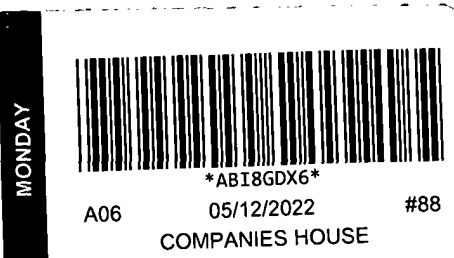


Nasty Gal Limited

Annual report and financial statements

Registered number 10487954,

For the year ended 28 February 2022



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Company Information

Directors

Mahmud Kamani
Carol Kane
John Lyttle
Neil Catto
Shaun McCabe (appointed 3 October 2022)

Company secretary

Thomas Kershaw

Registered office

49-51 Dale Street
Manchester
M1 2HF

Registered number

10487954 (England and Wales)

Independent auditors

PKF Littlejohn LLP
15 Westferry Circus
London
E14 4HD
United Kingdom

Strategic report

The Directors present their strategic report for the year ended 28 February 2022.

Review of the business

Description of the business model

The company designs, sources, markets and sells clothing, shoes, accessories and beauty products targeted at consumers globally.

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

Performance

Revenue for the year amounted to £110,461,000, down 21% on 2021. Gross margin was 47.9%, down 710bps on 2021. This iconic US brand has established a strong following in the UK, however, the continued extended delivery times to the key US market, driven by reduced airfreight capacity, have subdued demand.

The company is a subsidiary of boohoo group plc and has benefitted from access to a formidable suite of relationships and resources and combined this with our insight and understanding of changing consumer demands to build a business platform that delivers value to all our stakeholders.

Relationships

Employees

Our employees are our greatest asset, delivering a truly awesome package of skills and knowledge that enables us to tackle the most challenging feats.

Suppliers

We have developed a comprehensive network of suppliers from all corners of the world and we continue to work with them to bring us the product and services that drive our success.

Customers and partners

Our customers and partners are our life-blood. We engage, listen, learn, create and repeat successfully. Our partners help us reach customers globally.

Resources

Infrastructure

We have invested millions in state-of-the-art, automated distribution centres and great office facilities for our talented teams.

Technology

Our formidable technology platform comprises best-of-kind systems and enables us to operate a huge volume business with efficiency and accuracy.

How we operate

We design, source, market and sell fashion clothing, shoes, accessories and beauty products to 16–45-year-old consumers globally. We implement a 'test and repeat' model that brings the latest trends and fashion inspiration in a matter of days or weeks to our consumers across the world.

Design and inspiration

Our skilled designers and buyers have their fingers on the pulse of fashion around the world to spot the latest trends.

Sourcing and production

Buyers tap into a global network of approved suppliers to find the best mix of quality and price to deliver outstanding value to our customers.

Marketing and customer engagement

We connect with our consumers through social media and innovative advertising, supported by influencers and celebrities, and through our engaging websites and apps, offering the customer the very best online shopping experience.

Delivery and customer care

Great customer service is provided by a comprehensive choice of delivery options, payment methods, and a highly rated customer service centre takes care of the entire customer journey.

Engagement and repeat

Sophisticated monitoring of marketing and product success enables us to respond rapidly to consumer demand and optimise customer reach.

Value generated for stakeholders

Employees

We provide our employees with the opportunity to develop their skills and experience in a dynamic business and give them a share in its success through share ownership plans and bonuses.

Suppliers

We operate with our suppliers in a transparent way, enabling suppliers to participate in our success as we grow and working to improve factory standards. We have invested in building a more visible, more sustainable supply chain of approved partners.

Customers

We provide our customers with great product and value at prices below those of the high street and with a service that is convenient and safe at home.

Community

We engage with the wider community through our charitable work, the Leicester Garment and Textile Workers' Trust and through the provision of jobs in our offices and distribution centres that benefit the local area and our suppliers.

Planet

We are determined to play our part in reducing the environmental impact of clothing and our operations through our increased focus on sustainability and with the ambitious environmental targets we have set for ourselves.

Financial review

Sales revenue by geographical market

	2022	2021
	£000	£000
USA	62,840	71,003
UK	31,274	42,703
Rest of Europe	9,489	15,589
Rest of world	6,858	10,979
	110,461	140,274

Income statement

	2022	2021
	£000	£000
Revenue	110,461	140,274
Cost of sales	(57,576)	(63,154)
Gross profit	52,885	77,120
<i>Gross margin</i>	<i>47.9%</i>	<i>55.0%</i>
Distribution costs	(37,657)	(36,801)
Administrative expenses	(32,032)	(34,474)
(Loss) / profit before taxation	(16,804)	5,845

Taxation

The effective rate of tax for the year was 19% (2021: 19%) which is the same (2021: same) as the blended UK statutory rate of tax for the year of 19% (2021: 19%).

Statement of financial position

	2022	2021
	£000	£000
Intangible assets	7,535	9,042
Non-current assets	7,535	9,042
Working capital	(19,595)	(8,467)
Cash and cash equivalents	321	1,297
Net (liabilities) / assets	(11,739)	1,872

Trends and factors likely to affect future performance

The global market for online fashion is forecast to continue to grow, which provides a favourable backdrop for the company with much opportunity for further growth. Customers throughout the world are seeking a wide choice of quality fashion forward products at value prices, generally 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 the market has proven to be quite resilient to external macroeconomic factors.

The pandemic has impacted our business and is most significantly seen in the unpredictability of customer demand, the rate of customer returns, the increase in shipping times and the cost of shipping on both inbound and outbound products. Some of these factors, such as the rate of customer returns, have already reverted from

the low rates during the pandemic to rates seen before the pandemic, while other factors such as the shipping cost increases are taking longer to move towards pre-pandemic levels. We expect shipping costs to continue at elevated levels during FY2023. Wage costs have also risen, given heightened levels of inflation, and in the UK the company will incur a 1.25% increase in National Insurance and a 6.6% increase in the National Living Wage expected from April 2022. Higher levels of inflation have also been seen in materials and the company will work to mitigate these costs across labour and materials where possible.

Outlook

Heading into the new financial year, the company is planning the business on the basis that the pandemic-related external factors impacting performance in FY2022 will continue for the year ahead. The company's priorities therefore are focussing on optimising its operations, including:

- **Sourcing and freight**
Targeting increased sourcing from near-shore markets, leveraging the flexibility that exists in the company's diverse supplier base to reduce lead times that have been negatively impacted through global supply chain challenges in FY2022 and exposure to fluctuating inbound freight costs that remain elevated
- **Stock management and returns**
Operating with lower levels of inventory through tighter stock management and increased levels of open to buy, giving greater flexibility to react to changes in demand mid-season. Whilst returns rates are expected to remain around current levels during FY2023, the company will annualise material increases in return rates in the first half of the new financial year.
- **Cost management**
The company has commenced a cost efficiency programme
- **Unlocking strategic enablers**
Focusing resources and capital investment into key projects to support strategic growth, including: onboarding new wholesale partnerships and progressing our US distribution centre ahead of go-live in 2023

By focusing on these areas, the company will be in a position of greater financial and operational strength, and well-positioned to rebound strongly as pandemic-related headwinds ease, allowing it to capitalise on its significantly expanded target addressable market.

We remain extremely confident in the company's future growth prospects, and as short-term demand uncertainty and material cost headwinds as a result of the pandemic unwind, the company's belief that it continues to be capable of executing its strategy aimed at leading the fashion e-commerce market remains unchanged.

Risk management

The company's ultimate parent undertaking, boohoo group plc manages the liquidity and risks associated with the whole group as disclosed in the financial statements of that company, which are publically available.

The following are considered to be the principal risks and uncertainties of both the company and the group as at the period ending 28 February 2022.

Strategic risks		
Risk heading (<i>Risk Owner</i>) (<i>Movement in period</i>)	Risk factors	Mitigation
Supply chain ethics <i>Director of Responsible Sourcing</i>	As a result of complexity inherent within the supply chain and non-compliance with required supply chain standards, there is a risk that inappropriate, unethical or illegal practices go undetected which could lead to	• UK and EMEA (Turkey, Italy, Paris) sourcing and compliance teams now in place

<i>and Group Product Operations</i> (Decreased)	investigations from regulatory bodies and may cause reputational damage.	• UK supply chain published March 2021, ROW published September 2021, both lists have been updated twice, in December 2021 and February 2022 • Bureau Veritas nominated audit partner and auditing programme in place, non-compliance correction process managed through UK ethical compliance team. UK manufacturing supply chain under-going Fast Forward audit programme • Supplier hourly production outputs programme underway • Responsible Purchasing Practices built by brand and part of brand buying practices. Modern slavery, anti-bribery and ethical compliance training programmes and plans in place in all areas of business
Competition risk <i>CEO and CFO</i> (Increased)	The business operates in a broad and open market, with many competitors. There are many factors that influence customers' choices, including service, fashion, price and brand. As a result of the above factors, there is a risk that market share may not grow or could decline.	• Operating a differentiated business model, across brand and geographies insulates against specific brand competitors • 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 e-commerce trends are monitored to keep abreast of the latest developments and innovations • Performance targets control key deliverables (product quality, customer service and traffic)
Sustainability <i>Director of Responsible Sourcing and Group Product Operations</i> (Increased)	As a result of sustainability and environmental factors, there is a risk that customer perception is damaged, which could negatively impact the brand. Longer term, consumers may reduce consumption of fast fashion due to environmental concerns.	• Sustainability Strategy published 2021 with ambitious targets, product sustainability targets updated and published fortnightly via dedicated governance committee • Dedicated and experienced Sustainability Team in place • Partnership with Cotton Connect and a Pakistan-based NGO to grow sustainable cotton in Rajanpur, Pakistan. Styles containing more sustainably grown cotton published on brand websites

		• Members of Sustainable Apparel Coalition, top 50 and all UK suppliers currently completing Facilities Environmental Module • Fabric waste collection programme being rolled-out across all UK manufacturers • New ESG Committee and ESG sub-committees established
Governance CFO (Decreased)	As a result of historical governance issues there is a risk of the business not meeting the best interests of its stakeholders.	• Sustainable change has been embedded within business practices • New committee structure established including new standalone governance committees relating to supplier compliance, treasury, health and safety and ESG
Ethos and culture Chief People Officer (Increased)	As a result of business change, developing and implementing new systems, controls and significant acquisitions, there is a risk that culture is impacted, which could lead to a decrease in brand ethos and morale, impacting operations.	• Board commitment to positive change, led from within the business and increased communications from senior leadership • Investment in colleague engagement, including regular town halls, listening sessions and improved on-boarding processes • Investment in colleague training to support change • New starter breakfast and focus group sessions • Company personal behaviour values developed for all levels • Teambuilding sessions and away days
Regulatory compliance Group Legal Counsel (Decreased)	As a result of complex data privacy regulations and continuous increase in threats to data, there is a risk of a regulatory breach, which could lead to regulatory investigation and financial penalties. As a result of operating in many international markets and variations in local regulation in those different markets, compliance risks are increased. Specifically, those where websites are located, pricing and promotion restrictions are in place and any countries with complex legal marketplace compliance (e.g. US) laws, there is a risk of non-compliance and regulatory-related investigations, which could lead to financial penalties and reputational damage. As a result of emerging regulations, there is a risk that additional compliance costs are incurred in the future.	• Comprehensive and refreshed training of colleagues on the importance of GDPR and data security • Advice sought and acted upon from experts in data privacy to provide guidance on mitigating the risk to the company – with regular updates on progress presented to the Executive Risk Group, Risk Committee and board • Privacy policies and procedures reviewed and updated regularly • Understanding and compliance to key laws and compliance thereto • Impact reduced by skilled legal team in house and utilising specific expert advice from external lawyers in territories concerned • Corporate Affairs team in place, which monitors emerging regulations to ensure the business is best placed for any new compliance requirements – e.g. buy-now-pay-later

Taxation and duties CFO (Level)	Governments may impose additional corporation taxes on online businesses. Governments are increasingly reducing duty and tax-free thresholds on imports and imposing tax collection responsibility on sellers, thereby increasing prices to consumers.	• Impact of potential future corporation tax rates is considered in future plans • Sales taxes are already imposed in all major markets and the company believes that its products will remain competitive due to its online proposition and with customs warehousing, the impact of duty costs can be minimised
Supply chain costs and delays CEO (New)	As a result of increased freight and distribution costs seen across industries around the world, there is a risk that products do not achieve an acceptable margin or that supply chain delays have an impact on speed.	• Dedicated sourcing team and inbound team, which looks to identify market opportunities for keeping costs down • Differentiated supply chain mechanisms so as to not be wholly reliant on one form of transport • Approximately 25% of products are sourced from the UK, which reduces macro exposure • Work ongoing to establish US distribution centre to improve market offering in US

Operational risks		
Risk heading	Risk factors	Mitigation
IT and cyber security CIO (Level)	There is a risk of a cyber-attack, which could lead to application, system and operational downtime and may impact trading and operations across the company.	• Board engagement in cyber risks, mitigations and plans. Regular updates at Executive Risk Group and Risk Committee • Perimeter security regularly updated and tested • Industry leading tooling to prevent and detect attacks • 24/7 security operations centre • Continued and expanding investment in IT tools and security teams • Training of both technical and non-technical teams regarding cyber security
Change CIO (Level)	As a result of a high number of critical projects running in parallel, including upgrading key IT systems, there is a risk that delivery is not completed in line with proposed timelines and business-as-usual activities are not appropriately established, thereby not meeting the expectations of both internal and external stakeholders, which could lead to reputational damage.	• Growth of projects capability including head of delivery and project function, business analysts and project managers • Investment in replacing the Enterprise Resource Planning ("ERP") system and connective infrastructure • The Change Advisory Board ("CAB"), consisting of senior leadership and executive directors, ensures that

		approvals are obtained in advance of changes being implemented - Established project methodology including the right level of governance for each project - Resourcing managed and reviewed to ensure key projects are prioritised - Material projects go through full risk management methodology
Third parties <i>CIO</i> (Level)	As a result of reliance placed on third parties, there is a risk that key third parties are not performing in line with expectations, which could lead to operational and technological disruption.	- A defined supplier framework and governance structure, which outlines the relationship owners exists - Supplier security assessments are conducted - Diversification of the service providers, where appropriate to spread risk - Technology suppliers managed through regular cadence of meetings
Business continuity/disaster recovery <i>CFO/CIO/Supply Chain director</i> (Level)	As a result of an unplanned business continuity incident/event there is a risk that warehouses and key operations facilities are required to close, which could lead to reduced productivity and operations across the company. As a result of a critical IT failure, when enforcement of disaster recovery is required, there is a risk that key recovery objectives are not met, which could lead to data or financial loss.	- Warehouses are 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 - Consideration has been given to location diversification, resulting in more options to move sites in the event that a business continuity incident occurs at one site - Business Continuity Plans are in place for all sites - IT disaster recovery covers critical applications and third-party contracts with appropriate service level agreements - Investment on monitoring and alerting governance and change management - Tech colleagues can work 24/7 from anywhere
People risk <i>Chief People Officer</i> (Increased)	Competitors are inclined to poach key staff and talented individuals. Employees may leave the company for better pay and prospects elsewhere. Macro-environmental changes resulting in increased staff turnover across industries. As a result of these risk factors, there is a risk that the company's ability to recruit and	- Smarter Working Policy introduced - Evolved and redesigned appraisal process - Employee listening groups held across sites - Renewed exit interview process and learning from feedback - Review of employee benefits packages

	retain staff affects its ability to operate as a market leader.	- Improved benchmarking against industry standards 'Thank you' scheme launched across sites - Improved communication and explanation of the share incentive schemes in place
Product risk <i>Director of Responsible Sourcing and Group Product Operations</i> (Level)	As a result of health and safety regulations in relation to products, there is a risk of product liability costs and potential legal implications. As a result of product quality issues, there is a risk of a decline in customer satisfaction.	- Product Compliance Team in place in the UK and Turkey - Product performance lab opened, programme to test suppliers' products and educate suppliers and buying teams - Product performance manuals in place, continuous training seminars underway on categories such as cosmetics, kids and footwear, with buyers and suppliers - Product compliance checks have commenced in Turkey and due to begin in Italy

Financial risks		
Financial risk <i>CFO</i> (Level)	Poor business performance, or lack of appetite for the sector, may impede raising of capital. Exchange rate fluctuations may erode margins. The increase in supply chain costs also negatively impacts available working capital.	- 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 forward-looking hedging policies - Significant improvements have been made to the treasury function - New Treasury Committee established to oversee treasury matters

On behalf of the board



Neil Catto
Director

25 November 2022

Directors' report

The directors present their directors' report and the audited financial statements for the year ended 28 February 2022.

Principal activities

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

Results and dividends

The company's loss after tax for the year to 28 February 2022 was £13,611,000 (2021: £4,734,000 profit). The audited financial statements for the year for the company are set out on pages 20 to 32.

The company does not have the distributable reserves to declare a dividend and the directors would not recommend the payment of a dividend (2021: *no 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.

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
Shaun McCabe (appointed 3 October 2022)

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.

Corporate governance

For the year ended 28 February 2022 boohoo group plc, of which the company is a member, has adopted the 2018 Quoted Companies Alliance Corporate Governance Code ("QCA Code"). Further details of the group's approach to corporate governance can be found at www.boohooplc.com and on pages 69-79 of the group's annual report, which does not form part of this report.

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 has responsibilities to promote the success of the company under section 172 of the Companies Act 2006, as modified by the Companies (Miscellaneous Reporting) Regulations 2018.

Below we have mapped out our key stakeholder groups, the material issues that they have raised throughout the year and how the board has responded.

Full details of these policies can be found in the boohoo group plc Annual Report and Accounts on pages 46 to 66. The boohoo group plc annual report and financial statements are publicly available and can be found at www.boohooplc.com.

Stakeholders	What they care about	How the board engaged during the period
Employees	Working environment Culture Learning and development Pay and benefits Wellbeing	- Held regular employee Townhalls and Q&A sessions throughout the period with the Founders, CEO and CFO - Launched a colleague engagement steering group across our supply chain providing opportunities for colleagues to make a real tangible difference to company working practices - Engaged and upskilled colleagues in delivering on our sustainability strategy through our supply chain forum called 'sustain2gain' - Developed and implemented targeted engagement plans in response to survey results listening forum feedback, exit interviews and general feedback - Introduced a suite of people awards to recognise loyalty and key achievements across the group, hybrid working as a permanent benefit to provide greater flexibility and incentives to encourage physical activity and time away from desks - Launched an updated L&D programme 'Learn It' which provides a development offer for all levels across the business and a group-wide leadership programme amongst our directors consisting of insights, modules, executive coaching and internal mentoring
Suppliers	Payment Transparency Human rights Material sourcing Sustainability Future business growth	Sustainability - educated our suppliers on sustainability, product accreditation and traceability within supply chains - Environmental team launched UK sustainability strategy to encourage company suppliers to use renewable energy and to focus on reducing their carbon footprint Product Quality - Provided training seminars for suppliers to educate and support their understanding in product safety - Opened product performance lab to test our products and educate both brand teams and suppliers alike in product and fabric testing and performance Ethical Trade - Hosted supplier country specific webinars on company code of conduct and importance of traceability within their supply chains - Adopted the Fast Forward audit methodology approach for all UK manufacturing suppliers Sourcing - Launched company responsible purchasing practices to train and educate brand teams and to promote supplier on good terms approach
Customers	Product quality, design and safety Affordable on-trend fashion Sustainability Customer service	- Used NPS and Trust Pilot feedback and reviews to formulate and confirm product development and improvements to our customer journey - Held regular 'Voice of the Customer' sessions, across multiple stakeholder groups including supply chain, product and finance. Using contact (customer) and refund data to drive business change and performance - Proactively communicated to circa 2.6million customers throughout the period - Protected our acquisition brands through transition by putting our impacted customers first
Community and environment	Sustainability Climate change Charity	- Establishment of the ESG Committee - Formation of the climate change steering group to focus efforts on emissions reductions and addressing climate risks

	support	• Cotton Connect programme to improve cotton farming practices in Pakistan, benefiting the environment and workers • Continued our engagement with Textiles 2030, microfibre consortium and sustainable apparel coalition • Installed a significant solar project at the Burnley distribution centre • Had our science-based targets signed off and validated • Begin our journey of using TCFD framework (Taskforce on Climate-related Financial Disclosures) as a tool to measure climate risk and opportunities
Garment workers	Working conditions Safety Communication Living wage	• The Garment and Textile Workers' Trust commissioned the experts at The University of Nottingham's Rights Lab to conduct an in-depth piece of research to inform the Trust's purpose and scope • This work involved academics speaking to a broad range of stakeholders including but not limited to: government officials, NGO's, Union representatives, community leaders, manufacturers and employees from the garment industry • Convened a meeting with senior representatives from the following government agencies: GLAA, HSE, DWP to discuss the findings of our Agenda for Change programme • Proactively communicated with an extended group of stakeholders on the progress of Agenda for Change programme. Subsequent meetings were held with various stakeholders including: Dame Sara Thornton, Baroness Young of Hornsey, APPG groups, Fashion Roundtable and many others
Government and NGOs	Compliance with laws and workers' rights	• This period, due to the relaxation in COVID-19 restrictions, we have significantly increased our engagement with government departments and Senior NGO representatives for example: BEIS and DiT • We are active members of the Apparel and General Merchandise Public Private Protocol • We became a signatory of the International Accord for Health and Safety, a binding agreement designed to protect those working in the garment industry • We engaged with the Living Wage Commission and the Real Living Wage Foundation • We provide regular briefings to government ministers and the Shadow Cabinet

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 12.

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 year. In preparing the financial statements, the directors are required to:

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

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PKF Littlejohn LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

On behalf of the board



Neil Catto
Director

25 November 2022

Independent auditor's report to the members of Nasty Gal Limited

Opinion

We have audited the financial statements of Nasty Gal Limited (the 'company') for the year ended 28 February 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included a review of forecast financial information for a minimum period of 12 months from the date of approval of the financial statements, providing challenge to key assumptions used and considering the impact of reasonably possible changes in circumstances. We have also obtained and reviewed the letter of support received by the company from its ultimate parent undertaking, boohoo group plc, including consideration of its ability to provide such support.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent

material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and the internal legal team. We also selected a specific audit team based on experience with auditing entities within this industry facing similar audit and business risks.
- We determined the principal laws and regulations relevant to the group in this regard to be those arising from:
 - UK employment law
 - UK tax laws and regulations
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
 - Making enquiries of management;
 - A review of Board minutes;
 - A review of legal ledger accounts;
 - Discussions with internal legal personnel, and liaising with external legal consultants; and
 - Review of internal and external reports on key practices, including supply chain and payroll reviews.
- We also identified the risks of material misstatement of the financial statements due to fraud. Aside from the non-rebuttable presumption of a risk of fraud arising from management override of controls, we did not identify any significant fraud risks.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals, reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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



Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

25 November 2022

Income statement

for the year ended 28 February 2022

	<i>Note</i>	2022 £000	2021 £000
Revenue	2	110,461	140,274
Cost of sales		(57,576)	(63,154)
Gross profit		52,885	77,120
Distribution costs		(37,657)	(36,801)
Administrative expenses		(32,032)	(34,474)
(Loss) / profit before taxation	4	(16,804)	5,845
Income tax credit / (charge)	7	3,193	(1,111)
(Loss) / profit for the financial year		(13,611)	4,734

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 23 to 32 are an integral part of these financial statements.

Statement of financial position

As at 28 February 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	9	7,535	9,042
Current assets			
Trade and other receivables	10	11	9
Cash and cash equivalents		321	1,297
Total current assets		332	1,306
Total assets		7,867	10,348
Creditors – amounts falling due within one year	11	(19,606)	(8,476)
Net current liabilities		(19,274)	(7,170)
Net (liabilities) / assets		(11,739)	1,872
Equity			
Ordinary shares	12	-	-
(Accumulated losses) / retained earnings		(11,739)	1,872
Total equity		(11,739)	1,872

The notes 1 to 16 on pages 23 to 32 are an integral of these financial statements.

These financial statements of Nasty Gal Limited, registered number 10487954, on pages 20 to 32 were authorised for issue by the board of directors on 25 November 2022 and were signed on its behalf by:



Neil Catto
Director

Statement of changes in equity

	Share capital (note 12) £000	Retained Earnings £000	Total equity £000
Balance as at 29 February 2020	-	(2,862)	(2,862)
Profit for the year	-	4,734	4,734
Balance as at 28 February 2021	-	1,872	1,872
Loss for the year	-	(13,611)	(13,611)
Balance as at 28 February 2022	-	(11,739)	(11,739)

The notes 1 to 16 on pages 23 to 32 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 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 1.

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 year).
- The following paragraphs of IAS 1, '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.

As part of the going concern assessment the directors have prepared trading and cashflow forecasts which cover a period of three years from the date of these financial statements being approved. These forecasts represent the directors current assessment of likely trading and cashflows over the three year period and these forecasts demonstrate that the business will have sufficient resources to continue operations throughout that three year period.

The current global economic environment of high inflation, increasing interest rates and continued high energy prices are expected to continue to put increased pressure on consumers and their spending and there is therefore a risk that consumers will need to cut back on spending in discretionary areas, such as fashion. Taking this into account the directors have stress tested the trading and cashflow models to reflect the potential impact of a downturn in performance should these economic conditions impact on consumer spending and demand. These stress tests included a sensitised sales assessment with expected sales reduced by an amount the directors believe could reasonably possible to happen given the current economic conditions. This sensitised view continued to demonstrate that the business will have sufficient resources to continue operations throughout that three year period.

In addition to this the directors also stress tested the forecasts to review what level of sales reduction would need to be seen from the initial forecasts for the business to have insufficient resources to continue in operation. In the opinion of the directors, the change in trading performance required to have insufficient resources to continue in operations is not reasonably possible, and furthermore the directors consider that actions could be taken if such a change in trading performance took place that would enable the business to have sufficient resources to continue operations.

New and amended standards adopted by the company

The following new standards, and amendments to standards, have been adopted by the company for the first time during the year commencing 1 March 2021:

- Amendments to IFRS 3 business combinations

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company.

The following standards have been published and are mandatory for accounting periods beginning after 1 March 2021 but have not been early adopted by the company and could have an impact on the company financial statements:

- Amendments to IAS 16 property, plant and equipment
- Amendments to IAS 37 provisions, contingent liabilities and contingent assets

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.

Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an impairment is required, the recoverable amount is determined based on value-in-use calculations prepared using management's assumptions and estimates.

Financial instruments

Financial instruments are recognised at fair value and subsequently re-measured at fair value at the end of each reporting date or at amortised cost. Further details are shown in note 14.

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. Movements in impairment provisions are charged to 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 carriage 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 payment 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 year 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 (less than £100,000 p.a.) 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 +/- £152,000 on reported revenue and +/- £73,000 on operating profit. The choice of a 1pt% change for the determination of sensitivity represents a reasonable, but not extreme variation in the return rate. The provision is included within amounts owed to related parties.

Intangible assets – impairment testing

Acquired trademarks and customer list intangible assets are impaired if the projected cash flows over the expected lives are negative. Sensitivity testing is performed on the cash flow calculations to verify that impairment is not required with a reasonable range of downside scenarios.

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.

	2022	2021
	£000	£000
USA	62,840	71,003
UK	31,274	42,703
Rest of Europe	9,489	15,589
Rest of world	6,858	10,979
	110,461	140,274

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

3 Auditors' remuneration

	2022	2021
	£000	£000
Audit of these financial statements	25	39

4 (Loss) / profit before taxation

Operating (loss) / profit before taxation is stated after charging:	2022	2021
	£000	£000
Amortisation of intangible assets	1,507	1,507

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	
	2022	2021
Administration	114	101

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	4,392	3,320
Social security costs	453	287
Other pension costs	54	57
	4,899	3,664

6 Directors' remuneration

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

Further details on director's remuneration can be found at www.boohooplc.com and on pages 88-112 of the group's annual report, which does not form part of this report.

7 Taxation

	2022 £000	2021 £000
Analysis of (credit) / charge in year		
Current tax on (loss) / income for the year	(3,193)	1,111
Tax on (loss) / profit	(3,193)	1,111

The total tax (credit) / charge is the same (2021: *same*) as the amount computed by applying the blended UK rate of 19% for the year (2021: 19%) to (loss) / profit before taxation:

	2022 £000	2021 £000
(Loss) / profit before taxation	(16,804)	5,845
(Loss) / profit before taxation multiplied by the standard blended rate of corporation tax of the UK of 19% (2021: 19%)	(3,193)	1,111
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	-
Tax on (loss) / profit	(3,193)	1,111

No current tax was recognised in other comprehensive income (2021: *£nil*).

Deferred tax is calculated at 25% as enacted from April 2023 by the UK Government. A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. As at 28 February 2022, the company had unutilised tax losses of £10,859,000 (2021: *£nil*).

8 Investments

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

9 Intangible assets

	Trademarks £000	Customer lists £000	Total £000
Cost			
Balance as at 29 February 2020	15,070	1,026	16,096
Additions	-	-	-
Balance as at 28 February 2021	15,070	1,026	16,096
Additions	-	-	-
Balance as at 28 February 2022	15,070	1,026	16,096
Accumulated amortisation			
Balance as at 29 February 2020	4,521	1,026	5,547
Amortisation for year	1,507	-	1,507
Balance as at 28 February 2021	6,028	1,026	7,054
Amortisation for year	1,507	-	1,507
Balance as at 28 February 2022	7,535	1,026	8,561
Net book value			
As at 29 February 2020	10,549	-	10,549
As at 28 February 2021	9,042	-	9,042
As at 28 February 2022	7,535	-	7,535

Within the statement of comprehensive income, amortisation of acquired intangible assets (trademarks and customer lists) of £1,507,000 (2021: £1,507,000) is included in administrative expenses.

The company tests the carrying amount of trademarks and customer lists annually for impairment or more frequently if there are indications that their carrying value might be impaired. The carrying amounts of other intangible assets are reviewed for impairment if there is an indication of impairment.

Impairment is calculated by comparing the carrying amounts to the value in use derived from discounted cash flow projections for each cash generating unit ("CGU") to which the intangible assets are allocated. A CGU is deemed to be an individual brand.

Value in use calculations are based on ten-year management forecasts with a terminal growth rate applied thereafter, representing management's estimate of the long-term growth rate of the sector served by the CGUs. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used in the value-in-use calculations are as follows:

Sales growth and forecast contribution margin

This is based on past performance and management's expectations of market development over the ten-year forecast period plus perpetuity.

Other operating costs

These are the fixed costs of the CGU, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases, and these do not reflect any future restructurings or cost-saving measures.

Long-term growth rate 2%

This growth rate is based on a prudent assessment of past experience and future estimations of market expectations.

Discount rate 8.9%

The pre-tax discount rate applied to the cash flow forecasts for the CGU is derived from the estimated pre-tax weighted average cost of capital for the CGU.

Sensitivity to changes in assumptions

There is sufficient headroom for each of the CGUs, such that management believes no reasonable change in any of the above assumptions would cause the carrying value of the intangible asset to exceed its recoverable amount. If the long-term growth rate was reduced to zero, there would still be sufficient headroom. If the discount rate was increased to 12%, there would still be sufficient headroom.

10 Trade and other receivables

	2022	2021
	£000	£000
Prepayments	11	9

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

11 Creditors – amounts falling due within one year

	2022	2021
	£000	£000
Amounts owed to related party undertakings (note 13)	18,138	6,072
Accruals	1,468	2,404
	19,606	8,476

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

	2022	2021
	£000	£000
1 authorised and fully paid ordinary shares of £1 each (2021: 1)	-	-

The company does not have the distributable reserves to declare a dividend and the directors would not recommend the payment of a dividend (2021: *no 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.

13 Related party disclosures

Related party	Nature of relationship	2022	2021
		£000	£000

Amounts included in the statement of financial position

Amounts owed to related party undertakings

boohoo.com UK Limited	Subsidiary of ultimate parent undertaking	18,138	6,072
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**Amounts included in the statement
of comprehensive income**

Admin costs - marketing			
Nasty Gal.com USA Inc	Subsidiary	589	936
Admin costs – central management services			
boohoo.com UK Limited	Subsidiary of ultimate parent undertaking	5,604	5,148

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

	2022	2021
	£000	£000
Financial assets		
Cash and cash equivalents	321	1,297
	2022	2021
	£000	£000
Financial liabilities		
Trade and other payables	19,606	8,476

(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 indicated its willingness to continue to fund 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 28 February 2022, 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.