

Wayfair (UK) Limited

Annual Report for the year ended 31 December 2020

COMPANY REGISTRATION NUMBER: 06776852



WAYFAIR (UK) LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2020**

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WAYFAIR (UK) LIMITED

COMPANY INFORMATION

DIRECTORS

Niraj Shah (USA)
Steven Conine (USA)
Michael Fleisher (USA)
Enrique Colbert (USA)
Martin Reiter (AUT)
Thomas Netzer (GER) (resigned 18 Feb 2020)
Rahul Raswant (USA)
William Merricks (USA)
Dr. Sascha Hower (GER) (appointed 17 Feb 2020)

SECRETARY

Enrique Colbert (USA)

REGISTERED OFFICE

Angel House,
Level 2,
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 2020****REVIEW OF THE BUSINESS**

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.

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

	2020	2019	Change
	£'000	£'000	%
Turnover	49,798	39,167	27
Operating profit	1,038	661	57
Operating profit percentage	2%	2%	0
Profit before tax	968	702	38
Average number of employees	473	254	86

The revenue of the company increased by 27% in 2020, when compared with 2019, mainly driven by the 26% increase in administrative expenses, to which a % markup is applied. The operating margin remained consistent at 2% year on year. The company's net profit after tax for the year ended 31 December 2020 amounted to £967,982 (2019: £702,155) and has been transferred to reserves. Dividends of £nil were paid during the year (2019: £nil).

The performance of the entity for the year ended 31 December 2020 is considered stable and consistently 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 fulfilment services operations in the UK, adding additional warehouse space and personnel, 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 year.

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, customer 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'

WAYFAIR (UK) LIMITED

STRATEGIC REPORT (continued) for the year ended 31 December 2020

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 is negatively impacted by uncertainty in Europe, particularly due to the ongoing challenges of Brexit.

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.

The spread of the COVID-19 outbreak has caused severe disruptions in Europe and global economy and financial markets. In this environment, Wayfair remains fully committed to supporting our customers, our employees, and our broader communities. 2020 was a very strong period for Wayfair. Our strategic long-term investments positioned us well to serve our customers and to quickly adapt during a challenging time.

WAYFAIR (UK) LIMITED

STRATEGIC REPORT (continued) for the year ended 31 December 2020

We experienced unprecedented demand in this period and saw record numbers of new and repeat customers choose Wayfair. Our proprietary logistics network, strong supplier partnerships, and nimble and dedicated team of employees enabled Wayfair to consistently serve our customers at a time they needed us most. The plans that we put in place in late 2019, combined with these factors, translated to a powerful profitability inflection.

As we look beyond the pandemic period, we are confident that our long-term orientation and years of investments should translate to compounding share gains and increasing profitability in a rapidly growing e-commerce market. We are continuing to closely monitor the ongoing impact of COVID-19 on our future financial results and cashflows. Our top priority remains the health and safety of our employees, contractors and business partners

Regulatory risk

There is a risk, driven by Brexit, that cross-border trading 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.

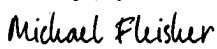
Financial risk

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:

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Michael Fleisher (USA)
Director

Date: 23 July 2021

WAYFAIR (UK) LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2020

The directors have pleasure in presenting their report and the financial statements of Wayfair (UK) Limited ("the Company") for the year ended 31 December 2020.

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 2020 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 £967,982 (2019: £702,155). After a nil taxation charge for 2020, (2019: nil), a profit of £967,982 (2019: £702,155) is transferred to reserves. The directors have not recommended a dividend for the year (2019: £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

There have been no significant events affecting the Company since the year end date.

FUTURE DEVELOPMENTS

With a combination of the actions described in the strategic report and the positive macro-economic expectations, the company is forecasting reasonable growth in future years, between 25% and 35% per year.

POLITICAL CONTRIBUTIONS

There have been no political contributions made in the year (2019: £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 at least 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 COVID-19 on trading and future business plans. The response to the impact of COVID-19 is set out in the Principal Risks and Uncertainties section above.

It is our view, to the best of our current knowledge, that COVID-19 has 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 2020**

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 23 July 2021 and signed on its behalf by

DocuSigned by:

Enrique Colbert

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Enrique Colbert (USA)
Company Secretary

DocuSigned by:

Michael Fleisher

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Michael Fleisher (USA)
Director

WAYFAIR (UK) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT for the year ended 31 December 2020

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

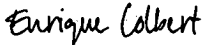
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with FRS 102, United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable 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 23 July 2021 and signed on its behalf by

DocuSigned by:

8AF195548AA74AE
Enrique Colbert (USA)
Company Secretary

DocuSigned by:

C4C74B78AERD45D
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 2020 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 16, 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 2020 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

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.~~

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

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.

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.~~

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

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.

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.



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

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.

Neil Kelly (Senior statutory auditor)
for and on behalf of Ernst & Young, Statutory Auditor
Limerick, Ireland

Date 28 July 2021

WAYFAIR (UK) LIMITED**INCOME STATEMENT
for the year ended 31 December 2020**

	<i>Note</i>	<i>2020</i> £	<i>2019</i> £
Turnover - continuing		49,798,014	39,167,091
Administrative expenses		(48,771,985)	(38,772,631)
Other operating income		12,362	266,624
Operating profit – continuing operations		1,038,391	661,084
Interest payable and similar charges	2	(70,409)	41,071
Profit on ordinary activities before taxation	3	967,982	702,155
Tax on profit on ordinary activities	5	-	-
Profit for the financial year		<u>967,982</u>	<u>702,155</u>

**STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020**

	<i>2020</i> £	<i>2019</i> £
Profit for the financial year	967,982	702,155
Total comprehensive income for the year	<u>967,982</u>	<u>702,155</u>


WAYFAIR (UK) LIMITED**STATEMENT OF CHANGES IN EQUITY**
for the year ended 31 December 2020


	<i>Other reserves</i> £	<i>Share capital</i> £	<i>Income statement</i> £	<i>Total</i> £
At 1 January 2019	1,716,263	2	1,281,456	2,997,721
Profit for the financial year	-	-	702,155	702,155
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	<u>1,716,263</u>	<u>2</u>	<u>1,983,611</u>	<u>3,699,876</u>
At 1 January 2020	1,716,263	2	1,983,611	3,699,876
Profit for the financial year	-	-	967,982	967,982
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	<u>1,716,263</u>	<u>2</u>	<u>2,951,593</u>	<u>4,667,858</u>

WAYFAIR (UK) LIMITED**STATEMENT OF FINANCIAL POSITION**
as at 31 December 2020

	Note	2020 £	2019 £
FIXED ASSETS			
Tangible assets	6	35,550,538	28,582,214
CURRENT ASSETS			
Debtors	7	13,065,876	10,713,613
Cash at bank		707	183,311
		13,066,583	10,896,924
CREDITORS (amounts falling due within one year)	8	(43,949,263)	(35,779,262)
NET CURRENT LIABILITIES		(30,882,680)	(24,882,338)
NET ASSETS		4,667,858	3,699,876
CAPITAL AND RESERVES			
Called-up equity share capital	11	2	2
Other reserves	13	1,716,263	1,716,263
Income statement account		2,951,593	1,983,611
SHAREHOLDER'S FUNDS		4,667,858	3,699,876

These financial statements were approved by the directors and authorised for issue on 23 July 2021 and are signed on their behalf by:

DocuSigned by:

 BAF195548AA74AE
 Enrique Colbert (USA)
 Company Secretary

DocuSigned by:

 C4C74879AFBD45D...
 Michael Fleisher (USA)
 Director

Company Registration Number: 06776852

WAYFAIR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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 at least 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 COVID-19 is set out in the Strategic Report above. It is the Directors view, to the best of our current knowledge, that COVID-19 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 23 July 2021.

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 4 Statement of Financial Position para. 4.12(a) (iv).
- (ii) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
- (iii) The requirement of Section 11 Basic Financial Instruments paragraphs 11.39 to 11.48A
- (iv) The requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23
- (v) 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.

WAYFAIR (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2020 (Continued)****1. ACCOUNTING POLICIES (Continued)****(f) Depreciation**

During the year a review was undertaken to re-assess the expected useful life of tangible fixed assets within the Company, this review has led to a change useful lives for some tangible fixed assets. This has been accounted for as a change in accounting estimate and as such will be applied prospectively to the current year and future periods. The change in estimate resulted in an increase in net book value of £799,422 in the current year.

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 - 10 years straight line
Leasehold	-	shorter of lease term with break clause or lease term

(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

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the Statement of Financial Position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

WAYFAIR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020 (Continued)

1. ACCOUNTING POLICIES (Continued)

(j) *Pension*

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

(k) *Share option schemes*

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 2020 (Continued)**

2.	INTEREST PAYABLE AND OTHER SIMILAR CHARGES	2020 £	2019 £
	Bank charges	9,055	6,581
	Foreign currency loss/(gain)	61,354	(47,653)
		<u>70,409</u>	<u>(41,071)</u>

3.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2020 £	2019 £
	Profit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation on fixed assets	4,310,364	3,139,434
	Auditor's fees	17,780	16,306
	Operating lease costs:		
	- building	6,497,694	8,144,566
	Foreign currency loss/(gain)	61,354	(47,653)
		<u>20,977,192</u>	<u>11,372,659</u>

4. EMPLOYEES AND REMUNERATION

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

	2020 No.	2019 No.
Number of administrative and warehouse staff	<u>473</u>	<u>254</u>

The aggregate payroll costs of the above were:	2020 £	2019 £
Wages and salaries	17,155,060	10,408,203
Social security costs	2,373,468	1,529,734
Other pension costs	451,891	322,030
Share based payments	3,352,640	2,591,031
	<u>23,333,059</u>	<u>14,850,998</u>

Directors' emoluments and pension costs for the year were £2,121,355 (2019: £330,955).

WAYFAIR (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2020 (Continued)**

5.	TAXATION ON ORDINARY ACTIVITIES	2020	2019
		£	£
(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	-	-
		<u>-</u>	<u>-</u>
	Total current tax	-	-
		<u>-</u>	<u>-</u>
	Deferred tax:		
	Origination and reversal of timing differences (note 9)	-	-
		<u>-</u>	<u>-</u>
	Tax on profit on ordinary activities	-	-
		<u>-</u>	<u>-</u>

(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% (2019: 19%).

	2020	2019
	£	£
Profit on ordinary activities before taxation	967,982	702,155
	<u>967,982</u>	<u>702,155</u>
Profit on ordinary activities by rate of tax	183,916	133,409
	<u>183,916</u>	<u>133,409</u>
<i>Effects of:</i>		
Effect of tax treatment of share-based payments	(1,151,799)	(91,227)
Utilisation of previously unrecognised deferred tax assets	-	(204,323)
Deferred Tax Asset Not Recognised	825,941	50,861
Permanent differences in respect of fixed assets	141,942	86,070
Other non-deductible expenses	-	25,210
	<u>-</u>	<u>-</u>
Total tax charge/(credit)	-	-
	<u>-</u>	<u>-</u>

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

A net deferred tax asset of £1,000,196 (2019: £50,861) 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 2020 (Continued)

6. TANGIBLE FIXED ASSETS

	<i>Fixtures & fittings</i> £	<i>Equipment</i> £	<i>Leasehold Improvements</i> £	<i>Assets Not in Use</i> £	<i>Total</i> £
<i>Cost:</i>					
At 1 January 2020	421,457	15,780,955	16,567,716	-	32,770,128
Additions	56,002	1,364,594	298,601	9,559,492	11,278,689
Asset class transfer	-	(5,666,057)	5,666,057	-	-
Disposals	-	-	(2,347,550)	-	(2,347,550)
At 31 December 2020	477,459	11,479,492	20,184,824	9,559,452	41,701,267
<i>Depreciation:</i>					
At 1 January 2020	67,715	1,906,421	2,213,779	-	4,187,915
Charge for the year	68,570	2,444,246	1,797,548	-	4,310,364
Asset class transfer	-	(1,240,691)	1,240,691	-	-
Depreciation on disposals	-	-	(2,347,550)	-	(2,347,550)
At 31 December 2020	136,285	3,109,976	2,904,468	-	6,150,729
<i>Net book value:</i>					
At 31 December 2020	341,174	8,369,516	17,280,356	9,559,492	35,550,538
At 31 December 2019	353,742	13,874,534	14,353,937	-	28,582,214

WAYFAIR (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2020 (Continued)**

7.	DEBTORS	2020	2019
		£	£
	Amounts due from group undertakings	8,138,728	5,460,271
	VAT recoverable	1,624,149	3,225,721
	Other debtors	312,554	67,202
	Prepayments and accrued income	2,990,445	1,960,419
		<u>13,065,876</u>	<u>10,713,613</u>
8.	CREDITORS (amounts falling due within one year)	2020	2019
		£	£
	Amounts owed to group undertakings	28,923,068	21,008,534
	Trade creditors	3,209,812	3,384,318
	Other creditors including taxation and social security:		
	PAYE and social security	736,250	318,594
	Accruals and deferred income	11,080,133	11,067,816
		<u>43,949,263</u>	<u>35,779,262</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.

WAYFAIR (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2020 (Continued)**

9.	DEFERRED TAX	2020 £	2019 £
	Deferred tax (liability)/asset opening balance	-	-
	Deferred tax charge (<i>note 5</i>)	-	-
	Deferred tax asset closing balance	-	-

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

Accelerated capital allowances	639,599	498,635
Pension contributions deferred tax asset	(20,824)	-
Share options deferred tax asset	(720,839)	(83,837)
Tax losses	(898,132)	(465,659)
Closing balance unrecognised (<i>Note 5c</i>)	(1,000,196)	(50,861)

10. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2020 the future minimal rentals under non-cancellable operating leases as set out below.

	2020 £	2019 £
Within one year	7,459,321	1,390,932
Within two to five years	28,584,471	28,017,283
Greater than five years	58,593,021	65,481,307
	94,636,813	94,889,522

WAYFAIR (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2020 (Continued)**

11	SHARE CAPITAL	2020	2019
		£	£
	<i>Authorised:</i>		
	1,000 Ordinary shares of £1 each	1,000	1,000
		<u> </u>	<u> </u>
		2020	2019
		No.	No.
		£	£
	<i>Allotted, called up and fully paid:</i>		
	Ordinary shares of £1 each	2	2
		<u> </u>	<u> </u>

12. PENSION

The Company operates a defined pension contribution scheme for certain employees. The pension charge of £451,891 (2019: £322,030) represents contributions paid by the Company to the fund during the year.

13.	OTHER RESERVES	2020	2019
		£	£
	Share based payments expense	1,716,263	1,716,263
		<u> </u>	<u> </u>
		1,716,263	1,716,263
		<u> </u>	<u> </u>

14. SHARE OPTION SCHEMES

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 £3,352,640 (2019: £2,591,031).

WAYFAIR (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020 (Continued)

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. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issued by the board of directors on 23 July 2021.

**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 2020**

	2020 £	2019 £
TURNOVER	49,798,014	39,167,091
OVERHEADS		
Administrative expenses	(48,771,985)	(38,772,631)
Other Income	12,362	266,624
Bank charges and Foreign currency (loss)/gain	(70,409)	41,071
PROFIT ON ORDINARY ACTIVITIES	967,982	702,155
ADMINISTRATIVE EXPENSES		
<i>Personnel costs</i>		
Wages and salaries	17,155,060	10,408,203
Employer NIC	2,373,466	1,529,734
Staff pension contributions	451,891	322,030
Staff benefits	97,463	88,487
Share based payments	3,352,640	2,591,031
	23,430,520	14,939,485
ESTABLISHMENT EXPENSES		
Rent	6,497,694	8,144,566
Rates	3,314,876	1,843,464
Light and heat	685,684	467,875
Insurance	230,293	43,645
Repairs and maintenance	1,614,992	903,146
Service charges	186,912	360,140
Warehouse Supplies	1,456,109	1,223,591
	13,986,560	12,986,427
GENERAL EXPENSES		
Travel and subsistence	198,802	398,571
Telephone and IT	134,378	97,053
Canteen	248,098	81,865
Staff welfare	71,320	134,542
Office supplies, printing and postage	1,850,786	1,314,368
Dues and subscriptions	111,291	138,745
Payroll expenses	45,121	31,820
Sundry expenses	35,216	306,141
Agency staff	4,126,364	4,662,708
Legal and professional fees	203,032	514,281
Auditors remuneration	17,780	16,306
Marketing expense	2,353	10,259
Depreciation	4,310,364	3,139,434
Advertising	-	626
	11,354,905	10,846,719
Total administrative expenses	48,771,985	38,772,631