

4006623

**ASOS PLC**

**ANNUAL REPORT AND  
ACCOUNTS  
2012**

WEDNESDAY



A19 \*A1BX073T\* #328  
27/06/2012  
COMPANIES HOUSE

**ASOS PLC  
ANNUAL REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2012**

---

<b>Contents</b>	<b>Page</b>
Company Information	2
Chairman's Statement	3
Business Review	4
Board of Directors	12
Corporate Governance	13
Directors' Remuneration Report	18
Directors' Report	26
Statement of Directors' Responsibilities	35
Independent Auditors' Report on Consolidated Financial Statements	36
Consolidated Statement of Comprehensive Income	37
Consolidated Statement of Changes in Equity	38
Consolidated Statement of Financial Position	39
Consolidated Statement of Cash Flows	40
Notes to the Consolidated Financial Statements	41
Independent Auditors Report on Parent Company Financial Statements	68
Parent Company Financial Statements	69
5 Year Financial Summary	76

**ASOS PLC  
COMPANY INFORMATION  
FOR THE YEAR ENDED 31 MARCH 2012**

---

**Directors**

Lord Alli (Chairman)  
N Robertson  
N Beighton  
J Kamaluddin  
R Bready  
P Williams  
K Jones  
M Turner

**Company Secretary**

N Beighton (resigned 27 April 2012)  
A Magowan (appointed 27 April 2012)

**Registered Office**

Second Floor  
Greater London House  
Hampstead Road  
London NW1 7FB

Registered in England, number 4006623

**Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
10 Bricket Road  
St Albans  
Hertfordshire AL1 3JX

**Lawyers**

Lawrence Graham LLP  
4 More London Riverside  
London SE1 2AU

**Financial Advisor, Nominated Advisor and Joint Broker**

J P Morgan Cazenove  
10 Aldermanbury  
London  
EC2V 7RF

**Joint Broker**

Numis Securities Limited  
5th Floor  
10 Paternoster Square  
London EC4M 7LT

**Financial PR**

College Hill Limited  
The Registry  
Royal Mint Court  
London EC3N 4QN

**Registrars**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**ASOS PLC  
CHAIRMAN'S STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2012**

---

ASOS has delivered another strong year, with sales growth of 46% and profit before tax and exceptional items up 43% on last year. Our International business continues to become ever more substantial, now accounting for 59% of the Group's total retail sales in the year. The 'ASOS' own-label brand has established its own credentials as a global fashion brand and Menswear has seen a particularly strong performance in 2012.

**Investing for the future**

Key to any Group's success is investment, in 2012 we have continued to invest in both our customer proposition and refining and developing our strong business model. Investment in price points and quality of the 'ASOS' own-label has helped drive the growth of that brand, whilst digital & device innovation has continued through developments like iPhone and iPad shopping apps, magazine apps, enhancements to the Fashion Finder and Marketplace websites, and the launch of country-specific websites in Australia, Spain and Italy. The warehouse transition to Barnsley was another milestone and benefits are already being realised, despite minimal changes in the labour intensive operating model to reduce transition risk.

ASOS continued to invest heavily in its people during the year, taking on 235 new colleagues at a point when other companies have had limited hiring opportunities. This has enhanced expertise and experience and bolstered management to ensure that many of the opportunities in front of the Company are captured. The Board is once again conscious that it is the drive, dedication and determination of all our colleagues that delivers the growth and financial performance that ASOS has achieved and, on behalf of the Board, I would like to thank all of them for their contribution.

ASOS firmly believes in aligning the interests of shareholders and Group management teams by the sharing of risk and reward through equity participation. That philosophy has manifested itself in the last year through the completion of the performance period for the ASOS Management Incentive Plan, the first annual awards made under our all-employee Save-As-You-Earn scheme and further grants made under the Performance Share Plan. The Board is proud that all employees have the opportunity to participate in equity wealth creation in partnership with our shareholders and, over the past three years substantial returns have been delivered to both our shareholders and plan participants. Further opportunities to continue to align the interests of shareholders and management teams, and incentivise and retain key staff, will be put in place over the course of the next year.

As previously stated, the Company's dividend policy is regularly reviewed. Given the substantial growth opportunities and the internal rate of return on investment, the Board continues to be of the view that it is in the Company's best interests to continue to re-invest our cash. We have, therefore, not recommended or declared a dividend for shareholders. This policy will again be regularly reviewed during the upcoming year.

**Looking ahead**

ASOS enters the new financial year with confidence, and remains committed to its global expansion plans and to driving shareholder value. The Group's overall strategy has been re-assessed to capitalise on our current size and status, and investment in the required resources will continue to ensure effective delivery of those objectives.

In this, my last report as Chairman, I feel I am leaving ASOS in the best possible health, well on track to deliver our 1.5.5 ambitions. Indeed, I believe the best has yet to come. ASOS is well on its way to becoming the world's number one online fashion destination. As our management team continue to deliver the roll out of our international strategy, the potential scale of where ASOS is heading is quite simply awesome. Today over 50 million people visit our online fashion store each year. In two or three years, that figure could well, that's the potential that is ASOS.

ASOS is a great British success story. It started as the idea of one man, Nick Robertson. It is Nick's energy and perseverance that have powered As Seen On Screen from sales of around £1.7m eleven years ago to the c£500m global online fashion destination that is ASOS today. Nick's passion remains a major force that continues to drive the ASOS vision. I would like to take this opportunity to thank him, our senior management team and everybody who is touched by the magic that is ASOS – every one of our employees, our suppliers, and of course, all the twenty-something customers who turn regularly to their favourite destination for the best in fashion.

Lord Alli  
Chairman

**ASOS PLC**  
**BUSINESS REVIEW**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

We have had another successful year, with Group revenues up 46% to £495.0m (2011 £339.7m) and profit before tax and exceptional items up 43% on the prior year at £40.9m (2011 £28.6m). Profit before tax, which includes one-off costs relating to the warehouse transition, increased £14.6m to £30.3m (2011 £15.7m).

Total retail sales grew 49% to £481.6m (2011 £324.1m). The key driver of retail sales growth continues to be our International business (up 103%), although UK growth remains solid with sales up 7% on last year. The international portion of our retail sales mix has continued to increase during the year and accounted for 59% of total retail sales (2011 43%).

Our retail gross margin improved by 290bps in the year and our overall gross margin improved by 180bps to 50.9% (2011 49.1%). Our rapid and profitable global expansion continues with the launch of three new country websites over the period in Australia, Spain and Italy, as well as the establishment of our first overseas marketing office in Australia. We also continued our investment in our global free shipping proposition. The next stage in our international development is to introduce other small in-country teams to amplify our marketing efforts in the countries where we have websites.

We remain committed to our goal of achieving £1bn sales from five major markets by 2015. All our International markets are performing strongly and our unique position on the global stage of Internet apparel retailers is now firmly established. We are the second most visited apparel site on the planet on a daily basis (for 15-34 year olds) and as at March 2012, 69% of our traffic is derived from outside the UK, up from 58% a year ago.

#### **Products**

We are committed to establishing ASOS as the world's number one online fashion destination for twenty-somethings. We continuously refine our product range and our pricing architecture to ensure it is focused on the fashion minded twenty-something. That requires ASOS to be increasingly diligent in areas such as sourcing and markdown management as well as continually augmenting our retail disciplines to deliver gross margin efficiency that subsequently can be reinvested in customer proposition and / or pricing as appropriate. We believe in our product collections offering greater value to the ASOS customer relative to the marketplace, whilst refusing to compromise on fashionability or product quality.

During the last financial year, 'ASOS' own-label brand firmly established its own credentials as a global fashion brand. Whilst the sale of third party brands remains important both to ASOS and our customers, the 'ASOS' own-label brand provides us with a unique offering that is sought after both in the UK and even more so internationally. Sales of the 'ASOS' own-label brands now account for c55% of total sales, up 100bps from the previous year, and we continue to invest in the price points and quality to support this growth.

Menswear grew particularly strongly (up c60%) and is helping to diversify the Group's revenue streams. Whilst demanding different styles and approaches, fashion is just as important to twenty-something men as to their female counterparts and ASOS is increasingly becoming a destination of choice for that audience. Womenswear is a more competitive market, which demands that ASOS is at the top of its game from a fashion, buying and merchandising and marketing perspective. During the course of the year we have restructured and refocused our pricing architecture which launched in March 2012. Our global customer base will benefit from this through the course of the current year.

**ASOS PLC  
BUSINESS REVIEW  
FOR THE YEAR ENDED 31 MARCH 2012**

---

**Management**

Our Chairman, Lord Waheed Alli, has notified the Board of his intention to step down and leave the Company once his successor has been identified. Waheed has been with the company for 12 years during which time he has played an important role. As such we are all immensely grateful to him. The search for his successor is currently underway.

During the year, we made significant investment to further strengthen our management capabilities in order to seize upon as many of the opportunities available to the Group as possible. From a senior management perspective, in the last 12 months ASOS has hired a new People & Services Director, Trading Director, General Counsel & Company Secretary and Head of Investor Relations to supplement the existing management capability. These efforts will continue and we will look to strengthen both our supply chain and sourcing resource, amongst other areas, to ensure that the executive team has the diversity of skills, mind-sets and capabilities which the business needs to thrive and to support our rate of growth. In addition to these people changes, we replaced our legacy buying and merchandising system with a tier one solution and over 235 new staff were recruited over the period, principally in our Retail, International, Customer Care and IT departments.

**Operations**

Investment in operations also took place during the year as we continue to refine and develop ASOS's strong business model. We have continued our investment in returns and delivery. We introduced a new third party operated returns hub in Sydney which has improved delivery times even further. New improved delivery times are most notable in the US where we have speeded up the delivery for our customers by 2 days.

Additionally, several capacity enhancing initiatives were delivered over the period. Our logistical constraints were removed by our re-location to the new single state-of-the-art distribution facility in Barnsley. Cost and time efficiencies from that investment are already being realised and we believe there will be more to come as we gain more understanding of the opportunities this facility offers. This new facility will more than satisfy our capacity requirements for the foreseeable future and support our £1bn sales goal.

Over the past four years we have invested over £35m in ensuring that our technology is of the highest standard and state-of-the-art. We know our customers value the depth and breadth of choice that online operations can offer. We aim to improve the ease of shopping through our sites, which is why we are committed to technology re-platforming. We are intent on driving our technology to become device agnostic, so that customers can browse from their laptop, desktop, mobile, iPad or Android device on a 24/7 basis, wherever they are. Work is also underway to enable the ASOS platform, both front and back end, to handle all language character sets rather than just western. A quicker, but less efficient, route to market would have been to build these sites independently however that would have resulted in a number of separate platforms for countries such as China and Russia. Developing the single ASOS platform will provide a better and more effective solution in the long term. Progress continues in building the infrastructure, on the previously indicated timeframe.

Our strategy of 'shop to destination' continues with both our Marketplace and Fashion Finder sites significantly enhancing the ASOS customer experience. During the year we rolled out Marketplace to our International sites and now promote product from a number of international boutiques. We also launched the ASOS Magazine and shopping apps to exploit the growing trend of mobile browsing, 16% of ASOS traffic is now via mobile. We see the role of ASOS to be much more than a shop, it is also a key part of the fashion media and is a technical enabler of all things fashion, competing for a percentage of our twenty-something customer's time as well as an increasing percentage of their fashion purse. A number of initiatives are planned over the coming months to continue to deliver on this goal.

**ASOS PLC  
BUSINESS REVIEW  
FOR THE YEAR ENDED 31 MARCH 2012**

**Trading operations**

The Group has achieved another strong performance during 2012 with sales and profit growth across all territories, particularly internationally. International sales now account for 59% of total retail sales compared to 43% in the previous year.

**Revenue**

£'000s	UK	International			Total	Group Total
		USA	EU	RoW		
Retail sales	197,859	39,959	106,993	136,751	283,703	481,562
Growth	7%	114%	46%	185%	103%	49%
Delivery receipts	7,073	825	1,449	1,430	3,704	10,777
Growth	4%	30%	(53%)	(44%)	(41%)	(18%)
Third party revenues	2,555	10	25	28	63	2,618
Growth	2%					4%
<b>Group revenues</b>	<b>207,487</b>	<b>40,794</b>	<b>108,467</b>	<b>138,209</b>	<b>287,470</b>	<b>494,957</b>
<b>Growth</b>	<b>7%</b>	<b>112%</b>	<b>42%</b>	<b>173%</b>	<b>96%</b>	<b>46%</b>

Total Group revenue increased 46%, with total retail sales up 49% on last year, driven by 103% growth in our International retail sales. In the final quarter, we annualised our investment in global free shipping which led, as anticipated, to lower year on year International sales growth, at 63% in the final quarter.

The Rest of the World segment was the fastest growing segment within retail sales at 185%, boosted by strong sales from Australia (where we have maintained our first place Comscore position), Russia, Singapore and China amongst others. We introduced a country specific Australian website midway through the year, which has contributed to the strong growth in this territory and have recently opened a small marketing office in Sydney. Growth in our other territories was also driven by a full year's contribution from our other country specific websites in the USA, France and Germany, introduced in autumn 2010, together with our Italian and Spanish websites which were introduced in September 2011. All seven country-specific sites are performing well, with visitors, orders and average selling price significantly up year on year. Based on Comscore data, we have risen in the USA to 29th at March 2012 (March 2011 37th), in Germany to 17th (March 2011 26th), and in both Spain and Italy we are ninth.

Despite the challenging economic environment facing all of our customers, particularly in the UK, retail sales grew in the UK by 7% in the period and according to Comscore, we remain first in the UK for the 15-34 age range.

As anticipated, delivery receipts reduced year on year by 18% due to the continued investment in our global free ship delivery proposition. This annualised in the USA in August 2011 and in the rest of the world in January 2012, leading to an overall decline in international delivery receipts of 41%. In the UK, free style saver delivery has been part of the customer proposition since April 2010 consequently UK delivery receipts increased due to increased retail sales and take-up of ASOS Premier.

Third party revenues, which mainly comprise advertising revenues from the website and the ASOS magazine, increased by 4% in the year to £2.6m.

**ASOS PLC**  
**BUSINESS REVIEW**  
**FOR THE YEAR ENDED 31 MARCH 2012**

*Trading Key Performance Indicators*

Active customer numbers increased in all our markets year on year with total numbers up by 38%, to c4 4m ASOS now has as many International active customers as it does in the UK, which demonstrates the extent of our International expansion, but there is still significant opportunity within the global twenty-something market. The number of orders also increased by 52% and the average product selling price was up 4%. The declines in average basket value of 6% and average units per basket of 9% are in line with expectations and are a direct consequence of our investment in global free delivery to drive future growth and also frequency of purchase.

KPIs	UK	International				Group Total
		USA	EU	RoW	Total	
Average basket value <sup>1</sup>	£65 11	£59 23	£63 10	£61 99	£62 03	£63 58
Growth	1%	(4%)	(15%)	(27%)	(17%)	(6%)
Average units per basket	2 25	2 23	2 42	2 55	2 44	2 35
Growth	(7%)	(6%)	(17%)	(27%)	(18%)	(9%)
Average selling price per unit <sup>1</sup>	£28 88	£26 57	£26 11	£24 35	£25 42	£27 09
Growth	8%	2%	3%	-	1%	4%
Number of orders ('000)	5,937	927	2,532	2,415	5,874	11,811
Growth	10%	141%	80%	286%	143%	52%
Unique visitors ('000) <sup>2</sup>						17,500
Growth						35%
Total visits ('000) <sup>2</sup>	14,656	6,060	13,796	12,648	32,504	47,160
Growth	(3%)	65%	34%	77%	54%	30%
Active customers ('000) <sup>3</sup>	2,190	445	1,000	740	2,185	4,375
Growth	5%	109%	63%	190%	102%	38%

<sup>1</sup>Including VAT

<sup>2</sup>During March 2012

<sup>3</sup>As at 31 March 2012 defined as having shopped with ASOS during the last 12 months

*Gross profit*

The Group generated gross profit of £252 0m (2011 £166 6m), up 51% on last year

£'000s	UK	International				Group Total
		USA	EU	RoW	Total	
Gross profit	99,173	24,698	54,514	73,585	152,797	251,970
Growth	9%	126%	44%	177%	103%	51%
Retail gross margin	45 3%	59 7%	49 6%	52 7%	52 5%	49 5%
Change	70bps	450bps	220bps	280bps	320bps	290bps
Gross margin	47 8%	60 5%	50 3%	53 2%	53 2%	50 9%
Change	60bps	380bps	80bps	80bps	170bps	180bps

Note: From 1 April 2011, the Group has reclassified delivery costs from cost of sales to operating expenses to reflect their increasing deployment as a marketing expenditure. Prior year comparatives have been reclassified accordingly.

The Group retail gross margin increased by 290bps to 49 5% (2011 46 6%) as a result of improved buying and markdown management as we continue to improve our retail disciplines, as well as the increase in the mix of International sales, which have a stronger margin due to a higher mix of own-brand purchases. Gross margin improved by 180bps to 50 9% (2011 49 1%) as the improvements in retail margin were offset by the reduction in delivery receipts.

**ASOS PLC**  
**BUSINESS REVIEW**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**Investment in our operating resources**

The Group increased its investment in its operating resources and capability by 53% to £210.2m, excluding exceptional items. Total operating costs ratio improved by 110bps excluding investment in our customer delivery proposition.

£'000s	2012	2011	Change
Distribution costs	65,840	34,959	88%
Payroll and staff costs	46,726	35,717	31%
Warehousing	32,317	22,543	43%
Marketing	19,728	14,280	38%
Production	3,347	2,621	28%
Technology costs	10,074	5,629	79%
Other operating costs	24,080	17,118	41%
Depreciation	8,074	4,932	64%
<b>Operating costs excluding exceptional items</b>	<b>210,186</b>	<b>137,799</b>	<b>53%</b>
<b>Operating costs excluding delivery costs and exceptional items</b>	<b>144,346</b>	<b>102,840</b>	<b>40%</b>
<i>% of sales excluding distribution costs</i>	<b>29.2%</b>	<b>30.3%</b>	<b>110bps</b>

Delivery and returns solutions are a cornerstone of our international growth strategy and customer proposition. As a result we continued to invest in our delivery proposition and in particular our global free shipping commitment. Distribution costs have, as a result, increased by 88% year on year due to increased order numbers and in particular International orders.

Payroll and staff costs have increased by 31%, as we continue to benefit from economies of scale and deliver operating cost leverage. We continued to invest in headcount in our key areas of IT, Retail and International as well as expanding our Customer Care resources to service our increasing global customer base.

The transition to our new warehouse in Barnsley was another milestone for ASOS and was completed on time with minimal customer service disruption. The warehouse operation is already achieving significant efficiency gains, despite limited changes to the labour intensive operating model of the previous warehouse, through the benefits of greater scale and productivity improvements. In addition, during the year, we introduced a further local returns solution in Sydney, Australia, operated by a third party and designed to service our customers in this country more efficiently.

Technology costs have increased by 79% on prior year to £10.1m as a result of our continued investment in underlying infrastructure and innovation, as in previous years. The increase in other operating costs during the year was driven by increased credit card handling fees resulting from the number of transactions processed and increased property costs from additional head office space acquired in the prior year.

**Group Profit**

The Group generated profit before tax and exceptional items up 43% on prior year at £40.9m (2011 £28.6m).

£'000s	2012	2011	Change
Revenue	494,957	339,691	46%
Cost of sales*	(242,987)	(173,042)	
<b>Gross profit*</b>	<b>251,970</b>	<b>166,649</b>	<b>51%</b>
Distribution costs excluding exceptional items*	(65,840)	(34,959)	
Administrative expenses excluding exceptional items	(144,346)	(102,840)	
<b>Operating profit before exceptional items</b>	<b>41,784</b>	<b>28,850</b>	<b>45%</b>
Share of post tax losses of joint venture	-	(3)	
Net finance costs	(850)	(199)	
<b>Profit before tax and exceptional items</b>	<b>40,934</b>	<b>28,648</b>	<b>43%</b>
Exceptional items	(10,585)	(12,943)	
<b>Profit before tax</b>	<b>30,349</b>	<b>15,705</b>	<b>93%</b>
Income tax expense	(8,070)	(4,856)	
<b>Profit after tax</b>	<b>22,279</b>	<b>10,849</b>	<b>105%</b>

\* From 1 April 2011, the Group has reclassified delivery costs from cost of sales to operating expenses to reflect their increasing deployment as a marketing expenditure. Prior year comparatives have been reclassified accordingly.

**ASOS PLC  
BUSINESS REVIEW  
FOR THE YEAR ENDED 31 MARCH 2012**

*Exceptional items*

Exceptional costs of £10.6m reflect the remaining direct costs of the transition to our new warehouse which is now completed and fully operational. This includes dual site decollation costs, relocation costs, staff training, and vacant property costs on our legacy warehouses, as well as an impairment charge of £2.8m. The impairment charge relates to assets in our legacy warehouse which were classified as held-for-sale at 31 March 2011 at their net realisable value of £2.8m based on an independent valuation. No buyer has been found for these assets during the year to 31 March 2012, therefore these assets have been impaired to a carrying value of £nil.

The cash outflow during the year as a result of exceptional costs was £10.2m.

The main components of the exceptional charge to the profit and loss account are as follows:

£'000s	2012	2011
Dual site decollation costs*	5,385	2,088
Pre go-live occupancy and employee costs	965	7,830
Vacant property costs	1,435	-
Impairment of assets	2,800	3,025
<b>Total</b>	<b>10,585</b>	<b>12,943</b>

\* Included within dual site decollation costs are delivery costs of £2.3m (2011: £nil) which have been classified within distribution expenses in the statement of comprehensive income. The remaining exceptional costs have been included within administrative expenses.

*Taxation*

The effective tax rate (pre exceptional items) for the Group was 26.1%, 300bps lower than last year. Including exceptional items the effective tax rate was 26.6% (2011: 30.9%). Going forward, we would expect the effective rate of tax pre exceptional items to be around 1% higher than the prevailing UK corporation tax rate.

*Earnings per share*

Basic underlying earnings per share<sup>1</sup> increased by 46% to 39.8p per share (2011: 27.3p), and diluted underlying earnings per share<sup>1</sup> increased by 42% to 36.3p per share (2011: 25.6p).

Basic earnings per share<sup>2</sup> increased by 101% to 29.3p per share (2011: 14.6p), and diluted earnings per share<sup>2</sup> increased by 95% to 26.7p per share (2011: 13.7p).

The dilution calculation includes 2.0m shares to be issued under the Management Incentive Plan ("MIP") in September 2012 and 2.0m shares to be issued under the MIP in September 2013, according to TSR and EPS performance criteria achieved at the end of the scheme's performance period (3 years ended 31 March 2012).

**Statement of Financial Position**

The Group has a strong financial position including a strong cash balance and a clean stock position. Net assets increased by £23.1m to £95.2m (2011: £72.1m), driven by the increase in profit after tax for the period.

<sup>1</sup> Underlying earnings per share has been calculated using profit after tax but before exceptional items.

<sup>2</sup> Earnings per share has been calculated using profit after tax and exceptional items.

**ASOS PLC  
BUSINESS REVIEW  
FOR THE YEAR ENDED 31 MARCH 2012**

**Statement of Cash Flows**

The Group's cash balance was £24.3m at 31 March 2012, up from £4.7m at 31 March 2011. Net funds were £19.3m (2011: £4.7m). The summary cash flow is detailed below.

£'000s	2012	2011
Operating profit	31,199	15,907
Exceptional items	10,585	12,943
<b>Operating profit before exceptional items</b>	<b>41,784</b>	<b>28,850</b>
Depreciation and amortisation	8,074	4,932
Working capital	(3,866)	(7,541)
Share based payments charges	648	1,165
Tax received/(paid)	1,012	(5,509)
<b>Cash inflow from operating profit before exceptional items</b>	<b>47,652</b>	<b>21,897</b>
Operating cash outflow relating to exceptional items	(10,152)	(6,615)
<b>Cash inflow from operating profit</b>	<b>37,500</b>	<b>15,282</b>
Capital expenditure	(21,587)	(25,743)
Proceeds from issue of ordinary shares	593	1,100
Net purchase of own shares by Employee Benefit Trust	(1,592)	(1,406)
Drawdown of revolving credit facility	5,000	-
Net interest paid	(278)	(199)
<b>Total cash in/(out)flow</b>	<b>19,636</b>	<b>(10,966)</b>

Cash generated from operating profit increased by £22.2m, as a result of an increase in operating profit before exceptional items of £12.9m, an improvement of £3.6m in cash flows from working capital and a favourable variance in corporation tax cash flows of £6.5m.

The Group has continued to monitor working capital tightly, resulting in an improvement in the cash outflow from working capital from £7.5m to £3.9m. The working capital movement is primarily as a result of tighter stock management.

Capital expenditure was £21.6m, £4.2m lower than last year. The Group had drawn down £5.0m under its revolving credit facility agreement at year end.

*Fixed asset additions*

£'000	2012	2011
IT	15,874	9,726
Office fixtures and fit-out	2,157	977
Warehouse	3,274	17,781
<b>Total</b>	<b>21,305</b>	<b>28,484</b>

The majority of fixed asset additions were related to improvements in our IT infrastructure. The main areas of investment were on our new buying and merchandising system which launched in September 2011, underlying infrastructure improvements and on our three new international websites. We have invested £3.3m in the new distribution centre during the year.

**ASOS PLC  
BUSINESS REVIEW  
FOR THE YEAR ENDED 31 MARCH 2012**

---

**Treasury and risk management**

Our investments are funded by operating cash flows, with additional short term and medium term facilities to support working capital movement and planned capital expenditure. At 31 March 2012, the Group had in place a £10.0m revolving credit facility which is available until February 2013 and of which £5.0m was drawn.

The Group seeks to reduce exposures to interest rate, foreign exchange and other financial risks, to ensure liquidity is available to meet the foreseeable needs and to invest cash assets safely and profitably. Our hedging strategy seeks to hedge our future foreign currency exposure for between 6 and 12 months forward. We do not engage in speculative trading in financial instruments and transact only in relation to underlying business requirements. Surplus funds are invested in short-term deposits with the objective of maximising the return on surplus cash. Further information can be found in note 21 to the financial statements.

**Change in accounting reference date**

As announced on 26 April 2012, the Group has changed its accounting reference date and financial year end from 31 March to 31 August. The Board took this decision to enable the Company's external reporting period to align with the buying seasons of the fashion industry. The Board will report its next audited results for the 5 month period to 31 August 2012 by the end of October 2012.

**Outlook**

We remain positive in our outlook for 2012/13 as we continue our journey to becoming the world's number one online fashion destination. Our International roll out continues and our 1 5 5 ambitions for the Group are in sight.



**Nick Robertson**  
Chief Executive Officer



**Nick Beighton**  
Finance Director

**ASOS PLC**  
**BOARD OF DIRECTORS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**Lord Alli – Chairman**

Lord Alli's background is in the media. He is currently Chairman of Silvergate which was founded 2011. Silvergate is a media company that specialises in children's TV, publishing and merchandising. Lord Alli is currently a non executive director of Olga Productions, a patron of The Elton John Aids Foundation, Chancellor of De Montfort University, President of the National Youth Theatre and a Trustee of WNET Channel 13 in New York. Lord Alli was appointed to the House of Lords in 1998 where he takes particular interest in issues relating to equality and the media.

**Nick Robertson – Chief Executive Officer**

Nick started his career in 1987 with the advertising agency Young and Rubicam and in 1991 moved to Carat, the UK's largest media planning and buying agency. In 1995 he co-founded Entertainment Marketing, a marketing services business, and in 2000 he co-founded ASOS.com

**Nick Beighton – Finance Director**

Nick qualified as a chartered accountant with KPMG in Nottingham. After qualification Nick worked out of the Manchester office in transaction services and within the Strategic Business Management Group. Nick moved to Matalan in 1999 to work as Head of Finance. He then became the Business Change and IT Director before joining Matalan's Retail Board in 2003. Nick joined the Luminar Board as Finance Director in August 2005. He was appointed Finance Director of ASOS plc in April 2009.

**Jon Kamaluddin – International Director**

Jon began his career in Corporate Recovery at Arthur Andersen, where he qualified as a chartered accountant. Jon then joined Marks & Spencer, where he spent three years in a number of finance positions including Head of Finance for the Per Una brand. Jon joined ASOS in 2004 as Finance Director and in April 2009 he was appointed International Director to develop and implement a suitable international strategy for the business.

**Robert Bready – Product & Trading Director**

Robert began his career at River Island where he held a variety of merchandising roles across womenswear and menswear. In 1997, Robert moved to The Arcadia Group, where he spent eight years working across young fashion retailers Miss Selfridge and TopMan, eventually becoming a senior executive for the Miss Selfridge brand. In 2005 Robert joined ASOS.com and in 2006 was promoted from Head of Merchandising to Product Director, and then to Product & Trading Director.

**Peter Williams – Senior Independent Non-Executive Director**

Peter is the Chairman of Erno Laszlo and a non-executive director of Cineworld Group PLC, Sportech PLC and Silverstone Holdings Limited and is a member of the Design Council. Peter was appointed as Chairman of Blacks Leisure Group PLC in August 2011, where he led the creation of a turnaround strategy that culminated in the sale of the business to JD Sports Fashion PLC in January 2012. During his executive career he was Chief Executive at Alpha Group PLC and prior to that Chief Executive of Selfridges PLC, where he also acted as Chief Financial Officer for over ten years. In the past he has also served on the boards of EMI Group PLC, JJB Sports PLC, Capital Radio Group PLC and GCap Media PLC. Peter Williams joined the Board in April 2006. He is Chairman of the Audit Committee and a member of the Remuneration Committee. Peter has a degree in Mathematics from Bristol University and is a chartered accountant.

**Karen Jones – Non-Executive Director**

Karen Jones is the Founder and current Chairman of Food & Fuel Limited and a non-executive director of Booker Group PLC, Cofra Holdings AG, Firmenich International and Royal National Theatre Enterprises. She was previously Chief Executive of Spirit Group Limited, co-founder of Café Rouge and the Pelican Group PLC and a former Non-Executive Director of HBOS PLC, Gondola Holdings PLC and Emap PLC, among others. Karen joined the Board of ASOS plc in September 2009 and is the Chair of the Remuneration Committee and a member of the Nomination Committee.

**Mary Turner - Non-Executive Director**

Mary Turner is the CEO of AlertMe.com which is a leading technology innovator in cloud-based Smart Energy services. She was Managing Director and Chief Executive Officer of Tiscali UK Limited ("Tiscali") from 2001 to 2009. Prior to joining Tiscali, Mary was Chief Executive Officer of BTLOne, the joint venture between BT and United News Media, Senior Vice-President Marketing (Europe) at CompuServe Information Services and General Manager of Capital Sales at Innovation Group. Prior to that she was in Sales and Marketing at Avon Cosmetics and Elizabeth Arden. Mary joined the Board in September 2009 and is a member of the Audit Committee and Nomination Committee.

**ASOS PLC**  
**CORPORATE GOVERNANCE**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

The Board of the Company is committed to appropriate standards of corporate governance, as an important part of an innovative, effective and efficient approach to managing the Company, its subsidiaries and all its businesses (together the "Group") for the long-term benefit of all shareholders. The Company's policies are monitored to ensure that they are appropriate to the Company's nature, status, size and circumstances and are explained below.

#### **The Board**

The Board's primary tasks are the setting of the overall Group strategy and direction, the enhancement of shareholders' interests, the maintenance of controls to ensure the effective operation of the Company, the approval of revenue and capital budgets and plans, the approval of the financial statements, material agreements and non-recurring projects, the determination of the financial structure of the Company including treasury and dividend policy, the oversight of control, audit and risk management and the review and approval of remuneration policies. As at 23 May 2012, the Board comprised the Chairman, four executive directors and three non-executive directors. Short biographies of each of the directors, which illustrate their range of experience, are set out on page 12. There is an effective and appropriate balance of skills and experience across the members of the Board, including (without limitation) in the areas of retailing, finance, international trading operations and IT/e-Commerce.

There is a clear division of responsibility at the head of the Company. Lord All (Chairman) is responsible for the running of the Board and Nick Robertson (Chief Executive Officer) is responsible for implementing strategy and overseeing the management of the Company, through the running of the Executive Board. Peter Williams has been nominated by the Board as the Senior Independent Director.

All directors are encouraged to challenge and to bring independent judgement to bear on all matters, whether strategic or operational. The actions and decisions of all of the non-executive directors who served during the year and up to the date of this report are considered by the Board to be independent in both character and judgment.

The Board takes decisions regarding the appointment of new directors as a whole. The Company's Articles of Association give power to the Board to appoint directors and, where notice is given signed by all the other directors, remove a director from office, and there is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. The Company's Articles of Association require that one-third of the directors offer themselves for re-election annually in rotation. All directors will offer themselves for re-election at least once every three years, whilst any new Board directors appointed during a year are required to offer themselves for re-election at the next AGM following their appointment. This enables the shareholders to decide on the election of their Company's Board. With regard to those directors who offer themselves for re-election at the next AGM, the Board unanimously believes that the contributions made by those directors continued to be effective and that the Company and its shareholders should support their re-election.

The Board met for scheduled meetings 10 times during the year, with the Chairman having primary responsibility for running the Board and for ensuring appropriate strategic focus & direction. The Board manages the Company through a formal schedule of matters reserved for its decision. It also delegates specific responsibilities to the Board Committees detailed below, the role and responsibilities of each Committee being set out in clearly defined terms of reference.

Prior to the start of each financial year, a schedule of dates for that year's board meetings is compiled to accord as far as reasonably practicable with the Company's financial calendar, although this may be supplemented by additional meetings as and when required. The Board receives appropriate and timely information prior to each meeting, with a formal Agenda and Board and Committee papers being distributed several days before meetings take place. Any director may challenge Company proposals and decisions are taken democratically after discussion. Any director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting. Any specific actions arising from such meetings are agreed by the Board, and then followed up by the management. All directors are offered appropriate training to develop their knowledge and ensure they remain up to date in relevant matters for which they have responsibility as a member of the Board. In the last year, the Company appointed a new General Counsel & Company Secretary, who all directors now have access to in order to support the performance of their duties as directors of the Company. The General Counsel & Company Secretary also ensures that Board procedures have been complied with. There is also an agreed procedure to enable individual directors to take independent legal and financial advice at the Company's expense, as and when necessary to support the performance of their duties as directors of the Company. Throughout their period in office, the directors are also updated on the Group's businesses and the regulatory and industry specific environments in which they operate by way of written briefings and meetings with senior executives and, where appropriate, external sources.

**ASOS PLC**  
**CORPORATE GOVERNANCE**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

***Directors' Conflicts of Interests***

The Company has effective procedures in place to deal with conflicts of interest. The Board is aware of the other commitments of its directors and changes to these commitments are reported to the Board.

***Board Committees***

The Board is supported by Audit, Remuneration and Nomination Committees and provides sufficient resources to enable them to undertake their duties. Executive directors are not members of these Board committees, although they may be invited to attend meetings.

Each committee has access to such information and advice as it deems necessary, at the cost of the Company. Each committee is responsible for reviewing the effectiveness of its terms of reference, as appropriate, and for making recommendations to the Board for changes where necessary. The minutes of committee meetings are circulated to all committee members, and reports on each committee meeting are given by the Committee chairman to the Board.

Terms of Reference of each of the Committees are available on the Company's website.

***Audit Committee***

The Audit Committee comprises two independent non-executive directors: Peter Williams (Chairman), and Mary Turner.

The Board is satisfied that the Chairman of the Committee, Peter Williams, is deemed to have recent and relevant financial experience, as he is a chartered accountant, has held senior financial management positions in other companies and has chaired audit committees in a number of other listed companies. The Committee's other member, Mary Turner, has played an active role in all Committee meetings held throughout the year. Although the Chairman, the Chief Executive Officer and the Finance Director are not members of the Committee, they are invited to attend meetings unless they have a conflict of interest. Also invited to attend (unless they have a conflict of interest) are the General Counsel & Company Secretary and the Financial Controller, as well as the external auditors and the internal auditors.

The Audit Committee met for scheduled meetings three times during the year. Its principal responsibilities cover internal control and risk management, external audit (including auditor independence), internal audit and financial reporting, whilst its activities included a review of full year and interim announcements and Annual Report and Accounts, the oversight of the appointment of and relationship with the external auditors, together with the assessment of their independence, the consideration of reports from external auditors identifying any accounting or judgemental issues requiring its attention, a review of the effectiveness of the Company's internal controls and risk management systems review, including oversight of the Business Risk Register, review and consideration of reports on the work of the internal audit function, and review of all relevant compliance policies, including without limitation the policy on auditor provision of non-audit services and the Group Anti-Bribery Policy.

***Remuneration Committee***

The Remuneration Committee comprises two independent non-executive directors: Karen Jones (Chairman), and Peter Williams.

Although the Chief Executive Officer and the Finance Director are not members of the Committee, they are invited to attend meetings unless they have a conflict of interest. Also invited to attend (unless they have a conflict of interest) are the Chairman, the People & Services Director and the General Counsel & Company Secretary, as well as the Company's remuneration and tax advisers (as appropriate).

The Committee met six times during the year, five for scheduled meetings and one unscheduled additional meeting. The Committee's principal responsibility is to determine and recommend to the Board the remuneration of executive directors and the Chairman, with other responsibilities relating to the approval and review of the ongoing effectiveness of the Group's overall reward principles, the approval of other material employee remuneration packages, determining the targets for any performance related bonus or pay schemes operated for senior executives, approving and reviewing the ongoing effectiveness of the policy for all share-based incentive schemes, overseeing any major changes in employee benefits that apply across the Group, and approving any material termination payment. The Committee monitors the levels and structure of remuneration to senior management and seeks to ensure they are designed to attract, retain and motivate them to run the Company successfully. The remuneration of non-executive directors is determined by the Chairman and the executive directors.

The Company's remuneration policy is detailed in the Directors' Remuneration Report on pages 18 to 25.

**ASOS PLC**  
**CORPORATE GOVERNANCE**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**Nomination Committee**

The Nomination Committee comprises of three independent non-executive directors Lord Alli (Chairman), Karen Jones and Mary Turner

Although the other non-executive and executive directors are not members of the Committee, the Chief Executive Officer is invited to attend meetings unless he has a conflict of interest. Other directors are invited as appropriate.

The Committee's principal responsibility is to evaluate the Board's requirements and ensure that appropriate procedures are in place for the nomination, selection and succession of directors and senior executives to meet those requirements. The Committee met once during the year, although the Company has now instigated a formal schedule of two scheduled meetings each year, supplemented by additional meetings as and when required.

**Attendance of Board/Committee Meetings**

The table below shows the attendance record of individual directors at Board meetings and committees of which they are members.

	Board Meetings		Committees					
	Attended	Eligible to attend	Audit		Remuneration		Nomination	
			Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Lord Alli	10	10	-	-	-	-	1	1
Nick Robertson	10	10	-	-	-	-	-	-
Nick Beighton	10	10	-	-	-	-	-	-
Jon Kamaluddin	9	10	-	-	-	-	-	-
Robert Bready	7	10	-	-	-	-	-	-
Peter Williams	10	10	3	3	6	6	-	-
Karen Jones	10	10	-	-	6	6	1	1
Mary Turner	10	10	3	3	-	-	1	1

As at 23 May 2012, the Board has met twice since 31 March 2012 and the Remuneration, Audit and Nomination Committees have each met once.

**Executive Board**

The Executive Board consists of the executive directors and key functional directors and meets weekly. The Executive Board under the chairmanship of the Chief Executive Officer is responsible for the day-to-day management of the Group's business and the overall financial performance of the Group in fulfilment of strategy, plans and budgets. It is also responsible for making recommendations on trading performance, key risks, management development, and corporate responsibility programmes. The Chief Executive Officer reports to the Board on issues, progress and recommendations for change which come out of the Executive Board's activities.

During the year, ASOS has hired a new People & Services Director, a new Trading Director, and a new General Counsel & Company Secretary to strengthen the Group's management capabilities. Further details of the Board are set out on page 12.

**Relations with shareholders**

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance are understood. This is achieved principally through the Annual Report and Accounts, preliminary and interim announcements and the AGM, whilst a range of corporate information (including all Company announcements and presentations) is available to shareholders and investors on the Company's corporate website, [www.asosplc.com](http://www.asosplc.com).

The Board recognises that the AGM is the principal forum for dialogues with private shareholders. The Chairs of the Board and all Committees, together with all other directors attend the AGM and are available to answer questions raised by shareholders. The Company encourages all shareholders to attend and participate in the AGM. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. Shareholders vote on each resolution by a show of hands, unless a poll is validly called, and after each such vote the number of proxy votes received for, against and withheld is announced.

The directors actively seek to build a mutual understanding of objectives with institutional shareholders, with shareholder relations being primarily managed by the Chief Executive, the Finance Director and a new Head of Investor Relations appointed by the Company early in 2012. The Company releases preliminary and interim

**ASOS PLC**  
**CORPORATE GOVERNANCE**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

results and also issues quarterly trading updates during the year. The Chief Executive and Finance Director make presentations to institutional shareholders and analysts immediately following the release of the preliminary and interim results. The Company communicates with its institutional investors frequently and regularly through a combination of formal meetings, participation at investor conferences and informal briefings with management. Several investor days were also held during the year. In addition, analysts' notes and brokers' briefings are also reviewed to achieve a wide understanding of investors' views.

The Board as a whole is kept informed of the views and concerns of the major shareholders by briefings from the Head of Investor Relations. The non-executive directors, including the Senior Independent Director, are available to meet with major shareholders if so requested to discuss issues of importance to them.

#### **Risk Management and Internal Control**

The Board has overall responsibility for the Company's system of internal control & risk management and for reviewing its effectiveness, whilst the role of the Executive Board and management is to implement the Board's policies on risk and control and provide assurance on compliance with these policies. Steps continue to be taken to further embed internal control and risk management in the operations of the business and to deal with areas for improvement which come to the attention of management and the Board. Recent steps included the appointment in the last year of a new General Counsel & Company Secretary, as well as the continued embedding and development of the internal audit function established in the previous year. Such a system is, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an ongoing risk management process embedded in the business, for identifying, evaluating and managing significant risks faced by the Company, including those risks relating to social, environmental and ethical matters. This process was in place and strengthened throughout the year under review and up to the date of approval of the Annual Report.

The internal control procedures are delegated to executive directors and senior management in the Company operating within a clearly defined departmental structure. The Board regularly reviews the internal control procedures in the light of the ongoing assessment of the Company's significant risks. Following his appointment in early 2012, the General Counsel & Company Secretary has been tasked with ensuring the effective operation of the risk management process, starting with a review and update of the Business Risk Register, with a view to

- capturing all relevant risks faced across all parts of the business,
- ensuring a separate focus on identifying each risk itself, and then the possible consequences if such risk was to crystallise,
- assessing the likely impact of each risk in the context of the current size and shape of the Group at that time,
- assessing the likelihood of each risk arising in as predictive a manner as possible,
- ranking all risks in order of potential effect on the Company,
- identifying the current mitigating actions being undertaken to manage that risk & assessing possible additional mitigating actions that could be considered, and
- appropriately incorporating risk management and mitigating actions into the Group's strategy and planning going forward.

This risk management process will then be supplemented by the Company's internal auditors reviewing and reporting to the Audit Committee on the Company's management and handling of certain risks in key areas. Further detail on the principal risks the Company faces are set out on pages 26 to 29.

#### **a) Financial controls**

The Company has an established framework of internal financial control, the effectiveness of which is regularly reviewed by the Executive Board and the Board. The key elements of this are as follows:

- The Board is responsible for overall Company strategy, for approving revenue and capital budgets and plans and for determining the financial structure of the Company including treasury and dividend policy. Monthly results, variances from plan and forecasts are reported to the Board.
- The Audit Committee assists the Board in the discharge of its duties regarding the Company's and the Group's financial statements, accounting policies and the maintenance of proper internal business, operational and financial controls. The Committee provides a direct link between the Board and the external auditors through regular meetings.
- The Board has established an organisational structure with clearly defined lines of responsibility and approval controls identifying transactions requiring approval by the Board. The Finance Director is responsible for the functional leadership and development of the Company's finance activities.
- There is a comprehensive system for budgeting and planning and for monitoring and reporting the performance of the Company's business to the directors. Monthly results are reported against budget and prior year, and forecasts for the current financial year are regularly revised in the light of actual performance. These cover profits, cash flows, capital expenditure and balance sheets.

**ASOS PLC**  
**CORPORATE GOVERNANCE**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

- The Company has established a uniform system of investment appraisal, executive management have defined the financial controls and procedures with which each business is required to comply
- The Executive Board regularly reviews the internal control procedures and the results of work performed by the internal audit function in the light of the ongoing assessment of the Company's significant risks

**b) Non-financial controls**

The Company has established a wide range of non-financial controls covering areas such as legal & regulatory compliance, anti-bribery, health and safety, environment, ethical trading, employment and business continuity, the effectiveness of which are regularly reviewed by the executive management and the Board. The key elements are as follows:

- A corporate responsibility strategy was approved by the Board, including objectives and targets to address the impacts that the Group's activities have on the environment, workplace, marketplace and community, clear accountability and lines of responsibility at Board and operational level and regular reporting back to the Board on corporate responsibility
- The Board is committed to maintaining high standards of health and safety in all its business activities. These standards are set out in the Health and Safety Policy. All notified accidents are investigated.
- The Board approves environmental objectives and specific targets which are set down and regularly reviewed by the Executive Board.
- The Board is committed to ensuring reasonable standards among its suppliers and has approved and issued a new set of Supplier Standards (which include and expand upon the previous Ethical Trading Code of Conduct). These Standards set out the core trading requirements it expects its suppliers to meet, and covers health and safety, child labour, working hours, wage levels, freedom of association, discrimination and environmental protection.
- The Company is committed to ensuring that its personnel meet good standards of integrity and competence. The Group has in place policies which cover the recruitment, training and development of personnel, an appropriate division of responsibilities, the acceptance of gifts & corporate hospitality, the identification & reporting of any bribery requests any member of staff may receive, and the zero tolerance of the payment of any bribes by any representative of the Company.
- All Group policies and procedures are communicated throughout the organisation, with training being provided in key areas including anti-bribery and design rights.
- All material contracts are required to have been reviewed by the Legal Department and signed by a director of the Company.

**Auditor Independence**

The Board is satisfied that PricewaterhouseCoopers LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained. The external auditors report to the Audit Committee annually on their independence from the Company. Periodic rotation of key audit partners is also required. There are no contractual restrictions on the Audit Committee as to the choice of external auditors. The Board has also adopted a formal policy on the Company's relationship with its auditors in respect of non-audit work. The auditors may only provide such services provided that such advice does not conflict with their statutory responsibilities and ethical guidance. The Audit Committee Chairman's pre-approval is required before the Company uses the auditors to provide non-audit services. The fees paid to the auditors in respect of non-audit services are shown in note 3 to the financial statements. In line with its terms of reference, the Audit Committee undertakes a thorough assessment of the quality, effectiveness, value and independence of the audit provided by PricewaterhouseCoopers LLP on an annual basis, seeking the views and feedback of the Board, together with other senior management. Following the most recent review, the Audit Committee has determined to recommend to the Board the reappointment of PricewaterhouseCoopers LLP. A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company and a resolution to enable the directors to determine their remuneration will be proposed at the Annual General Meeting.

**ASOS PLC**  
**DIRECTORS' REMUNERATION REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**REMUNERATION POLICY**

The Group's remuneration policy aims to attract, retain and motivate high calibre and high performing executive directors. It does so by providing the appropriate incentives to encourage enhanced long-term performance, and by rewarding executive directors for their individual contributions to the success of the Group in a fair, consistent and reasonable manner. The Group is focussed on creating shareholder value and on rewarding high performance with high rewards, but not rewarding failure. The five remuneration principles set out below have been crafted by the Group to align the interests of Executive Directors, management and employees with those of shareholders.

- That rewards should be fair, appropriate and reflective of the Group's culture and values,
- That incentives should be strategically aligned with our Shareholders,
- That base pay should be competitive, with decisions being informed by market data,
- That the total reward cost to the Company should be affordable and sustainable,
- That employee communications around pay and rewards should be effective and clearly understood

In determining the practical application of the principles, the Remuneration Committee also take into account all factors which it deems necessary, including consideration for local practices when recruiting staff internationally.

**REMUNERATION COMPONENTS**

The remuneration policy of the Company has a number of principal components.

**Salary and benefits**

The basic salaries of executive directors are determined by the Remuneration Committee bearing in mind the salaries paid in FTSE-listed, AIM-listed and other retail and internet-based companies. Within that frame of reference, it is intended that basic pay should be at or near the median. The Company operates a defined contribution pension scheme, with the Company contributing up to 15% of basic salary for executive directors. Executive directors also receive taxable benefits including private medical and dental insurance.

**Annual Bonus Plan**

The annual award of bonuses is conditional upon the achievement of target and stretch performance thresholds by reference to agreed financial performance measures, namely profit before both tax and exceptional items, and personal performance objectives. This scheme is applicable to all employees, including executive directors, in each case with reference to each individual's salary. The amounts received by the Executive Directors under the scheme are detailed in the Directors' Remuneration section of this report. Non-executive directors do not participate in any bonus plans.

Going forward for each full financial year, the annual bonus plan applicable to all employees, including executive directors, will be framed as follows:

- Financial performance to be targeted at divisional level, through the application of appropriate department/division performance thresholds alongside personal and company performance thresholds,
- Increased weighting to be applied to personal performance where roles have less ability to directly affect financial performance,
- Where appropriate, any Stretch incentive opportunity awarded over and above the Target threshold is to be self-funding via a bonus pool accumulated as a percentage of additional profit delivered above Target,
- Opportunities will be available through the self-funding Stretch bonus pool to award spot awards to exceptional performers in the lower employee grades, and
- Annual bonus awards will in all cases be capped at a maximum of 100% of the individual's basic pay.

**Long-term Incentive and Share Option Plans**

The Company believes that employee share ownership strengthens the link between employees' personal interests and those of the Company and our shareholders. To seek to achieve that aim, the Company currently operates a number of share-based incentive schemes and plans, and is developing others. Save in respect of options granted under the Other Share Option Scheme to Lord Alli and Peter Williams on joining the Company, the non-executive directors do not and have not participated in any bonus plans.

**1. SAYE Scheme**

ASOS introduced an HM Revenue & Customs Approved Save-As-You-Earn share option scheme (the "SAYE Scheme") on 1 July 2008. The scheme is open to all eligible employees who, during a specified window, choose to enter an approved savings contract for a term of three years. Under the rules of the scheme employees can contribute between £5 and £250 a month. On maturity, the employee has the option to use the total savings at the end of the term to buy shares in the Company at the market value at the commencement date of the applicable three year term less a 20% discount. In common with most schemes of this type, there are no

**ASOS PLC**  
**DIRECTORS' REMUNERATION REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2012**

performance conditions applicable to options granted under the SAYE Scheme and, if an employee leaves the Group for whatever reason, their savings contract ends and their contributions are returned to them

Since the introduction of the SAYE Scheme, the Company has opened five windows for employees to enter the scheme, further details of which are provided in note 22 to the Audited Accounts set out on page 63. Over 370 out of a total of 983 direct employees currently participate in the SAYE scheme. This includes 237 employees who participated in the most recent window, which was opened during the year to 31 March 2012, and who save an average of £152.40 per month. At the applicable share price, completing the full term of their savings contract will entitle them to purchase an average of 466 shares in the Company at the end of the vesting period.

Two of these windows have reached their vesting period during the last financial year, as set out below.

**Grant 1**

The vesting period for this grant was 1 August 2011 to 31 January 2012, during which all of the participants exercised their options. The average pre-tax gain for each participant in Grant 1 (averaged over the 6 month vesting period) is set out below.

Grant 1 Number of Participants	Saved £50 a month	Saved £250 a month
69	£12,957.38	£64,876.96

**Grant 2**

The vesting period for this grant is 1 March 2012 to 31 August 2012. The pre-tax gain for each participant in Grant 2 (if exercised on 1 March 2012) is set out below.

Grant 2 Number of Participants	Saved £50 a month	Saved £250 a month
56	£14,562.40	£72,812.00

**2 Performance Share Plan**

Under the rules of the ASOS Performance Share Plan ("PSP"), selected employees may be awarded conditional entitlements to free shares in the Company (provided only that a participant in the Management Incentive Plan detailed below is not entitled to be granted any further options under the PSP). The performance target for options granted under the PSP is measured over a three year period. The performance targets for options currently granted under the scheme are:

Annual compound basic underlying EPS growth of the company over the performance period	Vesting percentage of the shares subject to an award
Less than RPI + 10%	0%
Equal to RPI + 10%	25%
Between RPI + 10% and RPI + 30%	Between 25% and 100% pro rata on a straight-line basis
Greater than or equal to RPI + 30%	100%

If the performance targets relating to an award are met, all shares that vest pursuant to that award are awarded to the participant as free shares.

The Remuneration Committee may amend the performance conditions applying to existing awards under the PSP at any given time if an event occurs which causes the Committee to consider it appropriate to amend them, provided that, in the opinion of the Committee, the amended conditions are not materially less challenging to achieve in the changed circumstances than those originally set.

The Remuneration Committee have the ability to review the performance conditions each time new awards are granted under the PSP and may impose different performance conditions for subsequent awards, provided that, in the opinion of the Committee, the different performance conditions are not materially less challenging in light of the Company's circumstances than those set for the initial awards.

**3 Management Incentive Plan**

Under the terms of the ASOS Management Incentive Plan ("MIP"), executive directors and certain senior employees were given the opportunity to invest their own money to buy new subordinated shares issued in a subsidiary company, ASOS com Limited ("the Subsidiary"). The rules of the MIP then provided that, depending upon the extent to which performance thresholds and conditions were met, the Company would then exchange the subordinated ordinary shares in the Subsidiary for new shares in the Company in two equal tranches, on 30 September 2012 and 30 September 2013, contingent on the growth in the enterprise value of the Subsidiary.

**ASOS PLC**  
**DIRECTORS' REMUNERATION REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2012**

The MIP was subject to Total Shareholder Return and Earnings Per Share performance thresholds and conditions, as explained below, and had a three year performance period which ended on 31 March 2012. The maximum number of new shares in the Company into which the shares in the Subsidiary could be converted was also subject to an overall value cap to limit the dilution effect of the MIP, as well as being contingent on the growth in the enterprise value of the Subsidiary.

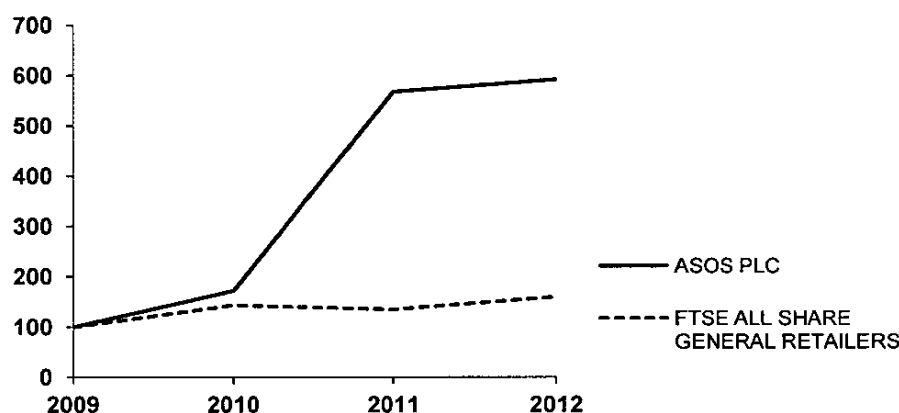
*a) Total Shareholder Return*

The Total Shareholder Return ("TSR") performance condition required the comparison of the TSR on an investment in the Company over the three years ending 31 March 2012 (the "Performance Period") with the TSR over the Performance Period on a notional investment in all of the companies in the FTSE All Share General Retailers Index (the "Index"), as constituted at the commencement of the Performance Period. Based on ASOS's relative performance and subject to the Earnings per Share criteria, the vesting percentages based on relative position based on TSR growth over the performance period were:

TSR Growth Index Position	Vesting %
Top of first decile	100%
First decile	90%
Second decile	80%
Third decile	70%
Fourth decile	60%
Fifth decile	50%
Below fifth decile	0%

If the minimum Total Shareholder Return threshold was not met, no award would vest, irrespective of the Earnings Per Share performance.

The graph below illustrates the relative performance of the Company against the FTSE All Share General Retailers Index over the Performance Period (both rebased to 100 as at 1 April 2009).



*b) Earnings per Share*

The Earnings Per Share ("EPS") performance target comprised performance levels based on the compound rate of growth of the Company's fully diluted earnings per share (before exceptional items) over the Performance Period. Under the plan rules, there were separate performance criteria and associated vesting levels for executive directors on the one hand, and other senior management participants on the other, as detailed below:

*Senior Management*

Annual compound fully diluted EPS growth of the company over the performance period	Vesting percentage
Below 24%	0%
Equal to 24%	33%
Between 24% and 30%	Between 33% and 100% pro rata on a straight-line basis
Greater than or equal to 30%	100%

**ASOS PLC**  
**DIRECTORS' REMUNERATION REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

*Executive Directors*

<b>Annual compound fully diluted EPS growth of the company over the performance period</b>	<b>Vesting percentage</b>
Below 24%	0%
Equal to 24%	13%
Between 24% and 42%	Between 13% and 100% pro rata on a straight-line basis
Greater than or equal to 42%	100%

*c) Remuneration Committee Over-nder*

Vesting also required the Remuneration Committee to be satisfied that there has been an improvement in the underlying financial performance of the Group in determining the level of vesting in respect of both the EPS Condition and the TSR Condition

*Award Vesting*

At the end of the performance period, the Company's TSR grew by 472% over the Performance Period, leading to the Company achieving the top position in the first decile. The Company's fully diluted earnings per share met the maximum performance condition in respect of the EPS condition. As a result of performance against these targets, upon the recommendation of the Remuneration Committee, the Company approved the exchange of eligible shares in the Subsidiary for 4,000,822 ordinary shares in the Company (after application of the maximum dilution cap) of an equal tax market value (based on an independent valuation of the subsidiary) as at the average share price of ASOS plc for the week ending on 18 May 2012. Participants will become entitled to trade these shares in two tranches, on 30 September 2012 and 30 September 2013 (dependent on the individual remaining an employee of the Company or being deemed to be a 'good leaver'). As a result of this exchange, the Company will issue 4,000,822 shares on 31 May 2012, 2,000,411 of which participants will become free to trade on 30 September 2012 and 2,000,411 of which participants will become free to trade on 30 September 2013 (assuming that all eligible individuals remain an employee of the Company or are deemed to be a 'good leaver'), all of which shall be newly issued by the Company. Details of the entitlements of each executive director under the MIP are set out on page 23 below.

**Proposed New Schemes**

**Proposed New Long Term Incentive Plan**

With the completion of the Performance Period for the MIP on 31 March 2012, the Company wishes to put a new long-term incentive plan in place, to ensure that executive management are provided with appropriate incentives to encourage enhanced long-term performance, in a fair and responsible manner, and are retained and rewarded for their individual contributions to the success of the Company. The importance of ensuring that a new long-term plan is in place is recognised by ASOS. The Company is in the process of crafting the new scheme to ensure it fully meets the key requirements of the Company and shareholders, at the same time as meeting the Group's remuneration principles. The new long-term plan will be put in place with effect from the start of the financial year commencing on 1 September 2012. All participants in the MIP remain incentivised to remain with the Company until this time given that all awards under the MIP do not vest until September 2012 and September 2013.

**SIP**

In the upcoming financial year, ASOS intends to put in place a new HMRC-approved Share Incentive Plan (SIP), where awards are made to ensure that every employee has a stake in the Company's future success. Whilst the details are still to be finalised and HMRC approval is still to be obtained, it is intended that all employees would be required to hold each award of a certain number of free shares in trust for at least a three year vesting period, to ensure that the tax benefits are accrued and that employees are connected to the long-term success of the Company. It is also intended that awards would be satisfied through the market purchase of the relevant number of shares by the Employee Benefit Trust (see below), rather than through the fresh issue of new shares.

**CSOP**

ASOS also intends to explore the possible establishment of a new HMRC-approved Company Share Option Plan ("CSOP") under which approved options may be granted up to a maximum of £30,000 of shares to each participant with an exercise price equal to the market value of ASOS shares. The gain under the CSOP should not be subject to income tax or NIC provided that the option is exercised at least 3 years after the date of grant. This new CSOP would be intended to provide an alternative to the existing PSP to allow rewards to be provided in a more tax efficient way to employees and at a lower cost to the Company.

**ASOS PLC**  
**DIRECTORS' REMUNERATION REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

***Historical Share Schemes***

***EMI Share Option Scheme***

The EMI Share Option Scheme is a historical scheme, with final options being granted under the scheme during the year ended 31 March 2009. The scheme awarded share options to executive directors and senior executives with vesting periods of between one and three years. Options granted under the EMI Share Option Scheme have no performance conditions attached and were only dependent on continued employment. The exercise price of the options granted under the scheme is set equal to the market value of the Company's shares at the time of grant. Six employees have outstanding option awards under the EMI Share Option Scheme over a maximum of 2,299,421 shares in the Company.

***Other Share Option Scheme***

The Other Share Option Scheme is a historical scheme, under which unapproved options were granted with no performance conditions attached and only being dependent on continued employment. The exercise price of the options granted under the scheme was set equal to the market value of the Company's shares at the time of grant.

**EMPLOYEE BENEFIT TRUST**

The ASOS com Limited Employee Benefit Trust ("EBT") is used to facilitate the acquisition of ordinary shares in the Company for the purpose of satisfying awards and options granted under the Company's PSP and SAYE share schemes. The EBT is a discretionary trust, the sole beneficiaries being employees (including executive directors) and former employees of the Group and their close relations. The Trustee is Ogier Employee Benefit Trustee Limited, an independent professional trustee company based in Jersey. Under the terms of the Trust Deed, the Company funds the EBT to purchase on the EBT's own account ordinary shares in the Company on the open market in return for the EBT agreeing to use the ordinary shares in the Company that it holds to satisfy certain outstanding awards and options made under the Company's share schemes.

As at 31 March 2012 the EBT held 599,457 shares in ASOS plc (2011: 947,859) to the value of £2,932,000 (2011: £3,275,000). The Group's accounting policy is detailed within note 1 to the financial statements and movements are detailed in the Consolidated Statement of Changes in Equity on page 38.

**DIRECTORS' SERVICE CONTRACTS**

All executive directors are employed under service contracts. For executive directors, the Company's policy is that all executives should have rolling service contracts with an indefinite term but a fixed period of notice of termination. The services of all executive directors may be terminated by the provision of a maximum of 12 months' notice by the Company or the individual. The Company's policy for non-executive directors is that, rather than having service contracts with the Company, they have letters of appointment, providing for a maximum of 3 months' notice of termination by the Company or the individual at any time, with no pre-determined amounts of compensation.

**ASOS PLC**  
**DIRECTORS' REMUNERATION REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**DIRECTORS' REMUNERATION**

The information contained within the Directors' Remuneration section of this report has been audited  
The remuneration of the directors for the financial year ended 31 March 2012 was as follows

Director	31 March 2012					31 March 2011
	Salary £	Bonuses £	Pensions £	Other £	Total £	Total £
Lord Alli	150,000	-	-	-	150,000	150,000
Nick Robertson	350,200	210,120	-	3,320	563,640	341,706
Nick Beighton	272,950	163,770	40,943	3,220	480,883	306,437
Jon Kamaluddin	270,000	162,000	40,500	3,207	475,707	277,984
Robert Bready	278,100	152,955	41,715	2,704	475,474	311,783
Peter Williams	46,000	-	-	-	46,000	41,000
Karen Jones	45,000	-	-	-	45,000	40,000
Mary Turner	40,000	-	-	-	40,000	35,000
	1,452,250	688,845	123,158	12,451	2,276,704	1,503,910

Other remuneration relates mainly to private medical and dental insurance. The difference in the remuneration of the non-executive directors is explained by Lord Alli's role as Chairman of the Company, Peter William's role as Senior Independent Director and chair of the Audit Committee, and Karen Jones' position as chair of the Remuneration Committee.

The Company also contributed £600,000 towards the National Insurance liability on exercise of share options by Lord Alli. See page 24 for further details.

**DIRECTORS' SHARE OPTIONS**

**Management Incentive Plan**

The directors' holdings of subordinated ordinary shares in ASOS com Limited under the Management Incentive Plan, and the resulting entitlements to exchange these for shares in the Company following successful completion of the three year Performance Period (as explained above) are as follows:

	Shares held in ASOS com Limited	Shares in ASOS com Limited eligible for exchange for shares in ASOS plc	Resulting entitlement to shares in ASOS plc
Nick Robertson	70,378	70,378	1,489,584
Nick Beighton	34,499	34,499	730,188
Jon Kamaluddin	28,841	28,841	610,434
Robert Bready	37,259	37,259	788,604

These shares will vest in two equal tranches on 30 September 2012 and 30 September 2013. These awards will be satisfied through the issue of new ordinary shares in ASOS plc.

**ASOS PLC**  
**DIRECTORS' REMUNERATION REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**Directors' options under all plans other than the MIP**

Options granted to directors under the Company's SAYE, PSP, EMI Share Option Scheme and the Other Share Option Scheme were as follows (see also notes below)

Director	Share option Scheme	Date of grant	1 April 2011 No of shares	Granted during the year No of shares	Exercised during the year No of shares	31 March 2012 No of shares	Exercise price Pence	Exercise date/Exercise period
Lord Alli	Other	06/12/00	1,579,657	-	(750,000)	829,657	12 67	16/01/01-01/01/14
Nick Robertson	SAYE	19/06/08	3,319	-	(3,319)	-	283 2	01/08/11
	SAYE	06/12/11	-	764	-	764	1,177 0	01/03/15-31/08/15
	PSP	30/07/08	61,635	-	(61,635)	-	nil	30/07/11
	EMI	30/07/04	140,000	-	-	140,000	56 5	30/07/06-29/07/14
	EMI	11/07/05	500,000	-	-	500,000	57 5	11/07/07-10/07/15
	EMI	04/07/06	200,000	-	-	200,000	98 0	04/07/08-03/07/16
Nick Beighton	SAYE	18/12/09	2,700	-	-	2,700	336 0	18/12/12-17/06/13
Jon Kamaluddin	SAYE	19/06/08	3,319	-	(3,319)	-	283 2	01/08/11
	PSP	30/07/08	41,823	-	(41,823)	-	nil	30/07/11
	EMI	11/07/05	1,266	-	(1,266)	-	58 25	10/08/11
	EMI	04/07/06	121,000	-	(121,000)	-	98 0	10/08/11
Robert Bready	SAYE	19/06/08	3,319	-	(3,319)	-	283 2	08/08/11
	SAYE	06/12/11	-	764	-	764	1,177 0	01/03/15-31/08/15
	PSP	30/07/08	48,427	-	(48,427)	-	nil	30/07/11
Peter Williams	Other	04/04/06	100,000	-	-	100,000	94 5	04/04/08-04/04/16

- a) Lord Alli exercised 750,000 shares during the year with a total value on exercise of £14,271,375 and an average share price on exercise of £19 03
- b) Nick Robertson exercised 64,954 shares during the year with a total value on exercise of £1,474,055 and an average share price on exercise of £22 69
- c) Jon Kamaluddin exercised 167,408 shares during the year with a total value on exercise of £3,274,382 and an average share price on exercise of £19 56
- d) Robert Bready exercised 51,746 shares during the year with a total value on exercise of £1,160,471 and an average share price of £22 43

PSP and SAYE option grants are settled on exercise through transfer of shares from the Employee Benefit Trust. Grants under the EMI Share Option Scheme and the Other Share Option Scheme are settled on exercise through the issue of new ordinary shares by the Company.

Under the terms of the option grant to Lord Alli under the historical 'Other Share Option Scheme', the Group was liable to satisfy the Employer's National Insurance liability arising on exercise of the options up to a total of £600,000. Lord Alli agreed to indemnify ASOS plc against the remainder of the Employer's National Insurance liability. Lord Alli exercised 750,000 options during the year to 31 March 2012 and accordingly the Group satisfied a liability for Employers' National Insurance Contributions of £600,000. Lord Alli satisfied the remainder of the liability.

The market price of ordinary shares at 31 March 2012 was 1,776 75p (2011 1,707 73p) and the range during the period was from 1,134 03p to 2,461 24p (2011 517 50p to 1,901 88p).

**ASOS PLC**  
**DIRECTORS' REMUNERATION REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**DIRECTORS' SHAREHOLDINGS**

The directors who held office at 31 March 2012 had the following interests, including family interests, in the shares of the Company

	<b>Ordinary shares</b> <b>31 March 2012</b>
Lord All	-
Nick Robertson	7,744,600
Nick Beighton	-
Jon Kamaluddin	-
Robert Bready	187,424
Peter Williams	50,000
Karen Jones	19,500
Mary Turner	-

By Order of the Board



**Karen Jones**  
Chairman of the Remuneration Committee  
23 May 2012

**ASOS PLC  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2012**

---

The directors of ASOS plc (the "Company") present their Annual Report to shareholders together with the audited financial statements of ASOS plc and its subsidiaries (the "Group") for the year ended 31 March 2012. The purpose of the Annual Report is to provide information to members of the Company. The Annual Report contains certain forward looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results to differ from those anticipated. Nothing in this Annual Report should be construed as a profit forecast.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is that of a holding company. The principal activity of its subsidiary undertakings is that of internet retailing and details of the principal subsidiaries are set out on page 73.

**BUSINESS REVIEW**

The Companies Act 2006 requires the Company to set out in this report a fair review of the business of the Group during the financial year ended 31 March 2012 including an analysis of the position of the Group at the end of the financial year. The information that fulfils these requirements can be found in the following sections of the Annual Report which are incorporated into this report by reference:

- Chairman's Statement on page 3
- the Business Review by the Chief Executive's and Finance Director on pages 4 to 11

Pages 26 to 34 inclusive (together with the sections of the Annual Report incorporated by reference) consist of a Directors' Report that has been drawn up and presented in accordance with and reliant upon applicable English law and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

**RESULTS AND DIVIDENDS**

Group profit after tax for the financial year was £22.3m (2011: £10.8m), with revenue up 46% to £495.0m (2011: £339.7m).

The directors do not recommend the payment of a dividend (2011: £nil).

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Corporate Governance Report on pages 13 to 17 describes the process through which the directors assess, manage and mitigate risks. The Board regularly reviews the risks faced by the Group, recognising that the profile of risks changes constantly and additional risks not presently known, or that are currently deemed immaterial, may also impact the Group's business objectives. The Board has identified the following factors as the current major potential risks to the successful performance of the business:

<b>RISK</b>	<b>MITIGATING ACTIVITIES</b>
<b>Economic and market risks</b>	
<i>Economic outlook</i> As a retailer, ASOS is sensitive to the economic climate, which continues to pose challenges in light of the ongoing financial difficulties particularly in Europe. Factors such as household disposable income, weather, seasonality of sales, and changing demographics affect demand for the Group's products. The ability to pass on increases in the price of input costs such as cotton and fuel to the customer affects the Group's profit performance.	<ul style="list-style-type: none"><li>- Regular review by the Company of the economic climate to ensure that any changes are factored into the business's requirements and actions accordingly</li><li>- Continual efforts to deliver value to all customers via investment in quality and price, in light of the economic climate at any given time</li><li>- Development of extensive product ranges designed to meet the demands of differing customers, with differing requirements and spend patterns</li></ul>

**ASOS PLC**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2012**

<b>RISK</b>	<b>MITIGATING ACTIVITIES</b>
<p><b>Competition</b>            Internet fashion retailing is global and highly competitive. Failure to compete effectively with high street retailers and other internet retailers may affect revenues.</p>	<ul style="list-style-type: none"> <li>- Adoption of a proactive approach to monitoring competitor activity and consumer trends, for example through increased comparison shopping</li> <li>- Adoption and implementation of a clear pricing positioning strategy versus the primary high street retailers and other internet retailers, which is regularly reviewed by management and the Board</li> <li>- Merchandising function enhanced during last twelve months to ensure appropriate price focus</li> </ul>
<p><b>Market</b>            The retail fashion industry and market is subject to changing customer tastes. ASOS's performance is dependent upon effectively predicting and quickly responding to changing consumer demands and translating market trends into saleable merchandise.</p>	<ul style="list-style-type: none"> <li>- Adoption of a proactive approach to monitoring consumer trends</li> <li>- Employment of experienced buyers and designers</li> <li>- Regular attendance at all major fashion weeks to monitor trends</li> <li>- Use of freelance fashion experts to refresh internal knowledge</li> <li>- Executive directors and senior management continually review the design and selection of the product range to ensure, as far as possible, that a well-balanced product mix is on offer and there is adequate stock available at the right time to meet customer demand</li> </ul>
<p><b>Over-reliance on one category/department</b>            The fashion market sub-divides into different categories (e.g. womenswear and menswear) and different clothing types or departments, each of which ASOS will need to compete effectively in order to operate as a global fashion retailer.</p>	<ul style="list-style-type: none"> <li>- Continual efforts to deliver value to all customers across all categories and departments via investment in quality and price</li> <li>- Development of extensive product ranges across all categories and departments designed to meet the demands of differing customers</li> <li>- Increased investment in less-established categories and departments to enhance category and department diversification</li> <li>- Regular re-assessment and re-alignment of established categories and departments to ensure focus on customer</li> </ul>
<p><b>Product demand &amp; supply forecasting</b>            To meet sales, ASOS is required to forecast the likely level of demand and then order sufficient levels of product in order to meet that demand. An inaccurate forecast of that level of demand will affect the efficiency and effectiveness of ASOS's retail operations.</p>	<ul style="list-style-type: none"> <li>- Continued investment in merchandising expertise and capacity</li> <li>- Close levels of understanding and cooperation between the buying teams and the merchandising teams for each category and department, to ensure each understands the inter-relationship between those functions</li> </ul>
<p><b>Financial risks</b>            The Group has potential exposure to changes in interest rates and foreign exchange rates.</p>	<ul style="list-style-type: none"> <li>- The Treasury department takes responsibility for reducing exposure to these and other financial risks, to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably</li> <li>- Further information on the Group's exposure to and management of capital, liquidity, credit, interest rate and foreign currency risk can be found in note 21 to the financial statements</li> </ul>

**ASOS PLC  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2012**

<b>RISK</b>	<b>MITIGATING ACTIVITIES</b>
<b>Technological risks</b>	
<p><b>Failure or interruption of or denial of access to information technology systems &amp; infrastructure</b></p> <p>The Group is dependent on its IT infrastructure and any system performance issues (for example system or infrastructure failure, damage or denial of access) could seriously affect our ability to trade</p>	<ul style="list-style-type: none"> <li>- Ongoing investment made in IT systems to ensure that they are able to continue to respond to the needs of the business and do not become obsolete</li> <li>- Back-up facilities in place to ensure that business interruptions are minimised and internal and customer data is protected from corruption or unauthorised use</li> <li>- Business Recovery Plans in place to minimise affects of damage or denial of access to infrastructure or systems</li> </ul>
<p><b>Failure to adopt technological innovations</b></p> <p>Internet retailing is based on rapidly changing technologies and failure to adopt new technological platforms to reach its target market could impact ASOS's performance</p>	<ul style="list-style-type: none"> <li>- Proactive approach to adopting technological developments to retain appeal within core customer market</li> <li>- Proactive approach to collecting and analysing data from customer spend and site usage habits to try to establish any important trends</li> </ul>
<b>Supply chain risks</b>	
<p><b>Key suppliers</b></p> <p>ASOS is an international retailer and has agreements with suppliers throughout the world. The interruption, deterioration or loss of supply of core category products from these suppliers to the Group's warehouse may affect the Group's ability to trade</p>	<ul style="list-style-type: none"> <li>- Significant effort placed on working with suppliers to manage the potential risk of interruptions and delays in supply or distribution that may adversely impact on trade</li> <li>- Adoption of robust policies and practices for monitoring quality and ethical standards within the supply base, overseen by the Technical Services and Corporate Responsibility departments to ensure product quality and standards are appropriate</li> <li>- Contractual and other arrangements made with numerous third parties in support of business activities, although ASOS trading business is not considered to be fundamentally dependent on any of these arrangements</li> </ul>
<p><b>Logistics &amp; fulfilment</b></p> <p>ASOS delivers to over 190 countries, and has agreements with several logistics providers to fulfil deliveries to customers. The interruption, deterioration or loss of delivery services from these suppliers to the Group's warehouse may affect the Group's ability to complete sales</p>	<ul style="list-style-type: none"> <li>- ASOS has multiple delivery routes and options, and uses multiple delivery service providers, to reduce level of dependency on any one provider</li> </ul>
<p><b>Warehouse disruption</b></p> <p>Any disruption to the Group's warehousing facilities due to physical property damage, breakdown in warehouse systems, capacity shortages or poor logistics management would lead to significant operational difficulties in order fulfilment</p>	<ul style="list-style-type: none"> <li>- Warehouse managed by large multi-national company specialising in the provision of these services, in several locations and countries</li> <li>- Continuous monitoring of service levels and warehouse handling to ensure goods are delivered in a timely manner</li> <li>- Sufficient warehouse handling capacity in place to accommodate expected future volumes</li> <li>- All products on relatively short lead times, with a steady flow of products into the warehouse, enabling supply chain to be diverted to alternative locations if necessary within a manageable timeframe</li> </ul>
<b>Reputational risks</b>	
<p><b>Brand Name</b></p> <p>Internet only businesses depend on their brand name, and supporting online domain names, given that they are the primary mechanism by which the business connects with its customers, given the lack of physical shops and high street presence</p>	<ul style="list-style-type: none"> <li>- Company was first to use the ASOS brand name both for online retailing and on fashion clothing</li> <li>- Robust strategy for actively pursuing and defending brand name and all supporting domain names and other intellectual property, in all key markets in all relevant classes</li> </ul>

**ASOS PLC  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2012**

<b>RISK</b>	<b>MITIGATING ACTIVITIES</b>
<p><b>Quality of customer service</b> Customers are key to the Group's business and poor customer service could adversely impact the Group's reputation and brand</p>	<ul style="list-style-type: none"> <li>- Investment in training of customer facing teams to ensure high customer care standards for all customers</li> <li>- Focus on improving customer proposition including offering various free delivery and returns options</li> </ul>
<p><b>Security of customer data</b> Unauthorised access to ASOS's customer data could lead to reputational damage and loss of customer confidence</p>	<ul style="list-style-type: none"> <li>- Technical and physical security controls in place to mitigate unauthorised access to customer data held on the Group's servers, including access restrictions and encryption of customer credit card data, and alert system in place in case of attempted unauthorised access</li> <li>- Employment of IT Security Officer, dedicated to considering and mitigating IT security violations</li> <li>- PCI level 1 certification obtained</li> </ul>
<p><b>People risk</b></p> <p><b>Reliance on key personnel</b> The performance of the Group depends on its ability to continue to attract, motivate and retain key staff. The retail sector is very competitive and the Group's people are frequently targeted by other companies for recruitment</p>	<ul style="list-style-type: none"> <li>- Remuneration Committee monitors levels and structure of remuneration for senior management and seeks to ensure that they are designed to attract, retain and motivate senior management to run the Group successfully</li> <li>- All employees provided with conditions for fulfilling careers through employment policies, competitive remuneration and benefits packages and career development opportunities</li> </ul>
<p><b>Regulatory risk</b></p> <p><b>Regulatory Compliance</b> The Group must comply with regulatory requirements in relation to employment, competition and environmental issues, planning, pensions and taxation legislation. Failure to do so could lead to financial penalties or reputational damage</p>	<ul style="list-style-type: none"> <li>- Regular audits and reviews to ensure regulatory compliance</li> <li>- Monitoring of regulatory developments</li> </ul>

**EMPLOYEES**

The Group employs 983 people (excluding staff at the Group's warehouse and European language customer care staff who are employed through an outsourced contracts). All of the Group's employees and outsourced staff are central to the Group's success. Staff working through outsourced arrangements are regularly included in Group communications and all receive access to staff discount benefits so that they can engage with our products and brand.

**Equal opportunities**

The Board firmly believes in creating throughout the Group a culture that is free from all kinds of discrimination and harassment and will not permit or tolerate discrimination in any form. The Group gives full and fair consideration to applications for employment when these are received from disabled people and employs disabled people whenever suitable vacancies arise. Should an employee become disabled while working for the Group, efforts are made to continue their employment and retraining is provided, if necessary. Whilst being committed to enabling all employees to develop their careers irrespective of their gender, ASOS fully supports all initiatives to ensure the appropriate representation of all genders throughout all levels of the Company. Of the eight members of ASOS's board, 25% are female and 75% are male. Overall, 63% of the full-time workforce are women and 37% are men, whilst 92% of the part-time workforce are women and 8% are men.

In the upcoming year, the Company will be installing and implementing a new HR Information System which, amongst other things, should enable monitoring and reporting of other key metrics relating to diversity and equal opportunities.

**Training and development**

The Group's training and development programmes are focused on giving staff the skills they need to move up to new roles, enabling them to develop their careers, and ensuring that there is a pipeline of talent within the Group. In the upcoming year, the Company will establish and begin to embed a competency framework, which

**ASOS PLC  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2012**

---

is intended to underpin the way employees work together across the business, strengthen support for management decisions and lead to greater organisational effectiveness

***Employee engagement***

Employees are kept informed of the performance and objectives of the Group through regular briefings and emails and the Group's open management style encourages employees to contribute to the development of the business. The Group conducts an all employee staff survey every 2 years and the next survey is scheduled to take place in Autumn 2012

***Employee share ownership***

The Company believes that it is important where possible to align employee incentives with the expectations of shareholders. Details on schemes to encourage employee share ownership are set out in the Remuneration Report on pages 18 to 25

**SOCIAL AND ENVIRONMENT ISSUES**

The Board continue to believe that good corporate responsibility is essential to the long-term success of the Group. Managing social and environmental matters is embedded into the day-to-day management and operation of the Group, through a number of initiatives, policies and procedures. These initiatives, policies and procedures come together under the umbrella "Fashion With Integrity", with that umbrella having four distinct strands "Ethical Trading", "Sustainable Fashion", "Sustainable Business" and "Community"

***Ethical Trading***

ASOS defines Ethical Trading as ensuring that we trade with partners and suppliers whose processes are ethically sound, and that we proactively engage in the development of suppliers

ASOS takes its responsibilities for the ethical treatment of workers in its supply chain very seriously. Whilst we acknowledge that many issues associated with ethical trading cannot be solved overnight, we believe that sustainable and significant change is an achievable goal if we work in collaboration with other companies, trade unions and NGOs. The Group's objective is that the workers who manufacture its products are treated fairly and that its products are made in accordance with good environmental standards. To work towards that objective, ASOS adopted the Ethical Trading Initiative ("ETI") Base Code of Conduct in 2008 and became a full member in 2009

Initially ASOS ethical trade strategy has been focussed on

- Integrating ethical trade into the overall company strategy,
- Mapping our supply chain and monitoring audit reports and factory improvements,
- Training and awareness across key teams in the business,
- Developing information systems to increase the visibility of our supply base and their activities, and
- Taking part in initiatives and training as a member of ETI

Having adopted the Ethical Trading Initiative Base Code, the Group has then looked to enhance its own Ethical Standards for Suppliers, in areas such as child labour and young workers. The Ethical Standards reinforce the Group's commitment to its ethical policies, and clarify both what is expected of an ASOS supplier in terms of labour conditions and what suppliers can expect from ASOS in terms of supplier support and responsible purchasing practice. In the past year, the Group has also

- Achieved Foundation level for its first ETI Annual Report,
- Added a full time Ethical Trade Manager to the Corporate Social Responsibility team,
- Increased the budget for global ethical trade programmes,
- Engaged a regional audit team in our key supplier markets of China, India, Turkey and Romania for more focussed supplier relationship development and support,
- Developed our supplier database and the information recorded on it, so that we can analyse improvement actions

We continue to receive and value positive feedback from independent assessors

ASOS has its own active role to play in trading ethically, by pro-active engagement in the development of suppliers. One example of this is how and when we pay suppliers. The Group policy for the payment of suppliers is to agree the terms of payment in advance in line with normal trade practice and, provided a supplier performs in accordance with the agreement, to abide by such terms

The trade creditor payment period for the Group for the financial year under review is 43 days (2011 49 days). The creditor payment period for the Company for the financial year under review is nil (2011 nil)

**ASOS PLC  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2012**

---

*Sustainable Fashion*

Sustainable Fashion involves increasing the use in our product ranges of materials whose origins are sustainable. We currently promote sustainable fashion through the following principal platforms:

The Green Room/Men's Eco Fashion: these are the platforms on the ASOS.com retail website for collections with a story to tell – pioneer brands with a social and environmental ethos, including ASOS Africa (as detailed below) and bespoke own label creations.

**ASOS Africa:** ASOS has developed the "ASOS Africa" range with SOKO over a number of seasons, in order to help create sustainable, fair employment, training and skills with some of Kenya's poorest people. SOKO aims to create a sustainable and creative long term solution to Kenya's economic crisis by promoting community driven, ethical and environmentally aware trade in fashion. In 2011 ASOS donated £5 for every ASOS Africa piece sold to raise funds for a new eco-workshop for SOKO in Kenya.

**Fairtrade:** ASOS is also a Fairtrade Licensee and sells its own Fairtrade cotton range.

**Internal Awareness:** our Corporate Responsibility team work hard to raise internal awareness of all our corporate responsibility initiatives, as a result of which there are now over 120 buyers trained in sustainable sourcing.

*Sustainable Business*

To ASOS, Sustainable Business means the development and advancement of processes that enhance the Group's future long-term viability as a commercial enterprise to the benefit of our shareholders, customers, partners and employees.

In particular, the Group appreciates that resources are not infinite in supply. ASOS is therefore committed to reducing the environmental impact of its business, recognising that greater environmental efficiency also makes good business sense, particularly in light of fuel price and raw material trends in recent years. The environmental management policy adopted by the Board expressly sets out the following commitments:

- Strive to continuously improve our environmental performance,
- Manage our business operations to minimise pollution,
- Reduce consumption of natural resources and improve the efficient use of those resources,
- Consider environmental issues and energy performance in the acquisition, design, refurbishment, location and use of buildings,
- Measure and take action to reduce the carbon footprint of our business activities to meet our published objectives and targets,
- Ensure environmental and climate change criteria are taken into account in the procurement and provision of goods and services,
- Manage waste generated from our business operations according to the principles of reduction, reuse and recycling, and
- Comply with all relevant environmental legislation as well as other environmental requirements to which the firm subscribes.

To put this into practice operationally, the Group has a programme targeting emissions reduction across the business, by working with inbound and outbound transport partners, colleagues and property services (amongst others). One example is the consolidation of inbound deliveries to reduce road emissions. With regard to packaging, all boxes and bags used for customer deliveries are 100% recyclable, and four types of customer delivery bag were redesigned this year to reduce the amount of plastic used by an average of 30%. The Group has also reduced the height of the largest boxes to minimise the transportation of empty space. The carbon emissions measurement in April 2011 showed an 11% decrease in the Group's CO<sub>2</sub> emissions per million pounds of turnover on the previous year. Customers also are encouraged to recycle their wardrobes through ASOS Marketplace and, where possible, care labels in our products ask customers to save energy by washing at 30°C.

From an internal perspective, ASOS was the first fashion retail company to achieve CarbonNeutral® status under The CarbonNeutral Protocol, the global standard for ensuring the integrity and quality of CarbonNeutral® certification programmes. This means that the CO<sub>2</sub> emissions from the company's energy use, business travel, non-recyclable waste, deliveries and employee commuting have been measured and reduced to net zero through verified carbon offset projects. As part of this, we have a portfolio of innovative, third party verified emission reduction projects located around the world. These include reforestation projects in Tanzania and the USA, methane capture in China, a wind-powered cotton mill in Northern India, and the Kasigau Corridor Forest and Community Protection scheme in Kenya, which rebuilds forests as habitats for endangered species.

The Group implements a number of internal environmental initiatives including recycling paper, plastics, card, food waste and glass. All energy directly controlled by ASOS is sourced from green tariffs. In 2011 ASOS

**ASOS PLC  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2012**

---

made the move from printed marketing/PR 'lookbooks' of styles to digital versions, making savings on printing and distribution costs to an ever growing international following. Suppliers of office cleaning, courier services, stationery, office equipment and building services are required to demonstrate effective environmental management policies. ASOS has converted car parking spaces at head office to cycle racks and further encourages cycling with free training and maintenance sessions and an annual 'bike to work' week. ASOS has also launched its own 'Green Team' of business champions who work together to engage colleagues in environmental and social initiatives. New employees receive an induction session on social and environmental policies. The Company's new fulfilment centre in Barnsley has an A\* building survey rating for energy efficiency.

People are important to all businesses, but especially ASOS, and our focus on 'Sustainable Business' therefore naturally extends to our employees and our customers. Practical measures are undertaken to ensure that the Group's activities and products do not pose a risk to customers, employees, contractors, sites or equipment. The Company recognises the importance of health and safety in the workplace and its management is designed to improve business performance. Procedures are in place to enable effective communication and consultation about health, safety and welfare issues in order to achieve a high level of safety awareness.

#### *Community*

ASOS' retail business is about creating an online community, and community is equally important to how we operate as a company. From a corporate perspective, 'Community' is about making a positive difference in the communities within which we operate. We principally do this through charitable donations and volunteering activities.

The ASOS Foundation Trust is a charitable trust which is funded by the Group and supported by activities of employees and customers. The foundation does not select a 'charity of the year' but instead commits to long-term partnerships with a small number of charities which have been researched and shortlisted for us by the Charities Aid Foundation. ASOS is passionate about helping young people to achieve their potential and the Foundation's overall mission is therefore to work with others to provide life-changing opportunities, support and inspiration for young people. The Trust is held within the Charities Aid Foundation which is a charity established under English law and registered at the Charity Commission under charity registration number 268369.

During the year the Group made charitable donations totalling £182,884 (2011 £96,823) as follows

- **The Prince's Trust** ASOS is a four year patron of The Trust which gives practical and financial support to 14 to 30 year-olds, enabling them to develop skills that will help them move into education employment and training. ASOS has developed 'Get Started with Fashion' with the Prince's Trust – a course to raise confidence through young people's creativity and fashion awareness. Participants learn how to up-cycle vintage/charity shop 'finds' and sell their work on ASOS Marketplace. They also learn skills for getting into future work or training through workshops with ASOS colleagues. 10% of ASOS colleagues are practically engaged with the Prince's Trust, for example by giving CV workshops and interview practice to help young people into work.
- **Udayan Care** this is an Indian Public Charitable Trust providing homes and education to abandoned or orphaned children in India. The ASOS Foundation supports the running of two homes – one for 14 girls since 2009 and one for 12 boys since 2011. Donations during the year to Udayan Care totalled £26,000 (2011 £20,500).
- **SOKO** this initiative aims to promote community driven, ethical and environmentally aware sustainable trade in fashion and, in doing so, partly alleviate Kenya's economic crisis. In 2011 ASOS donated £5 for every ASOS Africa piece sold to raise funds for a new eco-workshop for SOKO in Kenya.
- **Oxfam** End of life samples are regularly donated to Oxfam. ASOS is also actively engaged in promoting Oxfam Collects, a scheme to engage employees in bringing items from home to donate to Oxfam shops.
- **Retail Trust** An annual donation of £20,000 was made to the Retail Trust which supports people who work in the retail industry.

**ASOS PLC  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2012**

- **Local donations** A number of smaller donations were made by the Group to charities, including Down's Syndrome Support Group, The National Brain Appeal and Barnsley Hospice. In addition, 'in kind' product donations were made to over 250 small charities for fundraising events. ASOS is proud to be one of the largest employers in Barnsley, the site of our global fulfillment centre. In 2011 we established a programme of community investment in Barnsley, focussing on grass roots support of local initiatives benefitting young people through arts, music, fashion, education and sport. In Hemel Hempstead, the site of our customer services centre, colleagues were supported in team fundraising challenges for Cancer Research and the British Heart Foundation. A Christmas Charity fair was held at the head office in London, with the British Heart Foundation, Breast Cancer Campaign and the Retail Trust, whilst other activities at that site included fundraising events for the ASOS Foundation and incentives to join the payroll giving scheme.
- **Workplace Giving** The Company also encourages employees to donate to charity through the operation of a Workplace Giving scheme, in which 162 employees (or around 20% of the ASOS workforce) participated at 31 March 2012 to give to charity through their pay. This has provided very popular with employees, as a result of which ASOS was Highly Commended at the National Payroll Giving Excellence Awards for Best Promotional Campaign and received a Gold Quality Award for the second year running.

**DIRECTORS**

The names of the directors as at the date of this report, together with biographical details, are set out on page 12. All the directors served throughout the period.

The interests of the directors and their immediate families in the share capital of the Company, along with details of directors' share options and awards, are contained in the Directors' Remuneration Report on pages 18 to 25. At no time during the year did any of the directors have a material interest in any significant contract with the Company or any of its subsidiaries.

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its 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. This was in place throughout the financial year under review and up to the date of approval of the financial statements.

**SHARE CAPITAL**

The authorised and issued share capital of the Company, together with the details of shares issued during the year is shown in note 19 to the financial statements. The issued share capital of the Company at 31 March 2012 was 77,121,235 ordinary shares of 3.5p.

**COMPANY'S SHAREHOLDERS**

The Company has been notified in accordance with the Disclosure and Transparency Rules of the Financial Services Authority that, as at 23 May 2012, the following shareholders own more than 3% of the issued share capital of the Company.

Holder	Number	Percentage as at date of notification
Aktieselskabet af 5 5 2010	19,286,126	25.01
Nick Robertson	7,744,600	10.19
The Nomad Investment Partnership LLP	5,371,261	7.03
Standard Life Investments Limited	5,267,367	6.83
Baillie Gifford & Co	4,477,986	5.96
Capital Research and Management Company	3,677,411	4.98

**ASOS PLC  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2012**

---

**GOING CONCERN**

The Group's business activities together with the factors that are likely to affect its future developments, performance and position are set out in this Directors' Report, and the Chief Executive's and Finance Director's joint Business Review. The finance section of the Business Review also describes the Group's financial position and cash flows, further information on which is detailed in the financial statements. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk. The Directors' Report also highlights the main risks and uncertainties facing the Group.

The Group has a strong financial position supported by a revolving credit facility of £10.0m which is available until February 2013. The directors have reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure. After making enquiries, the directors have a reasonable expectation that the Group has adequate financial resources to continue its current operations, including contractual and commercial commitments for the foreseeable future despite the current uncertain economic outlook, and therefore they have continued to adopt the going concern basis in preparing the financial statements.

**STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS**

Having made the requisite enquiries, as far as each of the directors is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each of the directors has taken all steps they should have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors of the Company. A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company and a resolution to enable the directors to determine their remuneration will be proposed at the Annual General Meeting.

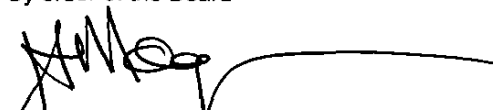
**ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held at 9.30am on 12 July 2012 at The Finsbury Theatre, CPC Venues, 4 Chiswell Street, London EC1Y 4UP. The Notice of this year's Annual General Meeting will be available to view on the Group's website [www.asosplc.com](http://www.asosplc.com) sufficiently in advance of that meeting.

The directors consider that all of the resolutions proposed at the meeting are in the best interests of the shareholders and the Company, and will add to its continued success. The directors will vote in favour of all of the proposed resolutions at the meeting and unanimously recommend that the shareholders also all vote in favour of all the proposed resolutions.

This report was approved by the Board on 23 May 2012.

By order of the Board

  
Andrew Magowan  
Company Secretary  
23 May 2012

**ASOS PLC**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

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

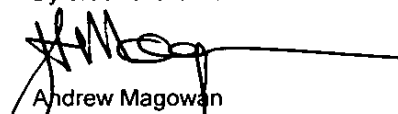
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). 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 Group and the company and of the profit or loss of the company and Group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements

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 the Group 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 the Group 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

  
Andrew Magowan  
Company Secretary  
23 May 2012

**ASOS PLC**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASOS PLC**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASOS PLC**

We have audited the group financial statements of ASOS Plc for the year ended 31 March 2012 which comprise the Group Statement of Financial Position, the Group Statement of Comprehensive Income, the Group Statement of Cash Flows, the Group Statement of Changes in Equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

**Opinion on financial statements**

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2012 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements

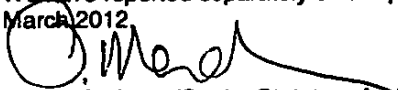
**Matters on which we are required to report by exception**

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

- 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.

**Other matter**

We have reported separately on the parent company financial statements of ASOS Plc for the year ended 31 March 2012

  
Owen Mackney (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans  
23 May 2012

**ASOS PLC**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	Note	31 March 2012			31 March 2011 (Reclassified) <sup>1</sup>		
		Before exceptional items £'000	Exceptional items £'000	After exceptional items £'000	Before exceptional items £'000	Exceptional items £'000	After exceptional items £'000
Revenue	2	494,957	-	494,957	339,691	-	339,691
Cost of sales		(242,987)	-	(242,987)	(173,042)	-	(173,042)
<b>Gross profit</b>		<b>251,970</b>	<b>-</b>	<b>251,970</b>	<b>166,649</b>	<b>-</b>	<b>166,649</b>
Distribution expenses		(65,840)	(2,258)	(68,098)	(34,959)	-	(34,959)
Administrative expenses		(144,346)	(8,327)	(152,673)	(102,840)	(12,943)	(115,783)
<b>Operating profit</b>	3	<b>41,784</b>	<b>(10,585)</b>	<b>31,199</b>	<b>28,850</b>	<b>(12,943)</b>	<b>15,907</b>
Share of post tax losses of joint venture	14	-	-	-	(3)	-	(3)
Finance income	6	-	-	-	16	-	16
Finance expense	7	(850)	-	(850)	(215)	-	(215)
<b>Profit before tax</b>		<b>40,934</b>	<b>(10,585)</b>	<b>30,349</b>	<b>28,648</b>	<b>(12,943)</b>	<b>15,705</b>
Income tax (expense)/credit	8	(10,685)	2,615	(8,070)	(8,337)	3,481	(4,856)
<b>Profit for the year and total comprehensive income attributable to owners of the parent</b>		<b>30,249</b>	<b>(7,970)</b>	<b>22,279</b>	<b>20,311</b>	<b>(9,462)</b>	<b>10,849</b>
<b>Earnings per share<sup>2</sup></b>							
Basic	9			29 3p			14 6p
Diluted	9			26 7p			13 7p
<b>Underlying earnings per share<sup>3</sup></b>							
Basic	9	39 8p			27 3p		
Diluted	9	36 3p			25 6p		

Details of exceptional items are given in note 5

<sup>1</sup>Distribution costs have been reclassified from cost of sales to operating expenses from 1 April 2011. Comparative information has been reclassified accordingly (note 1)

<sup>2</sup>Earnings per share is calculated in accordance with IAS 33 'Earnings per share' and includes exceptional items

<sup>3</sup>Underlying earnings per share excludes exceptional items

**ASOS PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	Note	Called up share capital £'000	Share premium £'000	Retained earnings <sup>1</sup> £'000	Employee Benefit Trust reserve £'000	Total equity £'000
Balance as at 1 April 2010		2,617	4,138	41,920	(3,197)	45,478
Shares allotted in the year		44	1,056	-	-	1,100
Net purchase of shares by Employee Benefit Trust		-	-	-	(1,406)	(1,406)
Employee share schemes		-	-	(163)	1,328	1,165
Profit for the year and total comprehensive income		-	-	10,849	-	10,849
Deferred tax on share options	8	-	-	10,199	-	10,199
Current tax on items taken directly to equity	8	-	-	4,735	-	4,735
<b>Balance as at 31 March 2011</b>		<b>2,661</b>	<b>5,194</b>	<b>67,540</b>	<b>(3,275)</b>	<b>72,120</b>
Shares allotted in the year		38	555	-	-	593
Net purchase of shares by Employee Benefit Trust		-	-	-	(1,592)	(1,592)
Employee share schemes		-	-	(1,287)	1,935	648
Profit for the year and total comprehensive income		-	-	22,279	-	22,279
Deferred tax on share options	8	-	-	(6,386)	-	(6,386)
Current tax on items taken directly to equity	8	-	-	7,573	-	7,573
<b>Balance as at 31 March 2012</b>		<b>2,699</b>	<b>5,749</b>	<b>89,719</b>	<b>(2,932)</b>	<b>95,235</b>

<sup>1</sup>Retained earnings includes the share-based payments reserve

**ASOS PLC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	Note	2012 £'000	2011 £'000
<b>Non-current assets</b>			
Goodwill	10	1,060	1,060
Other intangible assets	11	19,959	9,529
Property, plant and equipment	12	27,694	24,893
Deferred tax asset	15	9,876	16,877
		<u>58,589</u>	<u>52,359</u>
<b>Current assets</b>			
Inventories		80,574	66,094
Trade and other receivables	16	19,503	10,122
Current tax asset		2,018	2,914
Cash and cash equivalents	20	24,315	4,679
		<u>126,410</u>	<u>83,809</u>
Assets of disposal Group classified as held-for-sale	13	-	2,800
<b>Current liabilities</b>			
Trade and other payables	17	(83,829)	(64,947)
Revolving credit facility	20	(5,000)	-
Provisions	18	(935)	(1,901)
		<u>(89,764)</u>	<u>(66,848)</u>
<b>Net current assets</b>		<b>36,646</b>	<b>19,761</b>
<b>Net assets</b>		<b><u>95,235</u></b>	<b><u>72,120</u></b>
<b>Equity attributable to owners of the parent</b>			
Called up share capital	19	2,699	2,661
Share premium		5,749	5,194
Employee Benefit Trust reserve		(2,932)	(3,275)
Retained earnings		89,719	67,540
<b>Total equity</b>		<b><u>95,235</u></b>	<b><u>72,120</u></b>

Notes 1 to 26 are an integral part of the financial statements

The consolidated financial statements of ASOS plc, registered number 4006623, were approved by the Board of directors and authorised for issue on 23 May 2012 and were signed on its behalf by

N Robertson

N Beighton

Directors

**ASOS PLC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	Note	31 March 2012 £'000	31 March 2011 £'000
<b>Operating profit</b>		<b>31,199</b>	<b>15,907</b>
Adjusted for			
Operating exceptional items	5	10,585	12,943
Depreciation of property, plant and equipment	12	4,937	3,290
Amortisation of other intangible assets	11	3,137	1,642
Increase in inventories		(14,480)	(28,366)
Increase in trade and other receivables		(9,381)	(5,119)
Increase in trade and other payables		19,995	25,944
Share-based payments charges		648	1,165
Income tax received/(paid)		1,012	(5,509)
<b>Net cash generated from operating activities before exceptional items</b>		<b>47,652</b>	<b>21,897</b>
Cash outflow relating to exceptional operating items		(10,152)	(6,615)
<b>Net cash generated from operating activities</b>		<b>37,500</b>	<b>15,282</b>
<b>Investing activities</b>			
Payments to acquire other intangible assets		(12,669)	(7,748)
Payments to acquire property, plant and equipment		(8,918)	(17,995)
Finance income		-	16
<b>Net cash outflow used in investing activities</b>		<b>(21,587)</b>	<b>(25,727)</b>
<b>Financing activities</b>			
Proceeds from issue of ordinary shares		593	1,100
Net purchase of own shares by Employee Benefit Trust		(1,592)	(1,406)
Drawdown of revolving credit facility		5,000	-
Finance expense		(278)	(215)
<b>Net cash generated/(used) in financing activities</b>		<b>3,723</b>	<b>(521)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	20	<b>19,636</b>	<b>(10,966)</b>
<b>Opening cash and cash equivalents</b>		<b>4,679</b>	<b>15,645</b>
<b>Closing cash and cash equivalents</b>		<b>24,315</b>	<b>4,679</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	Note	31 March 2012 £'000	31 March 2011 £'000
<b>Net funds at beginning of the period</b>		<b>4,679</b>	<b>15,645</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>19,636</b>	<b>(10,966)</b>
<b>Increase in net debt</b>		<b>(5,000)</b>	<b>-</b>
<b>Net funds at end of the period</b>	20	<b>19,315</b>	<b>4,679</b>

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**1) ACCOUNTING POLICIES**

**a) Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These are the standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board ("IASB") that have been endorsed by the European Union at the year end.

The financial statements have been prepared on a going concern basis as explained on page 34 of the Directors' Report.

**New standards**

***(i) New and amended standards adopted by the Group***

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2011 that had a material impact on the Group.

***(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2011 and not early adopted***

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

***Accounting convention***

The financial statements are drawn up on the historical cost basis of accounting. The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated. The principal accounting policies, which have been applied consistently throughout both years, are set out below.

***Basis of consolidation***

The consolidated Group financial statements include the financial statements of ASOS plc, all its subsidiaries, its joint venture and the Employee Benefit Trust up to the reporting date. All intercompany transactions and balances between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

***(i) Subsidiaries***

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. Subsidiary undertakings acquired during the period are recorded under the acquisition method of accounting and their results included from the date of acquisition. The results of subsidiaries which have been disposed of during the period are included up to the effective date of disposal.

The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, equity instruments issued and liabilities incurred or assumed in exchange for control of the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**1) ACCOUNTING POLICIES (CONTINUED)**

*(ii) Employee Benefit Trust*

The Employee Benefit Trust ("the Trust") is considered to be a Special Purpose Entity ("SPE"), where the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. The activities of the Trust are being conducted on behalf of the Group according to its specific business needs in order to obtain benefits from its operation and on this basis, the assets held by the Trust are consolidated into the Group's financial statements.

*(iii) Joint ventures*

A joint venture is an entity in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more other venturers under a contractual agreement.

Investments in joint ventures are carried in the Group statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures include acquired goodwill.

If the Group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture.

**b) Intangible assets**

**Goodwill**

Goodwill represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of acquisition. Goodwill is recognised as an asset and assessed for impairment at least annually. Any impairment is recognised immediately in the statement of comprehensive income. For the purposes of impairment testing, goodwill is allocated to those cash-generating units that have benefited from the acquisition. If the recoverable amount of the cash-generating unit is less than its carrying amount, then the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

**Other intangible assets**

The costs of acquiring and developing software that is not integral to the related hardware is capitalised separately as an intangible asset. This does not include internal website development and maintenance costs which are expensed as incurred unless representing a technological advance leading to future economic benefit. Capitalised software costs include external direct costs of material and services and the payroll and payroll-related costs for employees who are directly associated with the project.

Capitalised software development costs are amortised on a straight-line basis over their expected economic lives, normally between 3 to 5 years. Amortisation is included within administrative expenses in the statement of comprehensive income. Software under development is held at cost less any recognised impairment loss.

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**1) ACCOUNTING POLICIES (CONTINUED)**

**c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable in bringing the asset to its working condition for its intended use. Depreciation is provided to write down the cost of property, plant and equipment to their estimated residual values, based on current values at the reporting date, over their remaining useful lives using the straight-line method. Assets in the course of construction are not depreciated. Residual values and useful lives are assessed at each reporting date.

The depreciation rates applicable are summarised as follows:

Fixtures and fittings	20% on cost/over the lease term
Computer equipment	20% - 33% on cost

At each reporting date, property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows of the relevant cash-generating unit or fair value, less costs to sell if higher. Any impairment in value is charged to the statement of comprehensive income in the period in which it occurs.

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

**d) Inventories**

Inventories are valued at the lower of cost and net realisable value, on a weighted average cost basis. Cost of purchase comprises the purchase price including import duties and other taxes, transport and handling costs and any other directly attributable costs, less trade discounts.

During the year to 31 March 2012, the Group changed its methodology for valuation of inventories from a first-in-first-out basis to a weighted average cost basis as this is deemed to more effectively match current costs and current revenues in the statement of comprehensive income. Due to rapid inventory turnover, the impact of this change in valuation basis on the inventory held by the Group at 31 March 2012 is immaterial. The impact on the carrying value of inventories as at 31 March 2011 and 31 March 2010 is immaterial therefore prior year comparatives have not been restated.

A provision is made to write down any slow-moving or obsolete inventory to net realisable value. The provision is £2.6m at 31 March 2012 (2011: £2.9m).

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

1) **ACCOUNTING POLICIES (CONTINUED)**

e) **Financial instruments**

***Trade and other receivables***

Trade and other receivables are non-interest bearing and are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

***Trade and other payables***

Trade and other payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

***Financial assets and liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

***Bank borrowings***

Interest-bearing bank loans and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

f) **Revenue**

Revenue consists primarily of Internet and advertising sales as well as postage and packaging receipts.

Retail sales and delivery receipts are recorded net of an appropriate deduction for actual and expected returns, relevant vouchers, and sales taxes and are recognised upon dispatch from the warehouse at which point title and risk passes to third parties.

Advertising revenue is measured at the fair value of the consideration received or receivable, net of value added tax. Revenue from advertising is recognised when the service is completed and the magazine is delivered to customers.

The amount of revenue arising from sale of goods and provision of services has been disclosed in note 2 to the financial statements.

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**1) ACCOUNTING POLICIES (CONTINUED)**

**g) Reclassification of delivery costs**

From 1 April 2011, the Group has reclassified delivery costs from cost of sales to operating expenses to reflect the increasing deployment of delivery costs as a marketing expenditure. Comparative information has been reclassified accordingly. The impact of this reclassification for the year to 31 March 2011 is as follows:

	Year to 31 March 2011		
	Reported	Adjustment	Revised
Gross profit	131,690	34,959	166,649
Distribution expenses*	-	(34,959)	(34,959)
Administrative expenses*	(102,840)	-	(102,840)
Operating profit	28,850	-	28,850

\* Excluding exceptional items

**h) Segmental reporting**

The Group's operating segmental format is geographical by customer location, based on the Group's management and internal reporting structure. Segmental performance is assessed based on revenue and gross profit after distribution expenses, excluding administrative costs and exceptional items.

**i) Exceptional items**

The Group separately identifies and discloses significant one-off or unusual items which can have a material impact on the absolute amount of profit from operations and the result for the year. These are termed 'exceptional items' and are disclosed separately in the statement of comprehensive income in order to provide an understanding of the Group's underlying financial performance. Exceptional items may not be comparable to similarly titled measures used by other companies. Further details of the exceptional items are provided in note 5.

**j) Pension costs**

The Group contributes to the personal pension plans of certain employees under a defined contribution scheme. The costs of these contributions are charged to the statement of comprehensive income on an accruals basis as they become payable under the scheme rules.

**k) Leased assets**

Rental payable under operating leases, where substantially all the benefits and risks of ownership remain with the lessor, is charged to the statement of comprehensive income on a straight-line basis over the lease term.

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**1) ACCOUNTING POLICIES (CONTINUED)**

**l) Share schemes**

*ASOS Employee Benefit Trust*

The shares held by the ASOS Employee Benefit Trust are valued at the historical cost of the shares acquired. They are deducted in arriving at shareholders' funds and are presented within the Employee Benefit Trust reserve.

*Share-based payments*

Employees of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares of the parent company (equity-settled transactions).

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is calculated using an appropriate option pricing model. The fair value is expensed to the statement of comprehensive income on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

In accordance with IFRIC 11, ASOS.com Limited is required to recognise share-based payment arrangements involving equity instruments where ASOS.com Limited has remunerated those providing services to the entity in this way. ASOS plc makes contributions to ASOS.com Limited equal to the charge for the share-based payment arrangement which is reflected as an increase in ASOS plc's investment in ASOS.com Limited.

Share options granted prior to 7 November 2002 fall outside the scope of IFRS 2 and therefore no charge has been recognised within the statement of comprehensive income.

**m) Taxation**

The tax expense included in the statement of comprehensive income and statement of changes in equity comprises current and deferred tax.

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

Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

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

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

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

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**1) ACCOUNTING POLICIES (CONTINUED)**

**n) Foreign currency translation**

*Functional and presentational currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") The consolidated financial statements are presented in sterling, which is the functional and presentational currency of all the entities in the Group

*Transactions and balances*

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange at the reporting date Exchange differences on monetary items are taken to the statement of comprehensive income

**o) Significant estimates and judgements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities Significant items subject to such assumption and estimate include the useful economic life of assets, the measurement and recognition of provisions and the valuation of inventory and share options Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available The most critical accounting policies in determining the financial condition and results of the Group are those requiring the greatest degree of subjective or complex judgement These relate to goodwill, acquired intangible assets and property, plant and equipment impairment reviews, inventory valuation, assets classified as held-for-sale, provisions, share option valuation and the treatment of exceptional items

*Goodwill, intangible assets and property, plant and equipment impairment reviews*

The Group is required to review goodwill annually to determine if any impairment has occurred Value-in-use calculations require the use of estimates in relation to future cash flows and suitable discount rates Property, plant and equipment and intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable When a review for impairment is conducted the recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates

*Inventory valuation*

Inventory is carried at the lower of cost and net realisable value, on a weighted average cost basis, which requires the estimation of the eventual sales price of goods to customers in the future Any difference between the expected and the actual sales price achieved is accounted for in the period in which the sale is made

*Assets held-for-sale*

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable They are stated at the lower of carrying amount and fair value less costs to sell

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**1) ACCOUNTING POLICIES (CONTINUED)**

**o) Significant estimates and judgements (continued)**

*Provisions*

Provisions for onerous leases are recognised when the Group believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease. Where material, these obligations are discounted to their present value.

Provisions for redundancy costs are recognised when the Group has a reliable estimate of the cost to be incurred and has raised a valid expectation of redundancy in those affected.

*Share option valuation*

Critical estimates and assumptions are made in particular with regard to the calculation of fair value of employee share options using appropriate valuation models. The inputs and assumptions of the model are detailed in note 22.

*Exceptional items*

The Group separately identifies and discloses significant one-off or unusual items which can have a material impact on the absolute amount of profit from operations and the result for the year. These are termed 'exceptional items' and are disclosed separately in the statement of comprehensive income in order to provide an understanding of the Group's underlying financial performance. Exceptional items are judgemental in their nature and may not be comparable to similarly titled measures used by other companies. Further details of the exceptional items are provided in note 5.

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**2) SEGMENTAL ANALYSIS**

IFRS 8 'Operating Segments' requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Executive Board. The Executive Board has determined that the primary segmental reporting format is geographical by customer location, based on the Group's management and internal reporting structure.

The Executive Board assesses the performance of each segment based on revenue and gross profit after distribution expenses, which excludes administrative expenses and exceptional items.

From 1 April 2011, the Group has reclassified delivery costs from cost of sales to operating expenses to reflect the increasing deployment of delivery costs as a marketing expenditure (see note 1). Comparative information has been reclassified accordingly.

	Year to 31 March 2012				
	UK	USA	EU	RoW	Total
	£'000	£'000	£'000	£'000	£'000
Retail sales	197,859	39,959	106,993	136,751	481,562
Delivery receipts	7,073	825	1,449	1,430	10,777
Third party revenues	2,555	10	25	28	2,618
Total revenue	207,487	40,794	108,467	138,209	494,957
Cost of sales	(108,314)	(16,096)	(53,953)	(64,624)	(242,987)
Gross profit	99,173	24,698	54,514	73,585	251,970
Distribution costs	(17,890)	(11,037)	(16,227)	(20,686)	(65,840)
Segment result	81,283	13,661	38,287	52,899	186,130
Administrative expenses					(144,346)
Operating profit before exceptional items					41,784
Exceptional items (note 5)					(10,585)
Finance expense					(850)
Profit before tax					<u>30,349</u>

	Year to 31 March 2011 (Reclassified)				
	UK	USA	EU	RoW	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	184,072	18,642	73,385	48,001	324,100
Delivery receipts	6,814	634	3,063	2,574	13,085
Third party revenues	2,506	-	-	-	2,506
Total revenue	193,392	19,276	76,448	50,575	339,691
Cost of sales (reclassified)	(102,044)	(8,354)	(38,587)	(24,057)	(173,042)
Gross profit (reclassified)	91,348	10,922	37,861	26,518	166,649
Distribution costs (reclassified)	(15,471)	(3,982)	(8,712)	(6,794)	(34,959)
Segment result	75,877	6,940	29,149	19,724	131,690
Administration expenses					(102,840)
Operating profit before exceptional items					28,850
Exceptional items (note 5)					(12,943)
Share of post-tax losses of joint venture					(3)
Finance income					16
Finance expense					(215)
Profit before tax					<u>15,705</u>

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

No analysis of the assets and liabilities of each operating segment is provided to the CODM in the monthly management accounts therefore no measure of segments assets or liabilities is disclosed in this note. There are no material non-current assets located outside the UK.

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**3) OPERATING PROFIT**

	2012	2011
	£'000	£'000
<b><u>Operating profit excluding exceptional items is stated after charging/(crediting)</u></b>		
Depreciation of property, plant and equipment	4,937	3,290
Amortisation of other intangible assets	3,137	1,642
Cost of inventory recognised as an expense	242,194	167,445
Write-down of inventories to net realisable value	1,554	1,137
Net foreign exchange losses/(gains)	41	(136)
Operating leases	4,722	3,827
	<b>4,722</b>	<b>3,827</b>

In addition, the following has been charged in respect of auditors' remuneration

**Auditors' remuneration**

**Audit and audit related services**

Statutory audit of Parent Company and Group financial statements	24	23
Statutory audit of the Company's subsidiaries pursuant to legislation	116	77
	<b>140</b>	<b>100</b>

**Other services**

Fees payable to Company's auditors for other services relating to taxation	75	54
All other services	31	51
<b>Total fees for other services</b>	<b>106</b>	<b>105</b>

Costs relating to the audit and non-audit services of the parent company are borne by ASOS com Limited

The policy for the approval of non-audit fees is set out on page 17

**4) STAFF COSTS INCLUDING DIRECTORS' REMUNERATION**

The average monthly number of employees (including executive directors) employed by the Group was as follows

	2012	2011
	Number	Number
By activity		
Fashion	280	236
Operations	436	313
Technology	126	108
	<b>842</b>	<b>657</b>

The employee costs, including directors, for the Group during the current and prior year were as follows

	2012	2011
	£'000	£'000
Wages and salaries	28,212	22,466
Social security costs	3,101	2,481
Other pension costs	718	527
Share-based payments (note 22)	648	1,165
	<b>32,679</b>	<b>26,639</b>

The aggregate amount of salaries deemed to relate exclusively to capital projects was £3 6m (2011 £1 9m) This amount has been capitalised and is not included above

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**4) STAFF COSTS INCLUDING DIRECTORS' REMUNERATION (CONTINUED)**

The aggregate compensation to key management personnel, being the Directors of ASOS Plc, was as follows

	2012 £'000	2011 £'000
Short-term employee benefits	1,465	1,388
Post-employment benefits	123	116
Share-based payments charges	46	136
	<u>1,634</u>	<u>1,640</u>

In addition, four directors, including the highest paid director, exercised share options during the year. Aggregate gains made by directors on the exercise of these share options were £20.0m (2011 £8.0m)

Directors' aggregate emoluments and pension payments are detailed in the Directors' Remuneration Report along with share interests and options

**5) EXCEPTIONAL ITEMS**

During the year to 31 March 2012, exceptional costs of £10.6m (2011 £12.9m) were charged to operating expenses to reflect the direct costs of the completion of the reorganisation of distribution following the leasing of a new distribution centre to meet the increasing capacity needs of the business

The main components of the exceptional charge are as follows

	2012 £'000	2011 £'000
Dual site decollation costs	5,385	2,088
Pre go-live occupancy and employee costs	965	7,830
Vacant property costs	1,435	-
Impairment of assets (note 12)	2,800	3,025
	<u>10,585</u>	<u>12,943</u>

Included within dual site decollation costs are delivery costs of £2.3m (2011 £nil) which have been classified within distribution expenses in the statement of comprehensive income. The remaining exceptional costs have been included within administrative expenses

**6) FINANCE INCOME**

	2012 £'000	2011 £'000
Interest on bank deposits	-	16

**7) FINANCE EXPENSE**

	2012 £'000	2011 £'000
Interest payable on bank overdraft	(347)	(215)
Other interest	(503)	-
	<u>(850)</u>	<u>(215)</u>

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**8) INCOME TAX EXPENSE**

	2012 £'000	2011 £'000
Tax on profit before exceptional items	10,520	8,575
Standard rate of UK corporation tax 26% (2011: 28%)		
Adjustment in respect of prior year corporation tax	(985)	(280)
<b>Total current tax charge before exceptional items</b>	<b>9,535</b>	<b>8,295</b>
Deferred tax		
- Origination and reversal of temporary differences	548	(14)
- Effect of restatement of deferred tax opening balances to 24% (2011: 26%)	(20)	(32)
- Adjustments in respect of prior years	622	88
<b>Total deferred tax charge</b>	<b>1,150</b>	<b>42</b>
<b>Tax on profit before exceptional items</b>	<b>10,685</b>	<b>8,337</b>
Current tax credit on exceptional items	(556)	(703)
Deferred tax credit on exceptional items	(2,059)	(2,778)
<b>Tax credit on exceptional items</b>	<b>(2,615)</b>	<b>(3,481)</b>
<b>Tax on profit after exceptional items</b>	<b>8,070</b>	<b>4,856</b>
<i>Effective tax rate excluding exceptional items</i>	<b>26.1%</b>	<b>29.1%</b>

**Reconciliation of tax charge**

The tax on the Group's profit before tax differs from the income tax expense as follows

	2012 £'000	2011 £'000
Profit before tax and exceptional items	40,934	28,648
Tax on profit before exceptional items at a standard rate of UK corporation tax of 26% (2011: 28%)	10,643	8,021
Effects of		
Expenses not deductible for taxation purposes	477	513
Rate differences	(72)	(5)
Adjustment in respect of prior years	(363)	(192)
<b>Tax on profit before exceptional items</b>	<b>10,685</b>	<b>8,337</b>
Tax credit on exceptional items	(2,615)	(3,481)
<b>Tax on profit after exceptional items</b>	<b>8,070</b>	<b>4,856</b>

**Tax on recognised gains and losses not included in the statement of comprehensive income**

	2012 £'000	2011 £'000
Current tax credit on exercise of share options	7,573	4,735
Deferred tax (charge)/credit on movement in tax base of share options	(6,386)	10,199
	<b>1,187</b>	<b>14,934</b>

These amounts have been recognised in equity and are included in the statement of changes in equity on page 38

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**9) EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the year. Own shares held by the ASOS Employee Benefit Trust are eliminated from the weighted average number of ordinary shares.

Diluted earnings per share amounts are calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the year, adjusted for the effects of potentially dilutive share options.

	2012 Number of shares	2011 Number of shares
<b>Weighted average share capital</b>		
Weighted average shares in issue for basic earnings per share	75,914,855	74,375,042
Effect of dilutive options	7,405,148	4,844,159
Weighted average shares in issue for diluted earnings per share	83,320,003	79,219,201
	2012 £'000	2011 £'000
<b>Earnings</b>		
Underlying earnings attributable to shareholders	30,249	20,311
Exceptional items net of related taxation	(7,970)	(9,462)
Earnings attributable to shareholders	22,279	10,849
	2012 pence	2011 pence
<b>Basic earnings per share</b>		
Underlying earnings per share (note i)	39.8	27.3
Exceptional items net of taxation	(10.5)	(12.7)
Earnings per share (note ii)	29.3	14.6
	2012 pence	2011 pence
<b>Diluted earnings per share</b>		
Underlying earnings per share (note i)	36.3	25.6
Exceptional items net of taxation	(9.6)	(11.9)
Earnings per share (note ii)	26.7	13.7

- i) Underlying earnings per share has been calculated using profit after tax but before exceptional items  
ii) Earnings per share has been calculated using profit after tax and exceptional items

The dilution calculation includes 2.0m shares to be issued under the MIP in September 2012 and 2.0m shares to be issued under the MIP in September 2013, according to vesting criteria achieved at the end of the scheme's performance period.

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**10) GOODWILL**

	2012 £'000	2011 £'000
Carrying value at 1 April and 31 March	1,060	1,060

Goodwill relates to the acquisition of ASOS com Limited, a 100% subsidiary of ASOS plc

Goodwill has been tested for impairment by comparing the carrying amount of each cash-generating unit (CGU), including goodwill, with the recoverable amount determined from value-in-use calculations. The CGUs comprise geographical business segments (UK, USA, EU and RoW as described in note 2). Management has determined that no impairment was necessary in the current financial year (2011 £nil).

The key assumptions for the value-in-use calculations include those regarding operating profit, discount rates and growth rates. Value-in-use was calculated from cash flow projections for five years using data from the Group's latest results and financial forecasts approved by the Board. No reasonably possible change in assumptions could cause an impairment trigger in relation to goodwill. The budgeted cash flow assumes a growth rate which is higher than the long-term growth rate of the UK economy and this is based on the current performance expectations of the Group.

**11) OTHER INTANGIBLE ASSETS**

	Intangible assets £'000	Assets under construction £'000	Total £'000
<b>Cost</b>			
At 1 April 2010	3,677	518	4,195
Additions	5,678	1,575	7,253
At 31 March 2011	9,355	2,093	11,448
Additions	12,423	1,144	13,567
Transfers	2,093	(2,093)	-
At 31 March 2012	23,871	1,144	25,015
<b>Accumulated amortisation</b>			
At 1 April 2010	277	-	277
Charge for the year	1,642	-	1,642
At 31 March 2011	1,919	-	1,919
Charge for the year	3,137	-	3,137
At 31 March 2012	5,056	-	5,056
<b>Net book amount</b>			
At 31 March 2012	18,815	1,144	19,959
At 31 March 2011	7,436	2,093	9,529

Other intangible assets comprise capitalised software costs that are not deemed to be an integral part of the related hardware (which is classified within property, plant and equipment). The amortisation period for capitalised software costs is normally between 3 and 5 years. Assets under construction are not subject to amortisation until the asset is brought into use.

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**12) PROPERTY, PLANT AND EQUIPMENT**

	Fixtures and fittings £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
<b>Cost</b>				
At 1 April 2010	10,774	7,559	327	18,660
Additions	733	1,867	18,631	21,231
Transfers	58	-	(58)	-
Transferred to disposal group classified as held for-sale	(8,309)	-	-	(8,309)
At 1 April 2011	3,256	9,426	18,900	31,582
Additions	3,162	3,420	1,156	7,738
Transfers	16,904	1,987	(18,891)	-
Disposals	-	(364)	-	(364)
<b>At 31 March 2012</b>	<b>23,322</b>	<b>14,469</b>	<b>1,165</b>	<b>38,956</b>
<b>Accumulated depreciation</b>				
At 1 April 2010	2,793	3,085	5	5,883
Charge for the year	1,554	1,736	-	3,290
Impairment	3,025	-	-	3,025
Transferred to disposal group classified as held- for-sale	(5,509)	-	-	(5,509)
At 1 April 2011	1,863	4,821	5	6,689
Charge for the year	2,745	2,192	-	4,937
Disposals	-	(364)	-	(364)
<b>At 31 March 2012</b>	<b>4,608</b>	<b>6,649</b>	<b>5</b>	<b>11,262</b>
<b>Net book amount</b>				
<b>At 31 March 2012</b>	<b>18,714</b>	<b>7,820</b>	<b>1,160</b>	<b>27,694</b>
At 31 March 2011	1,393	4,605	18,895	24,893

The impairment in 2011 related to fixture and fittings located at the legacy warehouse which was vacated on completion of the transition to the new warehousing facility. These assets were impaired by £3.0m to their net realisable value of £2.8m, based on an independent valuation, and transferred to a disposal group classified as held-for-sale. These assets were further impaired to a carrying value of £nil during 2012. See note 13 for further details regarding the assets held-for-sale.

Assets under construction at 31 March 2011 related largely to the fit-out of the new warehousing facility which was not yet fully operational.

**13) NON-CURRENT ASSETS HELD-FOR-SALE**

Fixtures and fittings located in the Group's legacy warehouse were reclassified at 31 March 2011 to a disposal group classified as held-for-sale following approval by management of a plan to market these assets.

The assets held-for-sale were recognised at net realisable value of £2.8m based on an independent valuation, resulting in an impairment charge of £3.0m during the year to 31 March 2011. This charge was recognised within exceptional items.

No buyer has been found for these assets during the year to 31 March 2012, therefore these assets have been further impaired to a carrying value of £nil. This has resulted in an impairment charge of £2.8m which has been recognised within exceptional items.

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**14) INTEREST IN JOINT VENTURE**

<b>Interest in joint venture</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Initial equity investment in joint venture	150	150
Brought forward share of post- tax losses in joint venture	(150)	(147)
Share of post-tax losses in joint venture for the period	-	(3)
	<hr/>	<hr/>
Brought forward long-term loan	-	150
Reclassification of long-term loan to current assets	-	(150)
	<hr/>	<hr/>
Interest in joint venture at 31 March	<hr/> <b>-</b>	<hr/> <b>-</b>

The Group has a 50% interest in the ordinary shares of one joint venture, the online retailer Crooked Tongues Limited, a company registered in the UK

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**15) DEFERRED TAX ASSET**

The following are the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior year

	Accelerated capital allowances	Share- based payments	Other	Total
	£'000	£'000	£'000	£'000
At 31 March 2010	(277)	6,909	4	6,636
(Charge)/credit to the Group statement of comprehensive income	108	(62)	28	74
Restatement of deferred tax opening balances to 26% <sup>1</sup>	27	(59)	-	(32)
Credit to equity	-	10,633	-	10,633
Restatement of deferred tax opening balances to 26% <sup>2</sup>	-	(434)	-	(434)
<b>At 31 March 2011</b>	<b>(142)</b>	<b>16,987</b>	<b>32</b>	<b>16,877</b>
(Charge)/credit to the statement of comprehensive income	(1,285)	(84)	199	(1,170)
Credit to the statement of comprehensive income (exceptional items)	457	-	98	555
Restatement of deferred tax opening balances to 24% <sup>1</sup>	89	(55)	(14)	20
Restatement of deferred tax opening balances to 24% (exceptional items) <sup>1</sup>	(20)	-	-	(20)
Charge to equity	-	(5,134)	-	(5,134)
Restatement of deferred tax opening balances to 24% <sup>2</sup>	-	(1,252)	-	(1,252)
<b>At 31 March 2012</b>	<b>(901)</b>	<b>10,462</b>	<b>315</b>	<b>9,876</b>

<sup>1</sup> Statement of comprehensive income

<sup>2</sup> Statement of changes in equity

The deferred tax assets and liabilities have been offset as they are due to reverse in the same jurisdiction

The Company has losses of £246,000 (2011 £246,000) which are available for offset against future taxable profits. These have not been recognised at the year end

The deferred tax asset on share-based payments is created by the temporary difference between the carrying value on the balance sheet (nil) and the tax base of the share options, being the estimated future deduction expected to crystallise on exercise of the option. The tax base is calculated by reference to the Company's share price at the balance sheet date and the number of share options outstanding, which has decreased during 2012

It is estimated that deferred tax assets of £605,000 (2011 £1,229,000) will be recovered within one year

The rate of corporation tax changed from 26% to 24% from 1 April 2012. As deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods of reversal, all deferred tax closing balances have been restated using a rate of 24%. The change of rate in the year decreased the deferred tax asset by £1,252,000 (2011 £466,000)

It is proposed that the UK Corporation Tax rate will be reduced by a further 1% to 23% per annum from 1 April 2013. This reduction to the main rate of corporation tax is expected to impact our financial statements proportionately to the 2% reduction outlined above, however the actual impact will be dependent on our deferred tax position at that time

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**16) TRADE AND OTHER RECEIVABLES**

	2012 £'000	2011 £'000
Trade receivables	1,425	888
Prepayments	3,598	1,610
Receivables from related parties	788	523
Other receivables	13,692	7,101
	<u>19,503</u>	<u>10,122</u>

Included in other receivables are VAT receivables of £10,616,231 (2011 £4,858,248)

The fair values of trade and other receivables are as follows

	2012 £'000	2011 £'000
Trade receivables	1,425	888
Receivables from related parties	788	523
Other receivables	13,692	7,101
	<u>15,905</u>	<u>8,512</u>

The above trade and other receivables fall into the 'loans and receivables' category of the Group's financial assets

As of 31 March 2012 and 31 March 2011, no trade receivables were individually determined to be impaired and the provision for impairment of trade receivables was £nil

As of 31 March 2012, trade receivables of £316,000 were past due but not impaired (2011 £180,000) These relate to a number of independent third parties for whom there is no recent history of default The ageing analysis of these trade receivables is as follows

	2012 £'000	2011 £'000
3 to 6 months	178	55
Over 6 months	138	125
	<u>316</u>	<u>180</u>

Movements on the provision for impairment of trade receivables are as follows

	2012 £'000	2011 £'000
At 1 April	-	21
Reversal of trade receivables during the year	-	(21)
At 31 March	<u>-</u>	<u>-</u>

As of 31 March 2012 and 31 March 2011, no other receivables were individually determined to be impaired and the provision for impairment of trade receivables was £nil All other receivables are non-interest bearing

The creation and release of provision for impaired receivables have been included within administrative expenses in the statement of comprehensive income Amounts are generally written off where there is no expectation of recovery The other classes within trade and other receivables do not contain impaired assets

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above The Group does not hold any collateral as security

Management believe that the unimpaired receivables are fully recoverable

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**17) TRADE AND OTHER PAYABLES**

	2012 £'000	2011 £'000
Trade payables	28,184	23,407
Taxation and social security	8,157	5,130
Accruals	30,740	27,837
Other payables	16,748	8,573
	<u>83,829</u>	<u>64,947</u>

**18) PROVISIONS**

	Property £'000	Redundancy £'000	Total £'000
At 1 April 2010	-	-	-
Charged during the year	-	1,901	1,901
At 31 March 2011	-	1,901	1,901
Charged during the year	1,292	-	1,292
Utilised during the year	(357)	(1,901)	(2,258)
At 31 March 2012	<u>935</u>	<u>-</u>	<u>935</u>

***Property provision***

The Group has provided for excess property costs to be incurred in its vacant legacy warehouse until lease expiry. This provision will be utilised within one year.

***Redundancy provision***

At 31 March 2011 the Group had a provision of £1.9m representing the costs of redundancies expected to be paid by completion of the warehouse transition project. The warehouse transition was completed during the year to 31 March 2012, and the provision balance was fully utilised during the year.

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**19) CALLED UP SHARE CAPITAL**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Authorised		
100,000,000 (2011 100,000,000) ordinary shares of 3 5p each	<b>3,500</b>	<b>3,500</b>
Allotted, issued and fully paid		
77,121,235 (2011 76,036,029) ordinary shares of 3 5p each	<b>2,699</b>	<b>2,661</b>

During the year 1,085,206 (2011 1,252,438) ordinary shares of 3 5p each were issued as a result of exercise of employee share options. Total consideration received in respect of these options was £593,379 (2011 £1,099,613)

**20) ANALYSIS OF NET FUNDS**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Net movement in cash and cash equivalents	<b>19,636</b>	<b>(10,966)</b>
Cash flow from drawing of revolving credit facility	<b>(5,000)</b>	<b>-</b>
Net movement in net funds	<b>14,636</b>	<b>(10,966)</b>
Opening net funds	<b>4,679</b>	<b>15,645</b>
<b>Closing net funds</b>	<b>19,315</b>	<b>4,679</b>
<b>Closing net funds comprises</b>		
Cash and cash equivalents	<b>24,315</b>	<b>4,679</b>
Drawings under revolving credit facility	<b>(5,000)</b>	<b>-</b>
<b>Net funds</b>	<b>19,315</b>	<b>4,679</b>

The revolving credit facility is available until February 2013

**21) FINANCIAL INSTRUMENTS**

**Categories of financial instruments**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	<b>40,220</b>	<b>13,191</b>
<b>Financial liabilities</b>		
Amortised cost	<b>(88,829)</b>	<b>(64,947)</b>

'Loans and receivables' includes trade and other receivables, cash and cash equivalents and amounts due from related parties and excludes prepayments

Included in amortised cost are trade and other payables and drawings under the Group's revolving credit facility

All financial liabilities have a remaining contractual maturity of less than one year

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**21) FINANCIAL INSTRUMENTS (CONTINUED)**

**Risk Management**

The Group's Treasury function seeks to reduce exposures to interest rate, foreign exchange and other financial risks, to ensure liquidity is available to meet the foreseeable needs and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments and transacts only in relation to underlying business requirements. The Group's treasury policies and procedures are periodically reviewed and approved by the Audit Committee.

**Capital risk**

The Group's objectives when managing capital (defined as net funds<sup>1</sup> plus equity) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders through an appropriate balance of debt and equity funding, whilst maintaining a strong credit rating and sufficient headroom. The Group makes adjustments to its capital structure in light of changes to economic conditions and the Group's strategic objectives.

**Liquidity risk**

The Group manages its exposure to liquidity risk by continuously monitoring short and long-term forecasts and actual cash flows and ensuring it has the necessary banking and reserve borrowing facilities available to meet the requirements of the business. At 31 March 2012 the Group has a revolving credit facility of £10.0m which is available until February 2013. Drawings of £5.0m had been made under this facility at 31 March 2012. Borrowings under the revolving credit facility bear interest at a rate of 2.25% per annum above LIBOR and commitment interest of 0.90% per annum is payable on the daily undrawn balance of the facility limit. Any surplus cash is placed on deposit to maximise returns on cash balances.

The Group's financial liabilities all have remaining contractual liabilities of less than one year.

**Credit risk**

Credit risk is the risk that a counterparty may default on its obligation to the Group in relation to lending, hedging, settlement and other financial activities. The Group's principal financial assets are trade and other receivables and bank balances and cash. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts included in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The Group has a low retail credit risk due to the transactions being principally of a high volume, low value and short maturity. The Group's trade receivables are primarily with large advertising companies with whom the Group has a long-standing relationship, the risk of default is considered to be low and write-offs due to bad debts are extremely low. The Group has no significant concentration of credit risk, with the exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds and derivative financial instruments is considered to be low, as the Board approved Group Treasury Policy limits the value that can be placed with each approved counterparty to minimise the risk of loss. These limits are based on a minimum credit rating of AA (Standard and Poor's rating).

**Interest rate risk**

The Group is exposed to cash flow interest rate risk on its floating rate bank overdraft and revolving credit facilities.

At 31 March 2012, the Group has drawn £5.0m under its revolving credit facility. The Group intends to continue to drawdown periodically on the revolving credit facility but no drawdown will be long term in nature and therefore the Group has not entered into interest rate derivatives to mitigate the interest rate risk.

<sup>1</sup> Cash and cash equivalents less bank borrowings

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**21) FINANCIAL INSTRUMENTS (CONTINUED)**

***Foreign currency risk***

The Group operates internationally and is therefore exposed to foreign currency transaction risk, primarily on purchases and sales denominated in US dollars and Euros. The Group publishes its financial statements in sterling and is therefore also exposed to foreign currency translation risks due to movements in foreign exchange rates on the translation of non-sterling assets and liabilities.

The Group's policy is to match foreign currency transaction exposures where possible. Where appropriate, the Group uses financial instruments in the form of forward foreign exchange contracts to hedge future transactions and cash flows denominated in currencies other than sterling. No forward foreign exchange contracts were recognised in the statement of financial position within derivative financial assets at 31 March 2012 or 31 March 2011.

***Sensitivity analysis***

At 31 March 2012, 5% movements in sterling against the US dollar or Euro would not be deemed to have a material impact on the profit before tax for the year or on total equity as at 31 March 2012.

A 5% movement in interest rates would not be deemed to have a material effect on net interest expense based on the Group's interest bearing liabilities as at 31 March 2012.

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**22) SHARE-BASED PAYMENTS**

*Summary of movements in awards*

Number of shares	Sharesave Schemes	Performance Share Plan	EMI and other	Total	Weighted average exercise price Pence
Outstanding at 1 April 2010	350,491	1,080,503	4,539,516	5,970,510	62.38
Granted during the year	70,531	111,416	-	181,947	114.95
Lapsed during the year	(40,002)	(61,871)	-	(101,873)	104.15
Exercised during the year	(5,226)	(589,583)	(1,154,390)	(1,749,199)	59.76
Outstanding at 31 March 2011	375,794	540,465	3,385,126	4,301,385	77.43
Exercisable at 31 March 2011	-	-	3,385,126	3,385,126	52.68
Outstanding at 1 April 2011	375,794	540,465	3,385,126	4,301,385	77.43
Granted during the year	110,777	63,179	-	173,956	749.53
Lapsed during the year	(49,269)	(41,792)	-	(91,061)	200.38
Exercised during the year	(204,594)	(286,368)	(1,085,206)	(1,576,168)	68.64
Outstanding at 31 March 2012	232,708	275,484	2,299,920	2,808,112	120.07
Exercisable at 31 March 2012	5,333	-	2,299,920	2,305,253	52.09

In addition to the share options detailed above, employees own 185,696 subordinated ordinary shares in ASOS com Limited under the Management Incentive Plan, further details of which are provided below

The Group recognised a total expense of £0.6m in the year (2011 £1.2m) relating to equity-settled share-based payment transactions. The weighted average share price at date of exercise of shares exercised during the period was 1,984 pence (2011 1,082 pence)

The weighted average remaining contractual life of outstanding options at the end of the period was 2.7 years (2011 3.3 years). The aggregate fair value of options granted in the period was £1.9m (2011 £1.6m)

**Sharesave scheme**

Under the terms of the current Sharesave Scheme, the Board grants options to purchase ordinary shares in the Company to employees who enter into an HM Revenue & Customs approved Save-As-You-Earn ("SAYE") savings contract for a term of three years. Options are granted at up to a 20% discount to the market price of the shares on the day preceding the date of offer and are normally exercisable for a period of six months after completion of the SAYE contract

Date of grant	1 April 2011 No of shares	Granted during the year No of shares	Lapsed during the year No of shares	Exercised during the year No of shares	31 March 2012 No of shares	Exercise price Pence	Exercise period
19/06/08	97,501	-	(12,612)	(84,889)	-	283.2	01/08/11-31/01/12
07/01/09	139,954	-	(14,916)	(119,705)	5,333	207.4	01/03/12-31/08/12
18/12/09	68,310	-	(16,254)	-	52,056	336.0	01/03/13-31/08/13
08/12/10	70,029	-	(4,723)	-	65,306	1,073.0	01/03/14-31/08/14
06/12/11	-	110,777	(764)	-	110,013	1,177.0	01/03/15-31/08/15
	375,794	110,777	(49,269)	(204,594)	232,708		

These option grants are settled on exercise through transfer of shares from the Employee Benefit Trust

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**22) SHARE-BASED PAYMENTS (CONTINUED)**

The SAYE options granted in the current and prior year have been valued using a Black-Scholes model  
The inputs to the Black-Scholes model are as follows

	2012	2011
Weighted average share price – pence	1,381	1,593
Exercise price – pence	1,177	1,073
Expected volatility – %	44.9	50.6
Expected life – years	3	3
Risk-free rate – %	0.51	1.47
Dividend yield – %	-	-
Weighted average fair value of options - pence	505	774

Volatility has been estimated by taking the historical volatility in the Company's share price over a three year period

**Performance Share Plan (“PSP”)**

Under the terms of the PSP, executive directors and selected senior executives may be granted conditional awards to acquire ordinary shares in the Company (in the form of nil cost options) which will only vest and become exercisable to the extent that the related performance targets are met. These performance targets are detailed in the Directors' Remuneration Report on page 19.

Date of grant	1 April 2011 No of shares	Granted during the year No of shares	Lapsed during the year No of shares	Exercised during the year No of shares	31 March 2012 No of shares	Exercise price Pence	Exercise date
30/07/08	251,624	-	(584)	(251,040)	-	nil	30/07/11
18/11/08	16,344	-	-	(16,344)	-	nil	18/11/11
25/03/09	18,984	-	-	(18,984)	-	nil	25/03/12
20/04/09	33,333	-	-	-	33,333	nil	20/04/12
05/08/09	63,186	-	(6,876)	-	56,310	nil	05/08/12
02/12/09	35,667	-	(24,556)	-	11,111	nil	02/12/12
27/01/10	15,642	-	-	-	15,642	nil	27/01/13
30/03/10	3,184	-	-	-	3,184	nil	30/03/13
30/06/10	75,715	-	(7,948)	-	67,767	nil	30/06/13
22/07/10	3,391	-	-	-	3,391	nil	22/07/13
24/11/10	16,971	-	-	-	16,971	nil	24/11/13
28/01/11	6,424	-	-	-	6,424	nil	28/01/14
06/07/11	-	39,765	(1,828)	-	37,937	nil	06/07/14
28/09/11	-	15,584	-	-	15,584	nil	28/09/14
08/02/12	-	7,830	-	-	7,830	nil	08/02/15
	540,465	63,179	(41,792)	(286,368)	275,484		

These option grants are settled on exercise through transfer of shares from the Employee Benefit Trust

The PSP awards granted in the current and prior year have been valued using a Black-Scholes model  
The inputs to the Black-Scholes model are as follows

	2012	2011
Weighted average share price – pence	1,646 – 2,382	860-1,502
Exercise price – pence	-	-
Expected volatility – %	46.1-50.6	49.4–50.7
Expected life – years	3	3
Risk-free rate – %	0.6-1.7	1.3-1.7
Dividend yield – %	-	-
Weighted average fair value of options - pence	2,141	956

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**22) SHARE-BASED PAYMENTS (CONTINUED)**

Volatility has been estimated by taking the historical volatility in the Company's share price over a three year period

**EMI Share Option Scheme**

Details of options granted under the Company's EMI Share Option scheme are shown below

Date of grant	1 April 2011 No of shares	Granted during the year No of shares	Lapsed during the year No of shares	Exercised during the year No of shares	31 March 2012 No of shares	Exercise price Pence	Exercise period
30/07/04	140,000	-	-	-	140,000	56 50	30/07/06-29/07/14
10/08/04	50,000	-	-	-	50,000	43 50	10/08/06-09/08/14
29/04/05	200,000	-	-	(38,560)	161,440	49 50	29/04/07-28/04/15
11/07/05	500,000	-	-	-	500,000	57 50	11/07/07-10/07/15
11/07/05	1,266	-	-	(1,266)	-	58 25	11/07/07-10/07/15
26/04/06	200,000	-	-	-	200,000	93 25	26/04/09-25/04/16
04/07/06	321,000	-	-	(121,000)	200,000	98 00	04/07/09-03/07/16
30/04/07	158,203	-	-	(39,380)	118,823	117 00	23/04/10-22/04/17
31/01/08	135,000	-	-	(135,000)	-	232 50	31/03/11-30/01/18
	1,705,469	-	-	(335,206)	1,370,263		

These option grants are settled on exercise through issue of new ordinary shares by the Company For further details see note 19

**Other Share Option Scheme**

Details of options granted under another share option scheme are shown below

Date of grant	1 April 2011 No of shares	Granted during the year No of shares	Lapsed during the year No of shares	Exercised during the year No of shares	31 March 2012 No of shares	Exercise price Pence	Exercise period
06/12/00	1,579,657	-	-	(750,000)	829,657	12 67	16/01/01-01/01/14
04/04/06	100,000	-	-	-	100,000	94 50	04/04/09-03/04/16
	1,679,657	-	-	(750,000)	929,657		

These option grants are settled on exercise through issue of new ordinary shares by the Company For further details see note 19

**Management Incentive Plan ("MIP")**

Under the terms of the MIP, executive directors and certain senior employees were given the opportunity to invest their own money to buy new subordinated shares issued in a subsidiary company, ASOS com Limited ("the Subsidiary") The total number of shares acquired by employees in ASOS com Limited at commencement of the scheme was 203,161

The MIP had a three year performance period which ended on 31 March 2012 As a result of performance against the scheme's vesting conditions, upon the recommendation of the Remuneration Committee, the Company approved the exchange of eligible shares in the Subsidiary for 4,000,822 ordinary shares in the Company (after application of the maximum dilution cap) of an equal tax market value (based on an independent valuation of the subsidiary) as at the average share price of ASOS plc for the week ending on 18 May 2012 equates to ordinary shares in the Company Participants will become entitled to trade these shares in two tranches, on 30 September 2012 and 30 September 2013

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

(dependent on the individual remaining an employee of the Company or being deemed to be a 'good leaver') As a result of this exchange, the Company will issue 4,000,822 shares on 31 May 2012, 2,000,411 of which participants will become free to trade on 30 September 2012 and 2,000,411 of which participants will become free to trade on 30 September 2013 (assuming that all eligible individuals remain an employee of the Company or are deemed to be a 'good leaver'), all of which shall be newly issued by the Company

As the purchase price for the shares in the Subsidiary was materially consistent with their independently valued fair value under IFRS at the date of grant, the IFRS 2 charge for these options was nil throughout the performance period

**23) CAPITAL COMMITMENTS**

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows

	2012 £'000	2011 £'000
Fixtures and fittings	165	1,037
Intangible assets	47	1,665
	<u>212</u>	<u>2,702</u>

**24) OPERATING LEASE COMMITMENTS**

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2012 £'000	2011 £'000
Within one year	4,293	4,263
Within two to five years	12,869	13,835
In over five years	8,713	12,431
Total	<u>25,875</u>	<u>30,529</u>

**25) CONTINGENT LIABILITIES**

The Group has contingent liabilities of £4.7m (2011 £4.7m) in relation to supplier standby letters of credit and other bank guarantees

**ASOS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**26) RELATED PARTY TRANSACTIONS**

**Transactions with key management personnel**

Only members of the Board of Directors of ASOS plc are deemed to be key management personnel. It is the Board which has responsibility for planning, directing and controlling the activities of the Group. Key management personnel compensation is disclosed in note 4 and in the Directors' Remuneration Report.

During the year, there were no other material transactions or balances between the Group and its key management personnel or members of their close family.

During the year the Group made a loan of £2,110,701 (2011 £1,405,687) to the ASOS com Limited Employee Benefit Trust to acquire shares in the company to satisfy grants made under the rules of the Group's share schemes. This loan was offset by £518,303 (2011 £nil) received by the ASOS com Limited Employee Benefit Trust on exercise of employee share options.

1,579,657 share options were granted to Lord Alli in December 2000. Under the terms of this specific option grant, the Group was liable to satisfy the Employer's National Insurance liability arising on exercise of the options up to £600,000. Lord Alli agreed to indemnify ASOS plc against the remainder of the Employer's National Insurance liability. Lord Alli exercised 750,000 options during the year to 31 March 2012 and accordingly the Group satisfied a liability for Employers' National Insurance Contributions of £600,000. Lord Alli satisfied the remainder of the liability.

**Transactions with other related parties**

At 31 March 2012 the amount due to the Group from related parties was £788,000 (2011 £523,000), of which £788,000 (2011 £400,000) was provided against.

During the year the Group made purchases totalling £9,547,349 (2011 £5,160,302) from Aktieselskabet af 5 5 2010, a company which has a significant shareholding in the Group. At 31 March 2012, the amount due to Aktieselskabet af 5 5 2010 was £719,875 (2011 £521,313).

**ASOS PLC**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASOS PLC**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASOS PLC**

We have audited the parent company financial statements of ASOS Plc for the year ended 31 March 2012 which comprise the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the Companies Act 2006.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

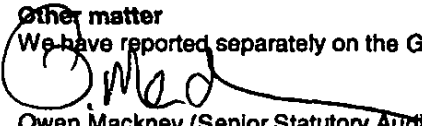
**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

**Other matter**

We have reported separately on the Group financial statements of ASOS Plc for the year ended 31 March 2012

  
Owen Mackney (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans  
23 May 2012

**ASOS PLC**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance as at 1 April 2010	2,617	4,138	(1,202)	5,553
Shares allotted in the year	44	1,056	-	1,100
Total comprehensive loss	-	-	(348)	(348)
Share options credit			1,165	1,165
<b>Balance as at 31 March 2011</b>	<b>2,661</b>	<b>5,194</b>	<b>(385)</b>	<b>7,470</b>
Shares allotted in the year	38	555	-	593
Total comprehensive income	-	-	467	467
Share options credit	-	-	648	648
<b>Balance as at 31 March 2012</b>	<b>2,699</b>	<b>5,749</b>	<b>730</b>	<b>9,178</b>

**ASOS PLC**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 MARCH 2012**

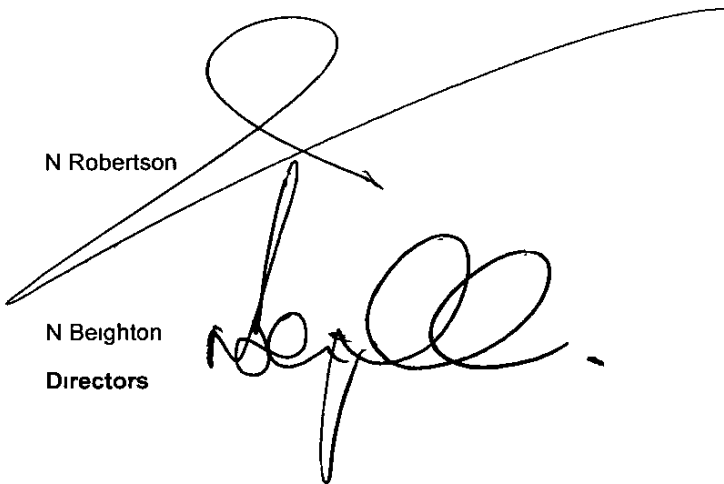
	Note	2012 £'000	2011 £'000
<b>Non-current assets</b>			
Investments	3	6,810	6,149
<b>Current assets</b>			
Trade and other receivables	4	2,350	1,684
Cash and cash equivalents		72	35
		2,422	1,719
<b>Current liabilities</b>			
Trade and other payables	5	(54)	(398)
<b>Net current assets</b>		2,368	1,321
<b>Net assets</b>		9,178	7,470
<b>Equity</b>			
Called up share capital	7	2,699	2,661
Share premium		5,749	5,194
Accumulated profits/(losses)		730	(385)
<b>Total equity</b>		9,178	7,470

Notes 1 to 8 are an integral part of the financial statements

The financial statements of ASOS plc, registered number 4006623, were approved by the Board of Directors and authorised for issue on 23 May 2012 and were signed on its behalf by

N Robertson

N Beighton  
Directors



The image shows two handwritten signatures in black ink. The first signature, for N Robertson, is a large, stylized loop with a long horizontal stroke extending to the right. The second signature, for N Beighton, is a more compact, cursive signature with several loops and a long horizontal stroke at the bottom.

**ASOS PLC**  
**COMPANY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	31 March 2012 £'000	31 March 2011 £'000
<b>Operating loss</b>	(320)	(348)
Adjusted for		
Increase in trade and other receivables	(242)	(809)
Increase in trade and other payables	19	-
<b>Net cash used in operating activities</b>	<u>(543)</u>	<u>(1,157)</u>
<b>Investing activities</b>		
Additional investment in subsidiary undertaking	(13)	(6)
<b>Net cash outflow from investing activities</b>	<u>(13)</u>	<u>(6)</u>
<b>Financing activities</b>		
Proceeds from issue of ordinary shares	593	1,100
<b>Net cash generated from financing activities</b>	<u>593</u>	<u>1,100</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>37</u>	<u>(63)</u>
<b>Opening cash and cash equivalents</b>	35	98
<b>Closing cash and cash equivalents</b>	<u>72</u>	<u>35</u>

**ASOS PLC**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

---

**1) ACCOUNTING POLICIES**

**a) Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These are the standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board ("IASB") that have been endorsed by the European Union at the year end.

The financial statements are prepared under the historical cost convention. The accounting policies have been applied consistently in the current and prior year.

The financial statements have been prepared on a going concern basis as explained on page 34 of the Directors' Report.

**New standards**

***(i) New and amended standards adopted by the Company***

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2011 that would be expected to have a material impact on the Company.

***(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2011 and not early adopted***

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

**b) Financial instruments**

***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

***Financial assets and liabilities***

Financial assets and liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

**c) Investments**

Investments in subsidiary companies are stated at cost and are subject to review for impairment. In accordance with IFRIC 11, ASOS com Limited is required to recognise share-based payment arrangements involving equity instruments where ASOS com Limited has remunerated those providing services to the entity in this way. ASOS plc makes contributions to ASOS com Limited equal to the charge for the share-based payment arrangement which is reflected as an increase in ASOS plc's investment in ASOS com Limited.

**d) Taxation**

Current tax is the expected tax payable based on the taxable profit for the period, and the tax laws that have been enacted or substantively enacted at the date of the Statement of Financial Position.

**e) Dividend income**

Dividend income is recognised when the right to receive payment is established.

**ASOS PLC**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**2) PROFIT FOR THE YEAR**

The Company has not presented its own Statement of Comprehensive Income as permitted by section 408 of the Companies Act 2006

The profit for the year attributable to shareholders was £467,000 (2011 loss of £348,000)

**3) INVESTMENTS**

	Investment £'000	Capital contribution £'000	Total £'000
<b>Cost</b>			
At 1 April 2010	3,556	3,188	6,744
Additions	6	1,165	1,171
At 31 March 2011	3,562	4,353	7,915
Additions	13	648	661
At 31 March 2012	3,575	5,001	8,576
 <b>Provision for impairment</b>			
At 31 March 2011 and at 31 March 2012			(1,766)
 <b>Net book amount</b>			
At 31 March 2012			6,810
At 31 March 2011			6,149

The directors believe the carrying value of investments is supported by their underlying net assets

The Company's subsidiaries are as follows

Name of company	Country of incorporation	Proportion of ordinary shares held	Nature of business
ASOS com Limited	UK	100%	Internet retailer
ASOS Marketplace Limited	UK	100%	Internet marketplace
ASOS Global Limited	UK	100%	Employer of staff based outside the UK
ASOS Brand Services Limited	UK	100%	Holding company
ASOS Canada Services Limited	Canada	100%	Non-trading company

The accounting reference date of all subsidiaries of ASOS plc is 31 March with the exception of ASOS Global which has an accounting reference date of 31 October

The Company's dormant Entertainment Marketing (UK) Limited and Brindle Limited subsidiaries were struck off during the year to 31 March 2012

**ASOS PLC**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**4) TRADE AND OTHER RECEIVABLES**

	2012 £'000	2011 £'000
Prepayments	3	23
Receivables from subsidiary undertakings	2,347	1,661
	2,350	1,684

The fair values of trade and other receivables are as follows

	2012 £'000	2011 £'000
Receivables from subsidiary undertakings	2,347	1,661

The above trade and other receivables fall into the 'loans and receivables' category of the Company's financial assets

As of 31 March 2012, receivables from subsidiary undertakings of £2,347,000 (2011 £1,661,000) were fully recoverable. Receivables from related parties that are less than three months past due are not considered impaired. As of 31 March 2012, receivables of £2,386,744 (2011 £2,437,338) were more than three months past due but not impaired. These relate to subsidiary undertakings for which there is no history of default. The ageing analysis of these receivables is as follows

	2012 £'000	2011 £'000
3 to 6 months	(37)	(87)
Over 6 months	2,424	2,524
	2,387	2,437

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above

Management believe that the unimpaired receivables are fully recoverable

**ASOS PLC**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**5) TRADE AND OTHER PAYABLES**

	2012 £'000	2011 £'000
Amounts owed to subsidiary undertakings	-	381
Accruals	54	17
	54	398

The majority of accruals are due within one year

**6) FINANCIAL INSTRUMENTS**

	2012 £'000	2011 £'000
<b>Financial liabilities</b>		
Amortised cost	54	398

Loans and receivables includes trade and other receivables, cash and cash equivalents and amounts due from related parties and excludes prepayments Included in amortised cost are accruals and amounts owed to subsidiary undertakings

**7) CALLED UP SHARE CAPITAL**

	2012 £'000	2011 £'000
Authorised 100,000,000 (2011 100,000,000) ordinary shares of 3 5p each	3,500	3,500
Allotted, issued and fully paid 77,121,235 (2011 76,036,029) ordinary shares of 3 5p each	2,699	2,661

During the year 1,085,206 (2011 1,252,438) ordinary shares of 3 5p each were issued as a result of exercise of employee share options Total consideration received in respect of these options was £593,379 (2011 £1,099,613)

Further details of employee and executive share schemes are provided in note 22 to the consolidated financial statements

**8) RELATED PARTY TRANSACTIONS**

During the year the company entered into transactions, in the ordinary course of business, with other related parties as follows:

	2012 £'000	2011 £'000
<b><u>Transactions during the year with subsidiary undertakings</u></b>		
Costs recharged by subsidiary undertakings	320	348

**ASOS PLC**  
**5 YEAR FINANCIAL SUMMARY (UNAUDITED)**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**GROUP STATEMENT OF COMPREHENSIVE INCOME**

	Year ended 31 March				
	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000 Reclassified*
Revenue	81,044	165,395	222,999	339,691	494,957
Cost of sales	(37,432)	(83,184)	(111,803)	(173,042)	(242,987)
<b>Gross profit</b>	<b>43,612</b>	<b>82,211</b>	<b>111,196</b>	<b>166,649</b>	<b>251,970</b>
Distribution costs	(6,328)	(10,512)	(18,060)	(34,959)	(65,840)
Administrative expenses	(30,322)	(57,764)	(72,825)	(102,840)	(144,346)
<b>Operating profit before exceptional items</b>	<b>6,962</b>	<b>13,935</b>	<b>20,311</b>	<b>28,850</b>	<b>41,784</b>
Exceptional items	-	-	-	(12,943)	(10,585)
<b>Operating profit after exceptional items</b>	<b>6,962</b>	<b>13,935</b>	<b>20,311</b>	<b>15,907</b>	<b>31,199</b>
Share of post-tax losses of joint venture	-	(78)	(69)	(3)	-
Finance income	349	268	97	16	-
Finance expense	-	-	-	(215)	(850)
<b>Profit before tax</b>	<b>7,311</b>	<b>14,125</b>	<b>20,339</b>	<b>15,705</b>	<b>30,349</b>
Income tax expense	(2,258)	(4,116)	(5,759)	(4,856)	(8,070)
<b>Total comprehensive income attributable to owners of the parent</b>	<b>5,053</b>	<b>10,009</b>	<b>14,580</b>	<b>10,849</b>	<b>22,279</b>
<b>Underlying earnings per share</b>					
Basic	6 9p	13 6p	20 0p	27 3p	39.8p
Diluted	6 6p	12 8p	18 7p	25 6p	36.3p
<b>Earnings per share</b>					
Basic	6 9p	13 6p	20 0p	14 6p	29 3p
Diluted	6 6p	12 8p	18 7p	13 7p	26 7p

**GROUP STATEMENT OF FINANCIAL POSITION**

	As at 31 March				
	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000
Non-current assets	9,526	16,362	24,544	52,359	58,589
Current assets	26,841	45,076	58,226	83,809	126,410
Assets of disposal group classified as held-for-sale	-	-	-	2,800	-
<b>Total assets</b>	<b>36,367</b>	<b>61,438</b>	<b>82,770</b>	<b>138,968</b>	<b>184,999</b>
Equity shareholders' funds	15,944	25,709	45,478	72,120	95,235
Creditors	19,743	35,729	37,292	64,947	83,829
Revolving credit facility	-	-	-	-	5,000
Provisions for liabilities and charges	680	-	-	1,901	935
<b>Total liabilities, capital and reserves</b>	<b>36,367</b>	<b>61,438</b>	<b>82,770</b>	<b>138,968</b>	<b>184,999</b>

\* Distribution costs have been reclassified from cost of sales to operating expenses from 1 April 2011. Comparative information has been reclassified accordingly.

**ASOS PLC**  
**5 YEAR FINANCIAL SUMMARY (UNAUDITED)**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**GROUP STATEMENT OF CASH FLOWS**

	Year ended 31 March				
	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000
Net cash generated from operating activities after exceptional items	10,189	13,041	10,708	15,282	37,500
Net cash outflow used in investing activities	(4,740)	(8,172)	(8,402)	(25,727)	(21,587)
Net cash (used)/received in financing activities	(459)	(1,651)	(248)	(521)	3,723
Net movement in cash and cash equivalents	4,990	3,218	2,058	(10,966)	19,636
Opening cash and cash equivalents	5,379	10,369	13,587	15,645	4,679
Closing cash and cash equivalents	10,369	13,587	15,645	4,679	24,315