

Registered Number: 06400760

# FARFETCH

**Farfetch UK Limited**

**Statutory financial statements  
for the year ended 31 December 2017**

**Registered Office**

**The Bower  
211 Old Street  
London  
EC1V 9NR**

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**Farfetch UK Limited**  
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**for the year ended 31 December 2017**

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**Farfetch UK Limited**  
**Company information**  
**for the year ended 31 December 2017**

<b>Directors:</b>	A Robb E Jordan J M F Neves
<b>Secretary:</b>	Wilton Corporate Service Limited
<b>Registered office:</b>	The Bower 211 Old Street London EC1V 9NR
<b>Registered number:</b>	06400760
<b>Independent auditors:</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

**Farfetch UK Limited**  
**Strategic report**  
**for the year ended 31 December 2017**

The directors present their strategic report for the year ended 31 December 2017 for Farfetch UK Limited ("the Company"). The Company is a wholly owned subsidiary of Farfetch.com Limited (the "Group"). The Company is the principal contracting entity for retailers and brands on the Farfetch Marketplace (the "Marketplace").

**Principal activity and review of business**

The net loss for the year, after taxation, amounted to £75,772,000 (2016: loss of £35,702,000). In 2017, Gross Merchandise Value<sup>1</sup> ("GMV") on a constant currency basis increased by 58% to £702,624,000 (2016: £445,245,000). Revenue increased by 76% to £247,712,000. Net cash increased by £164,183,000 to £266,887,000 as at 31 December 2017. We delivered an underlying operating loss of £49,498,000 and negative Adjusted EBITDA<sup>2</sup> of £43,816,000 as shown below:

	2017 £'000	2016 £'000
Underlying operating loss	(49,498)	(25,270)
Depreciation	647	486
Amortisation	5,035	2,682
Adjusted EBITDA <sup>2</sup>	<u>(43,816)</u>	<u>(22,122)</u>

The principal activity of the Company was the operation of the Marketplace for fashion retailers, designers and brands to be able to offer their products for sale to the public (including associated services such as production, logistics, customer services and payment processing). Research and development activities continued with respect to the development of the Farfetch platform, including the Marketplace. The directors anticipate this activity to continue.

**Key performance indicators (KPIs)**

The Marketplace has over 900 partner brands and boutiques (2016: over 500) and offered a range of over 300,000 unique products (2016: 115,000).

Orders on the Marketplace increased to 1,881,000 from 1,260,000 in 2016, with an average order value of £481 (2016: £431).

The directors, monitor revenue and profits or losses as set out in the statement of profit or loss on page 10. The directors are of the opinion that disclosing additional key performance indicators, other than those above, is not necessary to understand the development, performance and position of the business.

**Business environment**

The Company is a subsidiary of Farfetch.com Limited and operates in the fashion industry. The principal territories that that Company operates within are set out in note 4.

The Company met the challenges of a dynamic business environment in 2017 and performed well with strong growth in GMV and associated income.

**Strategy**

The Company's current strategy is to:

- Act as a global ecommerce platform for fashion boutiques and brands
- Provide consumers with revolutionary ways to buy fashion
- Develop omni-channel solutions for the retail community

**Future outlook**

The Company is showing strong growth in both demand for, and supply of, products through the Marketplace. The Company is confident in its future outlook.

**Events after the reporting year**

Subsequent events are disclosed in note 29 to the financial statements.

<sup>1</sup> "Gross Merchandise Value", or "GMV," means the total value of orders processed. GMV is inclusive of product value, shipping and duty. It is net of returns, value added taxes and cancellations. GMV does not represent revenue earned by the Group, although GMV and revenue are correlated.

<sup>2</sup> Adjusted EBITDA is operating loss before, exceptional items, share based payment expense, depreciation and amortisation.

**Farfetch UK Limited**  
**Strategic report (continued)**  
**for the year ended 31 December 2017**

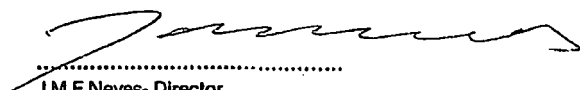
**Principal risks and uncertainties**

The principal risks and uncertainties faced by the Company are:

- The ongoing change in the online fashion market including potential emergence of new competitors and increased activity from existing competitors, including offline retailers moving online. This is mitigated by strong marketing, understanding of emerging fashion trends and changes in demand, plus strong relationships with our boutique network.
- The Company operates in a number of countries which expose the Company to currency movements. This is partially offset by agreeing favorable foreign exchange rates in advance for transactions using forward foreign exchange contracts.
- The Company's Marketplace and associated software is key to the business. IT failures could disrupt the business leading to increased losses and loss of customers. The Company takes adequate precautions and security measures to mitigate against this risk by taking regular backups of the system, safe guarding against computer viruses, and putting in place backup servers at a different location to host the website in case of emergencies.
- The ability of partners to be able to fulfill orders given the expansive customer network in relation to the size of boutiques. This risk is mitigated through us increasing the amount of partners we have which in turn increases our supply base. We have also strengthened our relationships with the partner network by providing them with sales analysis and financing opportunities through our associate Farfetch Finance Limited.
- The retention of employees and attracting top talent to support growth. The Company's success depends on its ability to attract, motivate and retain key employees. This is mitigated through various financial and non-financial measures including long and short-term incentive plans (including share options) and other employee benefits including career development opportunities.

Financial risk management is detailed in note 25 and forms part of this report by cross reference.

Approved by the Board and signed on its behalf by:

  
.....  
J M F Neves- Director  
Director

20/9/18

**Farfetch UK Limited**  
**Report of the directors**  
**for the year ended 31 December 2017**

The directors present their report and the audited financial statements for the year ended 31 December 2017. Further information on the Company can be found in the Strategic report and in note 1 to the financial statements, forming part of this report by cross reference.

**Directors**

The directors of the Company, who served throughout the financial period and up until the date of this report, are listed on page 2.

**Changes in directorship during the year**

There were no changes to the directors who held office during the period from 1 January 2017 to the date of this report.

**Directors' interest in shares in the company**

According to the register kept under section 808 of the Companies Act 2008, no director had any beneficial interest in the shares of the Company either at the beginning or end of the year. There were no changes in directors' interests during the year.

**Employees**

The Company continued its policy of providing regular information on Company performance, business activities and related matters to all employees. Smaller groups of employees, including senior employee representatives, attend regular business reviews, at which opportunity is given to question the company on business performance, plans and strategies.

Employees are invited to participate in the Company's performance via the 'Farfetch for All' initiative which grants all qualifying employees share options.

The Company's policy with regard to disabled people is to provide equal employment opportunity by giving full and fair consideration to their applications for employment and the continued employment, wherever possible, of employees who became disabled and providing suitable opportunities for their training, career development and promotion.

**Financial risk management**

The Company's financial risk management policy has been considered in note 25 to the financial statements and forms part of this report by cross reference.

**Dividends**

The board do not recommend a dividend (2016: None).

**Future outlook**

Further details on the Company's future outlook can be found in the Strategic Report which forms part of this report by cross reference.

**Existence of branches outside the UK**

The Company has one branch, as defined by section 1046(3) of the Companies Act 2006, outside the UK in the Russian Federation.

**Farfetch UK Limited**  
**Report of the directors (continued)**  
**for the year ended 31 December 2017**

**Going concern**

The directors are required to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate.

During the year, the Group, undertook its Series G round of funding led by new investors JD.com, China's second biggest e-commerce platform. Taking this, combined with the board approved budgets in forming their view and the receipt of a letter of support from the Parent, the directors believe that the Company is well placed to manage its business risks successfully.

The Company has therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements based upon its current forecasts and cash and financing facilities.

**Directors' indemnities**

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

**Events after the reporting year**

Events after the reporting year can be found in note 29 to the financial statements and forms part of this report by cross reference.

**Statement as to disclosure of information**

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

- so far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

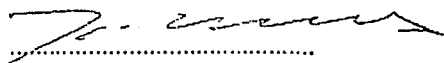
This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

The financial statements on pages 10 to 45 were approved by the board of directors on 20 September, 2018 and signed on its behalf by J M F Neves.

On behalf of the board:



J M F Neves - Director

20/9/18

**Farietch UK Limited**  
**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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# ***Independent auditor's report to the members of Farfetch UK Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Farfetch UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Statutory Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of profit or loss, the statement of comprehensive income, the statement of cash flows 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.

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### **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 Auditor's 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.

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### **Conclusions relating to going concern**

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

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

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

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's 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 Report of the Directors, 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.

#### *Strategic Report and Report of the Directors*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 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 Report of the Directors.

#### **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 set out on page 7, 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.

##### *Auditor's responsibilities for the audit of the financial statements*

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

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

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## **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.



Brian Henderson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

20 September 2018

**Farfetch UK Limited**  
**Statement of profit or loss**  
**for the year ended 31 December 2017**

	Note	2017 £'000	Restated 2016 £'000
<b>Continuing operations</b>			
Revenue	4	247,712	140,836
Cost of sales		(82,864)	(68,378)
Gross profit		164,748	72,458
Administrative expenses		(225,034)	(107,751)
Operating loss		(60,286)	(35,293)
<b>Comprising:</b>			
Underlying operating loss		(49,498)	(25,270)
Exceptional items	6	(1,656)	(1,506)
Share based payment expense		(9,132)	(8,517)
		(60,286)	(35,293)
Finance costs	7	(18,465)	(9,287)
Finance income	7	1,883	7,509
Loss before tax from continuing operations	8	(76,868)	(37,071)
Taxation	9	1,096	1,369
Loss for the financial year		(75,772)	(35,702)

The notes on pages 15 to 45 form part of these financial statements

**Farfetch UK Limited**  
**Statement of comprehensive income**  
**for the year ended 31 December 2017**

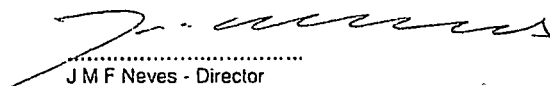
	2017 £'000	Restated 2018 £'000
<b>Loss for the financial year</b>	<b>(75,772)</b>	<b>(35,702)</b>
<b>Other comprehensive income/ (expense) that may be reclassified to profit or loss in subsequent periods (net of tax):</b>		
Exchange differences on translation of foreign branch	303	(515)
<b>Other comprehensive income/ (expense) for the year, net of tax</b>	<b>303</b>	<b>(515)</b>
<b>Total comprehensive expense for the year, net of tax</b>	<b>(75,469)</b>	<b>(36,217)</b>

The notes on pages 15 to 45 form part of these financial statements

**Farfetch UK Limited**  
**Statement of financial position**  
**as at 31 December 2017**

	Note	2017 £'000	Restated 2016 £'000	Restated 2015 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Trade and other receivables	13	101,120	61,171	30,928
Intangible assets	10	28,853	10,443	4,168
Property, plant and equipment	11	5,278	5,322	4,768
Investments	12	39,593	34,263	24,286
<b>Total non-current assets</b>		<b>174,844</b>	<b>111,199</b>	<b>64,150</b>
<b>Current assets</b>				
Inventories	14	227	193	25
Trade and other receivables	13	18,041	8,026	2,146
Cash and cash equivalents	15	266,887	102,704	36,880
<b>Total current assets</b>		<b>285,155</b>	<b>110,923</b>	<b>39,051</b>
<b>Total assets</b>		<b>459,999</b>	<b>222,122</b>	<b>103,201</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	16	-	-	-
Foreign exchange reserve	17	(212)	(515)	-
Other reserves	17	40,377	20,778	6,455
Accumulated losses	17	(166,815)	(91,043)	(55,341)
<b>Total equity</b>		<b>(126,650)</b>	<b>(70,780)</b>	<b>(48,886)</b>
<b>Non-current liabilities</b>				
Trade and other payables	18	492,202	227,620	115,785
Interest-bearing loans and borrowings	19	-	14,047	-
Provisions	20	2,851	2,146	1,018
<b>Total non-current liabilities</b>		<b>495,053</b>	<b>243,813</b>	<b>116,803</b>
<b>Current liabilities</b>				
Trade and other payables	18	91,596	46,924	35,284
Interest-bearing loans and borrowings	19	-	2,165	-
<b>Total current liabilities</b>		<b>91,596</b>	<b>49,089</b>	<b>35,284</b>
<b>Total liabilities</b>		<b>586,649</b>	<b>292,902</b>	<b>152,087</b>
<b>Total equity and liabilities</b>		<b>459,999</b>	<b>222,122</b>	<b>103,201</b>

The financial statements on pages 10 to 45 were approved by the Board of directors on 20 September 2018 and were signed on its behalf by:

  
J M F Neves - Director

20/9/18

The notes on pages 15 to 45 form part of these financial statements

**Farfetch UK Limited**  
**Statement of changes in equity**  
**for the year ended 31 December 2017**

	Share capital £'000	Foreign exchange reserve £'000	Other reserves £'000	Accumulated losses £'000	Total deficit £'000
<b>As at 1 January 2016 (restated)</b>	-	-	6,455	(55,341)	(48,886)
<b>Changes in equity</b>					
Total comprehensive expense	-	(515)	-	(35,702)	(36,217)
Warrant charge	-	-	297	-	297
Share based payment- equity settled	-	-	7,439	-	7,439
Capital contribution from parent	-	-	6,587	-	6,587
<b>As at 31 December 2016 (restated)</b>	-	(515)	20,778	(91,043)	(70,780)
<b>Changes in equity</b>					
Total comprehensive expense	-	303	-	(75,772)	(75,469)
Share based payment- equity settled	-	-	8,141	-	8,141
Capital contribution from parent	-	-	11,458	-	11,458
<b>As at 31 December 2017</b>	-	(212)	40,377	(166,815)	(126,650)

The notes on pages 15 to 45 form part of these financial statements

**Farfetch UK Limited**  
**Statement of cash flows**  
**for the year ended 31 December 2017**

	Note	2017 £'000	2016 £'000
<b>Cash flows from operating activities</b>			
Cash used in operations	23	(48,749)	(54,199)
Interest paid		(1,178)	(913)
<b>Net cash outflow used in operating activities</b>		<b>(49,927)</b>	<b>(55,112)</b>
<b>Cash flows from investing activities</b>			
Payment for acquisition of subsidiaries, net of cash acquired		(3,479)	-
Payment for equity investments		(206)	-
Purchase of non-controlling interest		-	(3,869)
Payments for property, plant and equipment		(726)	(1,054)
Payment for intangible assets		(14,533)	(8,957)
Interest received		1,883	96
<b>Net cash outflow used in investing activities</b>		<b>(17,061)</b>	<b>(13,784)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		263,327	127,735
Repayment of borrowings		(23,350)	-
<b>Net cash inflow from financing activities</b>		<b>239,977</b>	<b>127,735</b>
<b>Net increase in cash and cash equivalents</b>		<b>172,989</b>	<b>58,839</b>
Cash and cash equivalents at the beginning of the financial year		102,704	36,880
Effects of exchange rate changes on cash and cash equivalents		(8,806)	6,985
<b>Cash and cash equivalents at end of year</b>	15	<b>266,887</b>	<b>102,704</b>

The notes on pages 15 to 45 form part of these financial statements

**Farfetch UK Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2017**

**1. Company Information**

Farfetch UK Limited is a private company incorporated in England & Wales under the Companies Act 2006 limited by shares. The Company's registered office is The Bower, 211 Old Street, London, EC1V 9NR. The registration number of the Company is 08400760. The principal activity of the Company is that of marketing and providing editorial and merchant facilities. The Board of directors have authorised the issue of these financial statements on the date of the statement as set out in page 12. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2. Significant accounting policies**

**2.1. Basis of preparation**

The financial statements of the Company have been prepared in accordance International Financial Reporting Standards ("IFRS") and IFRS Interpretation Committee Interpretations ("IFRIC") as adopted by the European Union.

The financial statements have been prepared on a historical cost basis convention, unless otherwise stated.

The financial statements are presented in British pound sterling and all values are rounded to the nearest pound, except where otherwise indicated.

The financial statements provide comparative information in respect of the previous period. As a result of the adoption of IFRS 15 and other events, certain balances in comparative periods have been restated and a third balance sheet presented. Refer to note 28 for further detail.

The Company is itself a subsidiary company which is consolidated into the group financial statements of Farfetch.com Limited (the "Parent" or the "Group"). Further detail can be found in note 22. As such, the Company is exempt from the requirement to prepare group financial statements by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking.

**2.2. Going concern**

The directors considered the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate.

During the year, the Group, undertook its Series G round of funding led by new investors JD.com, China's second biggest e-commerce platform. Taking this, combined with the board approved budgets in forming their view and the receipt of a letter of support from the Parent, the directors believe that the Company is well placed to manage its business risks successfully.

The Company has therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements based upon its current forecasts and cash and financing facilities.



**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**2. Significant accounting policies (continued)**

**2.3. Summary of significant accounting policies**

**a. Investment in subsidiaries**

Investments in subsidiaries are held at cost less accumulated impairment losses.

**b. Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

**c. Fair value measurement**

This section outlines the Company policies applicable to financial instruments that are recognised and measured at fair value in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**2. Significant accounting policies (continued)**

**d. Revenue recognition**

On January 1, 2017, the Company adopted IFRS 15 using the full retrospective transition method. The standard establishes principles for reporting information to users of financial statements, about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Further detail can be found in note 4 to the financial statements.

Revenue is recorded in accordance with the five-step model under IFRS 15:

1. identifying the contracts with customers;
2. identifying the separate performance obligations;
3. determining the transaction price;
4. allocating the transaction price to the separate performance obligations; and
5. recognising revenue when each performance obligation is satisfied.

***Retailing of goods***

Revenue is recognised when the performance obligation is satisfied which is when the goods are received by the customer. Included within sales of goods is a provision for expected returns, discounts and rebates. Where these are not known, the Company uses historical data and patterns to calculate an estimate.

***Rendering of services***

The Company provides multiple services to brands and boutiques, and end consumers. The Company primarily acts as a commercial intermediary between sellers and end customers and earns a commission for this service. The Company acts as an agent as part of this arrangement and revenue is recognised on a net basis. The Company also charges fees to sellers for activities related to providing this service, such as packaging, credit card processing, settlement of duties, and other transaction processing activities. These activities are not considered separate promises to the customer, and the related fees are therefore recognised concurrently with commissions at the time the performance obligation to facilitate the transaction between the seller and end consumer is satisfied, which is when the goods are dispatched to the end consumer by the seller. A provision is made for commissions that would be refunded if the end consumer returns the goods, and the Company uses historical data and patterns to estimate its return provision.

The Company also provides delivery services to end consumers for goods purchased on its platform. For these services, the Company acts as the principal and recognises as revenue amounts charged to end consumers net of any promotional incentives and discounts. Revenue for these services is recognised on delivery of goods to the end consumer, which represents the point in time at which the Company's performance obligation is satisfied. No provision for returns is made as delivery revenue is not subject to refund.

Promotional incentives, which include basket promo-code discounts, may periodically be offered to end consumers. These are treated as a deduction to revenue. Cash is collected by the Company from the end consumer using payment service providers. Within two months of the transactions, this is remitted to the relevant seller (net of commission and recoveries).

Before the adoption of IFRS 15 the Company recognised revenue relating to the delivery of goods on dispatch. As a result of the application of IFRS 15 the Group now recognises a contract liability relating to the delivery of goods which have been dispatched but are yet to be delivered. This has resulted in an increase/(decrease) in revenue of £92,000, (£223,000) and £18,000 and recognition of a deferred income liability of £96,000, £319,000 and £302,000 in 2015, 2016 and 2017 respectively. On transition, the impact on opening equity attributable to owners of the parent at January 1, 2015 was a decrease of £188,000.

**e. Current and deferred tax**

Current tax is the expected tax payable based on the taxable profit for the period, and the tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## Farfetch UK Limited

### Notes to the financial statements (continued) for the year ended 31 December 2017

#### 2. Significant accounting policies (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Current and deferred tax is charged or credited in the statement of profit or loss, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates and in accordance with laws that are expected to apply in the period/jurisdiction when/where the liability is settled or the asset is realised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities and where there is an intention to settle the balances on a net basis.

#### f. Foreign currencies

The Company's financial statements are presented in British pound sterling, which is also the functional currency. The Company also has a Russian branch whose functional currency is the Russian Ruble. The assets and liabilities of branch operations are translated into British pound sterling at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates. The exchange differences arising on translation are recognised in other comprehensive income.

#### g. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

#### h. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. All repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Items of property, plant and equipment are depreciated in the statement of profit and loss on a straight-line basis over their useful life. The financial and technical useful lives of these items are assessed as follows:

Leasehold improvements	Over the life of the lease
Fixtures and fittings	Three to ten years
Computer equipment	Three to ten years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Property, plant and equipment are also assessed for indicators of impairment. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss if its carrying amount is greater than its recoverable amount. Further detail can be found in section "n" below.

**Farfetch UK Limited****Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

## i. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### j. Intangible assets

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

### Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in administrative expenses. Research and development intangible assets are tested for impairment annually when the asset is under development or in the case of a triggering event once the asset has been placed into service.

### Subsequent costs

Subsequent costs are only capitalised when there is an increase in the anticipated future economic benefit attributable to the assets in question. All other subsequent costs are entered in the statement of profit and loss for the year in which they are incurred.

### Amortisation

Amortisation is charged to the statement of profit and loss on a straight-line basis over the estimated useful life of the intangible assets, from the time that the assets are available for use. The financial and technical useful lives of these items are assessed as follows:

Development costs Three years

### k. Inventories

Inventories are carried at the lower of cost and the net realisable value based on market performance, including the relative ancillary selling costs. The cost of inventories, calculated according to the weighted average cost method for each category of goods, includes purchase costs and costs incurred to bring the inventories to their present location and condition. In order to represent the value of inventories appropriately in the statement of financial position, and to take into account impairment losses due to obsolete materials and slow inventory movement, obsolescence provisions have been directly deducted from the carrying amount of the inventories.

**Farfetch UK Limited**

**Notes to the financial statements (continued)  
for the year ended 31 December 2017**

**2. Significant accounting policies (continued)**

**l. Financial Instruments – Initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***Financial assets***

The Company's financial assets comprise receivables and derivative financial instruments. Derivative financial instruments comprise of forward exchange contracts, which are measured at fair value through profit and loss.

Trade receivables are held at amortised cost. The Company reviews indicators of impairment on an ongoing basis and where such indicators exist, the Company makes an estimate of the asset's recover amount.

Financial assets through profit or loss are measured initially at fair value with transaction costs taken directly to the consolidated statement of profit and loss. Subsequently, the financial assets are remeasured, and gains and losses are recognised in the consolidated statement of profit and loss.

***Financial liabilities***

The Company's financial liabilities comprise trade and other payables, interest bearing loans and borrowings and foreign exchange contracts.

Trade and other payables are held at amortised cost.

All interest bearing loans and borrowings are initially recognised at fair value net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Foreign exchange contracts liabilities are measured initially at fair value through profit and loss with transaction costs taken directly to the statement of profit and loss. Subsequently, the fair values are remeasured and gains and losses from changes therein are recognised in the statement of profit and loss.

**m. Impairment of non-financial assets**

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists the Company's estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's recoverable amount.

**n. Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**2. Significant accounting policies (continued)**

**o. Share based payments**

Employees (including senior executives) of the Company receive remuneration in the form of share based payments, whereby employees render services as consideration. The consideration is either equity or cash settled depending on the scheme. Share options granted are over the Parent's equity and are accounted for in the Company's individual financial statements as an expense in profit or loss and a capital contribution from the Company's parent. Refer to note 26 for details of the calculation of the share based payment charge.

***Equity-settled transactions***

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The transactions are recognised at group level and are charged to the Company based the allocation of employees entity of employment. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest.

***Cash-settled transactions***

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

***Employment related taxes***

Where the Company has an obligation to settle employment related taxes on share based payments received by employees, these are provided for based on the intrinsic value of the vested share options at the end of the reporting period.

**p. Exceptional items**

Exceptional items are non-recurring items which are outside the normal scope of the Company's ordinary activities such as costs arising from a fundamental restructuring of the Company's operations, or are considered to be one-off in nature. Such items are disclosed separately within the statement of profit and loss.

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**2. Significant accounting policies (continued)**

**2.4. Changes in accounting policies and disclosures**

**Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Company has applied the below amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IAS 7 (amendments) <i>Disclosure Initiative</i>	The Company has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The application of these amendments has had no impact on the Group's consolidated financial statements.
IAS 12 (amendments) <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	The Company has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Company's consolidated financial statements as the Company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

**New IFRS in issue not yet mandatorily effective**

IFRS 15 *Revenue from Contracts with Customers* has been adopted by the Group and applied retrospectively. See note 2.3 (d) for the Company's revenue accounting policy and note 28 for the effect on the Company financial statements.

**New and revised IFRSs in issue but not yet effective**

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 9	Financial Instruments (effective 1 January 2018)
IFRS 16	Leases (effective 1 January 2019)
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)

The adoption of IFRS 9 and IFRS 2 (amendments) will not have a material impact on the reported assets and liabilities and profit or loss of the Group.

IFRS 16 will require lease liabilities and the right of use assets for leases to be recognised on the Statement of Financial Position. The Group has completed an impact assessment. This assessment indicates that there will be a significant impact on the value of non-current assets and lease liabilities as the leases for office, production and retail space are currently accounted for as operating leases. For the current level of operating lease commitments, see note 24. There will be an immaterial impact on the reported result for the year.

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**3. Critical accounting estimates and judgments**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Below is a summary of the critical measurement processes and the key assumptions used by management in applying accounting policies with regard to the future, and which could have significant effects on carrying amounts stated in the financial statements, or for which there is a risk that significant adjustments may be made to the carrying amount of assets and liabilities in the year following that under review.

**Critical judgements in applying group accounting policies**

***Inventory provisions***

Inventory is carried at the lower of cost and net realisable value which requires an estimation of the products' future selling prices. Judgement is required in determining any write-down for slow-moving or obsolete inventory.

***Intangible assets — development costs***

***a) Cost capitalisation***

Amounts capitalised include the total cost of any external products or services and internal labour costs directly attributable to development of the asset. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved.

***b) Useful life***

The useful life is determined by management at the time the asset is brought into its intended use and is regularly reviewed for appropriateness. The useful life represents management's view of the expected period over which the Company will receive benefits.

***Recognition of a deferred tax asset***

The Company has accumulated significant unutilised trading tax losses (note 9). A deferred tax asset in respect of these losses can only be recognised when it is more than probable that future taxable profits will be available to utilise these against. Whilst the Company expects to become profitable in the future, a deferred tax asset has not been recognised because there is uncertainty on the timing of future profitability in the near future. The Company periodically reviews this assessment.

***Key sources of estimation uncertainty***

***Share based payments***

Estimating fair value for share based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The share based payment charge is calculated at the group level and charged down to the Company based on each employee's company of employment.

***Exceptional items***

The Company applies judgment in identifying the significant non-recurring items of expense that are recognised as exceptional to help provide an indication of the Company's underlying performance.



**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**4. Revenue**

On January 1, 2017, the Group adopted IFRS 15 using the full retrospective transition method. The standard establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers. The main change in accounting policies as a result of the application of IFRS 15 is detailed in note 2.3 d).

Revenue by type of good or service	2017 £'000	Restated 2016 £'000
Sale of goods	467	114
Platform services revenue	171,818	91,665
Platform fulfilment revenue	75,427	49,057
	<b>247,712</b>	<b>140,836</b>

The Company has a single performance obligation in respect of sale of goods. Where finished goods have been ordered but not yet delivered to the consumer at the end of the reporting period, revenue is deferred until delivery, which is when the performance obligation is satisfied. No revenue has been deferred in relation to the sale of goods in 2016 or 2017, nor has any previously deferred revenue been recognised. Within platform services, the Company provides multiple services to sellers, brands and boutiques, and end customers. The Company acts as a commercial intermediary between sellers and final customers and earns a commission for this service. Commission revenue is recognised net on the statement of profit and loss as the Company acts as an agent in these arrangements. Revenue in relation to obligations within Platform Services Revenue which have not been satisfied at the end of the reporting period is £719,000 (2016: £244,000) and is expected to be recognised in under 90 days from the end of the reporting period. In 2017 £244,000 (2016: £101,000) of revenue deferred in 2016 (2015) was recognised as revenue.

Platform services revenue also includes fees charged to sellers for other activities, such as, packaging, credit card processing, and other transaction processing activities.

At checkout, end consumers are charged for delivery, if applicable, in addition to the price of goods in their basket. The Company is responsible for collection of cash from end consumers with payment typically taken in advance of completing the performance obligations. This is then remitted net to the sellers within two months of the end of each reporting period.

The Company also provides delivery services for products sold on the platform, for which revenues are recognised when the products are delivered to the end consumers. Revenues for delivery services are stated net of promotional incentives and discounts. Platform fulfilment revenue also includes fees charged to sellers for the settlement of duties which are recognised concurrently with commissions.

As discussed above, the promise with respect to delivery services is satisfied only when the goods are delivered. Within Platform Fulfilment Revenue, where the delivery performance obligation has not been satisfied at the end of the reporting period, revenue of £302,000 (2016: £319,000) has been deferred and is expected to be recognised in under 90 days from the end of the reporting period. The transaction price for this performance obligation is the delivery costs charged to the customer as described above. In 2017 £320,000 (2016: £96,000) of revenue deferred in 2016 (2015) was recognised as revenue.

There were no receivables from contracts with customers (2016: none).

Further detail can be found in note 2.3. d) to the financial statements.

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**4. Revenue (continued)**

**Revenue by location**

Total revenue can be analysed by geographical location as follows:

	2017 £'000	Restated 2016 £'000
Europe, Middle East and Africa	78,430	40,383
United Kingdom	15,316	8,570
Americas	65,101	43,194
Asia Pacific	88,865	48,689
	<b>247,712</b>	<b>140,836</b>

**5. Employees and directors**

	2017 £'000	Restated 2016 £'000
Wages and salaries	22,732	17,130
Social security costs	2,567	3,018
Other pension costs	319	183
Share based payments - equity settled	8,141	7,406
Share based payments - cash settled	205	51
Share based payments - employment related taxes	786	1,027
	<b>34,750</b>	<b>28,815</b>

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

	2017	2016
Technology	39	20
Administration	95	74
Commercial	233	139
	<b>367</b>	<b>233</b>

**Directors**

The directors' emoluments were as follows:

	2017 £'000	2016 £'000
Aggregate amounts	953	795
Company contributions to money purchase schemes	7	6

**Highest paid director**

The highest paid director's emoluments were as follows:

	2017 £'000	2016 £'000
	320	272

Three directors (2016: three) are part of a money purchase pension scheme and also have awards receivable in the form of shares in the parent company under a long-term incentive scheme. No directors (2016: none) exercised share options during the year.

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**6. Exceptional Items**

The Company incurred the following costs during the years presented which are considered to be exceptional.

	2017 £'000	2016 £'000
Replatforming costs	237	-
Integration and acquisitions	1,419	-
Non-recurring staff expense	-	1,506
<b>Total</b>	<b>1,656</b>	<b>1,506</b>

Replatforming costs are associated with a new information system capability and office infrastructure to support the growth strategy.

In 2017, integration and acquisition costs related to business combinations, see note 12 and 27, and other related integration and acquisition costs.

In 2016, non-recurring staff expense represented one-off payments made to certain staff members during the year as a result of changes made to their reward package.

**7. Finance income and costs**

	2017 £'000	Restated 2016 £'000
Deposit account interest	1,559	310
Other interest income	324	96
Exchange gains	-	7,103
<b>Finance income</b>	<b>1,883</b>	<b>7,509</b>
Exchange losses	17,287	-
Bank loan interest	1,178	8,991
Warrants issued	-	296
<b>Finance costs</b>	<b>18,465</b>	<b>9,287</b>

**8. Loss before tax from continuing operations**

	2017 £'000	Restated 2016 £'000
Operating leases	2,217	2,798
Research and development costs expensed	3,941	3,697
Depreciation - owned assets	647	466
Amortisation- intangible assets	5,035	2,682
Loss on disposal of assets	-	34
Auditor's remuneration - Audit fees	568	58
Auditor's remuneration - Tax services	98	3
Auditor's remuneration - Other services	99	21

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**9. Taxation**

**a) Income tax credit**

	2017 £'000	Restated 2016 £'000
<b>Current tax:</b>		
Corporate tax	(528)	(1,369)
<b>Total current tax credit</b>	(528)	(1,369)
<b>Total deferred tax credit</b>	(568)	-
<b>Income tax credit</b>	(1,096)	(1,369)

**b) Reconciliation of loss before tax to tax credit**

	2017 £'000	Restated 2016 £'000
Loss before tax	(76,868)	(37,071)
Tax at the UK tax rate of 19.25% (2016: 20%)	(14,797)	(7,414)
<b>Tax effects of:</b>		
Sundry permanent differences	1,358	416
Sundry temporary differences	(568)	-
Entertaining	19	179
Losses surrendered to other group companies	(530)	(1,369)
<b>Unrecognised deferred tax asset arising from timing differences relating to:</b>		
Share based payment	1,569	1,220
Fixed assets	217	94
Losses carried forward	11,636	5,505
<b>Tax credit</b>	(1,096)	(1,369)

The Finance Act 2015 reduced the main rate of UK Corporation Tax from 20% to 19% for the 2017 tax year, with the rate set at 19% for the 2018 and 2019 tax years. The Finance Act 2016 has set the CT rate for the 2020 tax year as 17%. Consequently the Company has used a blended tax rate of 19.25% for the 2017 financial year.

Trading losses as at 31 December 2017 of approximately £124m (2016: £70m) are available to be carried forward indefinitely. UK trading losses are available to be carried forward indefinitely. Legislation has been introduced with effect from 6 April 2017 whereby the utilisation of UK trading losses carried forward will be restricted to 50% on UK Group profits exceeding £5.0m. A deferred tax asset is only recognised where it can be shown that it is more than probable that future taxable profits will be available against which the Company can utilise the asset. Subject to specific legislation regarding changes in ownership and the nature of trade, trading losses are available to be either carried forward indefinitely or for a significant time period.

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**10. Intangible assets**

	Goodwill £'000	Customer relationships £'000	Trademarks and domain names £'000	Development costs £'000	Total £'000
<b>Cost</b>					
At 1 January 2017	-	-	-	13,476	13,476
Additions	5,573	931	2,408	14,533	23,445
At 31 December 2017	5,573	931	2,408	28,009	36,921
<b>Amortisation</b>					
At 1 January 2017	-	-	-	(3,033)	(3,033)
Amortisation for year	-	(146)	(106)	(4,783)	(5,035)
At 31 December 2017	-	(146)	(106)	(7,816)	(8,068)
<b>Net book value</b>					
At 31 December 2017	5,573	785	2,302	20,193	28,853
At 31 December 2016	-	-	-	10,443	10,443

Development costs relate to capitalised development expenses relating to development of the Marketplace.

The acquisition of Goodwill, Customer relationships and Trademarks and domain names is related to the acquisition of Style.com. Refer to note 27.

Included within Development costs is £493,000 of assets that are under the course of construction (2016: £120,000). Amortisation of this will commence once they have been brought into use.

	Goodwill £'000	Customer relationships £'000	Trademarks and domain names £'000	Development costs £'000	Total £'000
<b>Cost</b>					
At 1 January 2016	-	-	-	4,519	4,519
Additions	-	-	-	8,957	8,957
At 31 December 2016	-	-	-	13,476	13,476
<b>Amortisation</b>					
At 1 January 2016	-	-	-	(351)	(351)
Amortisation for year	-	-	-	(2,682)	(2,682)
At 31 December 2016	-	-	-	(3,033)	(3,033)
<b>Net book value</b>					
At 31 December 2016	-	-	-	10,443	10,443
At 31 December 2015	-	-	-	4,168	4,168

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**11. Property, plant and equipment**

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
<b>Cost</b>				
At 1 January 2017	5,410	146	313	5,869
Additions	303	220	203	726
Transfers	(232)	232	-	-
Foreign exchange	(112)	(12)	(4)	(128)
At 31 December 2017	5,369	586	512	6,467
<b>Depreciation</b>				
At 1 January 2017	(358)	(29)	(160)	(547)
Charge for year	(438)	(84)	(115)	(647)
Foreign exchange	4	1	-	5
At 31 December 2017	(792)	(122)	(275)	(1,189)
<b>Net book value</b>				
At 31 December 2017	4,577	464	237	5,278
At 31 December 2016 (restated)	5,052	117	153	5,322

Included within leasehold improvements is £nil of assets that are under the course of construction (2016: £382,000). Depreciation of this will commence once they have been brought into use.

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
<b>Cost</b>				
At 1 January 2016 (restated)	4,604	86	258	4,948
Additions (restated)	854	128	72	1,054
Disposals	(48)	(68)	(17)	(133)
At 31 December 2016 (restated)	5,410	146	313	5,869
<b>Depreciation</b>				
At 1 January 2016	(24)	(39)	(117)	(180)
Charge for year	(352)	(54)	(80)	(468)
Disposals	18	64	17	99
At 31 December 2016	(358)	(29)	(160)	(547)
<b>Net book value</b>				
At 31 December 2016 (restated)	5,052	117	153	5,322
At 31 December 2015 (restated)	4,580	47	141	4,768

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**12. Investments**

	Equity investments £'000	Shares in group undertakings £'000	Total £'000
<b>Cost</b>			
At 1 January 2017	-	34,263	34,263
Additions	206	5,124	5,330
Net book value at 31 December 2017	206	39,387	39,593
<b>Cost</b>			
At 1 January 2016	-	24,286	24,286
Additions	-	9,977	9,977
Net book value at 31 December 2016	-	34,263	34,263

**Equity investments**

In the year the Company acquired minor equity interests worth £206,000 (2016: £nil). Equity investments are carried at cost less impairment.

**Shares in group undertakings**

			% equity interest		
Number	Name	Country of incorporation	2017	2016	Principal activities
Direct holdings					
1	Farfetch Portugal Unipessoal Lda	Portugal	100	100	Back office support
2	Farfetch HK Holdings Limited	Hong Kong	100	100	E-commerce and marketing
3	Browns (South Molton Street) Limited	England & Wales	100	100	Retail
4	Farfetch Japan Co. Limited	Japan	100	100	E-commerce and marketing
5	Farfetch Store of the Future Limited	England & Wales	100	100	E-commerce and marketing
6	Farfetch Finance Limited	England & Wales	25	25	Finance
7	Fashion Concierge UK Limited	England & Wales	100	-	E-commerce services
8	Farfetch Black & White Limited	England & Wales	100	-	E-commerce services
9	Farfetch International Limited	Isle of Man	100	-	Holding company
10	Farfetch México, S.A de C.V	Mexico	99	-	Back office support
Indirect holdings					
11	LASO Co Limited (subsidiary of 4)	Japan	100	100	E-commerce and marketing
12	Farfetch China (HK Holdings) Limited (subsidiary of 2)	Hong Kong	100	100	Holding company
13	Farfetch HK Production Limited (subsidiary of 2)	Hong Kong	100	100	E-commerce and marketing
14	Farfetch (Shanghai) E-Commerce Co., Limited (subsidiary of 12)	China	100	100	Marketing
15	F&C Fashion Concierge, LDA (subsidiary of 8)	Portugal	100	-	E-commerce services

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**12. Investments (continued)**

Farfetch UK Limited purchased 100% of the share capital of Fashion Concierge UK Limited on 31 October, 2017 for a consideration of £1,645,000. Fashion Concierge UK Limited owns 100% of the share capital of F&C Fashion Concierge, LDA.

During the year ended 31 December 2017, Farfetch UK Limited invested £3,522,000 in its wholly owned subsidiary Farfetch Portugal Unipessoal Lda.

Farfetch Black & White Limited was incorporated on 3 October, 2017. Farfetch UK Limited owns 100% of the entity.

Farfetch International Limited was incorporated on 28 November, 2017. Farfetch UK Limited owns 100% of the entity.

Farfetch México, S.A de C.V was incorporated on 29 November, 2017. Farfetch UK Limited owns 99% of the entity.

Farfetch UK Limited incorporated Farfetch Store of the Future Limited on 13 April 2016. Farfetch UK Limited owns 100% of the entity.

On 12 August 2016 Farfetch UK Limited acquired 100% of Gleam, S.A. The Company was liquidated in 2017.

On 15 August 2016, Farfetch UK Limited acquired the remaining shares in Farfetch Japan Co Limited. At 31 December, 2016 Farfetch UK limited owned 100% of Farfetch Japan Co Limited, 100% of Ikishia Japan Ltd and 100% of Ikishia UK Ltd. Ikishia UK Ltd was dissolved on 3 January 2017. Ikishia Japan Limited has ceased to exist having been merged into LASO Co Limited.

Registered addresses of subsidiary undertakings by company number:

Company number	Registered address
1, 15	Rua da Lionesa, nr. 446, Edifício G12 4465-671 Leça do Balio, Portugal
2, 12, 13	402 Jardine House, 1 Connaught Place, Central, Hong Kong
3, 5, 7, 8	The Bower, 211 Old Street, London EC1V 9NR, United Kingdom
4	404 Barbizon104, 5-4-27 Minami-aoyama, Minato-ku, Tokyo, Japan
6	Monmouth House, Westbourne Grove, London, W2 4UL, United Kingdom
9	Grosvenor House, 66-67 Athol Street, Douglas, IM1 1JE, Isle Of Man
10	Avenida Insurgentes Sur No. 1605 Piso 15, Módulo 3, Col. San José Insurgentes, Del. Benito Juárez, C.P. 03900
11	6th Floor, Akasaka FS Building, 7-10-7 Akasaka Minato-ku, Tokyo, Japan
14	Room 302-09, 3rd floor, No 211, North Fute Road, Shanghai, China



**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**13. Trade and other receivables**

	2017 £'000	Restated 2016 £'000
<b>Non-current</b>		
Other receivables	3,672	3,140
Amounts owed by group undertakings	97,448	58,031
	<b>101,120</b>	<b>61,171</b>
<b>Current</b>		
Other receivables	14,498	5,905
Prepayments and accrued income	1,871	1,085
Sales taxes	1,536	878
Derivative financial instruments	136	158
	<b>18,041</b>	<b>8,026</b>

Amount owed by group undertakings are repayable on demand and non-interest bearing.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. The directors consider the maximum credit risk at the balance sheet date is equivalent to the carrying value of trade and other receivables.

**14. Inventories**

	2017 £'000	2016 £'000
Finished goods	227	193

The total cost of inventory recognised as an expense was £516,000 (2016: £114,000). The total provision against inventory in order to write down the balance to the net recoverable amount was £nil (2016: £nil).

**15. Cash and cash equivalents**

	2017 £'000	2016 £'000
Cash and cash equivalents	266,887	102,704

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**16. Share capital**

Ordinary shares issued and fully paid

	Class	Par value £	2017 £	2016 £
1 ordinary share	Ordinary	1	1	1

**17. Reserves**

	Foreign exchange reserve £'000	Warrant reserve £'000	Capital contribution £'000	Accumulated losses £'000
At 1 January 2017 (restated)	(515)	510	20,268	(91,043)
Gain/(loss) for the year	303	-	-	(75,772)
Share-based payments- equity settled	-	-	8,141	-
Capital contribution from parent	-	-	11,458	-
At 31 December 2017	(212)	510	39,867	(166,815)

	Foreign exchange reserve £'000	Warrant reserve £'000	Capital contribution £'000	Accumulated losses £'000
At 1 January 2016 (restated)	-	213	8,242	(55,341)
Loss for the year	(515)	-	-	(35,702)
Share-based payments- equity settled (restated)	-	-	7,439	-
Issue of warrants	-	297	-	-
Capital contribution from parent	-	-	8,587	-
At 31 December 2016 (restated)	(515)	510	20,268	(91,043)

**18. Trade and other payables**

	2017 £'000	Restated 2016 £'000
<b>Non-current</b>		
Amounts owed to group undertakings	492,202	227,620
	492,202	227,620
<b>Current</b>		
Trade payables	59,452	37,109
Other payables	33	225
Social security and other taxes	748	740
Accruals and deferred income	31,312	8,850
Income tax payable	51	-
	91,598	46,924

The amounts owed to group undertakings is an intercompany loan with an interest rate of 4% above London Interbank offered rates (LIBOR).

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**19. Interest-bearing loans and borrowings**

	Interest rate	Maturity	2017 £'000	Restated 2016 £'000
<b>Current and non-current secured borrowings at amortised cost</b>				
Promissory notes	10.8%	2020	-	16,212
Amounts due for settlement within 12 months			-	2,165
Amounts due for settlement after 12 months			-	14,047
			-	16,212

Promissory notes of \$20 million carrying interest at 10.8% were issued in 2016 at principal value. Issue costs of \$621,000 were incurred. The promissory notes are secured by fixed and floating charges over certain Group assets. On 30 June 2017 the promissory notes were repaid in full.

**20. Provisions**

	Dilapidations provision		Share based payment employment taxes provision		Total	
	2017 £'000	Restated 2016 £'000	2017 £'000	Restated 2016 £'000	2017 £'000	Restated 2016 £'000
At 1 January	621	520	1,525	498	2,146	1,018
Additional provision in the year	-	101	786	1,027	786	1,128
Foreign exchange	(81)	-	-	-	(81)	-
At 31 December	540	621	2,311	1,525	2,851	2,146

The dilapidations provision reflects the best estimate of the cost to restore leasehold property in line with the Company's contractual obligations. Based on a detailed analysis the Company has estimated a liability of £540,000 (2016: £621,000). In estimating the liability the Company has made assumptions which are based on past experience. Assuming the leases are not extended, the Company expects the economic outflows to match the contractual end date of Company leases. The Company leases have an average length of six years with an average of three years remaining.

The share based payments employment taxes provision reflects the best estimate of the cost to settle employment related taxes on the Group share based payments based on the most recent share price and the number of share options expected to vest where the Company has an obligation to settle employment related taxes. The Company has estimated a liability of £2,311,000 (2016: £1,525,000).

**21. Related party disclosures**

The Company has taken advantage of the exemption given by IAS 24 not to disclose transactions between two or more members of the Group as the Company is under control of Farfetch.com Limited (the Company's parent) which is the ultimate parent to which it is party to the transactions. Further details are given in note 22.

Until 21 October 2017, when Fashion Concierge UK Limited (formerly ASAP 54.com) was acquired, see note 12, the Company made sales totaling, £85,000 (2016: £8,000) to Fashion Concierge UK Limited. This was a related party of J M F Neves. The Company had £1,000 outstanding at the end of 2016.

The acquisition of the business of Style.com (note 27) was a related party transaction because the former owners of Style.com Conde Nast, are also a shareholder of the Group. Jonathan Newhouse, the current chairman and chief executive of Conde Nast International is also a director of the Parent.

Platforme International Limited is a related party of J M F Neves. The Company made sales of £192,000 (2016: £90,000) to Platforme International Limited. The Company had a £52,000 receivable in 2017 (2016: £16,000 payable).

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**22. Ultimate controlling party**

The Company is a 100% subsidiary of Farfetch.com Limited. Farfetch.com Limited is a company registered in Isle of Man and is considered to be the ultimate controlling party and ultimate parent company of Farfetch UK Limited. Farfetch.com Limited is the parent undertaking of also the smallest and largest group in which the results of the company are consolidated.

Farfetch.com Limited prepares consolidated financial statements and copies can be obtained from Farfetch.com Limited, Grosvenor House, 66-67 Athol Street, Douglas, Isle of Man, IM1 1JE.

The Company has taken advantage of the exemption available under section 401 of the Companies Act 2006 not to prepare group financial statements on the basis that the Company is included in non-EEA financial statements of a larger group.

**23. Reconciliation of loss before tax to cash used in operations**

	2017 £'000	Restated 2016 £'000
Loss before tax	(76,868)	(37,071)
Adjustments for:		
Amortisation	5,035	2,682
Depreciation	647	466
Loss on disposal of non-current assets	-	34
Non-cash employee benefits expense-share based payments	8,141	7,406
Issue of warrants	-	297
Net finance costs	(705)	8,895
Net exchange differences	18,356	(6,678)
Increase in receivables	(49,964)	(37,841)
Decrease/(increase) in inventories	1,433	(168)
Increase in payables	45,176	7,779
Cash used in operations	(48,749)	(54,199)

**24. Operating lease commitments**

Future minimum lease payments under non-cancellable operating leases as at the year-end are as follows:

	2017 £'000	2016 £'000
No later than one year	2,452	1,873
Later than one year not later than five years	8,210	7,494
Later than five years	9,206	11,079
	19,868	20,446

**25. Financial instruments and financial risk management**

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns whilst optimising the debt and equity balance. Whilst all debt has been settled in 2017 the Company's overall strategy remains unchanged from 2016. The capital structure of the Company throughout 2017 consisted of net debt (borrowings disclosed in note 18) and equity of the Company (comprising issued capital, reserves and accumulated losses as disclosed in notes 16 and 17). At 31 December 2017, the capital structure consisted solely of equity. The Company is not subject to any externally imposed capital requirements.

The Company is exposed to risks which arise from the probability of changes in the fair value of the future cash flows deriving from a financial instrument due to fluctuations in market prices. The Company has identified two principal risks being market risk (foreign exchange and interest rates) and liquidity risk.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**25. Financial instruments and financial risk management (continued)**

**Categories of financial instruments**

<b>Financial assets</b>	<b>Loans and receivables</b>	<b>Loans and receivables</b>
	<b>2017</b>	<b>Restated 2016</b>
	<b>£'000</b>	<b>£'000</b>
Other receivables	117,154	67,954
Cash and cash equivalents	266,887	102,704
<b>Total</b>	<b>384,041</b>	<b>170,658</b>

	<b>Fair value through profit or loss</b>	<b>Fair value through profit or loss</b>
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Derivative financial assets	136	158

<b>Financial liabilities</b>	<b>Amortised cost</b>	<b>Amortised cost</b>
	<b>2017</b>	<b>Restated 2016</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	59,452	37,109
Other payables	492,235	227,845
Borrowings- Current	-	2,165
Borrowings- Non-current	-	14,047
<b>Total</b>	<b>551,687</b>	<b>281,166</b>

**Financial risk management objectives**

The Company's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company seeks to minimise the effects of these risks, where appropriate, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of derivatives. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**Market risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). The Company enters into derivative financial instruments to manage its exposure to foreign currency risk. Interest rate risk is not hedged.

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Company uses forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value with movements recorded to the statement of profit and loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

	<b>Financial assets at fair value through profit or loss</b>		<b>Financial liabilities at fair value through profit or loss</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Derivative financial asset/(liability)	166	213	(30)	(56)

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**25. Financial instruments and financial risk management (continued)**

**Liquidity risk**

The Company monitors its liquidity risks to maintain a balance between continuity of funding and flexibility. This helps the Company achieve timely fulfilment of its obligations while sustaining the growth of the business.

The table below analyses the Company's financial liabilities into relevant groupings based on the remaining period from the reporting date to the contractual maturity date. Amounts due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than one year 2017 £'000	Less than one year Restated 2016 £'000
Trade and other payables	59,485	37,334
Borrowings	-	2,165
<b>Total</b>	<b>59,485</b>	<b>39,499</b>

	More than one year 2017 £'000	More than one year Restated 2016 £'000
Trade and other payables	492,202	227,620
Borrowings	-	14,047
<b>Total</b>	<b>492,202</b>	<b>241,667</b>

**Credit risk**

Credit risk is the risk that financial loss arises from the failure of a customer to meet its obligations under a contract. Due to the nature of operations the Company does not have significant exposure to credit risk. Refer to note 13.

**Capital risk management**

The Company's objective when managing capital are to safeguard the Company's ability to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed capital requirements. The capital structure is as follows:

	2017 £'000	Restated 2016 £'000
Borrowings	-	16,212
Less: cash and cash equivalents	(266,887)	(102,704)
Net debt	(266,887)	(86,492)
Total equity	(126,650)	(70,780)
<b>Total capital</b>	<b>(393,537)</b>	<b>(157,272)</b>

**Features of the Company's borrowings are as follows:**

The Company's financial instruments comprise principally of promissory notes and various other items arising directly from its operations such as trade payables. The main purpose of these financial instruments is to finance the Company's operations.

The main risks from the Company's financial instruments are currency risk, interest rate risk and liquidity risk. The Board reviews and agrees policies, which have remained substantially unchanged for the year under review, for managing these risks.

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**25. Financial instruments and financial risk management (continued)**

**Fair value hierarchy**

Financial instruments carried at fair value are categorised into the below levels, reflecting the significance of the inputs used in estimating the fair values:

Level 1: Quoted prices (unadjusted) in active markets for identical instruments;

Level 2: Valuation techniques based on observable inputs, other than quoted prices included within level 1, that are observable either directly or indirectly from market data;

Level 3: Valuation techniques using significant unobservable inputs, this category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The Company recognises derivative financial instruments at fair value. The derivative financial instruments have been measured using a level 1 valuation method.

**Financial instruments sensitivity analysis**

In managing currency risks the Company aims to reduce the impact of short term fluctuations on its earnings. At the end of each reporting year, the effects of hypothetical changes in currency rates are as follows:

**Foreign exchange rate sensitivity analysis**

The table below shows the Company's sensitivity to pounds sterling strengthening/weakening by 10%:

	Increase/ (decrease) in profit or loss	Increase/ (decrease) in profit or loss
	2017	2016
	£'000	£'000
10% appreciation of British pounds sterling	4,605	3,548
10% depreciation of British pounds sterling	(5,628)	(4,337)

During 2016, the Company issued promissory notes with a variable interest rate. The table below shows the Company's sensitivity to changes in the US prime rate, which is the variable in the group interest rate, by 2%:

	Increase/ (decrease) in loss	Increase/ (decrease) in loss
	2017	2016
	£'000	£'000
2% increase in US prime rate	-	373
2% decrease in US prime rate	-	(397)

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**26. Share options- equity and cash settled**

The Company continues to participate in its parent's equity settled share option plans (section a). The parent also introduced a cash settled share option plan in 2016 (section b) which the Company also participates in.

**a. Equity settled**

Certain employees of the Company participate in the parent company's equity settled share based payment scheme. This is accounted for as equity-settled in the Company's Individual financial statements. The scheme/ plans are administered by the parent company which grants the rights to the Company's employees as part of the scheme. The management of the Company do not have the power to grant rights under the scheme autonomously without approval by the parent company. The share based payments as at 31 December 2017 are described below:

Type of arrangement	EMI approved share option plan	LTIP approved share option plan
Date of first grant	01 Nov 2011	09 Sept 2015
Number granted	1,101,120	3,144,238
Contractual life	10 years	10 years
Vesting conditions	Varying tranches of options vesting upon defined years of service	Varying tranches of options vesting upon defined years of service

Movements on the share options were as follows:

	2017 units	2016 <sup>3</sup> units
Options at beginning of year	2,216,387	2,311,313
Options granted	1,597,331	663,928
Options exercised	(32,674)	(442,894)
Options forfeited	(62,500)	(315,960)
	3,718,544	2,216,387
Options exercisable at year end	1,720,055	1,677,898

Weighted average exercise prices were as follows:

	2017	2016 <sup>4</sup>
Options at beginning of year	£8.27	£3.29
Options granted	£26.37	£14.61
Options forfeited	£25.47	£2.79
Options exercised	£0.32	£0.30
Options at end of year	£15.64	£8.27
Options exercisable at year end	£6.75	£11.67
Weighted average remaining contracted life of options outstanding at year end	7.9 years	5.7 years

<sup>3</sup> The number of options in 2016 has been restated owing to an error in the prior year. There was no impact on the amount recognised in profit or loss. The impact is 396,000 options.

<sup>4</sup> As a result of the restatement above, the weighted average exercise prices for 2016 have also been restated.



Farfetch.com Limited

Notes to the Parent Company and Consolidated financial statements (continued)  
For the year ended 31 December 2017

Exercise price of options outstanding at year end

	2017 No of options	2016 <sup>5</sup> No of options
£0.32 to £2.13	737,631	857,601
£2.14 to £13.39	477,649	535,098
£13.40 to £21.77	792,151	704,378
£21.78 to £28.09	1,079,592	119,310
£28.10 to £28.98	631,521	-
	<u>3,718,544</u>	<u>2,216,387</u>
Weighted Average Fair Value of Options Granted in year	<u>£12.66</u>	<u>£10.70</u>

Inputs in the Black Scholes model for share options granted during the year and prior year were as follows:

Black Scholes Model	2017	2016
Weighted average share price	£37.56	£23.39
Weighted average exercise price	£26.37	£4.61
Average expected volatility	20%	20%
Average option life	4.0	4.0
Average risk free rate	1.86%	1.40%
Expected dividends	£nil	£nil

During 2017, the Group has revised expected volatility and life assumptions. Expected volatility was determined by calculating the historic volatility of the Group's share price. The expected life in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

The Company recognised total expenses of £8,141,000 and £7,406,000 (restated) related to equity-settled share based payment transactions in 2017 and 2016 respectively.

**b. Cash settled**

The Company issues to certain employees share appreciation rights ("SAR"s) that require the Group to pay the intrinsic value of the SAR to the employee at the date of exercise. The Company has recorded liabilities of £255,000 in 2017 (2016: £51,000) through the grant of 39,700 SARs (2016: 7,700 SARs).

The fair value of the SARs is determined by using the Black Scholes model using the same assumptions noted in the above table for the Group's equity-settled share based payments. The fair value of the liability is then reassessed at each reporting date. Included in the 2017 charge of £205,000 (2016: £51,000) is a revaluation gain of £334,000 (2016: £nil). The total intrinsic value at 31 December 2017 was £492,000 (2016: £144,961).

<sup>5</sup> As a result of the restatement above, the exercise prices by option number in 2016 has also been restated.

Farfetch.com Limited

Notes to the Parent Company and Consolidated financial statements (continued)  
For the year ended 31 December 2017

27. Business combinations

Style.com

On 12 June 2017 the Company acquired 100% of the trade and business assets of Style.com, a luxury e-commerce retailer, from Conde Nast. The primary reason for the acquisition was for the Group to leverage customer relationships, the Style.com domain name authority and content to enhance the Group's marketplace business. Details of the purchase consideration, the assets acquired and goodwill are as follows:

	2017 £'000
Ordinary shares issued	9,811
Total purchase consideration	9,811

The fair value of the 258,265 shares issued as 100% of the consideration paid for Style.com Limited (£9,811,000) was estimated based upon the Parent's most recent funding round as of the date of the acquisition. The ordinary shares issued are non-cash investing activities.

The Company recognised the following assets and liabilities upon acquisition:

	2017 £'000
Inventories	1,467
Total net identified assets acquired	1,467
Goodwill	5,573
Customer relationships	931
Trademarks and domain name	2,408
Deferred tax liability	(568)
Total Goodwill and identifiable intangible assets acquired	8,344
Net assets acquired	9,811

The Trademarks and domain name are amortised over ten years and the customer relationships are amortised over three years.

The goodwill is attributable to the Style.com reputation and the expected synergies and efficiencies generated by the business combination. It will not be deductible for tax purposes.

There was no cashflow impact with purchase consideration being the issue of the Parent's shares and there being no cash acquired.

Acquisition related costs

Acquisition-related costs of £430,000 are included in administrative expenses and within exceptional items in note 6.

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**28. Prior period restatements**

The Company's financial statements for the periods ended 31 December 2015 and 2016 have been restated for the following reasons:

- The Company has adopted *IFRS 15, Revenue from Contracts with Customers*, ("IFRS 15") during 2017 without applying any transitional relief and hence applied full retrospective application. Refer to note 2.4 for further information.
- Following a detailed review of the Company's share based payment awards, it was discovered that a grant made in 2014 of 356,000 options had been excluded from the grant ledger. The Company has restated its share based payment charge to reflect this ("Share based payments"). Refer to note 26 for further information.
- The Company has recorded a dilapidation provision ("Dilapidations").
- The Company has also made balance sheet reclassifications to:
  - reclassify rent deposits from current to non-current (2015: £2,615,000)
  - offset receivables with payables where individual sellers are in a net payable position (2016: £3,087,000); and
  - reclassify non-current interest-bearing loans and borrowings where these are due within one year and hence should be presented as current (2016: £318,000).
- The Company has made profit or loss reclassifications to reclassify certain expenses between cost of sales, administrative expenses and finance income for consistent presentation (2016: administrative expenses to cost of sales: £3,816,000, administrative expenses to finance income: £127,000). Furthermore, following a detailed review of the Company's revenue accounting policies it was concluded that certain promotional activities that were previously expensed should instead be netted off revenue (2016: administrative expenses to revenue, £10,287,000).

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**28. Prior period restatements (continued)**

**a. Opening balance at 1 January 2016**

	<i>Impact of</i>				
	As previously reported 2015 £'000	Adoption of IFRS 15 £'000	Share based payments £'000	Dilapid- ations £'000	Reclass- ification £'000
					Restated 2015 £'000
<b>Non-current assets</b>					
Trade and other receivables	28,313	-	-	-	2,615
Intangible assets	4,168	-	-	-	4,168
Property, plant and equipment	4,248	-	-	520	4,768
Investments	24,286	-	-	-	24,286
<b>Total non-current assets</b>	<b>61,015</b>	<b>-</b>	<b>-</b>	<b>520</b>	<b>64,150</b>
<b>Current assets</b>					
Inventories	25	-	-	-	25
Trade and other receivables	4,761	-	-	-	(2,615)
Cash and cash equivalents	36,880	-	-	-	36,880
<b>Total current assets</b>	<b>41,666</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,051</b>
<b>Total assets</b>	<b>102,681</b>	<b>-</b>	<b>-</b>	<b>520</b>	<b>103,201</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital	-	-	-	-	-
Foreign exchange reserve	-	-	-	-	-
Other reserves	5,378	-	1,077	-	6,455
Accumulated losses	(53,670)	(96)	(1,575)	-	(55,341)
<b>Total equity</b>	<b>(48,292)</b>	<b>(96)</b>	<b>(498)</b>	<b>-</b>	<b>(48,886)</b>
<b>Non-current liabilities</b>					
Trade and other payables	115,785	-	-	-	115,785
Interest-bearing loans and borrowings	-	-	-	-	-
Provisions	-	-	498	520	1,018
<b>Total non-current liabilities</b>	<b>115,785</b>	<b>-</b>	<b>498</b>	<b>520</b>	<b>116,803</b>
<b>Current liabilities</b>					
Trade and other payables	35,188	96	-	-	35,284
Interest-bearing loans and borrowings	-	-	-	-	-
<b>Total current liabilities</b>	<b>35,188</b>	<b>96</b>	<b>-</b>	<b>-</b>	<b>35,284</b>
<b>Total liabilities</b>	<b>150,973</b>	<b>96</b>	<b>498</b>	<b>520</b>	<b>152,087</b>
<b>Total equity and liabilities</b>	<b>102,681</b>	<b>-</b>	<b>-</b>	<b>520</b>	<b>103,201</b>

Farfetch UK Limited

Notes to the financial statements (continued)  
for the year ended 31 December 2017

28. Prior period restatements (continued)

b. At the end of the period 31 December 2016

	Impact of					
	As previously reported 2016 £'000	Adoption of IFRS 15 £'000	Share based payments £'000	Dilapid- ations £'000	Reclass- ification £'000	Restated 2016 £'000
<b>Non-current assets</b>						
Trade and other receivables	61,171	-	-	-	-	61,171
Intangible assets	10,443	-	-	-	-	10,443
Property, plant and equipment	4,701	-	-	621	-	5,322
Investments	34,263	-	-	-	-	34,263
<b>Total non-current assets</b>	<b>110,578</b>	<b>-</b>	<b>-</b>	<b>621</b>	<b>-</b>	<b>111,199</b>
<b>Current assets</b>						
Inventories	193	-	-	-	-	193
Trade and other receivables	11,113	-	-	-	(3,087)	8,026
Cash and cash equivalents	102,704	-	-	-	-	102,704
<b>Total current assets</b>	<b>114,010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,087)</b>	<b>110,923</b>
<b>Total assets</b>	<b>224,588</b>	<b>-</b>	<b>-</b>	<b>621</b>	<b>(3,087)</b>	<b>222,122</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Share capital	-	-	-	-	-	-
Foreign exchange reserve	(515)	-	-	-	-	(515)
Other reserves	19,291	-	1,487	-	-	20,778
Accumulated losses	(87,712)	(319)	(3,012)	-	-	(91,043)
<b>Total equity</b>	<b>(68,936)</b>	<b>(319)</b>	<b>(1,525)</b>	<b>-</b>	<b>-</b>	<b>(70,780)</b>
<b>Non-current liabilities</b>						
Trade and other payables	227,620	-	-	-	-	227,620
Interest-bearing loans and borrowings	14,365	-	-	-	(318)	14,047
Provisions	-	-	1,525	621	-	2,146
<b>Total non-current liabilities</b>	<b>241,985</b>	<b>-</b>	<b>1,525</b>	<b>621</b>	<b>(318)</b>	<b>243,813</b>
<b>Current liabilities</b>						
Trade and other payables	49,692	319	-	-	(3,087)	46,924
Interest-bearing loans and borrowings	1,847	-	-	-	318	2,165
<b>Total current liabilities</b>	<b>51,539</b>	<b>319</b>	<b>-</b>	<b>-</b>	<b>(2,769)</b>	<b>49,089</b>
<b>Total liabilities</b>	<b>293,524</b>	<b>319</b>	<b>1,525</b>	<b>621</b>	<b>(3,087)</b>	<b>292,902</b>
<b>Total equity and liabilities</b>	<b>224,588</b>	<b>-</b>	<b>-</b>	<b>621</b>	<b>(3,087)</b>	<b>222,122</b>

**Farfetch UK Limited**  
**Notes to the financial statements (continued)**  
**for the year ended 31 December 2017**

**28. Prior period restatements (continued)**

**c. Reconciliation of profit for the year ended 31 December 2016**

	Impact of				
	As previously reported 2016 £'000	IFRS 15 £'000	Share based payments £'000	Reclass- ification £'000	Restated 2016 £'000
Continuing operations					
Revenue	151,346	(223)	-	(10,287)	140,836
Cost of sales	(64,562)	-	-	(3,816)	(68,378)
Gross profit	86,784	(223)	-	(14,103)	72,458
Administrative expenses	(120,290)	-	(1,437)	13,976	(107,751)
Operating loss	(33,506)	(223)	(1,437)	(127)	(35,293)
Comprising:					
Underlying operating loss	(24,920)	(223)	-	(127)	(25,270)
Exceptional items	(1,506)	-	-	-	(1,506)
Share based payment expense	(7,080)	-	(1,437)	-	(8,517)
	(33,506)	(223)	(1,437)	(127)	(35,293)
Finance costs	(9,287)	-	-	-	(9,287)
Finance income	7,382	-	-	127	7,509
Loss before tax from continuing operations	(35,411)	(223)	(1,437)	-	(37,071)
Taxation	1,369	-	-	-	1,369
Loss for the financial year	(34,042)	(223)	(1,437)	-	(35,702)

**29. Events after the reporting year**

There are no events after the reporting period.