

In The Style Fashion Limited

Annual Report and Financial Statements

Year Ended

31 March 2020

Company Number 08792519

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In The Style Fashion Limited

Company Information

Directors	A Frisby J E Sharp P Casey M R Scaife P R Masters
Registered number	08792519
Registered office	Unit 5 Olympic Court Salford England M50 2QP
Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT
Banker	NatWest Bank Plc 182 Deansgate Manchester M3 3LY
Solicitor	Weightmans LLP 1 Hardman Street Manchester M3 3EB

In The Style Fashion Limited

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In The Style Fashion Limited

Strategic Report For the Year Ended 31 March 2020

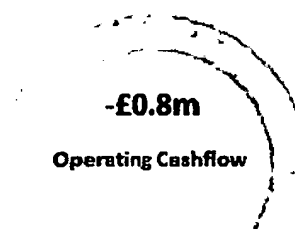
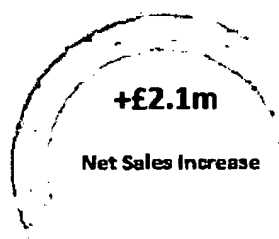
The directors present their strategic report together with the audited financial statements for the year ended 31 March 2020.

Business review and key performance indicators

In The Style has achieved another year of growth in FY'20 with a 13% increase (+£2.1m) in Turnover and maintained a Contribution of £2.9m (2019 - £2.9m) (defined as operating profit excluding fixed overhead, depreciation and interest). The business finished on an EBITDA loss of £1.3m, an increase on the prior year of £0.4m. Controls and operations are in a position where the business can rapidly scale without any large infrastructural or operational investment.

EBITDA before exceptional items is:

	FY20 £	FY19 £
Operating loss	(1,893,941)	(1,628,779)
Depreciation	126,828	116,226
Amortisation	484,046	313,928
Exceptional items	-	335,782
EBITDA before exceptional items	(1,283,067)	(862,843)



Gross Margin fell to 53% from 54% in 2019, attributable to an increase in orders to other retailers through the businesses wholesale operations at a lower margin than sales direct to consumers. The level of stock at the year end fell to £0.6m (2019 - £0.8m) with the business operating at a leaner stock holding than the previous year.

Warehouse cost per unit increased by 12% in the current year, driven by an increase in the national minimum wage and the increase in warehouse throughput. Postage costs remained the same as prior year at 13.3% of net sales.

Wages and Salaries decreased by 5% year on year, this was offset by an increase in Fixed Overheads to £1.6m from £1.0m in the prior year. FY'20 Overheads included donations to charity of £0.4m related to specific clothing ranges connected to charitable organisations. When excluding these donations, Overheads landed on 6.4% of Net Sales compared to 5.9% in FY'19. The increase was driven by further system improvements focused around enhancing the customer experience. No exceptional costs were incurred in FY'20 versus the prior year of £335k as explained in note 6.

In The Style Fashion Limited

Strategic Report (continued) For the Year Ended 31 March 2020

Principal risks and uncertainties

The senior management team understand the importance of managing risks across the business functions. Each area of the business reports on potential risks and uncertainties, which is regularly reviewed at board level.

In The Style adapted quickly and decisively during the initial stages of the Coronavirus pandemic, taking all necessary operational actions to protect staff and customers alike. The business successfully shifted the product offering over this period to cater for the change in customers circumstances thereby minimising the economic consequences.

The business is continuing to plan for the implications of Brexit at the end of 2020 mitigating where possible the associated risks. In The Style's sales are predominantly UK-based, with less than 3% sold into Europe and none of the supply chain is currently based in continental Europe, this reduces the company's exposure to Brexit-related risks.

In The Style operates in a highly competitive sector of the market. However, the company has managed to create a USP through its celebrity and influencer collaboration model which helps protect company performance.

Coronavirus

The directors have no experience of a similar pandemic historically and it is difficult to predict the impact to online sales as the pandemic develops in the short term or the long term economic impact after the pandemic. It is not possible to determine how widespread the virus will be at any one time, how long the pandemic will last and what the medium to long term effect of this pandemic will be on consumer behaviour. Customers however are clearly still willing to spend and subsequent to the reporting date the company has had great success with a wide range of releases through 2020. Traffic to the In The Style app and website has been extremely strong throughout the period and we consider the pandemic has significantly changed the retail landscape, in particular it has further heightened a shift to online purchasing habits across the wide variety of ranges we have introduced to our collections through 2020. The ongoing challenge for the business is to ensure we retain customer loyalty moving forward and continue to source new customers to our sales channels, to ensure that the sales increases seen in the current financial year are sustained into the foreseeable future.

The Directors priority is to keep operations as safe as possible for all customers and staff and the business has importantly been able to retain and support its employees during this challenging period. Planning focus has been centred around liquidity and working capital management and forecasting scenarios sensitised for varying levels of online sales.

The business has adapted to a rapidly changing world whilst continuing to provide exceptional service and a wide range of quality products to satisfy customer demands. The company monitors competitor activity constantly and reacts where necessary to maintain market share and profitability.

In The Style Fashion Limited

Strategic Report (continued) For the Year Ended 31 March 2020

Going concern

Management have assessed the likely impact of coronavirus on the company based on the latest available financial and non financial information and government guidance. This assessment has looked at the likely duration of the crisis as well as the sales that could be expected to be generated through each channel during an extended lockdown period, both at a national and local level.

The business has not experienced any significant disruption from employee absence, supply chain or distribution networks and none is anticipated for the foreseeable future.

During this period of uncertainty, the Directors have taken steps to mitigate the effect of coronavirus. Focus has been on adapting to change in consumer demand, cost reduction and efficiency, working capital reduction and staff retention. The Government have demonstrated their commitment to the economy and the company has taken advantage of the Government support available through use of the furlough scheme and deferrals of VAT and PAYE payments.

At the current time, the company is trading well against forecasts driven by the growth in its online market share. Whilst an element of uncertainty remains around the future effect of the coronavirus, the period of strong trading since the outset of the pandemic and the company's ability to quickly react to changing consumer demands means the directors do not consider coronavirus to be a significant future risk to trading performance. Stress testing has been conducted and considered, taking into account the potential economic impact on consumers in the long term.

The working capital impact of an increasing wholesale element of the business has been mitigated to a large degree by an invoice discounting facility which has recently been increased and extended for a further twelve-month period through to November 2021.

Notwithstanding the company's net liabilities, which are due to the preference shares issued in the prior year that will not be redeemed within the next 12 months, the directors have reviewed the company's forecasts and projections to 2022, which reasonably assure that the company has adequate resources to continue to operate for at least 12 months from the date these financial statements have been signed by the directors.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Brexit

The directors have carefully considered the risks around Brexit and all preparations necessary to mitigate these risks have been undertaken. Due to the geographical nature of the company's sales and also its key supply chains the directors do not consider Brexit to be a significant risk to the business.

This report was approved by the board on 23/12/2020 and signed on its behalf.


P R Masters
Director

In The Style Fashion Limited

Directors' Report For the Year Ended 31 March 2020

The directors present their report together with the audited financial statements for the year ended 31 March 2020.

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 £2,223,396 (2019 - £1,893,003).

The directors did not propose the payment of a dividend (2019 - £Nil).

Business review

A review of the business, its principal risks and uncertainties and financial key performance indicators are set out in the strategic report on pages 1 - 3 of these financial statements.

Directors

The directors who served during the year were:

A Frisby
J E Sharp
P Casey
M R Scaife
P R Masters

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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 23 / 12 / 2020 and signed on its behalf.



P R Masters
Director

In The Style Fashion Limited

Directors' Responsibilities Statement For the Year Ended 31 March 2020

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 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 or loss of the company for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In The Style Fashion Limited

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

Opinion

We have audited the financial statements of In The Style Fashion Limited ("the company") for the year ended 31 March 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows, 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

In The Style Fashion Limited

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

In The Style Fashion Limited

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at 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.

BDO LLP

Graham Ellis (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

23 December 2020

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

In The Style Fashion Limited

Statement of Comprehensive Income For the Year Ended 31 March 2020

		Before exceptionals 2020 £	Exceptionals 2020 £	Total 2020 £	Before exceptionals 2019 £	Exceptionals 2019 £	Total 2019 £
Note							
Turnover	4	19,303,678	-	19,303,678	17,157,685	-	17,157,685
Cost of sales		(9,069,362)	-	(9,069,362)	(7,881,800)	-	(7,881,800)
Gross profit		10,234,316	-	10,234,316	9,275,885	-	9,275,885
Distribution costs		(4,188,671)	-	(4,188,671)	(3,654,595)	(17,376)	(3,671,971)
Administrative expenses		(7,552,792)	-	(7,552,792)	(6,688,997)	(318,406)	(7,007,403)
Other operating income	5	224,081	-	224,081	204,864	-	204,864
Adjusted EBITDA/EBITDA		(1,283,066)	-	(1,283,066)	(862,843)	(335,782)	(1,198,625)
Depreciation		(126,829)	-	(126,829)	(116,226)	-	(116,226)
Amortisation		(484,046)	-	(484,046)	(313,928)	-	(313,928)
Operating loss	7	(1,893,941)	-	(1,893,941)	(1,292,997)	(335,782)	(1,628,779)
Interest receivable	11	2,501	-	2,501	2,043	-	2,043
Interest payable	12	(331,956)	-	(331,956)	(266,301)	-	(266,301)
Loss before tax		(2,223,396)	-	(2,223,396)	(1,557,255)	(335,782)	(1,893,037)
Tax on loss	13	-	-	-	34	-	34
Loss for the financial year attributable to equity holders of the company		(2,223,396)	-	(2,223,396)	(1,557,221)	(335,782)	(1,893,003)

There was no other comprehensive income for 2020 (2019 - £Nil).

The notes on pages 14 to 29 form part of these financial statements.

In The Style Fashion Limited
Registered number: 08792519

Balance Sheet
As at 31 March 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Intangible assets	14		1,130,892		999,417
Tangible assets	15		303,351		365,987
Investments	16		100		-
			<u>1,434,343</u>		<u>1,365,404</u>
Current assets					
Stocks	17	643,185		848,140	
Debtors: amounts falling due within one year	18	922,764		311,948	
Cash at bank and in hand	19	2,046,673		3,248,825	
		<u>3,612,622</u>		<u>4,408,913</u>	
Creditors: amounts falling due within one year	20	(4,808,811)		(3,644,826)	
Net current (liabilities)/assets			<u>(1,196,189)</u>		<u>764,087</u>
Total assets less current liabilities			<u>238,154</u>		<u>2,129,491</u>
Creditors: amounts falling due after more than one year	21		(3,098,258)		(2,766,301)
Net liabilities			<u>(2,860,104)</u>		<u>(636,810)</u>
Capital and reserves					
Called up share capital	22		15,386		15,284
Share premium account	23		4,913,916		4,913,916
Profit and loss account	23		(7,789,406)		(5,566,010)
Shareholders' deficit			<u>(2,860,104)</u>		<u>(636,810)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

28/12/2020



P R Masters
Director

The notes on pages 14 to 29 form part of these financial statements.

In The Style Fashion Limited

Statement of Changes in Equity For the Year Ended 31 March 2020

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 April 2019	15,284	4,913,916	(5,566,010)	(636,810)
Comprehensive loss for the year				
Loss for the year	-	-	(2,223,396)	(2,223,396)
Total comprehensive loss for the year	-	-	(2,223,396)	(2,223,396)
Shares issued during the year	102	-	-	102
At 31 March 2020	15,386	4,913,916	(7,789,406)	(2,860,104)

Statement of Changes in Equity For the Year Ended 31 March 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 April 2018	17,318	4,511,653	(3,673,007)	855,964
Comprehensive loss for the year				
Loss for the year	-	-	(1,893,003)	(1,893,003)
Total comprehensive loss for the year	-	-	(1,893,003)	(1,893,003)
Contributions by and distributions to owners				
Shares issued during the year	-	402,263	-	402,263
Cancellation of subscribed capital	(2,034)	-	-	(2,034)
Total transactions with owners	(2,034)	402,263	-	400,229
At 31 March 2019	15,284	4,913,916	(5,566,010)	(636,810)

The notes on pages 14 to 29 form part of these financial statements.

In The Style Fashion Limited

Statement of Cash Flows For the Year Ended 31 March 2020

	2020 £	2019 £
Cash flows from operating activities		
Loss for the financial year	(2,223,396)	(1,893,003)
Adjustments for:		
Amortisation of intangible assets	484,046	313,928
Depreciation of tangible assets	126,829	116,226
(Profit)/loss in disposal of tangible assets	(585)	63,040
Interest paid	331,956	266,301
Interest received	(2,501)	(2,043)
Decrease in stocks	204,955	220,293
(Increase) in debtors	(610,816)	(35,893)
Increase in creditors	852,389	1,322,233
Corporation tax paid	-	(34)
Net cash generated from operating activities	(837,123)	371,048
Cash flows from investing activities		
Purchase of intangible fixed assets	(616,621)	(478,368)
Purchase of tangible fixed assets	(64,688)	(63,387)
Sale of tangible fixed assets	1,080	-
Interest received	2,501	2,043
Net cash from investing activities	(676,628)	(539,712)

In The Style Fashion Limited

Statement of Cash Flows (continued) For the Year Ended 31 March 2020

	2020 £	2019 £
Cash flows from financing activities		
Issue of ordinary shares	-	1,240
Issue of preference shares	-	2,500,000
Receipt from invoice discounting facility	311,599	-
Net cash used in financing activities	311,599	2,501,240
Net (decrease)/increase in cash and cash equivalents	(1,202,152)	2,332,576
Cash and cash equivalents at beginning of year	3,248,825	916,249
Cash and cash equivalents at the end of year	2,046,673	3,248,825
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,046,673	3,248,825
	2,046,673	3,248,825

The notes on pages 14 to 29 form part of these financial statements.

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

1. General information

In The Style Fashion Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity is set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

Management have assessed the likely impact of coronavirus on the company based on the latest available financial and non financial information and government guidance. This assessment has looked at the likely duration of the crisis as well as the sales that could be expected to be generated through each channel during an extended lockdown period, both at a national and local level.

The business has not experienced any significant disruption from employee absence, supply chain or distribution networks and none is anticipated for the foreseeable future.

During this period of uncertainty, the Directors have taken steps to mitigate the effect of coronavirus. Focus has been on adapting to change in consumer demand, cost reduction and efficiency, working capital reduction and staff retention. The Government have demonstrated their commitment to the economy and the company has taken advantage of the Government support available through use of the furlough scheme and deferrals of VAT and PAYE payments.

At the current time, the company is trading well against forecasts driven by the growth in its online market share. Whilst an element of uncertainty remains around the future effect of the coronavirus, the period of strong trading since the outset of the pandemic and the company's ability to quickly react to changing consumer demands means the directors do not consider coronavirus to be a significant future risk to trading performance. Stress testing has been conducted and considered, taking into account the potential economic impact on consumers in the long term.

The working capital impact of an increasing wholesale element of the business has been mitigated to a large degree by an invoice discounting facility which has recently been increased and extended for a further twelve-month period through to November 2021.

Notwithstanding the company's net liabilities, which are due to the preference shares issued in the prior year that will not be redeemed within the next 12 months, the directors have reviewed the company's forecasts and projections to 2022, which reasonably assure that the company has adequate resources to continue to operate for at least 12 months from the date these financial statements have been signed by the directors.

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.2 Going concern (continued)

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

2.3 Revenue

Revenue consists of the sales of goods.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Marketing

A range of marketing activities are used, including social media influencers, bloggers, and campaigns utilising TV, outdoor, email and students. All marketing costs are included within administrative expenses.

2.5 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 shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost 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 phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.6 Interest income

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

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.7 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.

2.8 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.9 Pensions

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 balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.10 Other income

Research and development tax credits are recognised in other income within profit or loss in the same period as the related expenditure.

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.11 Current and deferred taxation

Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.12 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence to better understand the company's financial performance.

2.13 Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets required. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the statement of comprehensive income over its useful economic life.

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. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Website development	-	3 years
Goodwill	-	10 years

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Notes to the Financial Statements For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

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 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.16 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in profit or loss.

2.17 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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Notes to the Financial Statements For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.18 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.

2.19 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.20 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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Notes to the Financial Statements For the Year Ended 31 March 2020

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Intangible fixed assets (see note 14)

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 re-assessing 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.

- Tangible fixed assets (see note 15)

Tangible fixed assets, other than investment properties, are depreciated 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 re-assessing 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.

4. Turnover

All turnover relates to sales of goods, originating from the UK.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	17,956,190	16,094,456
Rest of Europe	505,334	380,131
Rest of the world	842,154	683,098
	19,303,678	17,157,685

5. Other operating income

	2020 £	2019 £
Other operating income	224,081	204,864

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Notes to the Financial Statements For the Year Ended 31 March 2020

6. Exceptional items

	2020 £	2019 £
Exceptional items	-	335,782

To understand the underlying performance of the business, certain costs included within administrative costs have been classified as exceptional items in the prior year.

These items principally relate to:

Legal and professional fees relating to securing the £2,500,000 equity investment from Causeway Capital Partners in the prior year.

The business also moved warehouse premises in the prior year to facilitate the company's high growth rate. One off costs relating to onerous leases, integration costs and legal fees have been classified as exceptional.

7. Operating loss

The operating loss is stated after charging/(crediting):

	2020 £	2019 £
Depreciation of tangible fixed assets	126,829	116,226
Amortisation of intangible assets, including goodwill	484,046	313,928
Operating lease rentals	163,456	148,218
(Profit)/losses on disposal of tangible fixed assets	(585)	63,040
Stock recognised within cost of sales as an expense	9,148,576	7,680,321
Currency (gains)/losses	22,881	-

8. Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	18,100	16,750

Fees payable to the company's auditor in respect of:

Research and development services	18,000	12,500
Accounts preparation services	500	500
Taxation compliance services	3,100	2,500

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

9. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	2,706,015	3,116,937
Social security costs	318,999	332,110
Other pension costs	128,961	39,326
	<u>3,153,975</u>	<u>3,488,373</u>

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

	2020 No.	2019 No.
Employees	<u>121</u>	<u>126</u>

10. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	355,000	381,987
Social security costs	72,895	52,402
Company contributions to defined contribution pension schemes	6,862	2,304
	<u>434,757</u>	<u>436,693</u>

The highest paid director received remuneration of £210,000 (2019 - £184,832).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,555 (2019 - £804).

During the year retirement benefits were accruing to 2 directors (2019 - 2) in respect of defined contribution pension schemes.

11. Interest receivable and similar income

	2020 £	2019 £
Bank interest receivable	<u>2,501</u>	<u>2,043</u>

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Notes to the Financial Statements For the Year Ended 31 March 2020

12. Interest payable and similar charges

	2020 £	2019 £
Other interest payable	331,956	266,301

13. Taxation

	2020 £	2019 £
Corporation tax		
Adjustments in respect of previous periods	-	(34)
Total tax credit	-	(34)
Factors affecting tax credit for the year		

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	(2,223,396)	(1,893,037)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(422,445)	(359,677)
Effects of:		
Expenses not deductible for tax purposes	71,118	122,477
Fixed asset differences	170	(5,548)
Deferred tax not recognised	393,721	290,976
Income not taxable for tax purposes	(42,564)	(48,648)
Adjustments to tax charge in respect of prior periods	-	(34)
Other permanent differences	-	420
Total tax credit for the year	-	(34)

Factors that may affect future tax charges

The deferred tax asset at 31 March 2020 has been calculated based on the rates substantively enacted at the date of the balance sheet. The value of the unrecognised deferred tax asset at 31 March 2020 is £1,021,380 (2019 - £680,482).

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Notes to the Financial Statements For the Year Ended 31 March 2020

14. Intangible assets

	Development cost £	Goodwill £	Total £
Cost			
At 1 April 2019	946,590	800,000	1,746,590
Additions	615,521	-	615,521
At 31 March 2020	1,562,111	800,000	2,362,111
Amortisation			
At 1 April 2019	312,000	435,173	747,173
Charge for the year	404,046	80,000	484,046
At 31 March 2020	716,046	515,173	1,231,219
Net book value			
At 31 March 2020	846,065	284,827	1,130,892
At 31 March 2019	634,590	364,827	999,417

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Notes to the Financial Statements For the Year Ended 31 March 2020

15. Tangible fixed assets

	Property improve- ments £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 April 2019	80,343	3,441	1,214	280,567	160,698	526,263
Additions	2,300	28,790	-	4,962	28,636	64,688
Disposals	-	-	-	(1,784)	-	(1,784)
At 31 March 2020	<u>82,643</u>	<u>32,231</u>	<u>1,214</u>	<u>283,745</u>	<u>189,334</u>	<u>589,167</u>
Depreciation						
At 1 April 2019	22,978	996	318	58,364	77,620	160,276
Charge for the year	21,579	4,321	173	46,733	54,023	126,829
Disposals	-	-	-	(1,289)	-	(1,289)
At 31 March 2020	<u>44,557</u>	<u>5,317</u>	<u>491</u>	<u>103,808</u>	<u>131,643</u>	<u>285,816</u>
Net book value						
At 31 March 2020	<u>38,086</u>	<u>26,914</u>	<u>723</u>	<u>179,937</u>	<u>57,691</u>	<u>303,351</u>
At 31 March 2019	<u>57,365</u>	<u>2,445</u>	<u>896</u>	<u>222,203</u>	<u>83,078</u>	<u>365,987</u>

16. Investments

	Investments £
Cost and net book value	
At 1 April 2019	-
Additions	100
At 31 March 2020	<u>100</u>

The company purchased the entire ordinary share capital of ITS123 Limited during the year. The subsidiary entity has not yet commenced trade. The registered office address of ITS123 Limited is Unit 5 Olympic Court, Salford, England, M50 2QP.

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Notes to the Financial Statements For the Year Ended 31 March 2020

17. Stocks

	2020 £	2019 £
Finished goods and goods for resale	<u>643,185</u>	<u>848,140</u>

There is no material difference between replacement cost and the carrying value of stock items in the accounts.

18. Debtors: amounts falling due within one year

	2020 £	2019 £
Trade debtors	510,992	99,723
Called up share capital not paid	102	-
Prepayments and accrued income	411,670	212,225
	<u>922,764</u>	<u>311,948</u>

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2019 - £Nil).

19. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>2,046,673</u>	<u>3,248,825</u>

20. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	1,592,251	1,070,571
Other taxation and social security	630,933	588,808
Corporation tax	34	-
Invoice discounting facility	311,599	-
Other creditors	47,709	54,158
Accruals and deferred income	2,226,285	1,931,289
	<u>4,808,811</u>	<u>3,644,826</u>

The invoice discounting facility is secured over the assets of the business.

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Notes to the Financial Statements For the Year Ended 31 March 2020

21. Creditors: amounts falling due after more than one year

	2020 £	2019 £
Preference shares	<u>3,098,258</u>	<u>2,766,301</u>

On 11 May 2018 the company issued 2,500,000 amount of redeemable preference shares at £1 each.

The shares are non-voting shares and are redeemable on purchase or listing of the company. They accrue a preference share dividend at 12% of the issue price per annum until they are redeemed. The preferred dividend will be rolled up in arrears every 12 months. Following this, the preferred dividend will accrue on the issue price and the aggregate of the rolled up dividends as though the issue price had been increased by an amount equal to the aggregate of all rolled up preference dividends.

22. Share capital

	2020 £	2019 £
Shares classified as equity		
Allotted, called up and unpaid		
102,448,200 (2019 - Nil) ordinary A shares of £0.000001 each	102	-
Allotted, called up and fully paid		
11,962,050,000 (2019 - 11,962,050,000) ordinary A1 shares of £0.0000001 each	1,196	1,196
12,400,000,000 (2019 - 12,400,000,000) ordinary B1 shares of £0.0000001 each	1,240	1,240
128,470,950,000 (2019 -128,470,950,000) deferred shares of £0.0000001 each	12,848	12,848
	<u>15,386</u>	<u>15,284</u>

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Notes to the Financial Statements For the Year Ended 31 March 2020

22. Share capital (continued)

	2020 £	2019 £
Shares classified as debt		
Allotted, called up and fully paid		
2,500,000 (2019 - 2,500,000) preference shares of £1.000000 each	<u>3,098,258</u>	<u>2,766,301</u>

The above included £2.5m preference shares plus accrued interest of £598,258 (2019 - £266,301).

All shares are ranked pari passu.

During the year the company issued 1,024,482,000 ordinary A shares of £0.0000001 each and they are unpaid at the year end.

During the prior year the company secured equity investment totalling £2,500,000 from Causeway Capital Partners which resulted in the share structure above. £2,500,000 of this related to the preference shares (see note 20), with £1,240 related to 12,400,000,000 ordinary B1 shares. Based on the nominal value of these shares £1,240 has been taken to share premium on the shares issued.

23. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

24. Analysis of net debt

	At 1 April 2019 £	Cash flows £	Other non- cash changes £	At 31 March 2020 £
Cash at bank and in hand	3,248,825	1,202,152	-	2,046,673
Preference shares	(2,766,301)	-	(311,957)	(3,098,258)
	<u>482,524</u>	<u>1,202,152</u>	<u>(311,957)</u>	<u>(1,051,585)</u>

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Notes to the Financial Statements For the Year Ended 31 March 2020

25. 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 at note 9 for the current and prior year. Contributions totalling £16,099 (2019 - £6,777) were payable to the fund at the reporting date and are included in creditors.

26. Commitments under operating leases

At 31 March 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	148,218	148,218
Later than 1 year and not later than 5 years	228,503	376,721
	<u>376,721</u>	<u>524,939</u>

27. Related party transactions

Purchases from Causeway Capital of £26,847 (2019 - £25,012) were made during the year. There was a creditor balance of £9,120 (2019 - £6,250) at the year end.

Sales to Causeway Capital of £Nil (2019 - £14,993) were made during the year. There was a debtor balance of £Nil (2019 - £Nil) at the year end.

During the prior year, purchases from Livingbridge Services Limited of £4,923 were made, and there was a £Nil creditor balance at the year end. This is no longer a related party during the current financial year.

During the prior year, the directors loan account balance of £398,529 was converted into share capital. This comprises of 3,980m shares with a nominal value of £0.0001.

28. Ultimate controlling party

There is no one controlling party based on percentage of share ownership and voting rights attaching to the shares.