

In The Style Fashion Limited
Annual Report and Financial Statements
Year Ended
31 March 2022

Company Number 08792519



Company Information

Directors

Adam Frisby
Paul R Masters (resigned 31/3/22)
Sam Perkins (appointed 17/1/22)
Richard Monaghan (appointed 21/3/22)

Registered number

08792519

Registered office

Maple Court
Wynne Avenue
Clifton
Manchester
M27 8FF

Independent auditor

BDO LLP
3 Hardman Street
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Strategic Report
For the Year Ended 31 March 2022

The directors present their strategic report and the financial statements for the year ended 31 March 2022.

Business review

Against a challenging market backdrop, the company has improved all of our key customer metrics including visits, conversion, order frequency and average order value. Revenue of £57.3m (2021: £44.7m) represented a strong year-on-year increase of 28% and transformational growth of 197% on a two-year basis. Adjusted EBITDA for the year was £0.6m (2021: £3.8m) which resulted in an adjusted EBITDA margin of 1% (2021: 8.5%).

The continued momentum in revenue growth was driven by the ongoing expansion and optimisation of our influencer-based business model, through which we launched 193 collaborations across 27 influencers, creating over 7,500 new products. Our collaborations over the past year included established partners such as Jac Jossa and Lorna Luxe, along with a number of new partnerships with Perrie Sian, Gemma Atkinson and Stacey Solomon, with whom in the Style launched its first ever sustainable collection.

The company's wholesale channel continued to grow, increasing by 52% to £12.6m (2021: £8.3m) to represent 22% of total revenue (2021: 19%). Retail partnerships provide the company with additional consumer reach which support increased levels of brand awareness. In the year, the company started to retail product to key European markets through Zalando and About You. Although sales to international markets remained small in 2022, this remains an important growth opportunity for the company in the coming years.

Disruption to worldwide supply chains and inflationary pressures as a result of Covid-19 and the Russia-Ukraine conflict have been well documented, and we were not immune to these. Increases to product costs and the cost of freight put pressure on our gross margin whilst delivery timelines became less predictable which had an impact on our launch schedule.

Our teams were able to react quickly to any disruption in our supply chain and flex our sourcing channels. This led to some substantial changes in our supplier base in the year, away from China and into new territories such as Morocco and India.

As a result of this cost management and increasing retail prices, inflation was well managed through our direct to consumer segment, but it did impact our growing wholesale channel where retail prices are set in advance. Overall gross margin therefore decreased by 220bps to 43.9% (2021: 46.1%).

Adjusted EBITDA margin was also impacted from rising distribution costs, an increase in return rates following a year of lockdown restrictions, and an increase in salaries and overheads as we invested for future growth.

Financial key performance indicators

Management have identified the following financial KPIs as re relevant to monitoring performance and review these on a regular basis against forecast

	2022	2021
	£'000	£'000
Revenue	57,317	44,705
Gross Profit	25,169	20,589
Gross Margin	43.9%	46.1%
Operating (Loss)/Profit	(1,506)	1,423
Adjusted EBITDA	551	3,799

Operating responsibly

We are committed to operating responsibly and we are mindful of the communities we impact, our customers, our suppliers and the environment. During the year we made further progress against the actions resulting from a supply chain review undertaken by Anthesis in March 2021. This included mapping our supply chain for visibility, strengthening our due diligence processes as we onboard suppliers and throughout our supplier relationships, and updating our CSR policies. 70% of all short- and medium- term recommendations from this review are now complete, with plans in place to deliver against the remaining recommendations.

Furthermore, led by the company's CSR committee, we have sought to reduce our impact on the environment and improve the lives of people in our supply chain. We have delivered our first full collection featuring more sustainable fabrics, strengthened our commitment to only work with suppliers committed to meeting our ethical standards, and reviewed our own purchasing practices and the impact these have on our supply chain.

In January 2022, we launched the first in the Style collection made from sustainable and recycled materials. The collection, created in partnership with ITS influencer Stacey Solomon, was received well by customers and has presented a number of useful insights for future collections of this kind.

Principal risks and uncertainties

The Company operates a structured risk management process, which identifies and evaluates risks and uncertainties and reviews mitigation activity. Set out below are the principal risks and uncertainties that the Directors consider could impact the Company's performance. Mitigating actions are in place and are monitored regularly by the Board.

1. Economy, market and business environment

POTENTIAL IMPACT	CHANGES IN THE YEAR	MITIGATING FACTORS
Specific macroeconomic factors and changes due to geopolitical uncertainty can have an impact on how customers behave and can also have an impact on our operations and the operations of our supply chain. In turn, this could impact our overall financial performance. Examples of such events include a pandemic or national conflict.	<p>Covid-19 restrictions across the world resulted in some disruption in the supply chain through 2021. Logistics costs increased as a result of a container shortage and port/airport closures. As we entered 2022, these pressures began to normalise.</p> <p>The conflict in Ukraine has placed renewed pressure on logistics providers, particularly air freight from the Far East.</p> <p>Cost of raw materials have increased.</p> <p>Inflation levels in the UK have risen, and with energy prices increasing, there is a cost-of-living crisis in the UK. This could reduce the discretionary spend available to consumers.</p>	<p>We continue to monitor shifts in all relevant macroeconomic risks, with particular focus on challenges caused by Brexit, Covid-19 and the Ukraine-Russia conflict. Mitigations put in place to help prepare the group for any potential volatility include the following:</p> <ul style="list-style-type: none"> • We market through influencers who have high levels of engagement with their followers, increasing the desirability of our product. • We keep track of the latest trends in product categories, meaning we can pivot quickly to the lifestyle choices consumers make. • We have a strong supply chain consisting of multiple suppliers across multiple locations. this helps minimise overreliance on any individual country or supplier. • We have relationships with multiple carriers and logistics providers so we can spread our carriage if required. • We continually review stocking levels and increase our investment in stock when uncertainties arise. this helps us to reduce stock-outs and strengthen our competitive position.

2. Influencer model

POTENTIAL IMPACT	CHANGES IN THE YEAR	MITIGATING FACTORS
<p>The Company's business model is based heavily on designing products in conjunction with influencers and marketing these products using both the Company's and the relevant influencer's social media platforms.</p> <p>If the Company is not able to develop and maintain positive relationships with its network of influencers, the Company's ability to promote and maintain awareness of its brand and leverage social media platforms to drive visits to its website and app may be adversely affected.</p> <p>The Company's network of influencers currently comprises c.27 influencer relationships. Negative publicity relating to any one of these influencers (including in relation to the matters outlined further on within this section) or a breakdown in such relationship with the Company may have a material adverse effect on the Company's business, results of operations and financial condition.</p> <p>Influencer commissions may increase over time and/or the market for influencers may become more competitive over time. There is no guarantee a new influencer will be a success.</p> <p>Influencers are often responsible for creating their own content, and the commission model means that they can often do this independent from In The Style. A risk therefore exists that influencers do not comply with the relevant advertising standards or provide false information to consumers.</p>	<p>The Company expanded its influencer base with a number of influencers signed up to do collaborations. These included Perrie Sian, Gemma Atkinson and Stacey Solomon.</p> <p>The Company's founder, Adam Frisby, stepped down from his role as CEO to become Chief Brand Officer. This role allows Adam to focus more on building the brand and working with the influencers.</p> <p>The Company invested in its product and merchandising teams that work alongside the influencers to produce product.</p> <p>During the year a small number of the influencers we work with have been warned by the Advertising Standards Agency for not adhering to the CAP code. Our social team have increased their efforts in educating influencers as to why this is important and now monitors posts to ensure compliance.</p>	<p>The company reduces this risk through agreeing multiple relationships with a broad number of influencers. Many of the relationships are long-standing and contracts have been renewed multiple times.</p> <p>The Chief Brand Officer (CBO) is responsible for influencer relationships and, supported by the marketing team, ensures he maintains close contact with all influencers and their management teams such that any issues would be identified early enough to avoid major conflict.</p> <p>The company closely monitors social media development, trends and content to ensure it remains up to date with consumer preferences and therefore a leading partner for influencers.</p> <p>The company's social team has taken a more active role in reminding influencers of their responsibilities of adhering to the cap code. Monitoring of all posts is now performed daily to ensure compliance.</p>

3. Social media

POTENTIAL IMPACT	CHANGES IN THE YEAR	MITIGATING FACTORS
<p>Social media platforms may change their advertising policies or be required to do so by changes to regulation.</p> <p>If any change to these policies delays or prevents the Company from advertising through these channels or reduces the effectiveness of its influencer strategy, this could result in a reduction in consumer traffic to the Company's website and app and reduced sales of its products.</p> <p>In addition, the Company's social media presence amplifies consumer engagement but is less controllable, due to consumer comments and hashtags, than more traditional public relations and marketing methods. This could associate the brand with content which is not aligned with the Company's values, something that could result in negative publicity</p>	<p>Social media platforms such as Instagram and Facebook are continually changing their algorithms and seemingly placing more relevance on paid-for advertisements. This has the ability over time to reduce the number of impressions served to consumers.</p> <p>Instagram users are being drawn more towards 'stories' than posts. Although the use of stories is an effective way to reach consumers with dynamic content, they are not as permanent as a traditional post.</p> <p>New platforms such as Tik Tok continue to grow consumer audience. The Company ensures that it quickly grows a presence on these platforms as they emerge so we learn how to market effectively and whether different influencers are required for different audiences.</p>	<p>Change has been a feature of social media platforms since their creation and it is likely that this will continue.</p> <p>The company mitigates social media risk by constantly monitoring content associated with the brand and as such adverse publicity would be recognised quickly and acted upon.</p>

4. Design

POTENTIAL IMPACT	CHANGES IN THE YEAR	MITIGATING FACTORS
<p>As a design-led female apparel and accessories brand, there is a risk that the Company's product proposition does not satisfy the needs of our customer base, or that the Company fails to correctly identify trends that are desired by its customer base.</p> <p>As a result, lower sales, excess inventories and increased levels of discounting may occur.</p>	<p>The Company invested in product and merchandising teams in the year, including appointing a head of product to lead the design area alongside Adam Frisby who moved into a Chief Brand Officer role.</p> <p>The Company collaborates on product with influencers and worked with 15 new influencers to design apparel through the year.</p>	<p>The company employs a 'test and repeat' model which minimises risk and ensures that a proportion of its product proposition at any one time is known to resonate with its customer base.</p> <p>In-house design teams enjoy a very strong understanding of the company's customer base.</p> <p>Collaborations with influencers gives the company additional input to design. The influencers have a deep understanding of their audience giving us a great probability of designing product that resonates with consumers.</p> <p>The company maintains tight control of stock, preferring instead to quickly re-order and re-stock successful product items or ranges from its third-party manufacturers. this reduces the stock risk at the outset of a range launch and also provides visibility of future sales, whilst allowing customers further access to popular products to the benefit of both customers and in the Style.</p>

5. Supply chain ethics

POTENTIAL IMPACT	CHANGES IN THE YEAR	MITIGATING FACTORS
The Company may be subject to potential reputational damage if one or more of its suppliers violates or is alleged to have violated applicable laws or regulations including improper labour conditions or human rights abuses, fails to meet the Company's requirements or does not meet industry standards and safety specifications.	<p>Ongoing spotlight on labour conditions in UK garment industry.</p> <p>National and international scrutiny on ethical trading is increasing and we continue to engage with stakeholders to monitor and react to ethical risk in the supply chain.</p>	<p>We map our supply base, maintaining an up-to-date supplier database.</p> <p>We publish our factory list.</p> <p>We require regular ethical audits to assess suppliers' performance against the company's code of conduct. We engage with the reassurance network to conduct our own ethical assessments.</p> <p>In the UK, we are a member of Fast Forward, a leading labour standards programme. all UK suppliers are required to be audited under the programme with a commitment to continuous improvement.</p>

6. Supply chain operations

POTENTIAL IMPACT	CHANGES IN THE YEAR	MITIGATING FACTORS
<p>The Company's ability to remain competitive is highly dependent on its success in maintaining access to its production facilities and an efficient distribution network. ITS typically works with a relatively tight supplier base of circa 50 product suppliers and so the loss of one or a handful of those suppliers could have a material impact on the Company's business.</p> <p>One or more of the Company's suppliers may be unable to supply or decide to cease supplying the Company for reasons beyond the Company's control, or they may increase prices significantly where it is not possible to pass on price increases to customers. Alternative suppliers may be difficult or impossible to identify and, in any event, may take a significant period of time to begin supplying the Company. Moreover, if the Company expands beyond the production capacity of its current suppliers as it continues to grow, it may not be able to find new suppliers with an appropriate level of expertise and capacity in a timely manner. The Company operates a just-in-time supply chain in relation to stock which adds risk to the business model.</p> <p>The Company's supply chain could also be materially adversely affected by a number of other factors, including, among other things, potential economic and political instability in countries where its suppliers are located, increases in shipping or other transportation costs, manufacturing and transportation delays and interruptions, whether as a result of pandemics, natural disasters, political crises, civil unrest and other catastrophic events. Given the profit margins of the business, any supply chain cost inflation or disruption that leads to higher costs, could have a significant impact on profitability given it may not be possible to pass on price increases to customers.</p>	<p>Since March 2020, disruption caused by Covid-19 resulted has resulted in challenges across our supply chain.</p> <p>Over the past year the Company further diversified its geographical base of suppliers, moving away from China which was impacted by both factory shutdowns and logistics availability.</p> <p>A reduction in the availability of space for freight and a resulting increase in costs relating to shipping have been a challenge in the year. This was caused first through Covid-19 lockdown restrictions and subsequently impacted by the conflict in Ukraine. The Company has invested in a small but specialised logistics team so that it can source more product on an 'Free On Board' ('FOB') basis, improving rates and allowing for greater visibility of stock before it reaches our warehouse.</p> <p>The Company has defined improving our 'critical path' as a focus area for the year. As part of this focus, the Company is exploring ways in which it can move a greater proportion of its product by sea rather than by air.</p>	<p>The company utilises multiple suppliers in multiple territories to fulfil the required production. an experienced and knowledgeable buying and design team is maintained in the business ensuring a good knowledge of alternative suppliers for specific products. As the company grows, the supply base open to taking orders from in the Style should also expand. The company maintains an up-to- date supplier data base, performs visits and is in the process of instigating an independent audit programme.</p> <p>The company is engaged with both the Fast Forward organisation and the reassurance network who provide external audit frameworks and guidance.</p>

7. Employees and key individuals

POTENTIAL IMPACT	CHANGES IN THE YEAR	MITIGATING FACTORS
<p>The Company's business, development and prospects are dependent on a small number of key management personnel. The loss of the service of one or more of such key management personnel may have an adverse effect on the Company. The Directors believe that the experience, technical know-how and commercial relationships of the Company's key management personnel help provide the Company with strategic focus and a competitive advantage.</p> <p>The Company's ability to develop its business and achieve future growth and profitability will depend in large part on the efforts of these individuals and the Company's ability, when required, to attract new key management personnel of a similar calibre.</p> <p>The loss of the services of any key management personnel, for any reason, or failure to attract and retain necessary additional personnel, could adversely impact on the business, development, financial condition, results of operations and prospects of the Company. The Directors believe that the Company operates a progressive and competitive remuneration policy which will play an important part in retaining and attracting key management personnel.</p>	<p>Over the past year the Company has invested in its senior leadership team, bringing on key roles such as Head of Product and Head of People.</p> <p>In addition, the Company went through significant change at Board level. Adam Frisby, the founder of In The Style, stepped down from his role as CEO to become Chief Brand Officer. Sam Perkins joined the business in January 2022 as CEO. Subsequently, in March 2022, Paul Masters retired from his position on the Board and Richard Monaghan joined the Company as CFO.</p> <p>These changes and overall investment in the management structure further mitigate risks of key personnel loss.</p>	<p>The Directors ensure the development of teams around key individuals at every opportunity.</p> <p>The Directors also believe the company operates a progressive and competitive remuneration policy which will play an important part in retaining and attracting key management personnel.</p> <p>However, despite incentive arrangements the company may still encounter difficulties in attracting or retaining such individuals.</p>

8. Response to sustainability

POTENTIAL IMPACT	CHANGES IN THE YEAR	MITIGATING FACTORS
<p>The focus on climate change and sustainability is growing, and is in the spotlight more now than ever before. We recognise that we need to play our part in combating climate change and, if we fail to do this, we risk adversely impacting our brand and reputation.</p>	<p>Through the year we have placed further focus on how we can make a difference in this area. We have started to define our ESG strategy across three pillars, one of which is how we help the planet.</p> <p>We launched our first sustainable range in collaboration with Stacey Solomon in the year.</p>	<p>We continue to monitor consumer sentiment and demand with regard to sustainable products.</p> <p>We continue to engage with our supply base on a materials sourcing strategy to seek opportunities to adopt more sustainable materials.</p> <p>We have understood our scope 1 and 2 emissions and will look towards understanding those within our broader supply chain (scope 3).</p>

9. IT and cyber security

POTENTIAL IMPACT	CHANGES IN THE YEAR	MITIGATING FACTORS
<p>The Company relies on systems and websites that allow for the secure storage and transmission of proprietary or confidential information regarding its consumers, customers, suppliers, employees and others, including credit card information and personal information.</p> <p>Advances in computer capabilities, new technological discoveries or other developments may result in the whole or partial failure of this technology to protect transaction data or other sensitive and confidential information from being breached or compromised. In addition, e-commerce websites are often attacked through compromised credentials, including those obtained through phishing and credential stuffing.</p> <p>If any of these breaches of security should occur, the reputation of the Company could be damaged, customers could develop the perception that the Company's platforms are not secure, its business may suffer, it could be required to expend significant capital and other resources to alleviate problems caused by such breaches, and it could be exposed to a risk of loss, litigation or regulatory action and possible liability.</p>	<p>External threats are now managed through web application firewalls and multi-layer security so that the core line of business data, including customer transaction data, is at least two levels away from the external interfaces. These tools ensure low level attempts to probe or attempt to run scripts against our sites are automatically blocked and monitored.</p> <p>More sophisticated brute force attacks intending to stop commercial activity do occur from time to time. When these happen, the same tools are used to block, diagnose and manage the attacks and then new rules added to prevent ongoing impact.</p> <p>The Company has adopted a cloud-first model, this ensures data typically remains at its source, is managed based on usage, and transmission and duplication of data is therefore minimised across the Company.</p> <p>The Company uses tokenisation for all payment types and thus never holds nor transmits payment data.</p> <p>Company staff have enforced two-step authentication and a robust policy is in place to ensure removal of leavers and that staff have appropriate access to systems based on role and experience.</p>	<p>Procedures have been established to protect the confidentiality and integrity of customer information; however, the company may be subject to attack from computer programmes that attempt to penetrate its network security and misappropriate confidential information.</p> <p>The company takes security very seriously and manages, mitigates and reduces risk through industry-leading established advanced technologies and best practices.</p>

10. Regulatory compliance

POTENTIAL IMPACT	CHANGES IN THE YEAR	MITIGATING FACTORS
<p>There is a risk that the Company fails to comply with regulatory requirements or to respond to changes in regulations, including GDPR.</p> <p>The Company stores some personally identifiable information of its customers, employees and other stakeholders and is subject to data protection and privacy regulations such as the General Data Protection Regulation (Eu) 2016/679 (the "GDPR"), which forms part of domestic law pursuant to the Data Protection, Privacy and Electronic Communications (Amendments etc) (Eu Exit) Regulations 2019.</p> <p>The Company has policies and procedures in place in relation to data protection but there can be no guarantees that even strict compliance with such policies and procedures will completely eliminate all risk in this regard.</p> <p>Any perceived or actual failure by the Company, including its third-party service providers, to protect confidential data or any material non-compliance with privacy or data protection or other consumer protection laws or regulations may harm the Company's reputation and credibility, adversely affect revenue, reduce its ability to attract and retain customers and consumers, result in litigation or other actions being brought against the Company and the imposition of significant fines and, as a result, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.</p>	<p>The Policies that govern GDPR have been embedded into the employee contract, handbook and working practices of the Company. In summary the Company requires that user consent and data is given based only on the need to provide the core business services and that all other usage of data is expressly linked to consent for that purpose only.</p>	<p>As a B2C origination, the company has well established procedures to protect the confidentiality and integrity of customer information. These are separate from but directly related to, the security standards and procedures with the company.</p> <p>The core principles are to gain explicit permission to use data, store that data safely, and only use the data for the purpose to which it was intended.</p> <p>Third-party system providers and services are defined as data processors only, and do not have any rights to data unless expressly given.</p> <p>Data requests or removals are treated with a priority and acted on in good time. a central register is maintained and monitored for this purpose. any suspected or actual breaches of GDPR are reported to senior management, the Board and the ICO.</p>

Section 172(1) Statement

Engagement with all stakeholders is critical to the company achieving long-term success and as such the directors regularly consider all stakeholders when making decisions.

Aside from the shareholders the directors' consider the other key stakeholders to be: employees, customers, influencers, suppliers, the community and the environment.

Employees throughout the organisation are consulted and are given many opportunities to provide feedback during regular meetings and appraisals. Recruitment and retention have also been supported by this regular communication. Across the Company a comprehensive Code of Conduct is in place that sets out the ethical expectations of all employees. A key element to the strategy is to continue to attract, develop and retain high quality team members who share the brand values to support the wider growth ambitions.

The Company differentiates itself through a steadfast commitment to championing female empowerment, body positivity and real beauty. As well as being fundamental attributes of the Company's brand identity and stated business mission, it aims to be an authentic, campaigning brand for its customers, and to always reflect its brand values.

There is continual communication with customers through regular launches, social media channels, the proprietary app and an appropriately sized in-house Customer Service team to assist our customers with pre and post purchase queries.

The Company develops strong, long-standing and exclusive collaborations with a growing and varied company of influencers. These influencers are identified taking into consideration their fit with the brand, the quality of their social media engagement and follower numbers.

Influencers are integral to the design and development of the Company's ranges and are heavily involved in the design of every collaborative range including numerous planning meetings to discuss priorities and desires, and ongoing communication throughout the process. Regular reviews take place with influencers and their management post launches to review performance.

The company works with a small supplier base of product suppliers at any one time with approximately half of these in the UK and approximately half in international territories, predominantly China.

All suppliers are required to sign up to a comprehensive suite of policies, and CSR and product teams are in frequent contact during and after the onboarding of suppliers with a programme of visits in place.

During the year the company launched its first sustainable collection with one of its influencers demonstrating the company's recognition of the environmental impact of the fashion industry.

This report was approved by the board on 29 July 2022 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'R F Monaghan', followed by a long horizontal line extending to the right.

R F Monaghan
Director

Directors' Report
For the Year Ended 31 March 2022

The directors present their report and the audited financial statements for the year ended 31 March 2022.

Principal activity

The principal activity of the Company continued to be that of an online clothing retailer.

Results and dividends

The loss for the year, after taxation, amounted to £1,329,000 (2021: profit £1,529,000).

The directors do not recommend the payment of a dividend for the year ended 31 March 2022. A dividend of £1,250,000 was declared and paid during the year ended 31 March 2021.

Directors

The directors who served during the year were:

Adam Frisby

Paul R Masters (resigned 31 March 2022)

Sam Perkins (appointed 17 January 2022)

Richard Monaghan (appointed 21 March 2022)

Directors' indemnities and insurance

The company has made qualifying third party indemnity provisions for the benefit of the Directors, which were in force during the year and up to the date of this report.

Financial Risk management

Information relating to the principal risks and uncertainties of the Company are included within the Strategic Report. In addition, the Company operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, foreign currency risk and cash flow risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by regularly monitoring the financial risks referred to above.

Price risk

The Company's profitability is affected by price fluctuations in the sourcing of its products. The Company continually monitors the price and availability of materials but the costs of managing the exposure to price risk exceed any potential benefits given the extensive range of products and suppliers. The Directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Credit risk

The Company's sales are primarily made with credit terms of between 0 and 75 days, exposing the Company to the risk of non-payment by wholesale customers. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly by management.

An analysis of trade receivables, including past due but not impaired balances, is given in Note 14.

Credit risk also arises from cash and cash equivalents with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Liquidity risk

The company is funded by its shareholders. The company has also utilised funding via an invoice finance facility that was designed to ensure the company has sufficient available funds for operations and planned expansions. This facility was cancelled during the year due to the company's cash position and the associated costs of having the facility in place. Following the year end, the company entered into a new invoice discounting facility to mitigate liquidity risk. The liquidity risk has not changed as a result of Covid-19 given the high proportion of cash received when an order is placed.

Cash flow risk

The Company is exposed to the financial risks associated with changes in foreign currency rates through overseas sourcing activities.

Political donations

The Directors confirm that no donations for political purposes were made during the year (2021: nil).

Research and development activities

The Company performs research and development activities principally around the development of the Company's website and app. Qualifying research and development costs were £483,000 and (2021: £611,000). Amounts capitalised were £1,424,000 (2021: £325,000).

Going Concern

The company's ability to continue as a going concern is dependent on maintaining adequate levels of resources to continue to operate for the foreseeable future. The Directors have considered a number of key dependencies which are set out in the above, specifically the group's exposure to liquidity risk and foreign exchange risk.

When assessing the going concern of the company, the Directors have reviewed the year to date financial results, as well as detailed financial forecasts for the period up to 31 July 2023. The assumptions used in the financial forecasts are based on the company's historical performance and management's extensive experience of the industry. Taking into consideration the wider economic environment, the forecasts have been assessed and stress tested to ensure that a robust assessment of the company's working capital and cash requirements has been performed.

Liquidity and financing

At 31 March 2022, the company held instantly accessible cash and cash equivalents of £5.8m. In addition, in June 2022 the company signed into an invoice discounting facility. There is a sufficient level of liquidity/financing headroom post stress testing across the going concern forecast period to 31 July 2023, as outlined in more detail below.

Approach to stress testing

The going concern analysis, which was approved by the Board in July 2022, reflected the actual trading to May 2022, as well as detailed financial forecasts for the period up to 31 July 2023. The company has taken a measured approach to its forecasting and has balanced the expected trading conditions with opportunities available in the market which is still transitioning online. Given the uncertainty of the impact of Covid-19, the conflict in Ukraine and the current high levels of inflation in the UK, the Board has in its assessment of going concern considered the potential impact of a generalised economic downturn leading to a greater impact on the spending patterns of consumers than has been experienced to date.

In addition, the Board has considered the impact of disruption to the supply chain caused by Covid-19, climate change risks and the impact on gross margin. The extent to which these factors could adversely affect the company's revenue, gross margin and customer acquisition costs, as well as the extent to which this can be offset by cost savings, was modelled. The company has prepared a reasonable worst case downside scenario, which incorporated the assumptions listed below:

- reduction in customer numbers and conversion when compared with the Base case and 2022 actual
- maintenance of average order value at 2022 actual levels, despite seeing average order value grow significantly in recent years
- increased marketing spends as a proportion of revenue
- increased stock holding
- reduction in gross margin

The effect of the combination of applying all the above downsides is a reduction in adjusted EBITDA on the 2022 base case and an increased level of cash burn which resulted in additional funding being necessary within the forecasting period. Mitigating factors were then considered, including reducing stock buys to reduce the working

capital requirement and increase the level of full price sales, reducing the level of software development planned to make improvements to the company's platform and reducing the level of marketing through channels other than the company's influencer relationships. All these mitigations are within the company's control and would be expected in a consumer downturn. The severe downside scenario with reasonable mitigations results in sufficient cash forecast to be held throughout the period to 31 July 2023 to cover the company's liabilities as they fall due.

Going concern conclusion

Based on the analysis described above, the company has sufficient liquidity headroom through the forecast period. The Directors therefore have reasonable expectation that the company has the financial resources to enable it to continue in operational existence for the period to 31 July 2023. Accordingly, the Directors conclude it is appropriate that these consolidated financial statements be prepared on a going concern basis.

Events after the balance sheet date

On 16 June 2022, the company, entered into an agreement to lease for a circa 84,000 sq. ft. warehouse in Heywood, Lancashire. It is expected that the warehouse will be available for occupation at the end of July and the group expects this facility to be the main fulfilment centre from September 2022. The lease term is 10 years with a rental cost of £5.06 per square foot for the first three years of the term and £6.50 thereafter. As part of the terms of the agreement, £0.4m will be paid to the landlord to be held on deposit until the end of the lease term.

On 24 June 2022 the company signed into an invoicing discounting facility. The facility allows prepayment of up to 85% of the company's trade receivables up to a limit of £4.0m. Interest is charged on pre-paid amounts at a rate of 2.0% per annum.

Auditor


The Directors of the company at the date of approval of this report confirm that:

- so far as each Director is aware there is no relevant audit information which the Company's auditors are unaware; and
- each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information to establish that the Company's auditors are aware of that information.

Independent External Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29 July 2022 and signed on its behalf.


R F Monaghan
Director

**Directors' Responsibilities Statement
For the Year Ended 31 March 2022**

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

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of In The Style Fashion Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of In The Style Fashion Limited ("the Company") for the year ended 31 March 2022 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements.

We considered the significant laws and regulations to be the applicable accounting frameworks; the UK Companies Act 2006; those that relate to the payment of employees; and industry related legislation such as health and safety and taxation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to

posting inappropriate journal entries and management bias in accounting estimates as well as inappropriate revenue cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the returns provision and impairment of intangible assets;
- Detailed testing of a sample of transactions recognised as revenue either side of the year end, to ensure they were accounted for in the correct period;
- Identifying and testing journal entries to supporting documentation, in particular any journal entries posted with unusual account combinations and specific user postings;
- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of minutes of Board meetings throughout the period and to the date of approval of the financial statements for instances of non-compliance with laws and regulation and fraud; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations

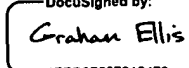
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:

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Graham Ellis (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
29 July 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of total comprehensive income
For the year ended 31 March 2022

		Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
	Note		
Revenue	4	57,317	44,705
Cost of sales	5	(32,148)	(24,116)
Gross profit	4	25,169	20,589
Distribution costs	5	(10,036)	(7,428)
Administrative expenses	5	(16,639)	(12,015)
Other operating income	5	-	277
Operating (loss)/ profit		(1,506)	1,423
Adjusted EBITDA¹		551	3,799
Depreciation	12 & 19	(585)	(360)
Amortisation	11	(395)	(574)
Share based payments charge	21	(861)	-
Adjusting items	6	(216)	(1,442)
Operating (loss)/ profit		(1,506)	1,423
Finance income	8	1	1
Finance costs	9	(40)	(395)
(Loss)/ profit before taxation		(1,545)	1,029
Income tax	10	216	500
(Loss)/ profit and total comprehensive income/(loss) for the year		(1,329)	1,529

Note 1: Adjusted EBITDA, which is defined as profit before net finance costs, tax, depreciation, amortisation and adjusting items, is a non-GAAP metric used by management and is not an IFRS disclosure. Adjusting items are items which are material and non-recurring in nature as disclosed in note 6. Adjusted EBITDA is consistent with the way financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of trading results.

All results derive from continuing operations.

(Loss)/ profit and total comprehensive (Loss)/profit is attributable to equity holders of the Company.

Statement of financial position
As at 31 March 2022

		As at 31 March 2022 £'000	As at 31 March 2021 £'000
	Note		
Non-current assets			
Intangible assets	11	2,154	1,125
Property, plant and equipment	12	773	272
Right of use assets	19	972	292
Deferred tax asset	10	716	500
Total non-current assets		4,615	2,189
Current assets			
Inventories	13	3,142	1,955
Trade and other receivables	14	5,191	1,687
Cash and cash equivalents	15	5,823	11,939
Total current assets		14,156	15,581
Total assets		18,771	17,770
Liabilities			
Current liabilities			
Trade and other payables	16	16,019	15,140
Contract Liabilities	17	871	1,113
Lease liability	19	285	164
Provisions	18	179	-
Total current liabilities		17,354	16,417
Non-current liabilities			
Provisions	18	127	-
Lease liability	19	686	281
Total non-current liabilities		813	281
Total liabilities		18,167	16,698
Net assets		604	1,072
Equity			
Share capital	20	15	15
Capital contribution		861	-
Share Premium		-	-
(Accumulated losses)/ retained earnings		(272)	1,057
Total equity		604	1,072

The notes on pages 24 to 50 are an integral part of these financial statements.

The financial statements on pages 21 to 23 were approved by the Board of Directors and authorised for issue on 29 July 2022 and were signed on its behalf by:


R F Monaghan
 Director

Registered number: 08792519

Statement of changes in equity
For the year ended 31 March 2022

	Share Capital	Capital Contribution	Share Premium	Retained earnings / (accumulated losses)	Total (deficit)/equity
	£'000	£'000	£'000	£'000	£'000
As at 31 March 2020	15	-	4,914	(7,606)	(2,677)
Profit for the year	-	-	-	1,529	1,529
Total comprehensive income for the year	-	-	-	1,529	1,529
<i>Transactions with shareholders:</i>					
Dividend (note 25)	-	-	-	(1,250)	(1,250)
Share reorganisation - preference share redesignation as equity and cancellation of share premium	-	-	-	3,470	3,470
Share capital reduction	-	-	(4,914)	4,914	-
As at 31 March 2021	15	-	-	1,057	1,072
Loss for the year	-	-	-	(1,329)	(1,329)
Total comprehensive expense for the year	-	-	-	(1,329)	(1,329)
Share based payments charge (note 21)	-	861	-	-	861
Total transactions with shareholders	-	861	-	-	861
As at 31 March 2022	15	861	-	(272)	604

Notes to the financial statements

1. General information

The principal activity of In The Style Fashion Limited ("the Company") is that of an online clothing retailer. The Company is a private limited company and is incorporated in England & Wales. The registered office of the Company is Maple Court, Wynne Avenue, Clifton, Manchester, M27 8FF. The Company registration number is 08792519.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" ("FRS 101"), on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 as applicable to companies reporting under FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The financial information is presented in sterling and has been rounded to the nearest thousand (£'000).

The principal accounting policies have been applied consistently to all the years presented.

Company reorganisation

The shareholders of the Company sold their shares in the Company to In The Style Company PLC ("the Parent") on 8 March 2021. The Parent's shares were admitted to trading on the Alternative Investment Market ("AIM"), a market operated by the London Stock Exchange, on 15 March 2021. In connection with the admission to AIM, the Parent undertook a company reorganisation of its corporate structure which resulted in the Parent becoming the ultimate holding company of the Company.

2.2 Financial Reporting Standard 101 – reduced disclosure exemptions

The following exemptions from the requirements in IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, "Financial Instruments: Disclosures";
- Paragraph 38 of IAS 1, "Presentation of financial statements" – comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1 (reconciliation of the number of shares outstanding at the beginning and at the end of the period);
- The following paragraphs of IAS 1, "Presentation of financial statements":
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement of minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (statement of cash flows information); and

Notes to the financial statements

Summary of significant accounting policies (continued)

2.2 Financial Reporting Standard 101 – reduced disclosure exemptions (continued)

- 134-136 (capital management disclosures).
- IAS 7, “Statement of cash flows”;
- Paragraphs 30 and 31 of IAS 8, “Accounting policies, changes in accounting estimates and errors” (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, “Related party disclosures” (key management compensation);
- The requirements in IAS 24, “Related party disclosures”, to disclose the related party transactions entered into between two or more members of a company;
- Paragraphs 130(f)(ii)(iii), 134(d)-(f) and 135(c)-(e) of IAS 36, “Impairment of assets”; and
- Paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 and the second sentence of paragraph 110 of IFRS 15.

The principal accounting policies adopted are set out below.

2.3 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.4 Going concern

The company’s ability to continue as a going concern is dependent on maintaining adequate levels of resources to continue to operate for the foreseeable future. The Directors have considered a number of key dependencies which are set out in the above, specifically the group’s exposure to liquidity risk and foreign exchange risk.

When assessing the going concern of the company, the Directors have reviewed the year to date financial results, as well as detailed financial forecasts for the period up to 31 July 2023. The assumptions used in the financial forecasts are based on the company’s historical performance and management’s extensive experience of the industry. Taking into consideration the wider economic environment, the forecasts have been assessed and stress tested to ensure that a robust assessment of the company’s working capital and cash requirements has been performed.

Liquidity and financing

At 31 March 2022, the company held instantly accessible cash and cash equivalents of £5.8m. In addition, in June 2022 the company signed into an invoice discounting facility. There is a sufficient level of liquidity/financing headroom post stress testing across the going concern forecast period to 31 July 2023, as outlined in more detail below.

Approach to stress testing

The going concern analysis, which was approved by the Board in July 2022, reflected the actual trading to May 2022, as well as detailed financial forecasts for the period up to 31 July 2023. The company has taken a measured approach to its forecasting and has balanced the expected trading conditions with opportunities available in the market which is still transitioning online. Given the uncertainty of the impact of Covid-19, the conflict in Ukraine and the current high levels of inflation in the UK, the Board has in its assessment of going concern considered the potential impact of a generalised economic downturn leading to a greater impact on the spending patterns of consumers than has been experienced to date.

In addition, the Board has considered the impact of disruption to the supply chain caused by Covid-19, climate change risks and the impact on gross margin. The extent to which these factors could adversely affect the company’s revenue, gross margin and customer acquisition costs, as well as the extent to which this can be offset

Notes to the financial statements

Summary of significant accounting policies (continued)

2.4 Going concern (continued)

by cost savings, was modelled. The company has prepared a reasonable worst case downside scenario, which incorporated the assumptions listed below:

- reduction in customer numbers and conversion when compared with the Base case and 2022 actual
- maintenance of average order value at 2022 actual levels, despite seeing average order value grow significantly in recent years
- increased marketing spend as a proportion of revenue
- increased stock holding
- reduction in gross margin

The effect of the combination of applying all the above downsides is a reduction in adjusted EBITDA on the 2022 base case and an increased level of cash burn which resulted in additional funding being necessary within the forecasting period. Mitigating factors were then considered, including reducing stock buys to reduce the working capital requirement and increase the level of full price sales, reducing the level of software development planned to make improvements to the company's platform and reducing the level of marketing through channels other than the company's influencer relationships. All of these mitigations are within the company's control and would be expected in a consumer downturn. The severe downside scenario with reasonable mitigations results in sufficient cash forecast to be held throughout the period to 31 July 2023 to cover the company's liabilities as they fall due.

Going concern conclusion

Based on the analysis described above, the company has sufficient liquidity headroom through the forecast period. The Directors therefore have reasonable expectation that the company has the financial resources to enable it to continue in operational existence for the period to 31 July 2023. Accordingly, the Directors conclude it is appropriate that these consolidated financial statements be prepared on a going concern basis.

2.5 Revenue recognition

IFRS 15 has been applied in these financial statements. Revenue solely relates to the sale of goods and arises from the online and wholesale sale of fashion clothing. To determine whether to recognise revenue, the Company follows the 5-step process as set out within IFRS 15:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Revenue is measured at transaction price, stated net of VAT, and other sales related taxes.

Revenue is recognised at a point in time as the Company satisfies performance obligations by transferring the promised goods to its customers as described below. Revenue is adjusted for returns. Expected sales returns are estimated based upon the historic returns rate. A refund liability is recognised for the goods that are expected to be returned. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer estimated based upon the latest returns rate.

Contracts with customers take the form of customer orders. There is one distinct performance obligation, being the distribution of products to the customer, for which the transaction price is clearly identified. Revenue is recognised at a point in time when the Company satisfies performance obligations by transferring the promised goods to its customers, i.e. when control has passed from the Company to the customer, which tends to be on physical receipt by the customer.

When payment is received in advance of delivery these amounts result in a contract liability which is deferred and presented as deferred income.

Notes to the financial statements

Summary of significant accounting policies (continued)

2.6 Marketing costs

A range of marketing activities are used, including social media influencers, bloggers, and pay-per-click activities. All marketing costs are included within administrative expenses.

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research is recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project when certain specific criteria are met:

- It is technically feasible to complete the technological development so that it will be available for use;
- Management intends to complete the technological development and use or sell it;
- It can be demonstrated how the technological development will develop probable future economic benefits;
- Adequate technical, financial, and other resources to complete the development and to use or sell the product are available; and
- Expenditure attributable to the technological product during its development can be reliably measured.

The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which is 3 years. If it is not possible to distinguish between the research and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.8 Finance income

Finance income is recognised in the statement of comprehensive income using the effective interest method.

2.9 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Pension costs

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.11 Other income

Research and development tax credits are recognised in other income within the statement of comprehensive income in the same period as the related expenditure

Notes to the financial statements

Summary of significant accounting policies (continued)

2.12 Income tax

The tax expense or credit represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

(a) Current income tax

Current tax is based on taxable income for the year and any adjustment to tax from previous years. Taxable income differs from net income in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The calculation uses the latest tax rates for the year that have been enacted or substantively enacted by the dates of the Statement of Financial Position.

(b) Deferred tax

Deferred tax is calculated at the latest tax rates that have been substantively enacted by the reporting date that are expected to apply when settled. It is charged or credited in the Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case it is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Company financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method. It is not discounted.

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 income will be available against which the asset can be utilised. Such assets are reduced to the extent that it is no longer probable that the asset can be utilised.

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

Notes to the financial statements

Summary of significant accounting policies (continued)

2.13 Adjusting costs and non-recurring items

The Statement of Comprehensive Income separately identifies adjusting items. Such items are those that in the Directors' judgement are one-off in nature or non-operating and need to be disclosed separately by virtue of their size or incidence. In determining whether an item should be disclosed as an adjusting item, the Directors consider quantitative and qualitative factors such as the frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board. Details of such costs are provided in note 6.

2.14 Goodwill and other intangible assets

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. The carrying value under old GAAP at the date of transition (cost less amortisation to the date of transition) has not been adjusted and is now the deemed cost as at 1 April 2017. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Such goodwill is subject to an impairment review, both annually and when there is an indication that the carrying value may be impaired. Any impairment is recognised immediately in the income statement and is not reversed.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. Amortisation is charged on a straight-line basis over the useful economic life of 3 years in respect of website development costs.

2.15 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on a straight-line basis starting from the month they are first used, as follows:

Property improvements – 10% - 33% per annum;
 Plant and machinery – 20% per annum;
 Motor vehicles – 14% per annum;
 Fixtures and fittings – 10% - 50% per annum;
 Computer equipment – 33% per annum.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Notes to the financial statements

Summary of significant accounting policies (continued)

2.16 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

The lease liability is initially measured at the present value of lease payments that were not paid at the commencement date, discounted using the Company's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. If there is a remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded directly in profit or loss if the carrying amount of the right of use asset is zero.

Short term leases and low value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term lease of machinery that have a lease term of 12 months or less or leases of low value assets. These lease payments are expensed on a straight-line basis over the lease term.

2.17 Inventories

Inventories are valued using a first in, first out method and are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in the normal course of business in bringing the products to their present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income. Inventories also include the cost price of expected returns.

Notes to the financial statements

Summary of significant accounting policies (continued)

2.18 Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Trade and other receivables

Trade and other receivables are non-interest bearing and initially measured at transaction price less provisions for expected credit losses. The Company has adopted IFRS 9 from 1 April 2017 and applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. In the majority of cases cash is received when the order is placed and there is no risk of credit loss in respect of this revenue. Wholesale customers typically take 30 – 75 days to settle their invoices.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Trade and other payables

Trade and other payables are non-interest bearing and are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the “effective interest rate” to the carrying amount of the liability.

Invoice discounting facility

The Company has entered into an invoice discounting arrangement with the bank, where a proportion of the debts have been legally transferred but the benefits and risks are retained by the Company. Gross receivables are included within debtors and a corresponding liability in respect of the proceeds received from the bank are shown within liabilities. The interest element of the bank's charges are recognised as they accrue and included in the statement of comprehensive income within other interest payable.

Notes to the financial statements

Summary of significant accounting policies (continued)

2.18 Financial instruments (continued)

Borrowings

Borrowings, being preference shares, are initially recorded at fair value, which represents the fair value of the consideration received, net of any direct transaction costs associated with the relevant borrowings. Borrowings are subsequently stated at amortised cost and finance charges are recognised in the consolidated Statement of comprehensive income over the term of the instrument using an effective rate of interest. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals basis 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. Borrowings are classified as non-current liabilities if the group has an unconditional right to defer settlement of the liability for at least 12 months at the Balance Sheet date. All preference share liabilities were settled as part of the IPO reorganisation in the financial year ended 31 March 2021.

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

2.19 Dividends

Dividends are recognised as a liability and deducted from equity at the time they are approved. Otherwise dividends are disclosed if they have been proposed or declared before the relevant financial statements are approved.

2.20 Currencies

Functional and presentational currency

Items included in the Company financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency") which is UK sterling (£). The financial statements are presented in UK sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.21 EBITDA and Adjusted EBITDA

Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA") and Adjusted EBITDA are non-GAAP measures used by management to assess the operating performance of the Company. EBITDA is defined as profit before net finance costs, tax, depreciation and amortisation. Adjusting and non-recurring items are excluded from EBITDA to calculate adjusted EBITDA.

The Directors primarily use the Adjusted EBITDA measure when making decisions about the Company's activities as this provides useful information for shareholders on underlying trends and performance. As these are non-GAAP measures, EBITDA and Adjusted EBITDA measures used by other entities may not be calculated in the same way and hence are not directly comparable.

Notes to the financial statements

Summary of significant accounting policies (continued)

2.22 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of operating segments.

The Directors consider that there are two identifiable business segments, being wholesale and e-commerce clothing retailing.

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of issue.

Share premium represents the difference between the nominal value of shares issued and the fair value of consideration received. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

2.24 Retained earnings

Retained earnings includes all current and prior period retained profits and losses. All transactions with owners of the parent are recorded separately within equity.

Notes to the financial statements

3. Critical accounting estimates and judgements

The preparation of these financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at each Statement of Financial Position date and the reported amounts of revenue during the reporting periods. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies. The key judgements and sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of asset or liabilities within the next accounting period are outlined below:

Accounting estimates

3.1 Impairment of intangible assets

The Company tests goodwill for impairment every year in accordance with the relevant accounting policies. The recoverable amounts of the cash-generating unit is determined by calculating value in use. This calculation requires the use of estimates.

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired and amounts to £528,000 as at 31 March 2022 (2021: £528,000). At the date of preparation of the financial statements the Directors have not identified any indicators of impairment in respect of the goodwill. As explained in note 11, goodwill relates to the business as a whole and given the strong trading in the financial year and considering the low value of the goodwill held there is little sensitivity to the recoverability of the carrying value.

3.2 Useful economic lives of Intangible assets

Intangible fixed assets are amortised over their useful lives taking into account residual values, where appropriate. the actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. the net book value of these assets is £1,193,000 as at 31 March 2022 (2021: 597,000). Management regularly review the status of the capitalised projects to ensure that their useful economic life remains appropriate and as such there is little sensitivity to the carrying value.

3.3 Returns provision

The provision for sales returns is estimated based on recent historical returns and management's best estimates and is allocated to the period in which the revenue is recorded. Actual returns could differ from these estimates. The historic difference between the provision estimate and the actual returns is not material. The gross value of the provision for returns as at 31 March 2022 is £754,000 (2021: £628,000). a difference of 1% in returns rates based on overall gross order value would give rise to a difference of +/- £34,000 in gross margin. Management have reviewed the actual returns incurred post year end and given the amounts involved, the short return window, and compared to returns actually incurred they are satisfied with the estimate made at the reporting date.

3.4 Inventory valuation

Inventory is carried at the lower of cost and net realisable value, on a first-in first-out basis. a provision is made to write down any slow-moving or obsolete inventory to net realisable value. The provision is £552,000 at 31 March 2022 (2021: £372,000), an overall charge to the consolidated statement of comprehensive income of £180,000 (2021: £165,000) was recognised during the year. A difference of 1% in the provision as a percentage of gross inventory would give rise to a difference of +/- £32,000 in gross margin.

Accounting judgements

3.5 Capitalisation of software development costs

Intangible assets include capitalised internal salaries and third-party costs for computer software development. a certain proportion of the total costs are capitalised, as they relate to development costs, whilst the remaining costs are deemed to be maintenance costs and are expensed to the statement of comprehensive income. The proportion is calculated using a combination of management's best estimate and information provided by the third party.

3.6 Calculation for share based payment charges

The charge related to equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date they are granted, using an appropriate valuation model selected according to the terms and conditions of the grant. Judgement is applied in determining the most appropriate valuation model and estimates are used in determining the inputs to the model. Third-party experts are engaged to advise in this area where necessary. Judgements are also applied in relation to estimations of the number of options which are expected to vest, by reference to historic leaver rates and expected outcomes under relevant performance conditions. See note 21.

Notes to the financial statements

4. Segmental analysis

The Chief Operating Decision Maker ("CODM") has been identified as the Board of Directors. The Board reviews internal reporting in order to assess performance and allocate resources. The Board has determined that there are two operating segments, being wholesale and e-commerce clothing retailing.

The CODM are monitoring the two operating segments separately.

	Revenue		Gross Profit	
	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Wholesale	12,634	8,331	1,855	1,594
E-commerce	44,683	36,374	23,314	18,995
	<u>57,317</u>	<u>44,705</u>	<u>25,169</u>	<u>20,589</u>

There are no sales between the two operating segments, and all revenue is earned from external customers. The operating segments gross profit is reconciled to profit before taxation as per the statement of total comprehensive income.

The Company's overheads are managed centrally by the Board and consequently there is no reconciliation to profit before tax at a segmental level.

The Company's assets are managed centrally by the Board and consequently there is no reconciliation between the Company's assets per the statement of financial position and the segment assets.

Information about major customers

The Company has not generated revenue from any individual customer that accounted for greater than 10% of total revenue.

Analysis of revenue by geographical destination

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
United Kingdom	53,557	42,388
Rest of Europe	2,598	1,336
Rest of the World	1,162	981
	<u>57,317</u>	<u>44,705</u>

The above revenues are all generated from contracts with customers and are recognised at a point in time. All assets of the Company reside in the UK.

Notes to the financial statements

5. Expenses by nature

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
The (loss)/profit is stated after charging/(crediting) expenses as follows:		
Inventories recognised as an expense	31,968	22,464
Impairment of inventories	180	165
Staff costs included in administrative expenses	4,263	4,687
Contractors	48	-
Adjusting and non-recurring items – Note 6	216	1,442
Distribution costs	10,036	7,428
Loss on disposal of property, plant and equipment and intangible assets	1	-
Depreciation – property, plant and equipment	193	118
Depreciation – right of use assets	392	242
Amortisation	395	574
Share based payment charges	861	-
Marketing expenses	7,076	4,995
Research and development income	-	(277)
Foreign exchange	11	(10)
Auditor's remuneration (see below)	50	42
Other operating expenses	3,133	1,412
Total cost of sales, distribution costs, administration expenses and operating income	58,823	43,282

Qualifying research and development costs were £483,000 (2020: £611,000). Amounts capitalised were £1,424,000 (2020: £325,000).

Auditor's remuneration

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Fees payable to the Company's Auditor and their associates for:		
The audit of the Company's annual accounts	50	42
Other services to the Company	4	30
Non-audit services: IPO reporting accountant services	-	197
	54	269

In 2021, fees payable to the Auditor for other services are in respect of work required for the Company to complete its IPO. BDO were selected to undertake this work after consideration of the impact this may have on their independence, which it was concluded would not be impinged by undertaking the work. Fees of this type are ad hoc in nature and occur in respect of major events. Any such further occurrence will require Audit Committee approval.

Notes to the financial statements

6. Adjusting non-recurring items

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Administration expenses	216	1,442
	<u>216</u>	<u>1,442</u>

To understand the underlying performance of the business, certain costs included within administrative costs have been classified as adjusting items on the basis of their size and their nature of being non-recurring.

In the year ended 31 March 2022 these costs related to recruitment fees incurred as part of a board restructuring exercise. In the year ended 31 March 2021 these items principally relate to legal and professional fees relating to the IPO of £734,000 and bonuses of £708,000.

7. Employees and Directors

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Aggregate remuneration of staff (including Directors):		
Wages and salaries	5,215	4,104
Social security costs	507	416
Other pension costs	80	167
	<u>5,802</u>	<u>4,687</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Year Ended 31 March 2022 No.	Year Ended 31 March 2021 No.
Directors	5	2
Admin	117	84
Warehouse	53	47
Employees	<u>175</u>	<u>133</u>

Directors' remuneration

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Directors' emoluments	680	708
Company contributions to defined contribution pension schemes	12	11
	<u>692</u>	<u>719</u>

The highest paid director received remuneration of £219,000 (2021: £339,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,000 (2021: £3,000).

During the year retirement benefits were accruing to 2 directors (2021: 2) in respect of defined contribution pension schemes.

Notes to the financial statements

8. Finance income

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Bank interest receivable	1	1
	<u>1</u>	<u>1</u>

9. Finance costs

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Preference share dividends	-	376
Interest on lease liabilities	40	19
	<u>40</u>	<u>395</u>

10. Taxation

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Deferred tax		
Origination and reversal of timing differences	(216)	(500)
Total deferred tax credit	<u>(216)</u>	<u>(500)</u>
Total tax credit	<u>(216)</u>	<u>(500)</u>

Factors affecting the credit

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
(Loss)/ Profit before taxation	(1,545)	1,029
Tax at the UK corporation tax rate of 19% (2021: 19%)	(294)	196
Expenses not deductible for tax purposes	286	293
Timing Differences	(76)	-
Adjustments in respect of prior years	40	-
Utilisation of unrecognised losses	-	(989)
Changes in tax rate	(172)	
Total tax credit	<u>(216)</u>	<u>(500)</u>

Notes to the financial statements

10. Taxation (continued)

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer happen and that rates would remain at 19% for the foreseeable future. The new law was substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 on 17 March 2020. The impact of the change was therefore reflected in the Company financial statements in the year ended 31 March 2020.

In the Spring Budget 2021, the Government announced an increase in the corporation tax rate from 19% to 25% from 1 April 2023. As the new law had not been substantively enacted by the balance sheet date, its impact has not been reflected in the financial statements. As a result of this the deferred tax asset has increased by approximately £172,000 (tax effect). This rate change was substantively enacted on 24 May 2021.

Deferred tax consists of the following timing differences

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Tax losses carried forward	716	500
	716	500

Movement in deferred tax in the year

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Balance brought forward	500	-
Credited to profit or loss	216	500
Balance carried forward	716	500

Deferred taxation consists of losses carried forward of £716,000 (2021: £500,000). The value of the unrecognised deferred tax asset at 31 March 2022 is £nil (2021 £158,000).

Notes to the financial statements

11. Intangible assets

	Development costs £'000	Assets under Construction £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2021	1,887	-	528	2,415
Additions	991	433	-	1,424
At 31 March 2022	2,878	433	528	3,839
Accumulated amortisation				
At 1 April 2021	(1,290)	-	-	(1,290)
Amortisation charged in the year	(395)	-	-	(395)
At 31 March 2022	(1,685)	-	-	(1,685)
Carrying amount				
At 1 April 2021	597	-	528	1,125
At 31 March 2022	1,193	433	528	2,154

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired and represents goodwill in the business as a whole.

Impairment testing of goodwill is performed at least annually by reference to value in use calculations. The key assumptions for the value-in-use calculations are:

- cash flows before income taxes are based on approved budgets and management projections for the first five years. The assumptions used by management in this impairment review were growth rates of between 30% and 40% in years 1 to 5;
- long-term growth rates of 2.0% are applied to the period beyond which detailed budgets and forecasts do not exist, based on macroeconomic projections for the geography in which the entity operates; and
- pre-tax discount rate of 8.2% based upon the risk free rate for government bonds adjusted for a risk premium to reflect the increased risk of investing in equities.

Given the goodwill is represented by the business as a whole, and given the relatively low value of the goodwill balance these calculations show no reasonably possible scenario in which any of the goodwill balances could be impaired as at 31 March 2022 or 31 March 2021. There were no charges for impairment of goodwill in 2022 (2021: nil).

Amortisation is charged to administrative expenses in the Statement of Comprehensive Income.

Notes to the financial statements

12. Property, plant and equipment

	Property improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Fixture and fittings £'000	Computer equipment £'000	Total £'000
Cost or valuation						
At 1 April 2021	83	55	1	296	241	676
Additions	467	-	-	126	105	698
Disposals	-	-	-	(1)	(3)	(4)
At 31 March 2022	550	55	1	421	343	1,370
Depreciation						
At 1 April 2021	65	19	-	146	174	404
Depreciation charged in the year	70	2	-	74	50	196
Eliminated on disposals	-	-	-	-	(3)	(3)
At 31 March 2022	135	21	-	230	221	597
Carrying amount						
At 1 April 2021	18	36	1	150	67	272
At 31 March 2022	415	34	1	199	122	773

The depreciation charge for the year has been included in administrative expenses in the Statement of Comprehensive Income.

13. Inventories

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Finished goods and goods for resale	2,755	1,583
Right of return inventory	387	372
	<u>3,142</u>	<u>1,955</u>

The Directors believe that the replacement value of inventories at would not be materially different than book value.

Inventories at 31 March 2022 are stated after provisions for impairment of £552,000 (2021: £372,000).

Notes to the financial statements

14. Trade and other receivables

	As at 31 March 2021 £'000	As at 31 March 2021 £'000
Trade receivables	4,070	993
Prepayments	688	641
Other debtors	433	-
Invoice finance facility	-	53
	<u>5,191</u>	<u>1,687</u>

The Directors believe that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. There is no provision at 31 March 2022 for impairment loss against trade receivables (2021: nil).

Trade receivables disclosed above include amounts which are past due at the reporting date but against which the Company has not recognised an allowance for doubtful receivables as the amounts are still considered recoverable due to the credit insurance held against the receivables. Given the insurance that is in place the historic losses incurred are negligible and the expected credit loss percentage is nil. The ageing of trade receivables, including those balances past due but not impaired, is shown below:

Ageing of trade receivables

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Current (not past due)	3,179	744
Less than 30 days	366	42
31 – 60 days	208	18
61 – 90 days	125	51
90 days +	192	138
Less provisions for impairment	-	-
	<u>4,070</u>	<u>993</u>

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The Company does not hold any collateral as security for its trade and other receivables.

Notes to the financial statements

15. Cash and cash equivalents

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Cash at bank and in hand	5,823	11,939

16. Trade and other payables

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Amounts owed by company undertakings	10,111	10,052
Trade payables	2,154	2,041
Other taxation and social security	166	425
Invoice finance facility	-	-
Other payables	53	-
Accruals	3,535	2,622
	<u>16,019</u>	<u>15,140</u>

The directors consider that the carrying value of trade and other payables approximates their carrying value.

17. Contract liabilities

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Balance at 1 April	1,113	362
Recognised as revenue in the year	(1,113)	(362)
New and existing contracts with customers	871	1,113
Balance at 31 March	<u>871</u>	<u>1,113</u>

The Directors consider that the carrying value of trade and other payables approximates their fair value.

18. Provisions

Dilapidations have been recognised to account for the cost of returning leased properties to their original condition.

	£'000
Balance at 31 March 2020 & 2021	-
Provision for dilapidations included in new Right of Use assets	127
Reclassified from lease liabilities	179
Balance at 31 March 2022	<u>306</u>

The maturity of the provision balance is broken down as follows:

	As at 31 March 2021 £'000	As at 31 March 2021 £'000
Maturity Analysis		
Current	179	-
Non-current	127	-
	<u>306</u>	<u>-</u>

Notes to the financial statements

19. Leases

The Company leases offices and warehouses. Rental contracts are typically made for fixed periods of 3 to 5 years. There are no judgements over the length of the lease term for any of the Company's leases. There are no variable lease payments in any of the Company's leases.

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

Amounts recognised in the Statement of Financial Position

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	£'000
Balance at 31 March 2020	303
New leases recognised in the year	65
Lease modifications	166
Depreciation charge for the year	(242)
Balance at 31 March 2021	292
New leases recognised in the year	942
Lease modifications	127
Depreciation charge for the year	(389)
Balance at 31 March 2022	972

The net book value of the right of use assets all relates to property leases.

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Lease liabilities		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	315	171
More than one year, less than two years	218	283
More than two years, less than three years	212	6
More than three years, less than four years	212	-
More than four years, less than five years	88	-
More than five years	-	-
Total undiscounted lease liabilities at year end	1,045	460
Finance costs	(74)	(15)
Total discounted lease liabilities at year end	971	445
Lease liabilities included in the statement of financial position		
Current	285	164
Non-current	686	281
	971	445

Notes to the financial statements

19. Leases (continued)

Amounts recognised in the Statement of Comprehensive Income

The Statement of Comprehensive Income shows the following amounts relating to leases:

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Depreciation charge (within administration expenses)	389	242
Interest expense (within finance costs)	40	19
Expense relating to leases of low-value assets	-	-

The total cash outflow for leases was £277,000 (2021: £165,000).

20. Share capital

	Ordinary shares of £0.0000001 No.	Ordinary A1 shares of £0.0000001 No.	Ordinary B1 shares of £0.0000001 No.	Deferred shares of £0.0000001 No.	Total £
At 1 April 2020	-	12,968,532,000	12,400,000,000	128,470,950,000	15,386
Issue in the year	237,141	-	-	-	-
Re-designation ordinary shares	22,637,858	(12,968,532,000)	(12,400,000,000)	25,363,894,142	-
Re-designation preference shares	625,000	-	-	1,875,000	-
At 31 March 2021 & 2022	23,499,999	-	-	153,836,719,142	15,386

All shares rank pari-passu except the deferred shares which are non-voting and have no right to dividends.

In anticipation of the IPO, the share capital structure was re-organised with the following:

- The Ordinary A1 and B1 shares were re-designated as Ordinary shares of £0.0000001 and Deferred shares of £0.0000001, and
- The 2,500,000 £1 preference shares were re-designated as 625,000 Ordinary shares of £0.0000001 and 1,875,000 Deferred shares of £0.0000001.

	Preference shares of £1.00 each No.	Preference shares of £1.00 each £
Shares classified as debt		
Allotted, called up and fully paid		
At 1 March 2019 and 31 March 2020	2,500,000	2,500,000
Re-designation as Ordinary shares	(625,000)	(625,000)
Re-designation as Deferred shares	(1,875,000)	(1,875,000)
At 31 March 2021	-	-

As noted above, the preference shares were re-designated as 625,000 Ordinary shares of £0.0000001 and 1,875,000 Deferred shares of £0.0000001.

Notes to the financial statements

21. Share-based payments

During the year the group headed by the company's parent company In the Style Group Plc operated one share plan, being the in the Style Fashion enterprise Management incentive Option plan (the 'MIOP' or 'ITIP'). Eligible employees of the company were entitled to shares in the parent company. The total charge in the year relating to the scheme was £861,000 (2021: £nil). This included associated national insurance ('ni') at 15.05%, which management expects to be the prevailing rate when the awards are exercised, and apprentice levy at 0.5%, based on the share price at the reporting date.

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Management incentives Option plan (MIOP)	861	-
National Insurance and apprentice levy	-	-
	<u>861</u>	<u>-</u>

All share-based incentives carry a service condition. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. The estimate of the fair value of the share-based incentives is measured using the Black-Scholes pricing model. Sensitivity analysis has been performed in assessing the fair value of the share-based incentives. There are no changes to key assumptions that are considered by the Directors to be reasonably possible, which give rise to a material difference in the fair value of the share-based incentives.

The group, of which the company is a member, operates a Management incentive Option plan (the 'MIOP' or 'ITIP') for the Senior leadership team and certain key employees. The awards will vest in three tranches, with the first tranche vesting on the first anniversary of the award, and subsequent tranches vesting on the second and third anniversaries, subject to continuing employment.

On 24 January 2022, the group of which the company is a member, awarded 1,574,999 options under the MIOP scheme with an exercise price of £0.91 per option. The fair was determined to be £0.34 per option. The awards have been valued using a Black-Scholes pricing model. The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date. MIOP award holders are entitled to receive dividends accruing between the grant date and the vesting date and this value will be delivered in shares. The assumptions used in the measurement of the fair value at grant date of the MIOP awards are as follows:

Grant Date	Share price at grant date	Exercise price	Expected volatility %	Option life years	Risk-free rate %	Dividend yield %	Non-vesting conditions %	Fair value per option
15/03/21	£2.00	£2.00	56%	4	0.25%	0.0%	0.0%	£0.85
24/01/22	£0.91	£0.91	47%	4	0.9%	0.0%	0.0%	£0.34

As the group the company is a member of listed on or just before the dates of grant, there is no share price history available to use to derive a volatility assumption directly. Expected volatility is therefore derived from the historical four-year volatility of the constituents of the FTSE AIM retailers supersector (to the extent that they have sufficient share price history prior to the respective date of grant), as of the date of grant.

During the year, the Directors in office in total had gains of £nil (2021: £nil) arising on the exercise of share-based incentive awards.

Notes to the financial statements**21. Share-based payments (continued)**

	2022	2021
Outstanding at 1 April	1,862,500	-
Options granted in the year	1,574,999	1,862,500
Options forfeited in the year	(354,375)	-
Outstanding at 31 March	3,083,124	1,862,500
Exercisable at 31 March	-	-

22. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and are disclosed in note 7. Contributions totalling £23,099 (2021: £25,511) were payable to the fund at the reporting date and are included in creditors.

23. Related party transactions

During the current and prior financial year, related parties include representatives of major shareholder, Causeway Capital. Related party balances with the Company are as follows, with key management compensation given in note 7.

Purchases from Causeway Capital, shareholder, of £31,250 (2021: £25,000) were made during the year. There was a creditor balance of £nil (2021: £nil) at the year end.

Sales to Causeway Capital of £nil (2021: £nil) were made during the year. There was a debtor balance of £nil (2021: £nil) at the year end.

24. Ultimate controlling party

On 8 March 2021 the shareholders of the Company sold their shares in the Company to In The Style Company PLC ("the parent") who became the immediate parent undertaking.

The directors consider there to be no ultimate controlling party following Admission of the parent to AIM in March 2021.

25. Dividends

On 14 October 2020, the company undertook a reduction of capital by way of a solvency statement under section 643 of the Companies Act 2006 for the purposes of section 642 of the Companies Act 2006. This included the cancellation of £4,914,000 from the share premium which resulted in an increase in retained earnings of £4,914,000.

A dividend of £1,250,000 was subsequently declared and paid in December 2020.

On 5 March 2021, the company undertook a further reduction of capital by way of a solvency statement under section 643 of the Companies Act 2006 for the purposes of section 642 of the Companies Act 2006. This included the cancellation of all amounts standing to the credit of the share premium account (being an amount equal to the share premium created on the issue the C preference shares) and the crediting of the resulting amount to the distributable reserves of the company. Following this, the company released its shareholders from any liability they may have to repay any amount of the dividend received by them from the company in December 2020, as a subsequent reassessment identified that there were insufficient retained earnings at the point of paying the dividend.

No dividends were declared or paid for the year ended 31 March 2022.

26. Post balance sheet events

On 16 June 2022 the company entered into an agreement to lease a circa 84,000 sqft warehouse in Heywood, Lancashire. It is expected the warehouse will be available for occupation at the end of July and the company expects the facility to be the main fulfilment centre from September 2022. The lease term is 10 years with a rental cost of £5.06 per square foot for the first three years of the term and £6.50 thereafter. As part of the terms of the agreement £0.4m, which equates to one year's rent, will be paid to the landlord to be held on deposit until the end of the lease term.

On 24 June 2022 the company signed an invoicing discounting facility. The facility allows prepayment of up to 85% of the company's trade receivables up to a limit of £4.0m, interest is charged on pre-paid amounts at a rate of 2.0% per annum.