

Company Registration No. 06012780 (England and Wales)

**Strategic Report, Directors' Report and
Audited Financial Statements
for the 14 months ended 31 January 2022
for Internet Fusion Limited**



Internet Fusion Limited
Contents of Financial Statements
for the 14 months ended 31 January 2022

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Internet Fusion Limited
Company Information
for the 14 months ended 31 January 2022

Directors	N Cayzer D Cooper
Registered number	06012780 Registered in England and Wales
Registered Office	2 Stone Buildings Lincoln's Inn London WC2A 3TH
Auditor	PKF Littlejohn LLP 15 Westferry Circus London E14 4HD

Internet Fusion Limited
Strategic Report
for the 14 months ended 31 January 2022

The directors present the strategic report with the financial statements of the company for the 14 months ended 31 January 2022.

Strategic report – Chairman's statement

Internet Fusion Limited ("IFL") is an indirectly wholly owned subsidiary of Internet Fusion Group Limited ("IFG"). IFL is a major component and owns almost all of the trade and assets of the Group. The Strategic Report has been mirrored from IFG's Financial Statements for the 14 months ended 31 January 2022 as the performance and future plans of the Group is considered to be the same for IFL. The analysis of 2022 results shown below is specific to IFL.

Introduction

Internet Fusion Group ("IFG") is a collection of niche sports, apparel and lifestyle websites built, over a six-year period, through a proven buy-and-build strategy. IFG leverages its proprietary technology and business intelligence systems to integrate and transform acquired businesses with the benefits of group scale so that each website, and the underlying brands sold on them, are able to offer best-in-class representation.

The websites that make up the group specialise in niche markets and cover surfing, skiing and snowboarding, skateboarding, scuba, equestrian and outdoor and country activities including walking and hiking.

For the fourteen months ended 31 January 2022, I am pleased to report another year of progress. Revenue of £117m represented growth of approximately 18% over the fourteen-month period to 31 January 2021. Adjusted EBITDA for the fourteen-month period was £4.9m, representing an adjusted EBITDA margin of 4.1%.

Flotation

During the year under review, the board and management of IFG felt that the future funding of the group as a buy-and-build specialist would be best served by seeking a listing on the London Stock Exchange. By the beginning of 2022, all the due-diligence necessary to achieve this through a listing on AIM was almost complete.

As part of the listing arrangements, there was also an agreement in place to merge, on completion, two further specialist retailers into the group, Shade Station, a successful sunglass e-retailer, and Northcore, a surfing brand. These would have formally become subsidiaries of the Group on listing but in the interval, they were owned by an independent shell company with the funding to purchase them, from their respective founders, provided by Hawkwing PLC, a listed company, with IFG initially only providing management services.

Regrettably, capital market conditions deteriorated in late 2021 and early 2022, which caused an effective shut down of the London IPO market with IFG's listing delayed until more attractive market conditions re-emerge. Considerable costs were incurred for due diligence accompanied by an increase in the overhead and infrastructure necessary to service the requirements of a listed company. A small £6m equity fundraise took place in September 2021 which largely funded the due diligence costs. The overhead element of these costs has been subsequently unwound at the end of 2022/3 and the benefits of the reduced overheads will be reflected in the year 2023/4.

As a listing was delayed, the conditions precedent to finalise the merger of Shade Station and Northcore with the Group have not occurred. Following an unresolved dispute in relation to deferred consideration relating to the purchase of those businesses, on 30 November 2022, Hawkwing, as the secured lender, placed these companies into administration. This was done by Hawkwing acting independently and without reference to IFG. At the time of the appointment of administrators, these companies were trading profitably with substantial cash balances.

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E-commerce market

The global e-commerce market had a short-term upward spike during the COVID pandemic. However, even if the spike is ignored, the trend of penetration through global e-commerce sales continues on its inexorable march upwards with forecast global penetration rising to 24% in 2026 from 14% in 2019 (Source: Statista January 2023).

IFG are in a good position to take advantage of this as its brand offering is aimed at specialist niche customers who have a dedication and love of the sport or activity that they follow. The range offered by specialist websites far exceeds that available on the High Street. In addition there is a significant organic opportunity from the existing portfolio of niche and specialist sports and outdoor equipment websites as a consequence of the deep relationships with brands which underpins IFG's long term growth opportunity.

In the year under review, IFG saw a significant reduction in its EU business brought about by the complications caused by Brexit with a difficult and punitive system of tariffs particularly related to goods manufactured in the Far East.

To counter this in March 2022, IFG opened a new EU warehouse in the Netherlands to service the European business. The penetration of IFG's websites in the key EU markets is a fraction of the penetration in the UK and this presents a considerable business opportunity for the future. During 2023, the benefits of the new facility will begin to show as it brings the products closer to market and eliminates tariffs. This, combined with more localisation of the websites and tailoring the stock to the tastes of an individual country, will allow IFG to recapture the lost EU business and increase sales and penetration across the key markets of France, Germany, Spain and Portugal, amongst others.

In world markets, which in IFG's case is mainly North America, Australasia and some countries of the Middle and Far East, sales continue to increase but delivery and servicing costs have eroded margins due to the effects of COVID. There is an expectation that these costs will lessen over time as fuel costs work their way through the spike caused by the Ukraine war and air travel and airfreight goes back to normal.

2021/22 saw an increase in our UK business by 28% (for the 14-month period to January 2022 compared to the same period to January 2021). In the current financial year, this growth has slowed particularly in the more general categories of apparel. As part of a recent business review, IFG are reducing the ranges in these more generalised areas, cancelling unprofitable brands while increasing the depth and breadth of our niche sports and specialist products which continue to grow even in the current challenging market conditions.

Management

In the last quarter of 2022, the board appointed Steven Cook to be the new Chief Executive. Steven has a deep knowledge of all aspects of retail. He was, for the last three years, the CEO of Debenhams PLC where he successfully supervised the breakup and sale of the group. Charlie Hall, who has worked over the last six years at the heart of implementing the group's buy-and-build strategy has been appointed Chief Financial Officer and Mathew Butlin has joined as Chief Technology Officer. I have resumed the Chairmanship.

Internet Fusion Limited Strategic Report for the 14 months ended 31 January 2022

The key to the success of any business is the executive management and these new promotions and appointments will augment the existing strong team already in place.

I would like to thank John Browett and Joe Murray, who respectively served as Chairman and Chief Executive Officer over the last three years, for their contribution to the group and also to Paul Allen, CFO, who has earned a well-deserved retirement after a long and distinguished executive career.

Opportunities

As the e-commerce industry matures, business practices need to change as new opportunities present themselves. The ability to identify and execute against them is the key to the success of any small growing business. In IFG's case, there are two significant opportunities which the management have identified and will, if successfully implemented, change the way the business operates with the emphasis of moving into a more capital light model.

The first is to invite key strategic brands to either locate in our warehouse, but in their ownership, a much larger range of their inventory or alternatively to allow our systems to display on our websites their complete range but draw down from their centralised inventory as sales occur and ship the product through our warehouses. This has the benefit of increasing the ranges which the IFG websites can offer to their niche clients and increasing sales without the corresponding increase in working capital. In 2022, this was tested with a leading surf brand and it showed a 40% increase in sales since it started in early 2022, to the benefit of both the brand and IFG. Discussions are taking place to roll this out over the next eighteen months with other key brand partners.

The second is to develop a concessions business, where the same advantages of accessing broader ranges exist but the main difference is the concession partner undertakes all the delivery and servicing of the customer order and IFG confines itself to taking a commission on the sale. Key partners have been identified and this will start operating during the course of 2023 and will broaden the offer as they are not included in IFG's current brand partnerships.

While neither of these initiatives are unique or even new, they will gradually and fundamentally change the way IFG operates with a beneficial effect on both overhead and the requirement for capital to fund stock necessary to service increasing sales. It will also allow the websites to offer a broader range to the potential customer base with a corresponding increase in traffic, conversion rates and orders.

Costs associated with servicing, marketing, branding and customer acquisition

The key to success of an e-commerce business is to make each customer profitable from the first order. To achieve this result, it is important that costs of all aspects of buying, warehousing, marketing and delivery are tightly controlled. As a consequence, IFG are continually looking at the way they operate to continue to ensure that each customer order creates a profit at a contribution level and the group is able to make increasing EBITDA growth.

During the last twelve months, the current economic climate has made both these key matrix more challenging so a reorganisation has recently taken place to remove £4.5m from the cost base of the business, while not restricting the ability of the group to continue growing strongly once the current economic crisis has passed. This has been achieved across all departments and I look forward to seeing the enthusiasm of the teams that service all aspects of the business translate into higher growth, sales and cash generation.

Internet Fusion Limited Strategic Report for the 14 months ended 31 January 2022

One of the key components of the business is marketing and through the use of business information systems enabled by IFG's technology platform, Reactor, all orders typically make a contribution from the first order. In the UK, this amounts, based on figures for the twelve month period to November 2022, to 8.8% from a new customer and 12.1% on a repeat customer, with 6.3% and 9.5% respectively for International customers. At the time of writing and over the last twelve months, the company has had 1.5m orders with a gross value of £125m and an average order value of £76. This is as a result of 67m visits to our websites with 42% repeat orders and 2.3% conversion rate. These figures are encouraging as they demonstrate the strong underlying business model.

The development of the European warehouse will increase the contribution margin from international clients. IFG is also looking to increase its use of social media to help drive new customers at an attractive cost as well more effective use of customer relationship management tools to increase repeat orders which the statistics quoted above are more profitable.

Returns and Delivery

The other key element in the success of an e-commerce business is the level of returns. As a specialist niche retailer, our level of return equals approximately 18%, which is very low compared to the more fashion-based retailers. The management are always examining ways of making the customer experience better by enhanced sizing explanations, better photography and product descriptions. Any positive change in returns has a disproportionate effect on profitability. The opening of the EU warehouse will have a positive effect on this figure as returns can be processed within the European VAT regime, making the whole operation more efficient.

Delivery costs form a significant cost of operating an e-commerce business. The pandemic restrictions on flying produced an upward pressure on international shipping costs which are now easing, although strikes in the UK and bottlenecks in the air traffic control systems have produced some recent challenges. This is somewhat ameliorated by the benefits of scale and the EU warehouse being centred closer to the markets that it services.

Balance Sheet and Fundraising

The listing which should have taken place in the first quarter of 2022, was going to result in the balance sheet of the company being restructured to remove the shareholder debt which in the year under review amounted to £47.5m.

Excluding the shareholder loans, external gearing remains relatively low, with a term loan from HSBC (£5.4m outstanding at the time of writing) which is being paid down by £1.2m on an annual basis and loan notes of £1.8m owed to the vendors of County Attire. In addition, the Group has a trade finance and overdraft facility which are utilised to finance the stock holdings and rises and falls in line with the demands of the two peak seasons in May/June and October/November.

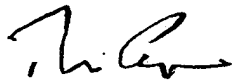
In December 2022, Stifel Nicolaus (Europe) Limited, a leading US based investment bank with offices in London, was formally engaged to undertake a fundraising for the group to be completed in the first Quarter of 2023. The purpose of the fundraising is to restructure the balance sheet by eliminating shareholder debt, provide additional working capital to the group to support some of the initiatives above, extend and restructure the HSBC facilities that come up for renewal in the same period and provide IFG with additional capital to continue with its buy-and-build strategy. Management can see interesting opportunities occurring as the world begins to see a return to more normalised trading conditions post COVID and the cost-of-living crisis and these will require capital.

Internet Fusion Limited
Strategic Report
for the 14 months ended 31 January 2022

Outlook

IFG has grown from a very small business six years ago, where there was one website with a turnover of £4m to a group that now has nine websites and turnover over £100m. The business model, which is centred round its ownership of its proprietary IT platform, is based on the proven fact of the continued growth of e-commerce. IFG's concentration on servicing niche customers, who are looking to buy product to enhance the enjoyment of their sport or activity, will help shield us from the worst of the recession which is predicted on one news channel and then contradicted on others. The movement over time to a capital light model will greatly improve cash generation, which combined with a rigorous attention to the cost of overhead, customer acquisition, returns and delivery will generate significant profits in the future.

None of this would be possible without the dedication and commitment of those who work within the group, the support and wise counsel of our legal and accounting advisors and the continued support of our bankers, shareholders and financial advisors; to all these groups of people, I, and the board, thank you.



Nigel Cayzer
Director

2 February 2023

**Internet Fusion Limited
Strategic Report
for the 14 months ended 31 January 2022**

Section 172 statement (forms part of the strategic report)

Stakeholder engagement

The following paragraphs contain our section 172 statement, outlining how the directors have, in performing their duties over the course of the year, had regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006.

Stakeholder: Customers

Why are they important? We do what we do to help people enjoy their passions and pursue their interests, therefore it is essential that we stay engaged and listen to our customers to ensure we can provide them with what they want when they want it.

How are we engaged? Through a wide assortment of curated products at great value, we strive to provide a unique and elevated experience for our customers. We impart expertise within our specialist markets; from inspiring advice to highly technical guidance, we aim to build trust and delight our customers in an authentic shopping environment.

Our efficiencies of scale help facilitate a world class after-sales service. We take pride in our fast delivery, easy returns and attentive customer support. Our knowledgeable customer service team provide an experience which makes shopping with IFG as friction free as possible.

We continually review and learn from customer feedback, whether from review sites such as Trustpilot, marketing research, customer surveys, or social media. We know doing the little things for our customers can make a world of difference.

Stakeholder: Brands

Why are they important? IFG provides market leading retail experiences in a diverse range of specialist markets. We are nothing without the support of our suppliers, who provide us with specialist apparel and equipment to curate the best ranges for our customers.

How are we engaged? Our goal is to be a great partner to our suppliers, working with them and for them. Beyond simply buying, we aim to add long-term value to our suppliers' businesses. The brands we sell are a key part of our DNA, their success is our success. It is our duty to amplify their voice and enhance their relationship with our customers.

We also collaborate closely with the brands on sustainability strategy agenda as we look to contribute to creating a more sustainable industry.

Stakeholder: Our People

Why are they important? At IFG, our team is the key to building the success of the business. Our employees play a vital role because their passions and interests are very much aligned with our customers. We are committed to ensuring our team works in a dynamic, entrepreneurial and enjoyable working environment in which everyone has a voice. Having a highly motivated and inspired workforce is critical if we are to achieve our strategy and long-term success.

How are we engaged? Our People and Culture department continued to work with key partners across the business to accelerate our "great place to work" strategy - building the organisation, attracting and retaining talent, developing our leaders, and delivering the people basics brilliantly. Our affiliation with Best Company Survey continued and in March 2021 we were recognised as a company with "2 star – outstanding engagement" a leap over 1 -star which we were extremely proud to advance too despite a long winter of a second lockdown.

**Internet Fusion Limited
Strategic Report
for the 14 months ended 31 January 2022**

Proudly, we were one of the first companies that were accepted onto the UK Government's Kickstarter scheme, supporting young school leavers and graduates into work. Over the year we supported 61 internships, were able to retain a third into junior business roles and developed training for our new managers too.

As COVID restrictions continued into 2021 we provided our employees with opportunities to add value outside of the workplace. A highlight was the company's charity drive for 'Mind Over Mountains' where our employee's covered the virtual distance from Manchester (UK) to Sydney (Australia) by running, walking, riding, surfing, skating and raising over £2,000. Over a third of our employees took part and it was great to achieve this together.

Stakeholder: Shareholders and debtholders

Why are they important? Our shareholders and debtholders have provided us with the resources to do what we do. Our purpose and strategy strive to deliver long-term, sustainable growth to provide them with value.

How are we engaged? The Board and executive team have regular dialogue with the shareholders and consult with them in developing the Group strategy to ensure interests are aligned.

Stakeholder: Community

Why are they important? We believe that we have a responsibility to properly connect with all our stakeholders, protect the planet and to support initiatives towards making the retail industry more sustainable. We demonstrate this daily through our interactions with our supply chain, our charity partners, and our customers.

How are we engaged? There are very strong cultures and lifestyles that underpin our markets. We have a responsibility to nourish these tight knit communities and the passions that fuel them. We serve a community that appreciates the natural world, and it is imperative that we acknowledge that and limit our impacts on the environment.

We continue to support charities that align with our values, including: The 2 Minute Foundation, Protect our Winters, 1% For The Planet and others. We have reduced our Scope 1 and 2 carbon emissions by 93.5% from a 2018 baseline and have set our Science Based Targets. We've also joined the 'Business ambition for 1.5c'. Our packaging is 99.8% plastic-free and we achieved 93.4% recycling rates in our warehouse. Our warehouse has achieved a BREEAM rating of 'Excellent' and an EPC rating of 'A', this means it is amongst the most sustainable buildings in the country.

We also have various initiatives to encourage our supply chain to adopt more sustainable practices and assist our customers to make more informed sustainable choices on the products they purchase. Powering the connections between people and their passions is why we're in business. By investing in inspiring content, ambassador programs, supporting events and grassroots initiatives we not only help to connect people with their passions, but also help foster the new generation of enthusiasts.

**Internet Fusion Limited
Directors' Report
for the 14 months ended 31 January 2022**

The directors present their report with the financial statements of the company for the 14 months ended 31 January 2022.

The accounting reference date of the Company has been changed from 30 November to 31 January to align with that of comparable retail companies. Accordingly, these financial statements are prepared for 14 months from 1 December 2020 to 31 January 2022 and therefore, the comparative figures stated in the Profit and Loss, Balance Sheet, Statement of Changes in Equity, and related notes are not comparable.

Also during the period, the Company transitioned from reporting its Financial Statements under FRS 102 to FRS 101, this was done to provide management with more comparable financial information when benchmarking against other entities. The processes included, obtaining expert advice and bringing in a transition specialist to ensure accuracy and ease of transition. A note explaining the adjustments can be found at note 26.

Principal activity

The principal activity of the company in the period under review was that of the retail and distribution of outdoor fashion and equipment.

Dividends

No dividends have been distributed for the period ended 31 January 2022 (30 November 2020: Nil).

Results for the year

Gross profit for the 14 months is £47.4m (12 months ended 2020: £30.8m), with gross margin improving to 42.0% from 40.9% in the prior year. Operating costs are £35.4m (2020: £23.8m) and this resulted in the business making an overall operating profit of £0.4m (2020: loss of £1.0m).

Directors

The directors below have held office during the period from 1 December 2020 to 31 January 2022.

N Cayzer
D Cooper

Going concern

The company is dependent on the continued financial support of the ultimate parent company, Internet Fusion Group Limited ("IFG"), and IFG has provided confirmation of such via letter of support to the company, confirming its ongoing financial support for a period of at least 12 months from the date of approval of these financial statements. In line with the conclusion by IFG's directors, the directors of the company have concluded that there is a material uncertainty that may cast significant doubt that they will be able to operate as a going concern. Notwithstanding this material uncertainty, the board has confidence in the company's ability to continue as a going concern, and therefore the going concern basis has been adopted in these financial statements.

The auditors have referred to going concern by way of a material uncertainty within their audit report.

**Internet Fusion Limited
Directors' Report
for the 14 months ended 31 January 2022**

Statement as to disclosure of information to company auditor

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



N Cayzer
Director

2 February 2023

Internet Fusion Limited
Statement of directors' responsibilities
for the 14 months ended 31 January 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 they have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) as applied in accordance with the provisions of the Companies Act 2006.

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNET FUSION LIMITED

Opinion

We have audited the financial statements of Internet Fusion Limited (the 'company') for the 14 month period ended 31 January 2022 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2022 and of its loss for the period 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.

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that the company is dependent on its parent, Internet Fusion Group Limited, for financial support. The ability of the parent company to continue to meet its financial liabilities as they fall is subject to the successful completion of ongoing fundraising activities. As stated in note 2.3, these events or conditions indicate that a material uncertainty exists that may cast doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNET FUSION LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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:

- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and experience of the sector. We also selected a specific audit team based on experience with auditing entities within this industry facing similar audit and business risks.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNET FUSION LIMITED


- We determined the principal laws and regulations relevant to the company in this regard to be those arising from the Companies Act 2006, UK Employment law, Local tax laws and regulations and Competition law.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
 - Enquiries of management;
 - Review of legal and regulatory environment applicable to the group and considering the necessary compliance throughout the testing performed;
 - A review of Board minutes;
 - A review of legal ledger accounts;
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the estimates, judgements and assumptions applied by management regarding revenue recognition, inventory provisioning, and the assessment of impairment of goodwill and intangible assets gave the greatest potential for management bias.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.



Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

Date: 2 February 2023

15 Westferry Circus
Canary Wharf
London E14 4HD

Internet Fusion Limited
Profit and Loss Account
for the 14 months ended 31 January 2022

Company Number: 06012780

	Notes	31 January 2022 £	30 November 2020 (Restated) £
Revenue	5	112,769,606	75,358,111
Cost of Sales		(65,362,595)	(44,569,898)
Gross Profit		47,407,011	30,788,213
Distribution Costs		(11,762,333)	(8,391,738)
Administrative Expenses		(35,420,806)	(23,755,386)
Other operating income	8	214,355	311,865
Operating profit/(loss)		438,227	(1,047,046)
Finance costs	7	(2,028,404)	(1,693,790)
Loss before Taxation	9	(1,590,179)	(2,740,836)
Taxation on Loss	10	1,281,142	299,162
Total loss for the period		(309,037)	(2,441,674)

The results for the year are derived from continuing operations.

There were no recognised gains or losses other than those detailed out above and therefore there is no separate Statement of Comprehensive Income has been prepared and therefore Total Comprehensive Loss equates to the loss for the period.

The notes on pages 20-37 form part of these financial statements.

Internet Fusion Limited
Balance Sheet
for the 14 months ended 31 January 2022

Company number: 06012780

	Note	31 January 2022 £	30 November 2020 (Restated) £	1 December 2019 (Restated) £
Non-current assets				
Goodwill	11	22,975,695	22,975,695	22,975,695
Other intangible assets	11	5,320,070	4,743,045	5,686,637
Right-of-use assets	13	5,888,929	7,619,422	9,152,224
Property, Plant and Equipment	12	430,337	1,069,033	1,203,161
Investments	14	7,245,748	7,775,648	7,775,648
		41,860,779	44,182,843	46,793,364
Current Assets				
Inventories	15	14,070,324	13,945,343	16,769,457
Trade and other receivables	16	8,451,000	7,259,641	6,595,818
Cash at cash equivalents	17	7,217,087	6,837,798	710,574
		29,738,411	28,042,782	24,075,849
Current liabilities				
Trade and other payables	18	(70,033,364)	(68,780,062)	(63,000,374)
Provisions	21	(1,389,830)	(1,128,846)	(944,435)
Lease liabilities	19	(1,563,363)	(1,762,827)	(1,366,919)
Borrowings	20	(148,258)	(407,903)	(1,055,994)
		(73,134,815)	(72,079,638)	(66,367,722)
Non-current liabilities				
Provisions	21	(983,044)	(951,912)	(925,227)
Lease liability	19	(4,295,722)	(5,731,473)	(7,256,212)
Borrowings	20	(1,832,389)	(1,800,345)	(2,197,149)
		(7,111,155)	(8,483,730)	(10,378,588)
Net Liabilities		(8,646,780)	(8,337,743)	(5,877,097)
Capital and reserves				
Called up share capital	23	711	711	711
Share premium		35,516	35,516	35,516
Retained earnings		(8,683,007)	(8,373,970)	(5,913,324)
Total equity		(8,646,780)	(8,337,743)	(5,877,097)

The notes on pages 20-37 form part of these financial statements

The financial statements were approved by the Board of Directors and were signed on its behalf by:



N Cayzer
Director

2 February 2023

Internet Fusion Limited
Statement of Changes in Equity
for the 14 months ended 31 January 2022

Company number: 06012780

	Called up share capital £	Share premium £	Retained Earnings £	Total Equity £
At 1 December 2019	711	35,516	(5,932,296)	(5,896,069)
Total Comprehensive Loss for the year	-	-	(2,441,674)	(2,441,674)
Balance at 30 November 2020	711	35,516	(8,373,970)	(8,337,743)
Total Comprehensive Loss for the period	-	-	(309,037)	(309,037)
At 31 January 2022	711	35,516	(8,683,007)	(8,646,780)

The notes on pages 20-37 form part of these financial statements

Internet Fusion Limited
Notes to the Financial Statements
for the 14 months ended 31 January 2022

1. General Information

Internet Fusion Limited (the "Company") is a private company limited by shares, and is incorporated, domiciled and registered in England in the UK. The registered number is 06012780 and the registered address is 2 Stone Buildings, Lincoln's Inn, London, WC2A 3TH.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group, refer to note 24 for more information on the ultimate parent company.

2.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on the historical cost basis excluding financial assets held at fair value through profit or loss and are presented in pound sterling. The functional and presentation currency is pound sterling, and the accounts are presented to the nearest pound.

The financial statements are the first set of financial statements that the Company has prepared in accordance with FRS 101, the Company previously reported under FRS 102, see note 2.2 for further information on the company's transition.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK and makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

- Cash flow statement and related notes
- A Balance Sheet as at the beginning of the preceding period when an entity makes a retrospective restatement
- Information relating to new IFRS standards which have been issued but which are not yet effective
- Disclosure requirements of IFRS 7 'Financial Instrument: Disclosures'
- Disclosures relating to related party transactions
- Information relating to the entities objectives, policies and processes for managing capital
- Details of the valuation techniques and inputs used to develop measurements of assets and liabilities measured at fair value
- Disclosure of key management personnel remuneration

2.2 Changes to accounting policies

Refer to note 26 for details of adjustments made on the company's transition to IFRS.

As part of the Company's FRS 101 transition, previous classification of amounts receivable from payment service providers have now been classified as part of cash and cash equivalents. This is due to amounts being received in the bank within one to three business days. Management have determined that this change in classification provides a better representation of the Company's cash position. We have therefore restated the relevant comparative balances to reflect this within these financial statements.

Internet Fusion Limited
Notes to the Financial Statements
for the 14 months ended 31 January 2022

2.3 Going Concern

The company is dependent on the continued financial support of the ultimate parent company, Internet Fusion Group Limited ("IFG"), and IFG has provided confirmation of such via letter of support to the company, confirming its ongoing financial support for a period of at least 12 months from the date of approval of these financial statements. In line with the conclusion by IFG's directors, the directors of the company have concluded that there is a material uncertainty that may cast significant doubt that they will be able to operate as a going concern. Notwithstanding this material uncertainty, the board has confidence in the company's ability to continue as a going concern, and therefore the going concern basis has been adopted in these financial statements.

The auditors have referred to going concern by way of a material uncertainty within their audit report.

2.4 Business combinations

Business combinations are accounted for using the acquisition method under IFRS 3 'Business Combinations'.

The consideration transferred by the Company to obtain control of a trade is calculated as the sum of the acquisition-date fair values of assets transferred and liabilities incurred, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. In determining whether a transaction is a business combination or an asset purchase, the Company considers the inputs, processes and outputs acquired in accordance with IFRS

3. Accounting policies

3.1 Revenue

Revenue consists primarily of internet sales in addition to marketing revenues and revenues from platform as a service (described in the Strategic Report).

Revenue from internet sales is recognised at the point of goods being delivered to the customer, which is when it is considered that our performance obligation, being to transfer goods to the customer i.e. delivery, has been satisfied. Revenues are stated net of any non-completed transactions, actual and estimates post balance sheet returns, and VAT. Goods are paid for at the time of ordering through a variety of payment methods. A balance is recorded within deferred income where cash has been received for a sale, but the goods have not yet been delivered.

Revenues from other services relating to marketing and platform as a service are recognised at the date in which the services are rendered, and are recognised net of VAT.

3.2 Government grants

Grants are accounted for under the accruals model. Grants of a revenue nature are recognised in 'Other Income' within the Profit and Loss Account in the same period as the related expenditure. This includes the Government Coronavirus Job Retention scheme ('Furlough'). Research and development tax credits are recognised upon submission of the claim.

3.3 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Profit and Loss Account. Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profits for the period or prior years. Tax is calculated based on tax rates and laws that have been enacted or substantively enacted by the period end. Research and development tax credits are recognised upon submission of the claim.

Internet Fusion Limited
Notes to the Financial Statements
for the 14 months ended 31 January 2022

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3.4 Employee benefits

The Company contributes to a defined contribution scheme for certain employees. The cost of these contributions is recognised as an expense when they are payable under the scheme rules. Unpaid are shown in other payables in the Balance Sheet.

3.5 Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the accounting reference date, and exchange differences are recorded in finance costs in the Profit and Loss Account.

3.6 Intangible Fixed Assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software & Tech Development	3-6 Years
Brands	6 Years

Amortisation is included in administrative expenses in the Profit and Loss Account.

Where factors, such as technological advancement or changes in the market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment only if such factors indicate that the carrying amount may be impaired, such carrying values are determined using value in use calculations.

Research and Development

Costs associated with maintaining or repairing computer software are classed as research costs and are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measure

Other development expenditures that do not meet these criteria are recognised as research costs and are expensed as incurred.

Internet Fusion Limited
Notes to the Financial Statements
for the 14 months ended 31 January 2022

3.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. The cost of each item of property, plant and equipment is written off over the estimated useful life of the asset as follows:

Plant & Machinery:	20% per annum on straight-line basis
Land and Buildings:	2% straight line depreciation over 50 years
Fixtures, fittings and equipment:	33% per annum on straight-line basis

3.8 Investments

Investments in subsidiaries are held at cost less provision for impairment. Costs relating to the acquisition are expensed to the Income Statement.

3.9 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items.

Inventory is valued on a weighted average cost basis. Cost includes the purchase price, including taxes and duties, transport, and handling costs directly attributable to bringing the inventory to its present location and condition.

3.10 Financial instruments

The following are deemed to be financial assets and liabilities within the scope of IFRS 9.

Trade and other receivables

Trade and other receivables are non-interest bearing and are initially recognised at fair value, being the amount of consideration due. Amounts excluding those due from group undertakings are generally settled between 30-90 days and are therefore all classified as current, they are held with the objective of collecting contractual cash flows and are therefore subsequently measured at amortised cost using the effective interest method less provision for impairment. Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value.

Amounts owed by group undertakings are non-interest bearing and are repayable on demand.

Trade and other payables

Trade and other payables represent obligations to pay suppliers for goods or services that have been acquired in the ordinary course of the business. They are classified as current if amounts are payable within one year or less. Trade and other payables are non-interest bearing and are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, short-term borrowings and amounts receivable from payment service providers. Amounts receivable from payment service providers for credit and debit card transactions clear the bank shortly after the transaction takes place which is typically 2-3 working days.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequently, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Internet Fusion Limited
Notes to the Financial Statements
for the 14 months ended 31 January 2022

3.11 Leased assets

At the commencement date of a lease, the Company recognises a lease liability at fair value, which is the present value of future lease payments made over lease term. The lease liability comprises fixed payments, less any lease incentives, less estimated restoration costs that would be payable upon exit of the lease. Short-term leases and low value are expensed to the Statement of Comprehensive Income on a straight-line basis over the life of the lease. Short-term leases are leases with a term of 12 months or less. Low value leases are those with a total lease value of less than £5,000.

In calculating the present value, lease payments are discounted using the discount rate implicit in the lease, if available, alternatively, if that rate cannot be readily determined, the Company's incremental borrowing rate is used. Subsequently, the lease liability is increased to reflect the accretion of interest and reduced by payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification to the lease.

3.12 Right-of-use-assets

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets which are consistent with those shown in the Property, Plant and Equipment accounting policy.

3.13 Provisions

Provisions are accounted for where there is a liability of uncertain timing or amount, such as legal or constructive obligations, where it is probable that an outflow of cash or other economic resource will be required to settle the provision. Certain provisions that require significant estimates and judgements are discussed in the critical accounting judgements and estimation uncertainty section below.

3.14 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 from the proceeds.

4. Critical accounting judgements and estimation uncertainty

In the application of the Company's accounting policies, management are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The most critical accounting judgements or key sources of estimation uncertainty are detailed as follows:

Impairment of intangible assets and goodwill

Annually, the Company considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified, then the recoverable amount of the cash generating units (CGUs) is estimated. The recoverable amount of the CGU is the greater of its value in use and fair value less costs to sell. This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. See note 11 for further disclosure on the impairment of intangible assets and goodwill.

Internet Fusion Limited
Notes to the Financial Statements
for the 14 months ended 31 January 2022

Provisions

Refer to note 21. The Company makes a provision for obsolescence and write downs based on historical experience, ageing of stock, anticipated market trends and management's estimates of future events. The provision requires estimates over expected selling prices, brand and product performance, consumer buying trends and the identification of aged and obsolete items.

Capitalisation of development cost

Refer to note 11. When capitalising the costs associated with developing internally generated assets by way of software improvement, the Company assesses whether the internal costs meet the capitalisation criteria under IAS 38 'Intangible assets'. Costs directly associated with these projects will be capitalised while costs that do not meet the capitalisation criteria will be recognised in administrative expenses in the Statement of Comprehensive Income in the relevant accounting period. Judgement is applied in firstly determining the correct stage at which a project meets the relevant criteria for capitalisation, and also in determining the appropriate elements of employee and contractor time and materials used to be allocated to the project.

VAT penalties and interest

Refer to note 21 for a reconciliation in the period associated with the VAT penalties and interest provision. A percentage for penalties and interest is determined and applied to the sales made in each territory. The provision percentage is based on recent historic registrations in similar territories and managements best estimates and is recorded in the period in which the relates sales are made. A difference of 5% points to the percentage would have an impact of £116,837 on profit/loss. The choice for sensitivity review represents a reasonable variation of the penalty based on historic experience.

5. Revenue

An analysis of revenue by geographical market is given below:

	31 January 2022	30 November 2020
	£	£
United Kingdom	78,583,896	46,816,824
Europe	12,431,677	13,888,579
Rest of the world	21,754,033	14,652,708
	112,769,606	75,358,111

Internet Fusion Limited
Notes to the Financial Statements
for the 14 months ended 31 January 2022

6. Employees and Directors

	31 January 2022	30 November 2020
	£	£
Wages and Salaries	12,343,190	6,843,057
Social Security costs	1,010,134	722,644
Other Pension costs	270,254	111,181
	13,623,577	7,676,882

The average monthly number of employees during the period were as follows:

	31 January 2022	30 November 2020
Administration	40	19
Operations	268	207
Executive	10	8
	318	234

Directors' remuneration

The number of directors remunerated by the Company was 3 (2019: 2).

	31 January 2022	30 November 2020
	£	£
Directors' remuneration	100,000	87,411
Pension contributions to money purchase schemes	-	110
	100,000	87,521

7. Finance costs

	31 January 2022	30 November 2020
	£	£
Interest on borrowings	1,613,664	1,251,015
Bank interest and charges	142,746	239,803
Interest on lease liabilities	240,864	176,288
Unwinding of discount on provisions	31,130	26,684
	2,028,404	1,693,790

8. Other operating income

	31 January 2022	30 November 2020
	£	£
Government grant - Furlough	-	268,240
Other operating income	11,667	43,625
Management services rendered	202,688	-
	214,355	311,865

Internet Fusion Limited
Notes to the Financial Statements
for the 14 months ended 31 January 2022

9. Operating loss

Operating loss is stated after charging/(crediting):

	31 January 2022	30 November 2020 (Restated)
	£	£
Cost of inventories recognised as expense	65,362,595	44,569,898
Depreciation – owned assets	382,819	619,209
Amortisation of intangible assets	2,445,996	5,649,907
Gain on disposal	(5,423)	(18,800)
Foreign exchange differences	38,348	17,690
Fees paid to previous auditor for the audit of the Company	-	50,000
Fees paid to previous auditor for taxation services	-	35,000
Fees payable to the auditors for the audit of the Company	136,000	-
Government grant – Furlough	-	(268,240)

10. Taxation

Analysis of tax charge for the period

	31 January 2022	30 November 2020
	£	£
Adjustments in respect of prior periods*	(1,281,142)	(299,162)
Total current tax credit	(1,281,142)	(299,162)

Reconciliation of effective tax rate

Tax on the Company's loss before tax differs from the income tax expense due to the following:

Loss before taxation	(1,590,179)	(6,166,921)
Tax on ordinary activities at standard CT rate of 19%	(302,135)	(1,171,715)
Effects of:		
Timing differences not recognised in the computation	-	(133,938)
Fixed asset differences	-	1,057,161
Non-deductible expenses	183,727	118,345
Impact of rate difference between deferred and current tax	-	(461,017)
Adjustment in respect of prior periods – Corporation tax*	(456,025)	(299,162)
Group relief surrendered	-	142,840
Deferred tax movement not recognised	(105,238)	448,324
Income not taxable for tax purposes	(204,986)	-
Chargeable gains	(24,194)	-
Additional deduction for R&D expenditure	(632,066)	-
Surrender of tax losses for R&D tax credit refund	256,300	-
Other	3,473	-
Total tax credit included in profit or loss	(1,281,142)	(299,162)

*Adjustments in respect of prior periods relates to research and development tax credit claims for 2019 and 2020.

Refer to note 22 for details of deferred tax balances and brought forward losses.

Internet Fusion Limited
Notes to the Financial Statements
for the 14 months ended 31 January 2022

11. Intangible fixed assets

	Goodwill (Restated) £	Brands £	Software and Tech £	Total £
Cost				
At 1 December 2020	22,975,695	4,232,257	3,362,740	30,570,692
Additions	-	-	3,023,020	3,023,020
At 31 January 2022	22,975,695	4,232,257	6,385,760	33,593,712
Amortisation				
At 1 December 2020	-	1,241,316	1,610,636	2,851,952
Amortisation	-	822,423	1,623,573	2,445,996
At 31 January 2022	-	2,063,739	3,234,209	5,297,948
Net Book Value				
At 31 January 2022	22,975,695	2,168,518	3,151,551	28,295,764
At 30 November 2020	22,975,695	2,990,941	1,752,104	27,718,740

Impairment test for Goodwill and other intangible assets

All intangible assets are subject to impairment testing if there is an indication that the asset is impaired. Goodwill is deemed to have an indefinite life and is therefore not amortised but subject to annual impairment testing, with the recoverable amount being determined from value-in-use calculations or fair value assessment.

Goodwill has been tested for impairment by assessing the appropriate cash-generating unit ("CGU") which are defined as the smallest identifiable group of assets that generate cash flows independently of other groups of assets within the Company. Due to the interdependency between the different entities on the Reactor platform, management has identified a single CGU for IFL, being the company itself.

During the period, an enterprise value was determined by a third-party expert, which provided a fair value determination of the Company. The Company's latest investment obtained during the year was completed at this valuation. This was then used in the impairment review to compare against the carrying values. This resulted in significant headroom and therefore no impairment necessary.

Internet Fusion Limited
Notes to the Financial Statements
for the 14 months ended 31 January 2022

12. Tangible Fixed Assets

	Plant and Equipment £	Land and Buildings £	Fixtures, fittings and equipment £	Totals £
Cost				
At 1 December 2020	71,300	845,015	1,131,451	2,047,766
Additions	10,000	-	357,686	367,686
Disposals	-	(832,895)	(556,207)	(1,389,102)
At 31 January 2022	81,300	12,120	932,930	1,026,350
Depreciation				
At 1 December 2020	14,660	147,704	816,369	978,733
Depreciation for period	14,994	64,553	303,272	382,819
Eliminated on disposal	-	(209,127)	(556,412)	(765,539)
At 31 January 2022	29,654	3,130	563,229	596,013
Net Book Value				
At 31 January 2022	51,646	8,990	369,701	430,337
At 30 November 2020	56,640	697,311	315,082	1,069,033

13. Right-of-use assets

	Plant and machinery £	Properties £	Totals £
Cost			
At 1 December 2020	2,313,179	8,911,759	11,224,938
Disposals	(10,543)	(179,043)	(189,586)
At 31 January 2022	2,302,636	8,732,716	11,035,352
Depreciation			
At 1 December 2020	902,058	2,703,458	3,605,516
Depreciation for period	541,461	1,189,033	1,730,494
Eliminated on disposal	(10,543)	(179,044)	(189,587)
At 31 January 2022	1,432,976	3,713,447	5,146,423
Net Book Value			
At 31 January 2022	869,660	5,019,269	5,888,929
At 30 November 2020	1,411,121	6,208,301	7,619,422

Internet Fusion Limited
Notes to the Financial Statements
for the 14 months ended 31 January 2022

14. Investments

	31 January 2022	30 November 2020
	£	£
Interests in subsidiaries	7,245,748	7,775,648

At the period end, the Company had interests in the following subsidiaries:

Subsidiaries	Country of incorporation	Proportion held (%)	Nature of business
Surfdome Shop Ltd	UK	100%	Intermediate buying Company
The Priory Menswear Ltd	UK	100%	Dormant
Wheels, Wings & Water Ltd	UK	100%	Dormant
Country Attire Holdings Ltd	UK	100%	Holding Company
Country Attire Ltd*	UK	100%	Intermediate buying Company
Internet Fusion BV	Netherlands	100%	Intermediate buying Company

*Country Attire Ltd is an indirect subsidiary of Internet Fusion Limited (being a wholly owned subsidiary of Country Attire Holdings Ltd).

All companies are incorporated in the United Kingdom and their registered address is, 2 Stone Buildings, Lincoln's Inn, London, WC2A 3TH, with the exception of Internet Fusion B.V. who's registered address is Dirk Hartogweg 14 Unit 35928LV Venlo, Netherlands.

15. Inventories

	31 January 2022	30 November 2020
	£	£
Gross Inventory	15,421,028	14,776,861
Provision for obsolescence	(1,350,704)	(831,518)
	14,070,324	13,945,343

The value of inventory written down and recognised as an expense in the Statement of Comprehensive Income in the 14-month period was £877,913 (year to 30 November 2020: £784,609).

16. Trade and other receivables

	31 January 2022	30 November 2020 (Restated)
	£	£
Trade receivables	170,544	751,343
Amounts owed by group undertakings*	5,597,159	5,000,030
Corporation tax receivable	946,882	551,193
Other receivables	662,030	347,396
Prepayments	653,650	601,287
Accrued income	420,735	8,392
	8,451,000	7,259,641

*Amounts owed by group undertakings have been treated as falling due within one year as the balance is repayable on demand. The balance does not attract interest.

Amounts receivable from payment service providers has been reclassified from Trade and other receivables to Cash and cash equivalents in the period, management have determined this presentation better reflects the Company's cash position, refer to note 3.10 for further details.

Internet Fusion Limited
Notes to the Financial Statements
for the 14 months ended 31 January 2022

17. Cash and cash equivalents

	31 January 2022	30 November 2020 (Restated)
	£	£
Cash at bank	5,535,666	2,299,767
Amounts due from payment service providers	1,681,421	4,538,031
	7,217,087	6,837,798

18. Trade and other payables

	31 January 2022	30 November 2020
	£	£
Trade payables	10,888,383	9,624,579
Amounts owed to group undertakings	47,590,015	46,343,681
Social security and other taxes	4,852,297	6,096,376
Trade facility	1,871,162	2,842,104
Accruals	3,546,903	2,046,438
Deferred income	1,286,512	1,826,884
	70,035,273	68,780,062

Within amounts owed to group undertakings falling due within one year, borrowings of £24,446,706 (2020: £22,987,188) bear interest at 6% per annum, there is no fixed repayment date, and the balance is repayable on demand. The remaining balance is repayable on demand and is non-interest bearing.

19. Leases

	31 January 2022	30 November 2020
	£	£
Brought forward/Introduced on transition to IFRS	7,494,300	8,620,330
Acquisitions of new leases	-	-
Payment of lease liabilities	(1,876,079)	(1,338,362)
Accretion of interest	240,864	212,332
Carried forward	5,859,085	7,494,300
Maturity		
Current	1,563,363	1,762,827
Non-current	4,295,722	5,731,473
	5,859,085	7,494,300

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20. Borrowings

This note provides information about the contractual terms of the Company's borrowings, which are measured at amortised cost.

	31 January 2022	30 November 2020
	£	£
Borrowings due in one year		
Borrowings	148,258	407,903
	148,258	407,903
Borrowings due after one year		
Borrowings	1,832,390	1,800,345
	1,832,390	1,800,345

Convertible loan notes: The convertible loan notes were created on 16 March 2018 when Company completed the acquisition of 100% of the share capital of Country Attire Limited ("Country Attire"). £1,800,000 was settled in convertible loan notes. The interest rate on these is 7% calculated on a daily basis. The loan is convertible only on an IPO or a sale of the company to a third party at a 20% discount to the share price of the IPO or sale.

21. Provisions

	Lease restoration costs	Customer returns	VAT penalties and duties	Total
	£	£	£	£
At 30 November 2020	951,912	767,675	361,171	2,080,758
Utilisation	-	(767,675)	-	(767,675)
Released	-	-	-	-
Created	31,132	646,621	382,038	1,059,791
At 31 January 2022	983,043	646,621	743,209	2,372,874
Maturity			31 January 2022	30 November 2020
			£	£
Current			1,389,830	1,128,846
Non-current			983,044	951,912
			2,372,874	2,080,758

Lease restoration costs relates to restoration expenses should the Company vacate its warehouses. Provisions for such costs are inherently uncertain in terms of quantum and timing, not least because they involve negotiations with landlords at future dates. The figures provided in the financial statements represents management's best estimate of the likely outflows from the Company, these are based on industry average costs per square foot.

Customer returns represents the revenue reduction of estimated customer returns which occur over the one to two months after the date of sale.

VAT penalties are potential amounts due to VAT authorities in territories where VAT thresholds have been met but VAT registration has not been achieved, and duties are amounts due where an invoice has not yet been received for sales made.

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22. Deferred tax assets and liabilities

	31 January 2022 £	30 November 2020 £
Deferred tax assets		
Losses and other deductions	508,735	511,011
	508,735	511,011
Deferred tax liabilities		
Accelerated capital allowances	(508,735)	(511,011)
	(508,735)	(511,011)
Net deferred tax	-	-

In addition, the Company has not recognised deferred tax assets relating to, gross tax losses of £21,297,898 (2020: £22,959,742) and gross short-term timing differences of £26,014 (2020: £24,316).

23. Called up share capital

Allotted issued and fully paid:

Number	Class	Nominal Value	31 January 2022 £	30 November 2020 £
55,100	Ordinary A	£0.01	-	551
16,000	Ordinary B	£0.01	-	160
71,100	Ordinary	£0.01	711	-
			711	711

During the year the Ordinary A and B shares were converted to Ordinary shares.

24. Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Newtyle Trading Company Limited. The ultimate controlling party is Internet Fusion Group Limited.

The largest group in which the results of the Company are consolidated is that headed by Internet Fusion Group Ltd, 2 Stone Buildings, Lincoln's Inn, London, WC2A 3TH. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from the Company's registered address.

25. Subsequent events

There have been no significant events affecting the company since the period end date.

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26. First time adoption of IFRS

The Company's effective transition date for the purposes of these financial statements is 1 December 2019. The effects of transition to FRS 101 on the following are presented below:

- Balance Sheet at 1 December 2019
- Balance Sheet at 30 November 2020
- Profit and Loss Account for the period ended 30 November 2020

The transition adjustments required on applying IFRS are as follows, and have been numerically referenced in the statements below so they can be traced easily:

1) In accordance with IFRS 3 'Business Combinations' amortisation of goodwill arising from the company's acquisitions is not permitted and have therefore been removed from the carrying value of goodwill and recorded within the Profit and Loss Account.

2) The Company adopted IFRS 16 'Leases' with effect of 1 December 2019, to record leases that were previously recognised as operating and finance leases as right-of-use assets within Non-current Assets.

Previously, operating lease payments were recorded in the Profit and Loss Account on a straight-line basis and 'Finance leases' capitalised at cost and depreciated over their useful life. In accordance with IFRS 16, all leases are to be recorded as right-of-use assets with a corresponding lease liability recognised. An adjustment to re-record the previously named 'Finance leases' has been made to present them under IFRS 16 methodology, this is presented in the tables below as a deduction from Property, Plant and Equipment and an addition to Right-of-use assets.

Right-of-use assets are to be measured at the present value of future lease payments and depreciated over the shorter of the lease term and the estimated useful life of the asset. Lease liabilities are measured at the present value of future lease payments the amount of lease liabilities is subsequently increased to reflect the accretion of interest and reduced by the lease payments made.

A provision for potential dilapidation costs upon exit of the lease is estimated at lease inception and deducted from the cost of the right-of-use asset.

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Reconciliation of Balance Sheet at 1 December 2019 (date of transition)

	Adj	FRS 102 (Restated) £	Adjustments £	FRS 101 £
Non-Current assets				
Goodwill	1	20,047,843	2,927,852	22,975,695
Other intangible assets		5,686,637	-	5,686,637
Right-of-use assets	2	-	9,152,224	9,152,224
Property, plant and equipment	2	3,021,145	(1,817,984)	1,203,161
Investments		7,775,648	-	7,775,648
		36,531,273	10,262,091	46,793,364
Current assets				
Inventories		16,769,457	-	16,769,457
Trade and other receivables		6,595,818	-	6,595,818
Cash and cash equivalents		710,574	-	710,574
		24,075,849	-	24,075,849
Current liabilities				
Trade and other payables		(63,000,374)	-	(63,000,374)
Provisions		(944,435)	-	(944,435)
Lease liabilities	2	(439,689)	(927,230)	(1,366,919)
Borrowings		(1,055,994)	-	(1,055,994)
		(65,440,492)	(927,230)	(66,367,722)
Non-current liabilities				
Provisions		-	(925,227)	(925,227)
Lease liabilities	2	(1,289,856)	(5,966,356)	(7,256,212)
Borrowings		(2,197,149)	-	(2,197,149)
		(3,487,005)	(6,891,583)	(10,378,588)
Net liabilities				
		(8,320,375)	2,443,278	(5,877,097)
Equity				
Share capital		711	-	711
Share-based payment reserve		35,516	-	35,516
Retained earnings	1, 2	(8,356,602)	2,443,278	(5,913,324)
Total equity		(8,320,375)	2,443,278	(5,877,097)

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Reconciliation of Balance Sheet at 30 November 2020 (date of latest period presented in published Financial Statements)

		FRS 102 (Restated) £	Adjustments £	FRS 101 £
	Adj			
Non-Current assets				
Goodwill	1	16,218,561	6,757,144	22,975,705
Other intangible assets		4,743,045	-	4,743,045
Right-of-use assets	2	-	7,619,422	7,619,422
Property, plant and equipment	2	2,438,506	(1,369,478)	1,069,028
Investments		7,775,648	-	7,775,648
		31,175,760	13,007,088	44,182,848
Current assets				
Inventories		13,945,343	-	13,945,343
Trade and other receivables		11,797,672	-	11,797,672
Cash and cash equivalents		2,299,767	-	2,299,767
		28,042,782	-	28,042,782
Current liabilities				
Trade and other payables		(68,780,062)	-	(68,780,062)
Provisions		(1,128,846)	-	(1,128,846)
Lease liabilities	2	(432,952)	(1,327,875)	(1,760,827)
Borrowings		(407,903)	-	(407,903)
		(70,749,763)	(1,327,875)	(72,077,638)
Non-current liabilities				
Provisions	2	-	(951,912)	(951,912)
Lease liabilities	2	(856,568)	(4,876,910)	(5,733,478)
Borrowings		(1,800,345)	-	(1,800,345)
		(2,656,913)	(5,828,822)	(8,485,735)
Net liabilities		(14,188,134)	5,850,391	(8,337,743)
Equity				
Share capital		711	-	711
Share-based payment reserve		35,516	-	35,516
Retained earnings	1, 2	(14,224,361)	5,850,391	(8,373,970)
Total equity		(14,188,134)	5,850,391	(8,337,743)

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Reconciliation of Profit and Loss Account at 30 November 2020 (date of latest period presented in published Financial Statements).

	Adj	FRS 102 £	Adjustment £	FRS 101 £
Revenue		75,358,111	-	75,358,111
Cost of Sales		(44,569,898)	-	(44,569,898)
Gross Profit		30,788,213	-	30,788,213
Distribution expenses		(8,391,738)	-	(8,391,738)
Administrative expenses	1, 2	(27,384,443)	3,629,057	(23,755,386)
Other income		311,865	-	311,865
Operating loss		(4,676,103)	3,629,057	(1,047,046)
Finance costs	2	(1,490,818)	(202,972)	(1,693,790)
Loss before taxation		(6,166,921)	3,426,085	(2,740,836)
Income tax expense		299,162	-	299,162
Loss for the period		(5,867,759)	3,426,085	(2,441,674)