

## Wayfair (UK) Limited

Annual Report for the year ended 31 December 2018

COMPANY REGISTRATION NUMBER: 06776852



**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
for the year ended 31 December 2018

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COMPANY INFORMATION

DIRECTORS	Niraj Shah (USA) Steven Conine (USA) Michael Fleisher (USA) Enrique Colbert (USA) Martin Reiter (AUT) Thomas Netzer (GER) (appointed 25 May 2018)
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.

**STRATEGIC REPORT****for the year ended 31 December 2018****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:

	2018	2017	Change
	£'000	£'000	%
Turnover	16,194	10,444	55
Operating profit	318	228	40
Operating profit percentage	2%	2%	0
Profit before tax	308	189	63
 Average number of employees	 141	 92	 53

The revenue of the company increased by 55% in 2018, when compared with 2017, mainly driven by the 40% 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 2018 amounted to £328,785 (2017: £155,528) and has been transferred to reserves. Dividends of £nil were paid during the year (2017: £nil).

The performance of the entity for the year ended 31 December 2018 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.

**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 slow growth within European economies stagnates or reverts back to recession, due to uncertainty in Europe, particularly in the light of ongoing UK Brexit negotiations. Any impact on Wayfair Stores Ltd.'s European growth, would also impact Wayfair UK Ltd.'s growth.

This risk is mitigated through the combination of a competitive pricing structure, extensive affordable brand selection and high service levels to our customers.

**Regulatory risk**

There is a risk, driven by Brexit, particularly in a "no deal" scenario, 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.

**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.

**STRATEGIC REPORT (continued)**  
**for the year ended 31 December 2018**

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

A handwritten signature in black ink, appearing to read 'Michael', written over a horizontal line.

Michael Fleisher (USA)  
Director

Date: 23<sup>rd</sup> September 2019

**DIRECTORS' REPORT**

**for the year ended 31 December 2018**

The directors have pleasure in presenting their report and the financial statements of Wayfair (UK) Limited ("the Company") for the year ended 31 December 2018.

**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 2018 and the statement of financial position at that date are set out on pages 11 and 13. The profit on ordinary activities for the year before taxation amounted to £307,689 (2017: £189,161). After a taxation credit of £21,096 (2017: charge £33,633), a profit of £328,785 (2017: £155,528) is transferred to reserves. The directors have not recommended a dividend for the year (2017: £nil).

**DIRECTORS AND THEIR INTERESTS**

The present directors are as listed on page 2. All directors have served throughout the period, except for Thomas Netzer, who was appointed on 25 May 2018,

The directors' beneficial interests in the shares of Wayfair Inc. were as follows:

	31 December 2018	1 January 2018
Niraj Shah	12,230,324	12,899,245
Steven Conine	12,231,516	12,899,548
Michael Fleisher	123,914	59,905
Martin Reiter	151,975	74,700
Enrique Colbert	11,600	12,428
Thomas Netzer	-	-

**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.

**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 40% and 50% per year..

**POLITICAL CONTRIBUTIONS**

There have been no political contributions made in the year (2017: £nil)

**DIRECTORS' REPORT (continued)**  
**for the year ended 31 December 2018**

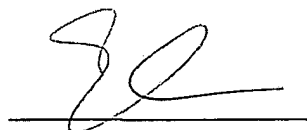
**GOING CONCERN**

The Company has received assurance from Wayfair Inc, the ultimate parent Company, that adequate financial support will continue 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 this basis the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

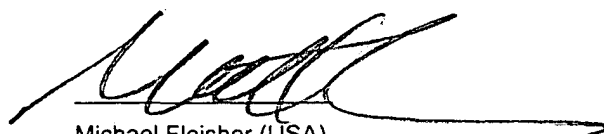
**AUDITOR**

The auditor, Ernst & Young, Chartered Accountants, have indicated their willingness to The auditor, Ernst & Young, Chartered Accountants, have indicated their willingness to 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<sup>rd</sup> September 2019 and signed on its behalf by

A handwritten signature in black ink, appearing to be 'EC', written over a horizontal line.

Enrique Colbert (USA)  
Company Secretary

A handwritten signature in black ink, appearing to be 'Michael', written over a horizontal line.

Michael Fleisher (USA)  
Director

**DIRECTORS' RESPONSIBILITIES STATEMENT**  
**for the year ended 31 December 2018**

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.

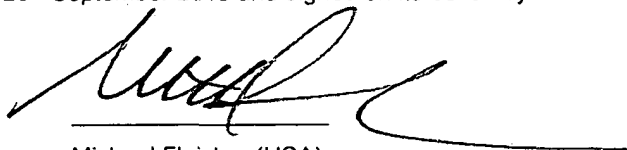
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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<sup>rd</sup> September 2019 and signed on its behalf by



Enrique Colbert (USA)  
Company Secretary



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 2018 which comprise the Income Statement, the Statement of Other 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 2018 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 below. 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**

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

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

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

### **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.

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.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 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 the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in 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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 7, 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.

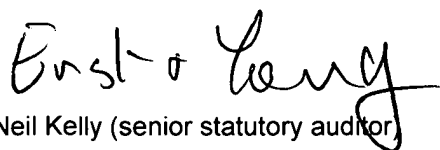
### **Auditor's responsibilities for the audit of the financial statements**

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.

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.



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

Limerick, Ireland

25 September 2019

**WAYFAIR (UK) LIMITED****INCOME STATEMENT****for the year ended 31 December 2018**

	<i>Note</i>	<i>2018</i> £	<i>2017</i> £
Turnover - continuing		16,194,427	10,443,551
Administrative expenses		(15,968,295)	(10,313,252)
Other operating income		92,239	97,218
Operating profit – continuing operations		318,371	227,517
Interest payable and similar charges	2	(10,682)	(38,355)
Profit on ordinary activities before taxation	3	307,689	189,161
Tax on profit on ordinary activities	5	21,096	(33,633)
Profit for the financial year		<u>328,785</u>	<u>155,528</u>

**STATEMENT OF OTHER COMPREHENSIVE INCOME****for the year ended 31 December 2018**

	<i>2018</i> £	<i>2017</i> £
Profit for the financial year	328,785	155,528
Total comprehensive income for the year	<u>328,785</u>	<u>155,528</u>

WAYFAIR (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2018

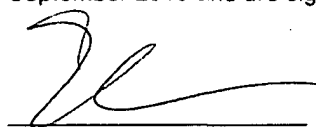
	<i>Other reserves</i> £	<i>Share capital</i> £	<i>Income statement</i> £	<i>Total</i> £
At 1 January 2017	1,716,263	2	797,143	2,513,408
Profit for the financial year	-	-	155,528	155,528
	<u>1,716,263</u>	<u>2</u>	<u>952,671</u>	<u>2,668,936</u>
At 31 December 2017	<u>1,716,263</u>	<u>2</u>	<u>952,671</u>	<u>2,668,936</u>
At 1 January 2018	1,716,263	2	952,671	2,668,936
Profit for the financial year	-	-	328,785	328,785
	<u>1,716,263</u>	<u>2</u>	<u>1,281,456</u>	<u>2,997,721</u>
At 31 December 2018	<u>1,716,263</u>	<u>2</u>	<u>1,281,456</u>	<u>2,997,721</u>

**WAYFAIR (UK) LIMITED**

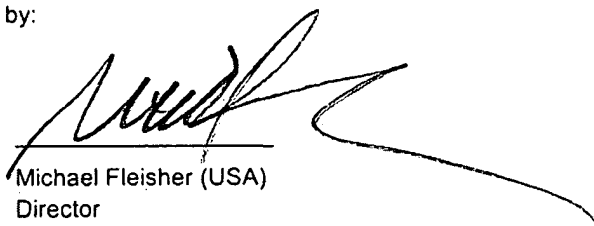
**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2018

	Note	2018 £	2017 £
<b>FIXED ASSETS</b>			
Tangible assets	6	2,248,829	2,017,768
<b>CURRENT ASSETS</b>			
Debtors	7	3,309,094	1,982,943
Cash at bank		66,569	43,942
		3,375,662	2,026,885
<b>CREDITORS</b> (amounts falling due within one year)	8	(2,662,770)	(1,354,621)
<b>NET CURRENT ASSETS</b>		712,892	672,264
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	9	-	(21,096)
<b>NET ASSETS</b>		2,997,721	2,668,936
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	12	2	2
Other reserves	14	1,716,263	1,716,263
Income statement account		1,281,456	952,671
<b>SHAREHOLDER'S FUNDS</b>		2,997,721	2,668,936

These financial statements were approved by the directors and authorised for issue on 23<sup>rd</sup> September 2019 and are signed on their behalf by:



Enrique Colbert (USA)  
Company Secretary



Michael Fleisher (USA)  
Director

Company Registration Number: 06776852

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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 assurance from Wayfair Inc, the ultimate parent Company, that adequate financial support will continue 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 this basis the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

(c) *Basis of preparation*

The financial statements of Wayfair (UK) Limited were authorised for issue by the Board of Directors on 23<sup>rd</sup> September 2019.

The financial statements are prepared in sterling which is the 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*

All fixed assets are initially recorded at cost.

(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	-	3 - 5 years straight line
Warehouse racking	-	10 years straight line
Leasehold	-	shorter of lease term with break clause or lease term

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018 (Continued)

1. ACCOUNTING POLICIES (Continued)

(g) *Operating lease agreements*

Rentals applicable to operating leases where substantially all of 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.

(j) *Pension*

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2018 (Continued)**

**1. ACCOUNTING POLICIES (Continued)**

**(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.

<b>2. INTEREST PAYABLE AND OTHER SIMILAR CHARGES</b>	<b>2018 £</b>	<b>2017 £</b>
Bank charges	3,268	3,996
Foreign currency loss	7,414	34,359
	<u>10,682</u>	<u>38,355</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2018 (Continued)**

3.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2018 £	2017 £
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Profit on ordinary activities before taxation is stated after charging/(crediting):

Depreciation on fixed assets	359,548	346,065
Auditor's fees	15,559	15,000
Operating lease costs:		
- building	1,920,912	1,947,964
Foreign currency loss	7,414	34,359
	<u>          </u>	<u>          </u>

4. EMPLOYEES AND REMUNERATION

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

	2018 No.	2017 No.
Number of administrative staff	141	92
	<u>          </u>	<u>          </u>

The aggregate payroll costs of the above were:

	2018 £	2017 £
Wages and salaries	6,447,832	4,099,714
Social security costs	947,847	518,852
Other pension costs	189,943	121,014
Share based payments	1,069,156	553,516
	<u>          </u>	<u>          </u>
	8,654,778	5,293,096
	<u>          </u>	<u>          </u>

Directors' emoluments and pension costs for the year were £nil (2017: £nil).

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2018 (Continued)**

5.	TAXATION ON ORDINARY ACTIVITIES	2018 £	2017 £
(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 10)	(21,096)	33,633
		<hr/>	<hr/>
	Tax on profit on ordinary activities	<u>(21,096)</u>	<u>33,633</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% (2017: 19%).

	2018 £	2017 £
Profit on ordinary activities before taxation	307,689	189,161
	<hr/>	<hr/>
Profit on ordinary activities by rate of tax	58,461	35,941
	<hr/>	<hr/>
<i>Effects of:</i>		
Effect of tax treatment of share based payments	(287,333)	(120,251)
Utilisation of previously unrecognised tax losses	-	-
Generation of unrecognised tax losses	204,921	119,330
Allowances in respect of fixed assets	18,764	(1,387)
Other deductible expenses	5,186	-
Adjustments to tax charge in respect of previous periods	(21,096)	-
	<hr/>	<hr/>
Total tax (credit) / charge	<u>(21,096)</u>	<u>33,633</u>

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

A deferred tax asset of £374,828 (2017: £216,423) has not been recognised as, in the opinion of the directors, there is not sufficient certainty when there will be suitable taxable profit from which the future reversal of the underlying timing differences can be deducted.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2018 (Continued)**

**6. TANGIBLE FIXED ASSETS**

	<i>Fixtures &amp; fittings</i> £	<i>Equipment</i> £	<i>Leasehold Improvements</i> £	<i>Total</i> £
<i>Cost:</i>				
At 1 January 2018	72,702	560,849	2,073,149	2,706,700
Additions	10,578	528,649	87,382	626,609
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	83,280	1,089,498	2,160,531	3,333,309
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation:</i>				
At 1 January 2018	30,211	285,228	373,493	688,932
Charge for the year	10,929	188,355	160,264	359,548
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	41,140	473,583	533,757	1,048,480
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>				
At 31 December 2018	42,140	615,915	1,626,774	2,284,829
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	42,491	275,621	1,699,655	2,017,768
	<hr/>	<hr/>	<hr/>	<hr/>

<b>7. DEBTORS</b>	<i>2018</i> £	<i>2017</i> £
Amounts owed by group undertaking	1,017,756	1,068
VAT recoverable	467,962	249,683
Other debtors	25,142	9,782
Prepayments and accrued income	1,798,234	1,722,410
	<hr/>	<hr/>
	3,309,094	1,982,943
	<hr/>	<hr/>

(a) Amounts owed by group undertaking are non-interest bearing and are repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2018 (Continued)**

8.	CREDITORS (amounts falling due within one year)	2018 £	2017 £
	Trade creditors	45,704	115,016
	Other creditors including taxation and social security: PAYE and social security	246,984	164,830
	Accruals and deferred income	2,370,082	1,074,775
		<u>2,662,770</u>	<u>1,354,621</u>

(a) Trade creditors are repayable within 30 to 60 days of the amount owing.

9.	PROVISIONS FOR LIABILITIES AND CHARGES	2018 £	2017 £
	Deferred tax (note 10)	-	21,096
		<u>-</u>	<u>21,096</u>

10.	DEFERRED TAX	2018 £	2017 £
	Deferred tax (liability)/asset opening balance	(21,096)	12,537
	Deferred tax charge (note 5)	21,096	(33,633)
	Deferred tax liability closing balance (note 8)	<u>-</u>	<u>(21,096)</u>

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

	Accelerated capital allowances	(11,550)	(67,856)
	Share options deferred tax asset	11,550	46,760
	Closing balance	<u>-</u>	<u>(21,096)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2018 (Continued)**

**11. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2018 the future minimal rentals under non-cancellable operating leases as set out below.

	<i>Buildings</i> 2018 £	<i>Buildings</i> 2017 £
Within one year	7,367,839	1,932,487
Within two to five years	24,628,283	6,902,703
Greater than five years	63,379,379	6,012,654
	<u>95,375,501</u>	<u>14,847,844</u>

<b>12. SHARE CAPITAL</b>		2018 £		2017 £
<i>Authorised:</i>				
1,000 Ordinary shares of £1 each		<u>1,000</u>		<u>1,000</u>
	No.	2018 £	No.	2017 £
<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>

**13. PENSION**

The Company operates a defined pension contribution scheme for certain employees. The pension charge of £189,943 (2017: £121,014) represents contributions paid by the Company to the fund during the year.

<b>14. OTHER RESERVES</b>	2018 £	2017 £
Share based payments expense	1,716,263	1,716,263
	<u>1,716,263</u>	<u>1,716,263</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018 (Continued)

15. 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 £1,069,156 (2017: £553,516).

16. 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.

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issued by the board of directors on 23<sup>rd</sup> September 2019.

**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 2018

	2018 £	2017 £
TURNOVER	16,194,427	10,443,551
OVERHEADS		
Administrative expenses	(15,968,295)	(10,313,252)
Other Income	92,239	97,218
Bank charges and Foreign currency (gain)/loss	(10,682)	(38,355)
PROFIT ON ORDINARY ACTIVITIES	307,689	189,161
ADMINISTRATIVE EXPENSES		
<i>Personnel costs</i>		
Wages and salaries	6,447,832	4,099,714
Employer NIC	947,847	518,852
Staff pension contributions	189,943	121,014
Staff benefits	70,066	51,882
Share based payments	1,069,156	553,516
	8,724,844	5,344,978
ESTABLISHMENT EXPENSES		
Rent	1,920,912	1,947,964
Rates	801,677	758,718
Light and heat	304,655	238,329
Insurance	33,045	14,046
Repairs and maintenance	326,529	131,974
Service charges	207,626	263,724
Relocation costs	676,146	231,496
	4,270,590	3,586,251
GENERAL EXPENSES		
Travel and subsistence	192,696	118,753
Telephone and IT	118,108	141,935
Canteen	55,614	48,898
Staff welfare	80,346	56,801
Office supplies, printing and postage	67,558	26,749
Dues and subscriptions	94,040	70,433
Payroll expenses	18,505	13,870
Sundry expenses	-	-
Agency staff	1,799,048	465,211
Legal and professional fees	151,440	77,072
Auditors remuneration	15,559	15,000
Marketing expense	20,399	1,237
Depreciation	359,548	346,065
	2,972,861	1,382,023
Total administrative expenses	15,968,295	10,313,252