Accumulated losses		**(2,862)**	(4,923)
Total equity		**(2,862)**	(4,923)

The notes 1 to 16 on pages 19 to 28 are an integral of these financial statements.

These financial statements of Nasty Gal Limited, registered number 10487954, on pages 16 to 28 were authorised for issue by the board of directors on 9 December 2020 and were signed on its behalf by:

Neil Catto
Director

Statement of changes in equity

	Share capital £000	Accumulated losses £000	Total equity £000
Balance as at 28 February 2018	-	(2,377)	(2,377)
Loss for the year	-	(2,546)	(2,546)
Balance as at 28 February 2019	-	(4,923)	(4,923)
Profit for the year	-	2,061	2,061
Balance as at 29 February 2020	**-**	**(2,862)**	**(2,862)**

The notes 1 to 16 on pages 19 to 28 are an integral of these financial statements.

Notes to the financial statements

1 Accounting policies

General information

Nasty Gal Limited is incorporated and domiciled in England, registered number 10487954 and is a private company limited by shares. Its registered office is 49-51 Dale Street, Manchester, M1 2HF. It was incorporated on 21 November 2016.

Basis of preparation

The financial statements of Nasty Gal Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
    - iii. Paragraph 79(a)(iv) of IAS 1;
    - iv. Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
    - v. Paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS1, 'Presentation of financial statements':
    - 10(d) (statement of cash flows);
    - 16 (statement of compliance with all IFRS);
    - 38A (requirement for minimum of two primary statements, including cash flow statements);
    - 38B–D (additional comparative information);
    - 111 (statement of cash flows information); and
    - 134–136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

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.

In reaching this conclusion the Directors modelled a number of scenarios to take account of the current Covid-19 crisis. These included a base case trading and cash flow forecast, a forecast which included a reduction in sales to reflect the potential risk should customer buying habits change or the company being able to source products and services to meet demand and a worst-case scenario where the company was not able to generate any sales due to the potential closure of distribution facilities. In all cases these forecasts showed that the company would have sufficient resources to remain in operation for a period of at least 12 months from the date of approving these financial statements.

In addition, the directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support from the ultimate parent company boohoo group plc. The directors have received confirmation that boohoo group plc intend to support the company for at least one year after these financial statements are signed.

New standards, amendments and IFRIC interpretations

The following new standards, and amendments to standards, have been adopted by the company for the first time for the financial year beginning on 1 March 2019:

- IFRS 16, 'Leases';
- IFRIC 23, Uncertainty over income tax treatment;
- Annual improvements IFRS 3 'Business Combinations', IAS 12 'Income taxes', IAS 23 'Borrowing costs';
- Amendments to IFRS 9 'Financial Instruments' – Prepayment features and negative compensation; and
- Amendments to IAS 39 and IFRS 7 interest rate benchmark reform.

The adoption of these standards did not have a material impact on the company financial statements.

Consolidation

The company is a wholly owned subsidiary of boohoo Holdings Limited and of its ultimate parent, boohoo group plc. It is included in the consolidated financial statements of boohoo group plc, which are publicly available. Therefore, the company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is 49-51 Dale Street, Manchester, M1 2HF.

These financial statements are separate financial statements.

Intangible assets

Trademark and licences are stated at cost less accumulated amortisation and impairment losses and are amortised over their expected lives of ten years and charged to administrative expenses. Customer lists are amortised over expected customer lifetime value of three years.

Financial instruments

Financial instruments are recognised at fair value and subsequently re-measured at fair value at the end of each reporting date.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under IFRS 9, effective from 1 January 2018, the company elected to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets that result from transactions that are within the scope of IFRS 15, irrespective of whether they contain a significant financing component or not. Under the new accounting standard, the company continues to establish a provision for impairment of trade receivables when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. In addition, IFRS 9 requires the company to consider forward looking information and the probability of default when calculating expected credit losses. The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The company considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement within administrative expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in 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 bank.

Revenue

Revenue is 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. Revenue from the sale of goods is recognised when the customer has received the products, which is when it is considered that the performance obligations have been met, and is adjusted for actual returns and a provision for expected returns. Internet sales are paid by customers at the time of ordering using a variety of payments methods. A provision for returns, based on historical customer return rates, is deducted from revenue.

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 received. Early settlement discounts are taken when payment is made.

Leasing commitments

Rentals paid under low value and short-term operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Pension costs

The company contributes to a Group Personal Pension Scheme for certain employees under a defined contribution scheme. The costs of these contributions are charged to the statement of comprehensive income 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 statement of comprehensive income 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 year, 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.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates on the day of the transaction. 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 statement of comprehensive income.

Significant estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 year are addressed below:

Returns provision

The provision for sales returns is estimated based on recent historical returns and management's best estimates and is allocated to the period in which the revenue is recorded. Actual returns could differ from these estimates. The historic difference between the provision estimate and the actual results, known at a later stage, has never been, nor is expected to be, material. A difference of 1%pt in the percentage of sales returns rate would have an impact of +/- £159,000 on reported revenue and +/- £73,000 on operating profit.

2 Revenue

The revenue is attributable to the one principal activity of the company. An analysis of the revenue by geographical market is shown below.

	2020	2019
	£000	£000
USA	**49,953**	28,809
UK	**30,955**	13,127
Rest of Europe	**10,725**	3,283
Rest of world	**7,200**	2,691
	98,833	47,910

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

3 Auditors' remuneration

	2020	2019
	£000	£000
Audit of these financial statements	**20**	17
Non-audit services	**-**	-

4 Profit / (loss) before taxation

Operating profit / (loss) before taxation is stated after charging:	**2020**	2019
	£000	£000
Amortisation of intangible assets	**1,849**	1,849

5 Staff numbers and costs

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

	Number of employees	
	2020	2019
Administration	**99**	68

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	**3,899**	2,441
Social security costs	**402**	268
Other pension costs	**79**	34
	4,380	2,743

6 Directors' remuneration

Directors' and key management compensation are borne by the ultimate parent undertaking of the company, boohoo group plc. The directors' remuneration in respect of services to the parent company are shown below. No element of directors' pay is directly attributable to the company.

	2020	2019
	£000	£000
Wages and salaries	**4,851**	3,191
Long-term incentives	**1,442**	202
Other pension costs	**24**	30
	6,317	3,423

The aggregate emoluments including share-based payments of the highest paid director were £2,585,663 *(2019: £1,153,206)*. The contributions to money purchase pension scheme in respect of the highest paid director were £202 *(2019: £12,708)*. The number of directors contributing to money purchase pension schemes was 3 *(2019: 2)*.

7 Income tax (expense) / credit

	2020	2019
	£000	£000
Analysis of charge / (credit) in year		
Current tax on income for the year	**564**	(517)
Tax on profit / (loss)	**564**	(517)

The total tax charge differs from *(2019 restated: differs from)* the amount computed by applying the blended UK rate of 19% for the year *(2019: 19%)* to profit / (loss) before taxation as a result of the following:

	2020	2019
	£000	£000
Profit / (loss) before taxation	**2,625**	(3,063)
Profit / (loss) before taxation multiplied by the standard blended rate of corporation tax of the UK of 19% *(2019: 19%)*	**499**	(582)
Effects of:		
Expenses not deductible for tax purposes	**65**	65
Tax on profit / (loss)	**564**	(517)

No current tax was recognised in other comprehensive income *(2019: £nil)*.

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

8 Investments

Name of company	Principal activity	Country of incorporation	Address	Percentage ownership
Nasty Gal.com USA Inc	Marketing office	USA	2135 Bay Street, Los Angeles, CA 90021	100%

9 Intangible assets

	Trademarks	Customer lists	Total
	£000	£000	£000
Cost			
Balance as at 28 February 2018	15,070	1,026	16,096
Additions	-	-	-
Disposals	-	-	-
Balance as at 28 February 2019	15,070	1,026	16,096
Additions	-	-	-
Disposals	-	-	-
Balance as at 29 February 2020	**15,070**	**1,026**	**16,096**
Accumulated amortisation			
Balance as at 28 February 2018	1,507	342	1,849
Amortisation for year	1,507	342	1,849
Disposals	-	-	-
Balance as at 28 February 2019	3,014	684	3,698
Amortisation for year	1,507	342	1,849
Disposals	-	-	-
Balance as at 29 February 2020	**4,521**	**1,026**	**5,547**
Net book value			
As at 28 February 2018	13,563	684	14,247
As at 28 February 2019	12,056	342	12,398
As at 29 February 2020	**10,549**	**-**	**10,549**

Within the statement of comprehensive income, amortisation of acquired intangible assets (trademarks and customer lists) of £1,849,000 *(2019: £1,849,000)* is included in administrative expenses.

10 Trade and other receivables

	2020	2019
	£000	£000
Prepayments	**3**	68

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

11 Creditors – amounts falling due within one year

	2020	2019
	£000	£000
Amounts owed to related party undertakings (note 13)	**10,473**	16,092
Accruals	**3,080**	1,380
	13,553	17,472

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

Amounts owed to related party undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12 Ordinary shares

	2020	2019
	£000	£000
1 *(2019: 1)* authorised and fully paid ordinary shares of £1 each	-	-

The directors do not recommend the payment of a dividend so that cash is retained in the company for capital expenditure projects that are required for the rapid growth and efficiency improvements of the business and for suitable business acquisitions.

13 Related party disclosures

Related party	**Nature of relationship**	**2020 £000**	2019 £000
Amounts included in the statement of financial position			
Amounts owed to related party undertakings			
boohoo.com UK Limited	Subsidiary of ultimate parent undertaking	**10,473**	16,092
Amounts included in the statement of comprehensive income			
Admin costs - marketing			
Nasty Gal.com USA Inc	Subsidiary	**1,023**	1,181
Admin costs – central management services			
boohoo.com UK Limited	Subsidiary of ultimate parent undertaking	**1,993**	1,355

14 Financial instruments

(a) ***Fair values of financial instruments***

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date if the effect is 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 reporting date.

Fair values

	2020	2019
	£000	£000
Financial assets		
Cash and cash equivalents	**139**	83

	2020	2019
	£000	£000
Financial liabilities		
Trade and other payables	**13,553**	17,472

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables from customers and hedging and other financial activities.

The company faces minimal credit risk from trade receivables as customers pay for their orders in full at the time of purchase and third party sales are to a small number of large established corporations. The risk of default from related party undertakings is considered low.

(c) Liquidity risk

Financial risk management

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

The company's approach to managing liquidity is to use both short-term and long-term cash forecasts to assist in monitoring cash flow requirements.

(d) Capital risk

Financial risk management

Capital risk is the risk that the company will not be able to continue as a going concern.

The company is financed by its parent company which has indicted its willingness to continue to funds the company's operations. The capital structure is regularly reviewed to ensure it is appropriate to the company's strategic objectives. The funding requirements of the company are ascertained by regular cash flow forecasts and projections.

(e) Foreign currency risk

Financial risk management

The company trades internationally and is exposed to exchange rate risk on purchases and sales, primarily in Australian dollars, euros and US dollars. The company's results are presented in sterling and are exposed to exchange rate risk on translation of foreign currency assets and liabilities.

Foreign currency hedges are managed by a related company on behalf of the company and used to convert foreign currency cash into sterling.

15 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 29 February 2020, there are no pending claims or proceedings against the company which are expected to have material adverse effect on its liquidity or operations.

16 Controlling parties

The immediate parent undertaking is boohoo Holdings Limited incorporated in the UK, registered number 11941376.

The ultimate parent undertaking and controlling party is boohoo group plc incorporated in Jersey, registered number 114397.

There is no requirement Nasty Gal Limited to produce consolidated financial statements in the UK nor for boohoo Holdings Limited and so the financial statements of boohoo group plc are the smallest and largest group to consolidate these financial statements. Copies of boohoo group 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.