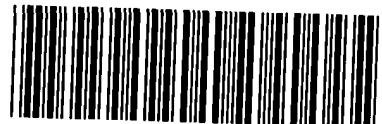


Wayfair (UK) Limited

Annual Report for the year ended 31 December 2021

COMPANY REGISTRATION NUMBER: 06776852

WEDNESDAY



ABDI6FI2

A13

28/09/2022

#112

COMPANIES HOUSE

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2021**

TABLE OF CONTENTS	PAGE
COMPANY INFORMATION	2
STRATEGIC REPORT	3
DIRECTORS' REPORT	6
DIRECTORS' RESPONSIBILITIES STATEMENT	8
INDEPENDENT AUDITOR'S REPORT	9
INCOME STATEMENT	13
STATEMENT OF COMPREHENSIVE INCOME	13
STATEMENT OF CHANGES IN EQUITY	14
STATEMENT OF FINANCIAL POSITION	15
NOTES TO THE FINANCIAL STATEMENTS	16

WAYFAIR (UK) LIMITED

COMPANY INFORMATION

DIRECTORS	Niraj Shah (USA) Steven Conine (USA)(resigned on 4 Oct 2021) Michael Fleisher (USA) Enrique Colbert (USA) Martin Reiter (AUT)(resigned on 1 Aug 2021) Rahul Raswant (USA)(resigned 15 May 2022) William Merricks (UK) Dr. Sascha Hower (GER) Dr. Jens Uwe Intat (GER)(appointed on 1 Oct 2021) Dr. Fabian Schroth (GER)(appointed on 4 Oct 2021)
SECRETARY	Enrique Colbert (USA)
REGISTERED OFFICE	Angel House, 338 Goswell Road, London EC1V 7LQ, United Kingdom.
REGISTERED NUMBER OF INCORPORATION	06776852
BANKERS	Bank of America, 2 King Edward Street, London, EC1A 1HQ.
AUDITOR	Ernst & Young, Riverview House, Harvey's Quay, Limerick, Ireland.

WAYFAIR (UK) LIMITED

STRATEGIC REPORT

for the year ended 31 December 2021

REVIEW OF THE BUSINESS

The principal activity of the Company during the year was the provision of sales and marketing, and fulfillment services to its parent company, Wayfair Stores Limited, a Company incorporated in Ireland.

The key financial and other performance indicators during the year were as follows:

	2021	2020	Change
	£'000	£'000	%
Turnover	56,561	49,798	14
Operating profit	1,184	1,038	14
Operating profit percentage	2%	2%	-
Profit before tax	1,407	968	45
Average number of employees	709	473	236

The revenue of the company increased by 14% in 2021, when compared with 2020, mainly driven by a 14% increase in administrative expenses, to which a % markup is applied. The operating margin remained consistent at 2% for 2021. The company's net profit after tax for the year ended 31 December 2021 amounted to £1,407,021 (2020: £967,982,) and has been transferred to reserves. Dividends of £nil were paid during the year (2020: £nil).

The performance of the entity for the year ended 31 December 2021 is considered stable and returning 2% operating margin, which is expected given the only trading income source is from an intercompany management agreement with Wayfair Stores Ltd.

The strategy of the company is to continue to grow its warehouse and fulfillment services operations in the UK to drive Wayfair Stores Ltd.'s European growth. This will increase the underlying operating expenses, while also increasing revenue and operating profit in the coming years.

DIRECTORS' DUTIES

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. Those duties are detailed in section 172 of the UK Companies Act 2006 which is summarized as follows:

'A director of a company must act in the way they consider, in good faith, would be the most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company'

STRATEGIC REPORT (continued)
for the year ended 31 December 2021

The following paragraphs summarise how the Directors' fulfil their duties:

Risk Management

We provide business services in regulated environments. As we grow, our business and our risk environment also become more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management.

Our People

The Company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, customers, communities and society as a whole. People are at the heart of our services. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We must also ensure we share common values that inform and guide our behaviour, so we achieve our goals in the right way.

Community and Environment

The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable colleagues to support the communities around us.

Shareholders

The Board is committed to openly engaging with our shareholders, as we recognise the importance of continuing effective dialogue. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider that the principal risks and uncertainties faced by the Company are in the following categories:

Economic risk

The risk that anticipated growth within European economies continues to be negatively impacted by uncertainty in Europe, particularly due to the ongoing situation in the Ukraine and the rising costs of living.

This risk is mitigated through the combination of a competitive pricing structure, extensive affordable brand selection and high service levels to our customers. There is a particularly strong emphasis on achieving and maintaining high levels of customer services which distinguishes the Company from its competitors.

During a difficult macroeconomic environment, we remain squarely focused on our customers and our suppliers, and on making sure Wayfair is their preferred platform for the Home. We are tightly controlling our many levers and steering Wayfair in a financially responsible manner through this period. Our strategic long-term investments positioned us well to serve our customers and to quickly adapt during a challenging time.

STRATEGIC REPORT (continued)
for the year ended 31 December 2021

Regulatory risk

There continues to be certain risk, driven by Brexit, that regulations with the UK will impact negatively on the Company's UK operation in the absence of a customs agreement, common employment law and product legislation. The Company has established cross functional teams including legal, regulatory, supply chain and finance to ensure compliance with regulatory changes resulting from BREXIT.

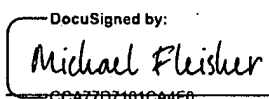
Financial risk

There is a risk associated with a start-up operation, Wayfair Stores Ltd (Wayfair UK Ltd.'s sole customer) working towards break-even and ultimate profitability.

The Company has budgetary and financial reporting procedures, supported by appropriate key performance indicators, to manage credit, liquidity and other financial risk. No other specific operational risks have been identified.

The structure of the company is ready to react to opportunities as soon as they appear on the market.

On behalf of the Board

DocuSigned by:

CCA77D7101CA4F0...

Michael Fleisher (USA)
Director

Date: 06 September 2022

DIRECTORS' REPORT

for the year ended 31 December 2021

The directors have pleasure in presenting their report and the financial statements of Wayfair (UK) Limited ("the Company") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was the provision of sales and marketing, and fulfilment services to its parent company, Wayfair Stores Limited, a Company incorporated in Ireland.

RESULTS AND DIVIDENDS

The income statement account for the year ended 31 December 2021 and the statement of financial position at that date are set out on pages 13 and 15. The profit on ordinary activities for the year before taxation amounted to £1,407,021 (2020: £967,982). After a nil taxation charge for 2021, (2020: nil), a profit of £1,407,021 (2020: £967,982) is transferred to reserves. The directors have not recommended a dividend for the year (2020: £nil).

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

IMPORTANT EVENTS SINCE THE YEAR END

On August 19, 2022, the Company announced a workforce reduction involving approximately 30 employees to manage operating expenses and realignment of investment priorities. This reduction represents approximately 3% of our workforce.

FUTURE DEVELOPMENTS

With a combination of the actions described in the strategic report the company is forecasting reasonable growth in future years, between 10% and 20% per year.

POLITICAL CONTRIBUTIONS

There have been no political contributions made in the year (2020: £nil)

GOING CONCERN

The Company has received letter of support from Wayfair Inc, the ultimate parent Company, that adequate financial support will to be made available for a period of 12 months from the date of approval of these financial statements to enable it to discharge its obligations. On that basis, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

The Directors and management of the Company continue to monitor the impact of macroeconomic challenges on trading and future business plans. The response to the impact is set out in the Principal Risks and Uncertainties section above.

It is our view, to the best of our current knowledge, that the macroeconomic challenges have not and will continue to not have a material adverse impact on the Company's ability to continue as a going concern.

WAYFAIR (UK) LIMITED

**DIRECTORS' REPORT (continued)
for the year ended 31 December 2021**

AUDITOR

The auditor, Ernst & Young, Chartered Accountants, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting, in accordance with section 485 of the Companies Act, 2006.


This report was approved by the board on 06 September 2022 and signed on its behalf by

DocuSigned by:


8AF196546AA74AE...

Enrique Colbert (USA)
Company Secretary

DocuSigned by:


CCA77D7101CA4FU...

Michael Fleisher (USA)
Director

WAYFAIR (UK) LIMITED**DIRECTORS' RESPONSIBILITIES STATEMENT
for the year ended 31 December 2021**

The directors are responsible for preparing the Strategic Report, Directors Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with FRS 102, United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

This report was approved by the board on 06 September 2022 and signed on its behalf by

DocuSigned by:

Enrique Colbert

8AF195548AA74AE...

Enrique Colbert (USA)
Company Secretary

DocuSigned by:

Michael Fleisher

CCA77D7101CA4F0...

Michael Fleisher (USA)
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WAYFAIR (UK) LIMITED

Opinion

We have audited the financial statements of Wayfair (UK) Limited for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information



Building a better
working world

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



Building a better
working world

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that related to the reporting framework (FRS102 and Companies Act 2006) and the relevant tax compliance regulations in the UK. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, General Data Protection Regulation (GDPR) and bribery and corruption practices.
- We understood how Wayfair (UK) Limited is complying with those frameworks by reviewing the procedures, controls and fraud prevention measures put in place by the Company. We made enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We made enquiries of management, those charged with governance and the entity's solicitors around actual and potential litigation and claims. We made enquiries of management to identify any instances of non-compliance with laws and regulations, including communications with regulators.
- We specifically considered the potential for override of controls and other inappropriate influence over the financial reporting process. We performed audit procedures including, walkthrough procedures of the financial close process and specific transaction and manual journal entry testing on accounts subject to inappropriate influence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by inquiry of management, those charged with governance and others within the company, as to whether they have knowledge of any actual or suspected fraud. Where this risk was considered higher, we performed audit procedures to address the fraud risk. We performed journal entry testing by specific risk criteria, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the company's business.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved obtaining solicitors' confirmation, analytical reviews, and the examination of legal expense accounts.



Building a better
working world

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

Use of our report

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

Andrew P. Clery
for and on behalf of Ernst & Young, Statutory Auditor
Limerick, Ireland

Date

7th of September 2022

WAYFAIR (UK) LIMITED**INCOME STATEMENT
for the year ended 31 December 2021**

	<i>Note</i>	<i>2021 £'000s</i>	<i>2020 £'000s</i>
Turnover - continuing		56,561	49,798
Administrative expenses		(55,412)	(48,772)
Other operating income		35	12
Operating profit – continuing operations		1,184	1,038
Interest payable and similar charges	2	223	(70)
Profit on ordinary activities before taxation	3	1,407	968
Tax on profit on ordinary activities	5	-	-
Profit for the financial year		1,407	968

**STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021**

	<i>2021 £'000s</i>	<i>2020 £'000s</i>
Profit for the financial year	1,407	968
Total comprehensive income for the year	1,407	968

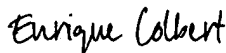
WAYFAIR (UK) LIMITED**STATEMENT OF CHANGES IN EQUITY**
for the year ended 31 December 2021

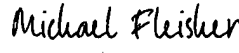
	<i>Other reserves £'000s</i>	<i>Share capital £'000s</i>	<i>Retained earnings £'000s</i>	<i>Total £'000s</i>
At 1 January 2020	1,716	–	1,984	3,700
Profit for the financial year	–	–	968	968
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	<u>1,716</u>	<u>–</u>	<u>2,952</u>	<u>4,668</u>
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2021	1,716	–	2,952	4,668
Profit for the financial year	–	–	1,407	1,407
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	<u>1,716</u>	<u>–</u>	<u>4,359</u>	<u>6,075</u>

WAYFAIR (UK) LIMITED**STATEMENT OF FINANCIAL POSITION**
as at 31 December 2021

	<i>Note</i>	<i>2021</i> <i>£'000s</i>	<i>2020</i> <i>£'000s</i>
FIXED ASSETS			
Tangible assets	6	41,863	35,551
CURRENT ASSETS			
Debtors	7	17,966	13,066
Cash at bank		-	1
		17,966	13,067
CREDITORS (amounts falling due within one year)	8	(53,754)	(43,950)
NET CURRENT LIABILITIES		(35,788)	(30,883)
NET ASSETS		6,075	4,668
CAPITAL AND RESERVES			
Called-up equity share capital	11	-	-
Other reserves	13	1,716	1,716
Retained earnings		4,359	2,952
SHAREHOLDER'S FUNDS		6,075	4,668

These financial statements were approved by the directors and authorised for issue on 06 September 2022 and are signed on their behalf by:

DocuSigned by:

 8AF185546AA74AE...
 Enrique Colbert (USA)
 Company Secretary

DocuSigned by:

 66A77D7181CA4F8...
 Michael Fleisher (USA)
 Director

Company Registration Number: 06776852

WAYFAIR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

1. ACCOUNTING POLICIES

(a) *Basis of accounting*

The Company's financial statements have been prepared in accordance with applicable standards issued by the Financial Reporting Council, including FRS 102 'The Financial Reporting Standard' applicable in Ireland and UK'.

(b) *Going concern*

The Company has received letter of support from Wayfair Inc, the ultimate parent Company, that adequate financial support will to be made available for a period of 12 months from the date of approval of these financial statements to enable it to discharge its obligations. On that basis, the directors believe that it is appropriate to prepare the financial statements on a going concern basis

The response to the impact of the current macroeconomic challenges are set out in the Strategic Report above. It is the Directors view, to the best of our current knowledge, that it has not and will continue to not have a material adverse impact on the company's ability to continue as a going concern.

(c) *Basis of preparation*

The financial statements of Wayfair (UK) Limited were authorised for issue by the Board of Directors on 06 September 2022.

The financial statements are prepared in Sterling which is the functional and presentational currency of the Company.

Wayfair (UK) Limited, as a qualifying entity, has taken advantage of the following reduced disclosure requirements under FRS 102, under paragraph 1.12:

- (i) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
- (ii) The requirement of Section 11 Basic Financial Instruments paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c) and Section 12 Other Financial Instruments Issues paragraphs 12.26, 12.27, 12.29(a), 12.29(B) and 12.29A.
- (iii) The requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23
- (iv) The requirement of Section 33 Related Party Disclosures paragraph 33.7.

(d) *Turnover*

The turnover shown in the income statement account represents amounts invoiced during the year, exclusive of Value Added Tax, all of which is generated in the UK.

(e) *Fixed assets*

Tangible fixed assets are recorded at historical cost less accumulated depreciation and provisions for impairment. The cost of an asset is made up of the purchase price of the asset plus any costs directly attributable to bringing the asset into working condition for its intended use.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021 (Continued)

1. ACCOUNTING POLICIES (Continued)

(f) Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	-	7 years straight line
Equipment	-	1 - 7 years straight line
Leasehold	-	shorter of lease term or asset useful life

(g) Operating lease agreements

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

(h) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the Statement of Financial Position date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the Statement of Financial Position date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

(i) Foreign currencies

Foreign currency transactions are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the month or exchange rate on the date of the transaction. Exchange differences arising, if any, are recognised in the income statement.

WAYFAIR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2021 (Continued)

1. ACCOUNTING POLICIES (Continued)

(j) *Pension*

The cost of providing pensions to employees is charged in the Income Statement account as incurred.

(k) *Impairment of non-financial assets*

The Company assesses at each reporting date whether an asset (or cash-generating unit to which the asset has been allocated) may be impaired. Where indicators exist for a decrease in impairment loss previously recognised for assets (or CGUs), the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount being higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU on a pro-rata basis.

(l) *Share-based payments*

For equity-settled share-based payment transactions (i.e. the issuance of share options), the Company measures the services received and the corresponding increase in equity at fair value at the grant date using the Black-Scholes option pricing model. Fair value is determined on the basis that the services to be rendered by employees as consideration for the granting of share options will be received over the vesting period, which is assessed as at the grant date. The share options granted by the Parent Company (Wayfair, Inc.) are not subject to market-based vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, net of any related recharges from the parent, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised 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 expense/credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period. The cumulative charge to the Income Statement is reversed only where the performance condition is not met or where an employee in receipt of share options leaves service prior to completion of the expected vesting period and those options lapse in consequence.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a non-vesting condition which is treated as vesting irrespective of whether or not it is satisfied, provided that all other performance and/or service conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it is vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Company or the employee are not met. All cancellations of equity-settled transaction awards are treated equally.

The Company has no exposure in respect of cash-settled share-based payment transactions and share-based payment transactions with cash alternatives.

WAYFAIR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021 (Continued)

1. ACCOUNTING POLICIES (Continued)

(m) Debtors

Debtors are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Subsequently, debtors are measured at amortised cost less impairment allowances.

(n) Creditors

Creditors are measured at the transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

2. INTEREST PAYABLE AND OTHER SIMILAR CHARGES	2021 £'000s	2020 £'000s
Bank charges	9	9
Foreign currency (gain)/loss	(232)	61
	<u>(223)</u>	<u>70</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2021 £'000s	2020 £'000s
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation on fixed assets	3,805	4,310
Auditor's fees	23	18
Operating lease costs:		
- building	7,086	6,498
Foreign currency (gain)/loss	<u>(232)</u>	<u>61</u>

WAYFAIR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2021 (Continued)

4. EMPLOYEES AND REMUNERATION

The average number of staff employed by the Company during the financial year amounted to:

	2021 No.	2020 No.
Number of administrative and warehouse staff	709	473

The aggregate payroll costs of the above were:

	2021 £'000s	2020 £'000s
Wages and salaries	22,006	17,155
Social insurance costs	3,740	2,373
Other retirement benefit costs	622	452
Share based payments	4,939	3,353
	31,307	23,333

Directors' emoluments and retirement benefit costs for the year were £5,276,589 (2020: £2,121,355).

WAYFAIR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021 (Continued)

5.	TAXATION ON ORDINARY ACTIVITIES	2021 £'000s	2020 £'000s
(a)	<i>Analysis of income statement account charge/(credit):</i>		
	Current tax:		
	UK corporation tax charge on profit for the year	-	-
	Over provision in prior years	-	-
		<hr/>	<hr/>
	Total current tax	-	-
		<hr/>	<hr/>
	Deferred tax:		
	Origination and reversal of timing differences (note 9)	-	-
		<hr/>	<hr/>
	Tax on profit on ordinary activities	-	-
		<hr/>	<hr/>

(b) *Factors affecting total tax charge*

The tax assessed on the profit on ordinary activities for the year is reconciled to the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £'000s	2020 £'000s
Profit on ordinary activities before taxation	1,407	968
	<hr/>	<hr/>
Profit on ordinary activities by rate of tax	267	184
<i>Effects of:</i>		
Effect of tax treatment of share-based payments	(2,323)	(1,152)
Utilisation of previously unrecognised deferred tax assets	-	-
Deferred tax asset not recognised	2,237	826
Permanent differences in respect of fixed assets	96	142
Other non-deductible expenses	8	-
Income non-taxable	(285)	-
	<hr/>	<hr/>
Total tax charge/(credit)	-	-
	<hr/>	<hr/>

(c) *Factors that may affect future tax charges*

A net deferred tax asset of £4,318,486 (2020: £1,000,196) was not recognised as, in the opinion of the directors, there was not sufficient certainty when there would be suitable taxable profit from which the future reversal of the underlying timing differences could be deducted.

WAYFAIR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2021 (Continued)

6. TANGIBLE FIXED ASSETS

	<i>Fixtures & fittings £'000s</i>	<i>Equipment £'000s</i>	<i>Leasehold Improvements £'000s</i>	<i>Assets Not in Use £'000s</i>	<i>Total £'000s</i>
<i>Cost:</i>					
At 1 January 2021	477	11,480	20,185	9,559	41,701
Additions	35	4,271	5,811	-	10,117
Asset class transfer	-	44	9,515	(9,559)	-
Disposals	-	(118)	-	-	(118)
At 31 December 2021	512	15,677	35,511	-	51,700
<i>Depreciation:</i>					
At 1 January 2021	136	3,110	2,904	-	6,150
Charge for the year	71	3,039	695	-	3,805
Depreciation on disposals	-	(118)	-	-	(118)
At 31 December 2021	207	6,031	3,599	-	9,837
<i>Net book value:</i>					
At 31 December 2021	305	9,646	31,912	-	41,863
At 31 December 2020	341	8,370	17,281	9,559	35,551

7. DEBTORS	<i>2021 £'000s</i>	<i>2020 £'000s</i>
Amounts due from group undertakings	13,679	8,139
VAT recoverable	1,502	1,624
Other debtors	2	313
Prepayments and accrued income	2,783	2,990
	<u>17,966</u>	<u>13,066</u>

The balance due from group undertakings has been included in current assets. This amount is unsecured, interest free, has no repayment schedule and is repayable when demanded.

WAYFAIR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021 (Continued)

8.	CREDITORS (amounts falling due within one year)	2021 £'000s	2020 £'000s
	Amounts owed to group undertakings	37,520	28,923
	Trade creditors	4,619	3,210
	Other creditors including taxation and social security:		
	PAYE and social security	918	736
	Accruals and deferred income	10,697	11,080
		<u>53,754</u>	<u>43,949</u>

Trade creditors are repayable within 30 to 60 days of the amount owing. The balance owed to group undertakings has been included in current liabilities. This balance has been treated as a current liability as the Company has no contractual right to defer settlement to a period after more than one year. This amount was advanced to the Company interest free and has no repayment schedule and is repayable when demanded. It is not anticipated that this liability will be called upon in the immediate future.

9.	DEFERRED TAX	2021 £'000s	2020 £'000s
	Deferred tax (liability)/asset opening balance	-	-
	Deferred tax charge (note 5)	-	-
	Deferred tax asset closing balance	<u>-</u>	<u>-</u>

The major movement of the provision for deferred tax are as follows:

Accelerated capital allowances	528	640
Pension contributions deferred tax asset	1	(21)
Share options deferred tax asset	(1,107)	(721)
Tax losses	(1,659)	(898)
Closing balance unrecognised (Note 5c)	<u>(2,237)</u>	<u>(1,000)</u>

WAYFAIR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2021 (Continued)

10. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2021 the future minimal rentals under non-cancellable operating leases as set out below.

	2021 £'000s	2020 £'000s
Within one year	8,155	7,459
Within two to five years	30,502	28,584
Greater than five years	52,736	58,593
	<u>91,393</u>	<u>94,636</u>

11. SHARE CAPITAL

	2021 £	2020 £
<i>Authorised:</i>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

	2021		2020	
	No.	£	No.	£
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

12. PENSION

The Company operates a defined pension contribution scheme for certain employees. The pension charge of £622,316 (2020: £451,891) represents contributions paid by the Company to the fund during the year.

13. OTHER RESERVES

	2021 £'000s	2020 £'000s
Share based payments expense	<u>1,716</u>	<u>1,716</u>
	<u>1,716</u>	<u>1,716</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021 (Continued)

14. SHARE-BASED PAYMENTS

Restricted Stock Units ("RSUs") and share options for shares in Wayfair Inc. have been granted to employees of Wayfair (UK) Limited under the 2014 Incentive Award Plan. Any grants of awards are expected to vest over the service period, typically five years.

The plan is an equity settled share-based payments as defined by FRS 102 section 26.

Impact on income statement

The expense recognised in the income statement for the year amounted to £4,938,604 (2020: £3,352,640).

15. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The Company's immediate parent Company is Wayfair Stores Limited, a Company incorporated in Republic of Ireland with a registered office of Wayfair House, Tuam Road, Galway.

The Company's ultimate parent undertaking is Wayfair Inc., a Company incorporated in the United States with a registered office of 4 Copley Place, 7th Floor, Boston, MA 02116, United States. Wayfair Inc was publicly listed on the NYSE in October 2014.

The smallest group into which the results of the Company are consolidated is Wayfair LLC, a Company incorporated in the United States of America. The largest group into which the results of the Company are incorporated is Wayfair Inc. The consolidated financial statements are available from Wayfair Inc., 4 Copley Place, 7th Floor, Boston, MA 02116, United States.

The Company has availed of the FRS 102, paragraph 33.1A, "Related Party Disclosures" exemption to disclose related party transactions, between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

16. IMPORTANT EVENTS SINCE THE YEAR END

On August 19, 2022, the Company announced a workforce reduction involving approximately 30 employees to manage operating expenses and realignment of investment priorities. This reduction represents approximately 3% of our workforce.

WAYFAIR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 December 2021 (Continued)

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issued by the board of directors on 06 September 2022.

**THE FOLLOWING PAGES DO NOT FORM PART OF THE
STATUTORY FINANCIAL STATEMENTS WHICH ARE THE SUBJECT
OF THE INDEPENDENT AUDITOR'S REPORT**

WAYFAIR (UK) LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT for the year ended 31 December 2021

	2021 £'000s	2020 £'000s
TURNOVER	56,561	49,798
OVERHEADS		
Administrative expenses	(55,189)	(48,842)
Other Income	35	12
PROFIT ON ORDINARY ACTIVITIES	1,407	968
ADMINISTRATIVE EXPENSES		
<i>Personnel costs</i>		
Wages and salaries	22,006	17,155
Employer NIC	3,740	2,373
Staff pension contributions	622	452
Staff benefits	142	97
Share based payments	4,939	3,353
	31,449	23,430
ESTABLISHMENT EXPENSES		
Rent	7,086	6,498
Rates	2,733	3,315
Light and heat	858	686
Insurance	165	230
Repairs and maintenance	526	1,615
Service charges	236	187
Warehouse Supplies	1,103	1,456
	12,707	13,987
GENERAL EXPENSES		
Travel and subsistence	362	199
Telephone and IT	115	134
Canteen	58	248
Staff welfare	232	71
Office supplies, printing and postage	1,893	1,853
Dues and subscriptions	122	111
Payroll expenses	81	45
Sundry expenses	10	35
Agency staff	3,789	4,126
Legal and professional fees	766	203
Auditors remuneration	23	18
Marketing expense	-	2
Depreciation	3,805	4,310
Advertising	-	-
	11,256	11,355
FINANCIAL COSTS		
Bank charges	9	9
Foreign currency (gain)/loss	(232)	61
Total administrative expenses	55,189	48,842