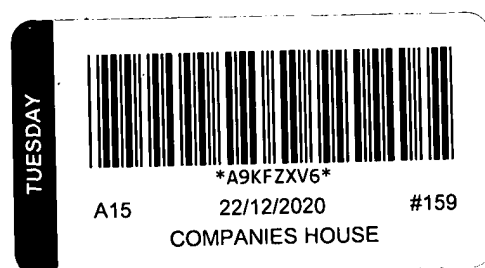


prettylittlething.com Limited

Annual report and financial statements

Registered number 07352417

For the year ended 29 February 2020



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Company Information

Directors

Umar Kamani

Paul Papworth

Mahmud Kamani

Carol Kane

Neil Catto

John Lyttle (appointed 2 April 2019)

Company Secretary

Keri Devine

Registered Office

49-51 Dale Street

Manchester

M1 2HF

Registered number

07352417 (England and Wales)

Independent auditors

PricewaterhouseCoopers LLP

No 1 Spinningfields

1 Hardman Square

Manchester

M3 3EB

Strategic report

The Directors present their strategic report for the year ended 29 February 2020.

Review of the business

Description of the business model

prettylittlething.com Limited sells own-brand clothing, shoes and accessories through the Prettylittlething.com websites to a core market of 16 to 28 year old consumers in the UK and internationally. Combining cutting-edge, celebrity inspired aspirational design with an affordable price tag, prettylittlething.com has grown rapidly since 2010, developing a brand identity and an international online proposition for consumers, and now has over 6.2 million (28 February 2019: 5.0 million) active customers.

Prettylittlething.com is a well-established brand in the UK, Ireland, USA and Australia and currently sells products into over 100 countries. The Company operates through 7 websites.

Products are designed, sourced and subsequently distributed globally from a central UK warehouse. Marketing activity is performed through a variety of media including TV advertising, billboards, social media, digital media and via the websites. Hundreds of products are added to the website each week through our on-site photography and art studio and displayed in gallery photos. The speed and agility of the company enables it to be first to market with the latest on-trend styles and fashion.

Strategy and objectives

The company's strategy is to continue to develop the UK customer base but to also grow overseas revenue. In addition to developing sales internationally, the product range is being further developed, offering more categories of clothing to broaden the appeal to more consumers. In the year the business has also continued to develop its position as a lifestyle brand. Prettylittlething.com ensure that their stock holding is tightly controlled whilst ensuring they offer the latest fashion trending products.

The business has invested significantly in marketing to develop its customer base, and continues to focus on being a social media led fashion site.

IT development is the cornerstone of the company's strategy and significant expenditure has been incurred to ensure each territory's website is available 24/7, 365 days a year, whilst ensuring the consumer can transact in a safe environment.

The average number of staff employed increased from 296 to 366 in the year, and at the end of February headcount was 411.

Strategic report (continued)

Performance and Key Performance Indicators for the year

Revenue for the year increased to £516.3 million, up 37.9% on the previous year. Gross margin increased to £287.2 million (55.6%) versus £211.8 million (56.6%) in the prior year.

We continue to refine the mix of marketing expenditure and price and delivery promotions to optimise profitability and sales growth. Profit before tax was £56.0 million, up 58.5% on the previous year.

	Year ended 29 February 2020	Year ended 28 February 2019	Change
Active customers (m)	6.2	5.0	24.0%
Number of orders (m)	19.0	14.4	31.9%
Order frequency	2.90	2.80	3.6%
Conversion rate to sale	3.6%	3.4%	5.9%
Average order value	£43.11	£39.90	8.0%
Number of items per basket	2.93	2.72	7.7%

Fashion

Our customers are offered the very latest fashion trends through our “new in” updates on our websites, with 150 new styles launched every day. The combination of high fashion, great value prices and effective marketing encourages customers to shop for every occasion on a regular basis. Our test-and-repeat model reduces stock holding risk, whilst rapid response enables us to reorder strong selling lines to quickly satisfy demand.

Our core womenswear ranges of dresses, tops, jackets and footwear have continued to perform strongly, supported by new additions to these ranges.

Financial review

The company has achieved a strong performance with revenues and profits increasing in all territories.

Sales revenue by geographical market

	Year ended 29 February 2020 £000	Year ended 28 February 2019 £000	Change
UK	294,564	232,867	26.5%
Rest of Europe	65,835	40,468	62.7%
USA	121,115	71,346	69.8%
Rest of world	34,820	29,764	17.0%
	516,334	374,445	37.9%

The Company had net assets of £81.5m (28 February 2019: £43.9m) as at 29 February 2020.

Strategic report (continued)

Supply chain

The company is a subsidiary of boohoo group plc, which in July was the subject of the publication of allegations of supply chain malpractice. Following these allegations, the group took the decision to accelerate the UK compliance programme as well as launch an Independent Review of its supply chain, led by Alison Levitt QC. As part of our own review, the frequency and coverage of our regular, independently-operated supplier audits has increased to detect any instances of non-compliance and to work with suppliers on remedial action plans. This reflects our determination to continue to support Leicester factories to benefit the local community, its individual workers and the city, whilst continuing to provide a viable source of supply to the group.

The group has recognised that the progress in upscaling its supplier compliance function that began in late 2019 needs to be substantially improved and accelerated and, following the recommendations of the Independent Review, has established a programme of management, structural and procedural changes, some of which the group was already adopting. This agenda for change programme is comprehensive and includes independent oversight of the change agenda, the appointment of two non-executive directors, one of whom it is our intention shall be an individual experienced in dealing with Environmental, Social and Governance (ESG) matters, and embedding supply chain compliance at every board meeting through a new committee.

The group has recruited a Director of Responsible Sourcing to lead our compliance programme and to establish new buying principles, including more predictable ordering to assist suppliers in load planning and to consolidate the number of Leicester suppliers. The group will support this through publication of our UK supplier list later this year, and we will improve auditing control and supply chain compliance through the use of a software solution. We will also create a Garment and Textiles Community Trust to provide advice and support to garment workers in Leicester and set up our own manufacturing facility to showcase the best of British manufacturing.

The group published the Independent Review in full on its website at www.boohooplc.com/newsroom. The board is wholly supportive of Ms Levitt's recommendations and intends to implement these in full. Our actions to implement the recommendations are outlined in detail in the group's RNS announcement of 25 September 2020 and are categorised under: corporate governance; redefining our purchasing practices; raising standards across our supply chain; supporting Leicester's workers and workers' rights; support for suppliers; and demonstrating best practice in action.

Trends and factors likely to affect future performance

The market for online fashion is forecast to continue to grow and, along with the increasing use of the internet globally, provides a favourable backdrop for the company with much opportunity for further growth. Customers throughout the world are seeking quality product at value prices lower than those available on the high street. Prettylittlething.com's target market of 16 to 28 year olds has a high propensity to spend on fashion and the market is resilient to external macroeconomic factors.

Health and safety

The company places great importance on health and safety at work and has policies to enforce best practice.

Number of employees of each gender at the year end

	Male	Female
Directors of the company	5	1
Senior managers	9	6
Other employees	123	267
	137	274

Directors of the Company include all statutory directors however the Chief Executive and Chief Operating Officer are the only Directors actively involved in the day to day running of the business.

Strategic report (continued)

Outlook

The worldwide market for internet fashion sales continues to expand as shopping preferences lean towards the convenience and price advantage afforded by internet retailers. We have built a brand and infrastructure to capitalise upon this opportunity and we will continue to grow our market share globally by focusing on key markets.

Our strategy will be to use a combination of marketing to drive new customer acquisition and promotions to secure sales, all the while supported by the most convenient delivery and return options and high level of customer service. We will continue to broaden the range of products and to refine the online shopping experience with the latest technologies to ensure we provide the most user-friendly website possible.

The company has taken steps to understand, as far as possible, the risks and impact that the COVID-19 pandemic may potentially have on its operations, analysing a range of scenarios, factoring in a downturn in demand and the possibility of warehouse closures. Although it is not possible to predict precisely the impact from COVID-19, we have ensured that we have stress-tested our liquidity under these scenarios. The company remains cautious regarding the outlook, as a result of the uncertainty caused by the COVID-19 pandemic, although trading has recovered substantially from the initial decline in March.

Principal risks and uncertainties

The board reviews annually, and additionally whenever there is a perceived major change in, the principal risks and uncertainties facing the company together with an assessment of mitigating factors. The COVID-19 pandemic has introduced an unforeseen risk, which is referred to above, the potential impacts of which the company has considered in detail in its liquidity stress testing.

The business relies on the continued availability of its territory websites being able to take customer orders and then in turn to fulfil these orders in a timely and efficient manner, using the core ERP systems and relevant interfaces with 3rd party carriers. To this end, the company ensures use of best in class hosting facilities, complimented by the latest security and payment processing software, in addition to having robust disaster recovery plans in the event a problem is encountered.

Financial risk management

The main financial instruments of the company are cash, trade creditors and trade debtors and forward currency contracts managed via intercompany relationship with boohoo group plc.

Trade creditors are paid to agreed contractual terms. Customers pay in advance of goods being shipped and no orders are accepted without stringent fraud checks being applied. There are some credit terms to a small number of blue chip High Street retailers who pay to terms and don't pose any credit risk.

Liquidity risk

The business is self-funding from generating operating profits and there are no external bank borrowings. No significant asset investment programme is planned which can't be met from internally generated funds and or from raising longer term finance.

Cash flow and foreign exchange risk

The company is exposed to foreign exchange rates from selling to consumers overseas. These are managed by taking appropriate forward currency positions to ensure the company isn't exposed to any major changes in the key traded currencies.

Strategic report (continued)

Engagement with stakeholders – Employees, suppliers and customers, Community and environment and shareholders

The board's responsibilities to promote the success of the Company under section 172 of the Companies Act 2006, as modified by the Companies (Miscellaneous Reporting) Regulations 2018 are outlined as follows:

a. Employee engagement

The quality, commitment and effectiveness of the company's employees are crucial to its continued success. Employee policies and programmes are designed to encourage employees to become interested in the company's activities and to reward employees according to their contribution and capability and the company's financial performance. Employee communications are a priority and regular briefings are used to disseminate relevant information. Employee surveys are undertaken to allow employees to express their views anonymously on many aspects of their work lives. Suggestion boxes are used to allow employees to voice their opinions for improvements and change. Employee share ownership is encouraged through free share schemes and employee share option plans.

Employment policies do not discriminate between employees or potential employees on the grounds of colour, race, ethnic or natural origin, sex, marital status, sexual orientation, religious beliefs or disability. If an employee were to become disabled whilst in employment and as a result was unable to perform his or her duties, every effort would be made to offer suitable alternative employment and assistance with retraining.

b. suppliers and customers

The company maintains an ongoing dialogue with its customers and suppliers through news announcements on the company's website and through its parent companies regulated market announcements. In addition, the company engages in supplier face-to-face meetings, email and telephone conversations with directors and senior management and annual social events for key suppliers. Engagement with customers is a major part of the company's communication activities performed through social media sites and via email where customers have opted in to receive such communication

Engagement with stakeholders – Employees, suppliers and customers, Community and environment and shareholders (continued)

c. Community and environment

As part of the Boohoo Group we have active community and environmental policies in place. Full details of these policies can be found in the Boohoo Group PLC Annual Report and Accounts on pages 24 to 37. The Boohoo group PLC Annual Report and Accounts are publicly available and can be found at www.boohooplc.com.

Approved on behalf of the board



Paul Rapworth
9 December 2020

Directors' report

The directors present their directors' report and audited financial statements for the year ended 29 February 2020. The financial statements have been prepared in accordance with FRS 101 with approval of the shareholders.

Principal activities

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

Results and dividends

Profit for the year ended 29 February 2020 was £45.0 million (year ended 28 February 2019: profit £28.4 million).

During the year ended 29 February 2020 the directors recommend the payment of a dividend of £10,000,000 (£10,000 per share).

Directors

The directors who held office during the year and up to the date of approving these financial statements were as follows:

Umar Kamani
Paul Papworth
Mahmud Kamani
Carol Kane
Neil Catto
John Lyttle

The company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against the directors. The company has also provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of section 234 of the Companies Act 2006 and was in place during the year and up to the date of approval of the financial statements.

Employee policies

The quality, commitment and effectiveness of the company's employees are crucial to its continued success. Regular communication of the business performance is delivered to the team through internal meetings and by email. The HR team are continually developing improved methods of communication to ensure our staff are challenged and can develop and progress within the business. Regular meetings with staff and company surveys are completed so the views of staff can be taken into account on key business matters. The Company continues to operate a SAYE scheme which is available to all employees to continue to engage and offer staff benefits from the success of the business.

Employment policies do not discriminate between employees or potential employees on the grounds of colour, race, ethnic or natural origin, sex, marital status, sexual orientation, religious beliefs or disability. If an employee were to become disabled whilst in employment and as a result was unable to perform his or her duties, every effort would be made to offer suitable alternative employment and assistance with retraining.

Health and safety

The company is committed to providing a safe place of work for employees. Company policies are reviewed on a regular basis to ensure that policies regarding training, risk assessment, safe working and accident management are appropriate. There are designated officers responsible for health and safety and issues are reported at each board and executive meeting.

Matters covered elsewhere in the annual report

Information on the Company's business review, financial review, financial performance and position, key performance indicators, financial risk management, principal risks and uncertainties and future outlook are included in the strategic report on pages 4 to 8.

Directors' report (continued)

Statement on disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Going concern

Based on their assessment of prospects and viability, and having forecast a worst-case scenario arising from the COVID-19 pandemic with a return to normality in March 2021, and also having considered the outlook for future financial years, the directors confirm that they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due for a period of at least 12 months from the date of approving these financial statements and therefore continue to adopt the going concern basis of preparation.

Independent auditors

The Group and all subsidiaries are in the process of appointing a new independent auditor which at the point of approving these financial statements has not been finalised. A resolution will be passed to approve the appointment of the new auditors upon finalisation.

Statement of directors' responsibilities in respect of the annual report and financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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

Approved on behalf of the board



Paul Papworth

9 December 2020

Independent auditors' report to the members of prettylittlething.com Limited

Report on the audit of the financial statements

Opinion

In our opinion, prettylittlething.com Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 February 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 29 February 2020; the income statement and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of prettylittlething.com Limited (continued)

Reporting on other information (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 29 February 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Kevin MacAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
9 December 2020

Income statement

for the year ended 29 February 2020

	<i>Note</i>	Year ended 29 February 2020 £000	Year ended 28 February 2018 £000
Revenue	2	516,334	374,445
Cost of sales		(229,109)	(162,671)
Gross profit		287,225	211,774
Distribution costs		(128,369)	(94,522)
Administrative expenses		(103,134)	(82,170)
Operating profit before exceptional costs		55,722	41,749
- Exceptional distribution costs		-	(6,063)
- Exceptional admin expenses		-	(604)
Operating profit	4	55,722	35,082
Finance income		444	259
Finance Cost		(157)	-
Profit before taxation		56,009	35,341
Tax on profit	7	(10,979)	(6,896)
Profit for the financial year		45,030	28,445

All activities relate to continuing operations.

The Company had no other comprehensive income / expense in the year or prior year and therefore no separate statement of comprehensive income has been presented.

Notes 1 to 21 on pages 16 to 38 form an integral part of these financial statements.

Statement of financial position

at 29 February 2020

	Note	29 February 2020 £000	28 February 2019 £000
Assets			
Non-current assets			
Intangible assets	8	652	733
Property, plant and equipment	9	12,654	5,970
Right of use assets	10	8,066	-
Deferred tax asset	11	606	218
Total non-current assets		21,978	6,921
Current assets			
Inventories	12	34,504	30,018
Trade and other receivables	13	22,607	11,745
Cash and cash equivalents		104,187	66,896
Total current assets		161,298	108,659
Total assets		183,276	115,580
Liabilities			
Current liabilities			
Trade and other payables	14	(88,794)	(67,763)
Corporation tax payable		(6,542)	(3,907)
Total current liabilities		(95,336)	(71,670)
Net current Assets		65,962	36,989
Total assets less current liabilities		87,940	43,910
Non-current liabilities			
Trade and other payables	14	(6,480)	-
Net assets		81,460	43,910
Equity			
Called up share capital	15	-	-
Retained earnings		81,460	43,910
Total equity		81,460	43,910

Notes 1 to 21 on pages 16 to 38 form an integral part of these financial statements.

These financial statements of prettylittlething.com Limited, registered number 07352417, on pages 13 to 38 were approved by the board of directors on 9 December 2020 and were signed on its behalf by:



Paul Papworth
Director

Statement of changes in equity for the year ended 29 February 2020

	<i>Note</i>	Called up share capital £000	Retained earnings £000	Total equity £000
Balance at 1 March 2018		-	13,628	13,628
Share based payments credit		-	1,837	1,837
Profit for the financial year		-	28,445	28,445
Balance at 28 February 2019		-	43,910	43,910
Impact of initial recognition of IFRS 16	21	-	(93)	(93)
Share based payments credit		-	2,513	2,513
Dividend	15	-	(10,000)	(10,000)
Deferred tax on share based payments	11	-	100	100
Profit for the financial year		-	45,030	45,030
Balance at 29 February 2020		-	81,460	81,460

Notes 1 to 21 on pages 16 to 38 form an integral part of these financial statements.

Purpose of reserves

Share capital represents the nominal value of called up share capital in the company and is non-distributable. Retained earnings represents the financial results for cumulative years less dividend payments as well as amounts charged to the income statement in respect of share based payment arrangements.

Notes to the financial statements

1 Accounting policies

General information

prettylittlething.com Limited is incorporated and domiciled in England, United Kingdom, registered number 07352417 and is a private company limited by shares. Its registered office is 49-51 Dale Street, Manchester, M1 2HF. The financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds except when otherwise indicated. All accounting policies have been applied consistently year on year other than where new policies or standards have been applied.

prettylittlething.com Limited is a UK based online retailer selling women's fashion. Details of the Companies subsidiaries can be found in note 19 of these Financial Statements.

The company is controlled by boohoo group plc and is included in the consolidated financial statements of boohoo group plc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Basis of preparation

The financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and under the historical cost convention. The financial statements are prepared in accordance with the Companies act 2006 as applicable to companies using FRS 101 and have been prepared on a going concern basis.

- In accordance with FRS 101, the Company has taken advantage of the exemptions from the following disclosure requirements:
 - IFRS 7 'Financial Instruments: Disclosures' – Carrying amounts, fair values, interest income/expense and net gains/ losses for each category of financial instrument, risks associated with financial instruments (including management of risks, maximum credit risk, credit quality of financial assets, analysis of financial assets past due or impaired, maturity analysis for financial liabilities, sensitivity analysis for market risks).
 - IFRS 13 'Fair Value Measurement' – The fair value hierarchy, fair value measurements, (including valuation technique(s) and inputs), if the highest and best use of a non-financial asset differs from its current use, the reason for non-recurring fair value measurements, for Level 3 fair value measurements; unrealised fair value gains/losses in the period, the valuation process and sensitivity analysis.
 - IAS 1 'Presentation of Financial Statements' – Comparative reconciliations of the opening and closing number of shares and carrying amounts of property, plant and equipment, and intangible assets, objectives, policies and processes for managing capital.
 - IAS 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes.
 - IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – IFRSs that will impact future periods.
 - IAS 24 'Related Party Disclosures' – Compensation for key management personnel.
 - IAS 36 'Impairment of Assets' – Key assumptions in the measurement of the recoverable amount of assets and reasonable changes in those assumptions that result in impairment, where recoverable amount is based on fair value less costs of disposal; the valuation technique(s) used, and if fair value is not measured using a quoted price for an identical unit; the level in the fair value hierarchy, any change in the valuation technique(s) and the reason for the change.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Basis of preparation (continued)

New and amended standards

IFRS 16, "Leases" is a new accounting standard that is effective for the year ended 29 February 2020 and has had a material impact on the company's financial statements – see note 21.

Going concern

Having given consideration to the financial performance and position of the Company, as well as the outlook for future financial years, the Directors consider there to be sufficient resources within the business to remain in operation for a period of at least 12 months from the date of approving these financial statements and therefore continue to adopt the going concern basis of preparation.

In reaching this conclusion the Directors modelled a number of scenarios to take account of the current Covid-19 crisis. These included a base case trading and cashflow forecast, a forecast which included a reduction in sales to reflect the potential risk should customer buying habits change or the company being able to source products and services to meet demand and a worst-case scenario where the company was not able to generate any sales due to the potential closure of distribution facilities. In all cases these forecasts showed that the company would have sufficient resources to remain in operation for a period of at least 12 months from the date of approving these financial statements.

Intangible assets

The costs of acquiring or developing software are recorded as intangible assets and stated at cost less accumulated amortisation and impairment losses. The costs include the payroll costs of employees directly associated with the project and other direct external material and service costs. Costs are capitalised only where there is an identifiable project that will bring future economic benefit. Other website development and maintenance costs are expensed in the Income Statement. Software costs are amortised over three to five years based on their estimated useful lives and charged to administrative expenses in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives they are accounted for as separate property, plant and equipment. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of each item of property, plant and equipment is written off evenly over its estimated remaining useful life. Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, as follows: motor vehicles and computer equipment 33%; and short leasehold and fixtures and fittings 33%, 20% or 10%. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Financial instruments

Financial instruments are recognised at fair value and subsequently held at amortised cost using the effective interest method.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under IFRS 9, effective from 1 January 2018, the Company elected to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets that result from transactions that are within the scope of IFRS 15, irrespective of whether they contain a significant financing component or not. Under the new accounting standard, the Company continues to establish a provision for impairment of trade receivables when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments, are considered indicators that the trade receivable is impaired.

In addition, IFRS 9 requires the Company to consider forward-looking information and the probability of default when calculating expected credit losses. The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The Company considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Trade and other payables

Trade and other payables are recorded initially at fair value. Subsequent to this they are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents, for the purpose of the statement of financial position, comprises cash in hand.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Provision for impairment of inventories is made where there is evidence that the realisable value of inventory has fallen below the cost of inventories and all provisions are charged to cost of sales.

Revenue

Revenue is attributable to the one principal activity of the business. Revenue represents net invoiced sales of goods including postage and packing receipts, excluding value added tax. Revenue from the sale of goods is recognised when the customer has received the products, which is when it is considered that the performance obligations have been met, and is adjusted for actual returns and a provision for expected returns. Internet sales are paid by customers at the time of ordering using a variety of payment methods. Wholesale sales are paid in accordance with agreed credit terms with business customers. A provision for returns, based on historical customer return rates, is deducted from revenue.

Rebates

Retrospective rebates from suppliers are accounted for in the period to which the rebate relates to the extent that it is reasonably certain that the rebate will be paid. Early settlement discounts are taken when payment is made.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Pension costs

The company contributes to a company Personal Pension Scheme for certain employees under a defined contribution scheme. The costs of these contributions are charged to the income statement on an accruals basis as they become payable under the scheme rules.

Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Leases

The company leases various offices and warehouses. Rental contracts are typically made for fixed periods of 6 months to 5 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 March 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

As explained in note 21, the company has changed its accounting policy for leases where the company is the lessee. The impact of the change is explained in note 29. Prior to this change, leases of property, plant and equipment where the company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in creditors: amounts falling due within 12 months and the long-term component was included in creditors: amounts falling due after more than one year. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the company would obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates at the start of the month. Furthermore, exchange rates are reviewed on at least a weekly basis and updated for any material movement in rates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the year end rate and exchange differences are recognised in the income statement.

Employee benefits

Short term employee benefits include wages and salaries, bonuses and accrued holiday pay. Wages and salary costs are recognised in the period over which the services are provided. Bonuses are provided for at each reporting date based on the Directors best estimates of amounts to be paid at that date. Holiday pay accrued and not taken at the reporting date is provided for at each reporting date.

Impairment of non-financial assets

Provision for impairment of non-financial assets is made where there is objective evidence that the value of non-financial assets has diminished below the cost, less accumulated depreciation / amortisation, of the assets. Provision is made to write down the cost of assets to the higher of their value in use or fair value less to dispose. Where in subsequent periods assets are no longer considered to be impaired the impairment provision is reversed to bring the asset back to an amount not higher than that which would have been stated had the provision for impairment not been recognised.

Classification of financial instruments

All the Company's financial assets are classified as loans and receivables in the Financial Statements.

All the Company's financial liabilities are classified as financial liabilities at amortised cost.

Share based payments

The Company participates in share based payment arrangements operated by its ultimate parent, Boohoo group plc. Certain employees of the Company are granted equity settled share based payments in the Company's parent company Boohoo group plc, in exchange for services rendered. These awards are measured at fair value on the date of the grant using an option pricing model and expensed in the Income Statement on a straight line basis over the vesting period after making an allowance for the estimated number of shares that will not vest. The level of vesting is reviewed and adjusted annually. Free shares awarded are expensed immediately.

Under the terms of the shareholder agreement signed as part of the acquisition of the Company by Boohoo group plc, Boohoo group plc has the option to acquire the remaining 34% of the share capital of PLT at any time after 28 February 2022. As there are performance conditions that determine the price boohoo will pay for the shares, if the option is exercised, this gives rise to a share-based payments charge in the Company's Financial Statements. The fair value of the option has been measured at fair value on the date of the shareholder agreement using an option pricing model and expensed in the Income Statement on a straight line basis over the performance period.

Exceptional costs

Where one off, non-recurring and non-trading items of income or expense are incurred in a financial year this are separately reported as exceptional items within the Income Statement. Costs are reported within the income / cost category to which they relate but are reported separately to give a better view of the underlying performance of the business. In the current financial year all exceptional costs relate to the migration to the new Sheffield warehouse.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Significant estimates and judgements

In preparing its financial statements, the Company has made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Company periodically monitors such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

Refund accruals

Accruals for sales refunds are estimated based on recent historical returns and management's best estimates and are allocated to the period in which the revenue is recorded. Actual returns could differ from these estimates. A difference of 1%pt in the percentage of sales returns rate would have an impact of +/- £1.2 million on reported revenue and +/- £0.5 million on operating profit.

Inventory valuation

Inventory is carried at the lower of cost or net realisable value. The estimation of net realisable value may be different from the future actual value realised. A difference of 1%pt in the provision as a percentage of gross inventory would give rise to a difference of +/- £0.3m in gross margin.

Lease accounting

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses and offices, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension options in offices and vehicles leases have not been included in the lease liability, because the company could replace the assets without significant cost or business disruption.

Notes to the financial statements (continued)

2 Revenue

The revenue is attributable to the one principle activity of the company. An analysis of the revenue by geographical origin is given below.

	Year ended 29 February 2020 £000	Year ended 28 February 2019 £000
UK	294,564	232,867
Rest of Europe	65,835	40,468
USA	121,115	71,346
Rest of world	34,820	29,764
	516,334	374,445

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

3 Auditors' remuneration

	Year ended 29 February 2020 £000	Year ended 28 February 2019 £000
Audit of these financial statements	59	48
Total remuneration	59	48

No non-audit services were provided by the Company's auditors in the current year or prior year.

4 Operating profit

Operating profit is stated after charging:

	Year ended 29 February 2020 £000	Year ended 28 February 2019 £000
Operating lease rentals for buildings	-	269
Depreciation of property, plant and equipment	2,248	1,227
Depreciation of right of use assets	2,786	-
Amortisation of intangible assets	301	123
Loss on disposal of property, plant and equipment	124	-
Foreign exchange losses	2,564	328
Inventories charged to cost of sales	226,119	160,893
Exceptional costs	-	6,667

The exceptional items in the prior year related to the additional costs of relocation of all the inventory held by the Company to a third-party managed warehouse in July 2018. These costs included dual running costs associated with the operation of both the Burnley and Sheffield Warehouses during the transition of stock, transport costs associated with the relocation of stock, rent and rates charges on the Sheffield warehouse when this was not operational and costs associated with dual shipments of orders which were fulfilled from both the Burnley and Sheffield warehouses during the relocation.

Notes to the financial statements (continued)

5 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 29 February 2020	Year ended 28 February 2019
Administration	356	292
Distribution	10	4
	366	296

The aggregate payroll costs of these persons were as follows:

	Year ended 29 February 2020		Year ended 28 February 2019	
	£000		£000	
Wages and salaries	15,699		11,704	
Social security costs	1,689		1,255	
Other pension costs	532		324	
Share based payment charges	2,513		1,837	
	20,433		15,120	

Included within wages and salaries costs are £200,000 (2019: £350,000) of costs which have been capitalised in the year.

6 Directors' remuneration

	Year ended 29 February 2020		Year ended 28 February 2019	
	£000		£000	
Directors				
Short-term employee benefits	1,700		1,368	
Post-employment benefits	17		13	
	1,717		1,381	

The aggregate of emoluments of the highest paid director was £1,168,000 (Year ended 28 February 2019: £923,000). The contributions to a money purchase pension scheme in respect of the highest paid director were £17,000 (Year ended 28 February 2019: £13,000). The number of directors contributing to a money purchase pension scheme was 1 (year ended 28 February 2019: 1). The highest paid Director did not exercise any share options in the year or prior year.

Notes to the financial statements (continued)

7 Tax on profit

	Year ended 29 February 2020 £000	Year ended 28 February 2019 £000
Analysis of charge in year		
Current tax on income for the year	11,373	7,288
Adjustments in respect of prior year taxes	(106)	(204)
Total current taxation	11,267	7,084
Deferred taxation		
Origination and reversal of timing differences	(288)	(188)
Total deferred tax charge	(288)	(188)
Tax on profit	10,979	6,896

The total tax charge differs from (2019: differs from) the amount computed by applying the blended UK rate of 19.0% for the year (Year ended 28 February 2019: 19.0%) to profit before taxation as a result of the following:

	Year ended 29 February 2020 £000	Year ended 28 February 2019 £000
Profit before taxation	56,009	35,341
Profit before taxation multiplied by the standard blended rate of corporation tax on the UK of 19.0% (Year ended 28 February 2019: 19.0%)	10,642	6,715
<i>Effects of:</i>		
Expenses not deductible for tax purposes	443	385
Adjustments in respect of prior year taxes	(106)	(204)
Tax on profit	10,979	6,896

There have been no changes in corporation tax rates substantively enacted in the year. Therefore, the closing deferred tax assets have been measured at a blended tax rate between 19% and 17% dependant on when the deferred tax assets are expected to unwind.

Notes to the financial statements (continued)

8 Intangible assets

	Computer software £000	Total £000
Cost		
Balance at 1 March 2018	196	196
Additions	787	787
Balance at 28 February 2019 and 1 March 2019	983	983
Additions	220	220
Balance at 29 February 2020	1,203	1,203
Accumulated amortisation		
Balance at 1 March 2018	127	127
Amortisation charge for year	123	123
Balance at 28 February 2019 and 1 March 2019	250	250
Amortisation charge for year	301	301
Balance at 29 February 2020	551	551
Net book value		
At 28 February 2018	69	69
At 28 February 2019	733	733
At 29 February 2020	652	652

Amortisation is charged within administrative expenses in the Income Statement.

Notes to the financial statements (continued)

9 Property, plant and equipment

	Short leasehold £000	Fixtures and fittings £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 March 2018	835	335	794	140	2,104
Additions	2,304	2,351	1,072	55	5,782
Balance at 28 February 2019 and 1 March 2019	3,139	2,686	1,866	195	7,886
Additions	542	7,917	578	19	9,056
Disposals	(127)	-	-	-	(127)
Balance at 29 February 2020	3,554	10,603	2,444	214	16,815
Accumulated depreciation					
Balance at 1 March 2018	212	74	384	19	689
Depreciation charge for year	490	316	380	41	1,227
Balance at 28 February 2019 and 1 March 2019	702	390	764	60	1,916
Depreciation charge for year	889	681	641	37	2,248
Disposals	(3)	-	-	-	(3)
Balance at 29 February 2020	1,588	1,071	1,405	97	4,161
Net book value					
At 28 February 2018	623	261	410	121	1,415
At 28 February 2019	2,437	2,296	1,102	135	5,970
At 29 February 2020	1,966	9,532	1,039	117	12,654

Depreciation is charged within cost of sales and administrative expenses in the Income Statement.

The Company had no assets held under finance leases in the current year or the prior year.

As at 29 February 2020 the Company had capital commitments totalling £1,628k (28 February 2019: £nil).

Notes to the financial statements (continued)

10 Leases

The company has lease contracts for various offices and warehouses. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	29 February 2020 £000	1 March 2019 £000
Right of use assets		
Buildings	8,066	10,852
Lease Liability		
Current	3,081	-
Non-current	6,480	-
Balance at 29 February 2020	9,561	-

In the previous year, the company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. For adjustments recognised on adoption of IFRS 16 on 1 March 2019, please refer to note 21.

(ii) Amounts recognised in the income statement

	29 February 2020 £000	28 February 2019 £000
Depreciation charge		
Buildings	2,786	-
Interest expense (recognised in finance costs)	157	-
Future minimum lease payments as at 29 February 2020 are as follows:		
Not later than one year	3,145	-
Later than one year but not later than five years	6,637	-
Total gross payments	9,782	-
Impact of finance expense	(221)	-
Carrying amount of liability	9,561	-

The company initially applied IFRS 16 at 1 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

The total cash outflow for leases in 2020 was £3,145,000 (2019: £770,000).

Notes to the financial statements (continued)

11 Deferred tax asset

	Total £000
At 28 February 2018 and 1 March 2018	30
Origination and reversal of timing differences recognised in the Income Statement	188
At 28 February 2019 and 1 March 2019	218
Origination and reversal of timing differences recognised in the Income Statement	288
Recognised directly in equity	100
At 29 February 2020	606

The deferred tax asset can be analysed as follows:

	2020 £000	2019 £000
Fixed asset timing differences	143	85
Share based payments	463	133
	606	218

12 Inventories

	2020 £000	2019 £000
Finished goods	34,504	30,018

The value of inventories included within cost of sales for the year was £226,119k (2019: £160,893k). Inventory is stated after an impairment provision of £3,200k (2019: £2,600k). There is no significant difference between the replacement cost goods for resale and their carrying amounts.

13 Trade and other receivables

	2020 £000	2019 £000
Trade and other receivables	3,250	5,820
Amounts owed by related undertakings	13,008	1,516
Taxes and social security receivable	4,219	2,863
Prepayments and accrued income	2,130	1,546
	22,607	11,745

Trade receivables represent amounts due from wholesale customers and advance payments to suppliers.

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

The trade receivables impairment provision is calculated using the simplified approach to the expected credit loss model, based on the following percentages:

	2020 %	2019 %
Age of trade receivable		
60 - 90 days past due	1	1
91 - 120 days past due	5	5
Over 121 days past due	90	90

Notes to the financial statements (continued)

13 Trade and other receivables (continued)

Trade and other receivables are stated after provisions for impairment of £2,392k (2019: £1,000k). Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14 Trade and other payables

	2020 £000	2019 £000
Trade payables	10,947	11,266
Amounts owed to parent undertaking	-	21
Other payables	1,889	1,353
Lease liabilities	3,081	-
Accruals	42,157	42,826
Government Grants	1,150	-
Provision for liabilities	15,067	5,805
Deferred income	5,787	4,590
Taxes and social security payable	8,716	1,902
	88,794	67,763

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

Amounts owed to the parent undertaking are unsecured, interest free and repayable on demand.

Trade and other payables classified as non-current all relate to lease liabilities recognised under IFRS 16.

The provision for liabilities comprises:

	Dilapidations £000	Returns £000	Total £000
Provision at 28 February 2019	400	5,405	5,805
<i>Movements in provision (credited)/charged to income statement:</i>			
Prior year provision utilised	-	(5,405)	(5,405)
Increase in provision in current year	2,100	12,567	14,667
Provision at 28 February 2019	2,500	12,567	15,067

15 Called up share capital

	2020 £	2019 £
Share Capital	100	100
	100	100

On 10 May 2019, the Directors approved a dividend of £10,000,000 (£10,000 per share) (year ended 28 February 2019: £nil).

Notes to the financial statements (continued)

16 Related party disclosures

Related party	Nature of relationship	2020 £000	2019 £000
<u>Amounts included in the statement of financial position</u>			
Amounts owed by related party undertakings			
boohoo.com UK Limited		11,783	-
Prettylittlething.com USA Inc.		1,224	
Amounts owed to related party undertakings			
boohoo.com UK Limited	Directors are family members of Umar Kamani	-	21
<u>Amounts included in the income statement</u>			
Distribution costs			
boohoo.com UK Limited	Directors are family members of Umar Kamani	-	19,271
Pinstripe Limited	Directors are family members of Umar Kamani	-	-
Admin costs – customer services			
boohoo.com UK Limited	Directors are family members of Umar Kamani	4,927	5,735
Admin costs – office rental			
Kamani Commercial Property Limited	Directors are family members of Umar Kamani	145	145
Admin recharge – other			
boohoo.com UK Limited	Directors are family members of Umar Kamani	3,236	2,204
Admin recharge – other			
Kamani Commercial Property Limited	Directors are family members of Umar Kamani	36	23

Notes to the financial statements (continued)

17 Share based payments

Share based payment charge for the Boohoo group plc option to acquire shares in prettylittlething.com Limited (the “boohoo Option”)

Under the terms of the Shareholders Agreement relating to 21Three Clothing Company Limited (company name now changed to PrettyLittleThing.com Limited) (“PLT”), boohoo group plc has the option to acquire the remaining 34% of the share capital of PLT at any time after 28 February 2022. As there are performance conditions that determine the price boohoo will pay for the shares, if the option is exercised, this gives rise to a share-based payments charge in the accounts of PLT and hence in the group financial statements also. This charge is not for the issue of shares in boohoo group plc, but for the shares that are already held by the directors of PLT and which boohoo has the option to acquire at the end of the option period in 2022, or sooner if the directors leave or default. The price payable for the shares could be based on 100% of the market value if maximum performance conditions are met, or £0.6 million plus 74% of the market value if none of the performance criteria are met. Performance between minimum and maximum is calculated on a pro-rata basis. The market value used in the calculation will take into account a minority interest discount of up to 30%. The performance criteria are a range of EBITDA targets and sales targets as follows:

Financial year ending	Minimum threshold		Maximum threshold	
	EBITDA	Sales	EBITDA	Sales
28/02/2018	£2,462,000	£57,789,000	£2,645,000	£62,412,000
28/02/2019	£3,201,000	£69,347,000	£3,702,000	£81,136,000
29/02/2020	£4,001,000	£79,749,000	£4,998,000	£101,420,000
28/02/2021	£4,801,000	£91,711,000	£6,498,000	£126,775,000
28/02/2022	£5,522,000	£100,882,000	£8,122,000	£154,665,000

Notes to the financial statements (continued)

17 Share based payments (continued)

The share price was calculated using a discounted cash flow method using a discount rate of 40% and perpetuity growth rate of 2.1% on management's four-year projections as at March 2017.

The option was valued using a Monte-Carlo simulation model. The inputs into the model were as follows:

Grant date	01/03/17
Share price at grant date, discounted for minority interest	£26,329
Minority interest discount factor	45%
Number of employees	2
Shares under option	340
Vesting period (years)	5
Expected volatility	60.00%
Option life (years)	5
Expected life (years)	5
Risk free rate	0.42%
Expected dividends expressed as a dividend yield	0%
Possibility of ceasing employment before vesting	0%
Expectations of meeting performance criteria	Ranging from 15% to 90% depending on the year
Total option fair value	£206,764

The charge recognised in the year by the Company in respect of the boohoo option was £1,156k (year ended February 2019: £1,156k).

The option to acquire the non-controlling interest in the company was exercised on 28 May 2020.

Share option scheme

Share options have been granted to employees of the Company under four schemes, the Employee Share Option Plan ("ESOP"), the Save As You Earn Scheme ("SAYE"), the Share Incentive Plan ("SIP") and the Long Term Incentive Plan ("LTIP"). The table below reconciles the number of options for each scheme in the current financial year:

	ESOP		SAYE	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the start of the year	2,420,098	2,420,098	514,617	180.30
Granted in the year	2,317,500	219.65	158,596	216.92
Forfeited in the year	(14,855)	201.95	(58,012)	185.20
Outstanding at the end of the year	4,722,743	216.94	615,201	189.28
Exercisable at the end of the year	-	-	-	-

Notes to the financial statements (continued)

17 Share based payments (continued)

	LTIP		SIP	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the start of the year	514,146	1	242,004	0
Granted in the year	331,521	1	282,800	0
Forfeited in the year	(44,565)	1	-	0
Outstanding at the end of the year	801,102	1	524,804	0
Exercisable at the end of the year	-	-	-	-

The assumptions used to determine the fair value of the awards made in the year, for each scheme, are set out in the table below.

	ESOP	ESOP	ESOP	SAYE	SAYE	SAYE
	13/06/2017	28/06/2018	23/07/2019	06/11/2017	31/10/2018	30/10/2019
Grant date	13/06/2017	28/06/2018	23/07/2019	06/11/2017	31/10/2018	30/10/2019
Share price - pence	244.50	201.95	219.65	209.25	212.90	265.00
Exercise price - pence	244.50	201.95	219.65	169.00	189.88	216.92
Number of employees	23	54	82	74	89	87
Shares under option	795,000	1,662,500	2,317,500	276,684	278,616	158,596
Vesting period (years)	3	3	3	3	3	3
Expected volatility	40.85%	44.17%	41.85%	41.67%	43.36%	40.39%
Option life (years)	10	10	10	3.5	3.5	3.5
Expected life (years)	3.5	3.5	3.5	3	3	3
Risk free rate	0.192%	0.723%	0.434%	0.513%	0.760%	0.463%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Attrition rate	30%	25%	25%	30%	35%	40%
Performance criteria expectation rate	100%	100%	100%	100%	100%	100%
Fair value per option - pence	73.35	66.47	68.06	76.86	72.90	93.94

Notes to the financial statements (continued)

17 Share based payments (continued)

	SIP	SIP	ESOP	ESOP	LTIP
Grant date	27/09/2018	25/07/2019	28/06/2018	03/10/2018	13/06/2017
Share price - pence	213.00	226.00	201.95	239.00	244.50
Exercise price - pence	0.00	0.00	201.95	230.18	1.00
Number of employees	258	320	3	3	2
Shares under option	242,004	282,880	44,565	13,033	122,700
Vesting period (years)	3	3	3	3	3
Expected volatility	42.75%	41.77%	44.17%	43.37%	40.85%
Option life (years)	10	10	10	10	10
Expected life (years)	3.5	3.5	3.5	3.5	3.5
Risk free rate	0.883%	0.462%	0.723%	0.869%	0.192%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Attrition rate	30%	35%	30.0%	30.0%	30.0%
Performance criteria expectation rate	100%	100%	100%	100%	65%
Fair value per option - pence	213.10	226	66.47	80.92	243.51

	LTIP	LTIP	LTIP
Grant date	28/06/2018	03/10/2018	30/04/2019
Share price - pence	201.95	239.00	245.70
Exercise price - pence	1.0	1.0	1.0
Number of employees	3	1	3
Shares under option	341,667	49,779	331,521
Vesting period (years)	3	3	3
Expected volatility	44.17%	43.37%	43.14%
Option life (years)	10	10	10
Expected life (years)	3.5	3.5	3.5
Risk free rate	0.723%	0.869%	0.787%
Dividend yield	0.0%	0.0%	0.0%
Attrition rate	30.0%	30.0%	30.0%
Performance criteria expectation rate	75%	75%	85%
Fair value per option - pence	200.97	238.03	244.73

The fair value of all four option schemes was determined using a Black-Scholes Model.

The total charge recognised in the year in respect of these option schemes was £1,357k (year ended 28 February 2019: £681k).

Notes to the financial statements (continued)

18 Contingent liabilities

From time to time, the company can be subject to various legal proceedings and claims that arise in the ordinary course of business which may include cases relating to the company's brand and trading name. All such cases brought against the company are robustly defended and a liability is recorded only when it is probable that the case will result in a future economic outflow and that the outflow can be reliably measured.

As at 29 February 2020, there are no pending claims or proceedings against the company which are expected to have material adverse effect on its liquidity or operations.

19 Ultimate parent undertaking and controlling party

The immediate parent undertaking of prettylething.com Limited is boohoo Holdings Limited.

The immediate and ultimate parent undertaking of prettylething.com Limited is boohoo group plc, which is the smallest and largest group to consolidate the financial statements.

Copies of boohoo group plc consolidated financial statements can be obtained from the website www.boohooplc.com or from the Company Secretary at 49-51 Dale Street, Manchester, M1 2HF.

20 Related undertakings

As at 29 February 2020, the Company owned 100% of the issued share capital of 21Three Clothing Company Limited, prettylething.com USA Inc and prettylething.com France SAS.

21Three Clothing Company Limited was dormant in the year and the carrying value of the investment in the subsidiaries is £nil (2019: £nil). The registered address of the company is 49-51 Dale Street, Manchester, M1 2HF.

prettylething.com USA Inc is incorporated in the United States of America and the carrying value of the investment in the subsidiaries is £nil. The registered address is Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

Prettylething.com France SAS is incorporated in France and the carrying value of the investment in the subsidiary is £nil. The registered address is 81 R Reaumur, Paris, 75002, France.

Notes to the financial statements (continued)

21 Effect of adoption of IFRS 16 – Leases

As indicated in note 1, the company has adopted IFRS 16 Leases retrospectively from 1 March 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 March 2019. The new accounting policies are disclosed in note 1.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 March 2019 was 1.8%.

i. Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 March 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 March 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Notes to the financial statements (continued)

21 Effect of adoption of IFRS 16 – Leases (continued)

ii. Measurement of lease liabilities

	£000
Operating lease commitments disclosed as at 28 February 2019	799
Discounted using the lessee's incremental borrowing rate of at the date of initial application	758
Add: Contracts not previously identified as lease arrangements	10,486
Add/(less): adjustments as a result of a different treatment of extension and termination options	(299)
Lease liability recognised as at 1 March 2019	10,945
Rent free period accruals transferred from accruals	1,799
Total lease liabilities as at 1 March 2019	12,744
Of which are:	
Current lease liabilities	3,004
Non-current lease liabilities	9,740
	12,744

Up to 28 February 2019, £1,799k has been charged to the income statement and accrued to reflect the rent-free period granted to the Company on the Sheffield Warehouse. The accrued amount has been transferred to lease liabilities on adoption of IFRS 16 to ensure the full future amount payable is reflected within the lease liabilities.

iii. Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 28 February 2019

iv. Adjustments recognised in the statement of financial position on 1 March 2019.

The change in accounting policy affected the following items in the statement of financial position on 1 March 2019:

- Right of use asset – increase by £10,852,000
- Lease liabilities increase by - £10,945,000

The net impact on retained earnings on 1 March 2019 was a decrease of £93,000.