

# Annual Report and Financial Statements

For the 52 Week Period Ended 26 March 2022

**Space NK Limited**

Company Registration No : 02773985



## **SPACE NK LIMITED**

<b>CONTENTS</b>	<b>Pages</b>
Officers and Professional Advisors	3
Strategic Report	4-9
Directors' Report	10-14
Independent Auditors' Report	15-17
Statement of Comprehensive Income	18
Balance Sheet	19
Statement of Changes in Equity	20
Cash Flow Statement	21
Notes to the Financial Statements	22-46

## **SPACE NK LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISORS**

#### **DIRECTORS:**

W Fisher  
A Lightfoot  
K Lyon  
M Mitchell  
N Pickaerts  
A Smith  
G Taylor

#### **COMPANY SECRETARY:**

P Levitan

#### **REGISTERED OFFICE:**

5<sup>th</sup> Floor Shropshire House  
11 - 20 Capper Street  
London  
WC1E 6JA

#### **INDEPENDENT AUDITORS:**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
40 Clarendon Road  
Watford  
WD17 1JJ

## **SPACE NK LIMITED**

### **STRATEGIC REPORT**

**For the 52 Week Period Ended 26 March 2022**

The Directors present their Strategic Report for the Company for the 52 week period ended 26 March 2022.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Company during the period were the retail and wholesale of skincare and cosmetic products.

### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The previous period's results included Space Brands Limited, a subsidiary of the Company, which was sold on the 26 March 2021 to Yatsen Holdings Limited resulting in a profit on sale of £83,125,054. The current period represents the results of Space NK Limited Company only. The Company delivered turnover of £119,138,575 (period ended 27 March 2021: consolidated turnover of £111,824,388) during the period ended 26 March 2022. The individual turnover of the Company has increased by 37% over the previous period. The previous period was impacted by the retail stores having to be closed for a large proportion of the year due to the Covid-19 government regulations. This continued to have an impact on retail sales in the current financial period.

EBITDA for the period ended 26 March 2022 was £2,292,202 (period ended 27 March 2021: consolidated EBITDA of £92,786,496). Net assets as at 26 March 2022 were £16,363,142 (as at 27 March 2021: £23,983,910).

The Company had a loss for the financial period ended 26 March 2022 of £620,768 (period ended 26 March 2021: consolidated profit for the financial period of £87,621,598). In a period in which the world was still suffering the effects of Covid, Space NK Limited is reporting record breaking sales and made a number of deliberate strategic decisions to continue to fuel that growth. Investing in stores, operations, technology and customer acquisition the business increased its active customer base by over 40%. While these actions impacted profitability in the period, the company still delivered a positive EBITDA of £2,292,202 and have set a growth trajectory that the Directors are confident will increase the company's resilience and result in strong long-term growth to both turnover and EBITDA.

The future outlook is expected to see a continued growth in sales online, whilst physical stores have seen a return of sales and profitability.

The Lipstick Queen brand was closed and the related assets were sold with the sale finalised in September 2020. The income is being recognised on a receipt basis with no receipts in the period ended 26 March 2022.

### **FINANCIAL RISK MANAGEMENT**

#### **Liquidity risk**

The Company manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Company has sufficient liquid resources to meet the operating needs of its businesses.

#### **Interest rate risk**

The Company is exposed to cash flow interest rate risk on bank overdrafts and loans. The interest rate risk exposure is currently not material to the Company's activities and this risk is managed by regular monitoring rather than through interest rate derivatives.

#### **Foreign currency risk**

The Company's principal foreign currency exposures arise from purchasing from overseas suppliers. Company policy permits but does not demand that these exposures are hedged in order to fix the cost in sterling.

#### **Credit risk**

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

## SPACE NK LIMITED

### STRATEGIC REPORT (CONTINUED)

For the 52 Week Period Ended 26 March 2022

### PRINCIPAL RISKS AND UNCERTAINTIES

#### Business risk

The business is subject to the risk that the core proposition of the stores and direct channel are no longer deemed desirable to the customer and the Directors address this risk on an ongoing basis by regular management reviews of all aspects of the business to prevent this.

A specific risk for the period ahead is the ongoing impact of Covid-19 on the retail business. Management have put significant efforts into the mitigation of this risk by monitoring performance and cash flows.

#### KPI disclosures

The Directors manage the Company through the use of Key Performance Indicators (KPIs). The principal KPIs used and their results are as follows:

	Period ended 26 March 2022	Period ended 27 March 2021 Consolidated
	£	£
<b>Turnover</b>	119,138,575	111,824,388
Operating (loss) / profit	(978,545)	88,949,779
Add:		
Depreciation of tangible assets	2,668,041	3,101,707
Amortisation of intangible assets	602,706	735,010
<b>EBITDA</b>	<u>2,292,202</u>	<u>92,786,496</u>
<b>(Loss) / Profit for financial period</b>	<b>(620,768)</b>	<b>87,621,598</b>

Turnover has increased by 7%. Prior period turnover included the Space Brands Limited turnover of £23,940,618. The Company turnover increased by 37% over the prior period due to the retail stores having to be closed for a large proportion of the prior year due to the Covid-19 government regulations.

The decrease over the prior period in EBITDA and the resulting profit for the financial period is mainly due to the sale of Space Brands Limited in the prior year.

## **SPACE NK LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**For the 52 Week Period Ended 26 March 2022**

### **FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **GOING CONCERN**

The Company meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over the level of demand for the Company's products.

The possibility of another outbreak of Covid-19 or alternative global pandemic creates specific uncertainty on the performance of retail stores. The Directors have reviewed the possible changes in trading performance that could result and have modelled a series of downside case scenarios including the closure of stores for a prolonged period in line with previous government restrictions. Having learnt and traded successfully through previous lockdowns the Directors are confident in the Company's agility to adapt to trade solely on-line. Nonetheless, these downside cases allow for significant adverse impacts on turnover and EBITDA. Even in the most severe scenario (considered by the Directors to be severe yet plausible) where stores are closed for 10 weeks, the Company's forecasts suggest that it has adequate liquidity so that it can operate within its current facilities with a reduction of capital investment to continue trading in those circumstances.

High inflation and 'the cost of living crisis' is presenting uncertainty for all businesses. The Directors have reviewed possible changes in trading performance that could transpire where sales reduce and affected costs increase. The modelling of downside case scenarios suggest that the Company has adequate liquidity so that it can operate within its current facility with a reduction in capital investment to continue to trade in those circumstances.

The Directors have a reasonable expectation that alternative sources of funding are accessible to the Company through shareholder or bank loans. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approving the financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

#### **SECTION 172(1) STATEMENT**

The Board of Directors, in line with their duties under section 172(1) of the Companies Act 2006, act in a way they consider, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they take into account a range of matters when making decisions for the long-term.

The matters set out in section 172(1) (a) to (f) are:

- (a) the likely consequences of any decision in the long-term;
- (b) the interests of the Company's employees;
- (c) the need to foster the Company's business relationships with clients, end customers, suppliers and regulators;
- (d) the impact of the Company's operations on the community and environment;
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly between members of the Company.

#### **Stakeholder management**

The directors have considered in detail the Company's business model in order to identify the Company's key stakeholders within a stakeholder register which includes the following:

- Employees
- Customers
- Suppliers
- Lenders
- Shareholders

**SPACE NK LIMITED**

**STRATEGIC REPORT (CONTINUED)**

**For the 52 Week Period Ended 26 March 2022**

**SECTION 172(1) STATEMENT (CONTINUED)**

**Stakeholder management**

The Board is committed to effective engagement with all of its stakeholders. Depending on the nature of the issue in question the relevance of each stakeholder group may differ and, as such, as part of its engagement with stakeholders the Board seeks to understand the relative interests and priorities of each relevant stakeholder group and to have regard to these, as appropriate, in decision making. The Board acknowledges that not every decision it makes will necessarily result in a positive outcome for all stakeholder groups, however it considers this as part of the wider consideration of all relevant stakeholder groups to allow competent decision making.

Every month the Board undertakes a review where they assess the financial and strategic performance of the Company for the previous month, as well as discuss the impact of significant decisions taken in the business during the period. This is presented by the CEO and CFO to the Board. The aim is to identify factors which could lead to any positive or negative impact, financial or non-financial, on the status of the Company's stakeholders.

The Board regularly share reports on issues concerning the Company stakeholders which take into account its decision-making process under section 172(1). In addition, the Board seeks to understand the interests and views of the Company's stakeholders by engaging with them directly as appropriate.

Some of the ways in which the Board directly engages with stakeholders over the period are shown below:

Stakeholder	Why we engage	How we engage	What matters to the Company
Employees	To create a caring and rewarding environment in which employees can grow and align their personal development with the success of the Company	<ul style="list-style-type: none"><li>- Reward and recognition schemes</li><li>- Succession planning and training and development matrix</li><li>- Regular internal communication</li><li>- Established Employee forum</li><li>- delivery of the Company 'Values &amp; Behaviours'</li><li>- Ongoing commitment to Sustainability and Diversity, Inclusivity and Belonging.</li><li>- Delivered and enhanced employee wellbeing program, focussed on personal health and personal financial wellbeing</li><li>- Embedded an internal communication hub via NGAGE</li><li>- Upgraded our payroll solution</li><li>- Strategically increased our headcount to support and enhance business and employee growth</li></ul>	<ul style="list-style-type: none"><li>- Stable and engaged workforce</li><li>- Empowerment of employees</li><li>- Alignment to the Company strategy</li></ul>

SPACE NK LIMITED

STRATEGIC REPORT (CONTINUED)

For the 52 Week Period Ended 26 March 2022

SECTION 172(1) STATEMENT (CONTINUED)

Customers	To engender customer loyalty and lifetime value by delivering excellent value and customer service	<ul style="list-style-type: none"> <li>- Product assortment meeting customer needs and latest beauty industry trends</li> <li>- Service offering to enable customer to understand their needs and shop at their convenience</li> <li>- A market leading customer loyalty program</li> <li>- Personalised concierge service for top deluxe customers</li> <li>- Investment in Customer Service team to provide an even better service in peak periods</li> <li>- Mystery Shop programme to maintain best-in-class customer service in stores</li> </ul>	<ul style="list-style-type: none"> <li>- Customer satisfaction</li> <li>- Customer retention</li> <li>- Lifetime value</li> </ul>
Suppliers	To maintain security of supply chain and to offer our customers the best range of product	<ul style="list-style-type: none"> <li>- Maintain strong supplier relationships</li> <li>- Regular feedback and review meetings</li> <li>- Increased selection of Christmas gift options this year vs last year to enhance the offer, and added online only value bundles to further increase giftable sets</li> <li>- Increase the speed at which we are able to launch new brands from 16 weeks to 8 weeks in order to better react to market trends and new emerging brands</li> <li>- Brought forward inventory investment for peak trade to secure supply as suppliers notified us of supply chain challenges</li> <li>- Introduced a new marketing accrual and joint business planning process for brand partners to enable longer term planning and increased transparency / marketing effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>- Offering the right environment to bring customer and brands together</li> </ul>
Lenders	The growth of the business being funded part by debt finance	<ul style="list-style-type: none"> <li>- Regular reporting of performance and debt monitoring</li> <li>- Regular review meetings</li> </ul>	<ul style="list-style-type: none"> <li>- Securing of debt funding to meet the needs of the business and a mutual relationship that facilitates the growth of the business</li> </ul>
Shareholders	The value creation for shareholders is a key driver	<ul style="list-style-type: none"> <li>- Regular Board meetings and shareholder representative touchpoints</li> <li>- Providing of regular financial reports</li> </ul>	<ul style="list-style-type: none"> <li>- Support of, and goal alignment with, shareholders</li> </ul>



SPACE NK LIMITED

STRATEGIC REPORT (CONTINUED)

For the 52 Week Period Ended 26 March 2022

SECTION 172(1) STATEMENT (CONTINUED)

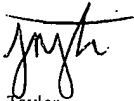
Decision making

One of the major decisions made by the Company this period was to relocate our distribution centre. In making this decision, the Board considered the interests and the impact on all stakeholders. To provide insight into the approach taken by the Board, a summary of stakeholder views and conclusions has been set out below.

Stakeholder	Stakeholder views	Conclusions
Employees	The Directors were keen, if possible, to retain a loyal and experienced workforce in the distribution centre.	A key consideration in the decision-making process as to where to relocate to was the value of workforce knowledge and experience and the increased risk the business would be subjected to in not retaining current staff.
Customers	A key driver in the desire to relocate the DC was to ensure quality of customer experience and future proof the facility to be able to cope with projected 5 year growth in demand projections.	Supply chain consultants supported in modelling size and layout of the new distribution centre.
Suppliers	Continuity of supply through the transitional period from old to new distribution centre was critically important.	A comprehensive timetable and communications plan were put in place to ensure information flowed in a timely manner to the right people to keep inbound logistics fully operational throughout.
Lenders and Shareholders	De-risking the transition and future proofing for growth were key requirements for these groups of stakeholders.	A detailed programme and budget to manage the project was set out and approved by the Board.

Any matters that are Directors' Report disclosure requirements but considered by the Directors to be of strategic importance to the Company have been included in the Strategic Report.

Approved by the Board and signed on its behalf by



Graham Taylor  
Director  
7 December 2022

## **SPACE NK LIMITED**

### **DIRECTORS' REPORT**

**For the 52 Week Period Ended 26 March 2022**

**COMPANY REGISTRATION NUMBER : 02773985**

The Directors present their report and the audited financial statements of the Company for the 52 week period ended 26 March 2022.

### **RESULTS AND DIVIDENDS**

The results of the Company for the period ended 26 March 2022 are set out in the financial statements on pages 18 to 46. Dividends of £7,000,000 were paid to Space NK Holdings Inc. In the prior period, dividends of £98,728,805 were paid to Space NK Holdings Inc during the period as part of the transaction to dispose of our wholesale operation, Space Brands Limited. Space Brands Limited was separate to the Space NK Limited retail business and the dividend was used to repay long-term debt and other liabilities of Space NK Limited. The Directors do not recommend the payment of a final dividend (period ended 27 March 2021: £nil).

The Directors are pleased to report an EBITDA of £2,292,202 in the financial period (period ended 27 March 2021: £92,786,496).

In the prior period, the profit on disposal related to a wholesale subsidiary, Space Brands Limited, unrelated to the on-going retail business. This is highlighted in the profit for the year in the Statement of Comprehensive Income on page 18.

The principal activities, business review, going concern, risk management and future developments of the Company are included in the Strategic Report on pages 4 to 9.

### **CHARITABLE DONATIONS**

During the period ended 26 March 2022 the Company made charitable donations of £37,797 (period ended 27 March 2021: £27,987).

### **TREASURY OPERATIONS AND FINANCIAL INSTRUMENTS**

The Company operates a treasury function appropriate for the scale and complexity of its business, which is responsible for managing the liquidity, interest and foreign currency risks associated with the Company's activities.

The Company's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks arising from the Company's activities. In addition, the Company has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations.

### **DIRECTORS**

The Directors of the Company during the period and up to the date of approval of this report, unless otherwise stated were:

W Fisher  
A Lightfoot  
K Lyon  
M Mitchell (Appointed on 17 August 2022)  
N Pickaerts  
A Smith  
G Taylor (Appointed on 17 August 2022)

## **SPACE NK LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

**For the 52 Week Period Ended 26 March 2022**

#### **QUALIFYING THIRD PARTY DIRECTORS' INDEMNITY**

The Company's Articles of Association provide, subject to the provisions of UK legislation, a qualifying third party indemnity for Directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company. These provisions were in force throughout the period and in force at the date of this report.

Appropriate Directors' and officers' liability insurance cover is in place in respect of all the Company's Directors.

#### **EMPLOYEE POLICIES**

The Company is committed to maintaining the cooperation and involvement of its employees in the future of the business, including various economic and financial factors affecting the performance of the Company. This is achieved through regular communication with employees through informal and formal meetings, and internal notices.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should be identical with that of other employees.

The Company is committed to equal opportunity in the workplace. The Company seeks to achieve equal opportunities in employment through recruitment, promotion, and training policies.

The Company encourages employee involvement in its affairs and makes use of an intranet system to promote such involvement and to aid communication with employees. Regional management conferences are held annually to bring senior management together to share ideas and develop policy, values and behaviour. Dialogue takes place regularly with employees to make them aware of the financial and economic factors affecting the performance of the Company. Performance related bonus schemes are in operation throughout the Company.

#### **STATEMENTS OF EMPLOYEE AND EMPLOYEE ENGAGEMENT**

These statements are included in the Statagic Report on pages 4 to 9.

#### **STATEMENTS OF ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS IN A BUSINESS RELATIONSHIP WITH THE COMPANY**

These statements are included in the Statagic Report on pages 4 to 9.

#### **BRANCHES OUTSIDE THE UK**

The Company operates one retail store outside the UK, in Ireland.

#### **SUBSEQUENT EVENTS**

As at 1 September 2022, Space NK Limited and Space NK USA LLC agreed a revolving credit facility of £15,000,000 expiring on 31 July 2025 from NatWest bank. There is a potential additional £5,000,000 from the 31 March 2023. The interest rate applicable on the revolving credit facility is 2.25% above the Relevant Reference rate. The quarterly covenants relate to the consolidated financial information and includes an interest cover of 4.00 to 1 and net leverage of 3.00 to 1 for periods ending up to 31 December 2022; 2.50 to 1 for periods ending up to 31 March 2024; then 2.00 to 1. The Company has forecasted scenarios that suggest that the Company will be covenant compliant to operate with the revolving credit facility.

## SPACE NK LIMITED

### DIRECTORS' REPORT (CONTINUED)

For the 52 Week Period Ended 26 March 2022

#### ENERGY CONSUMPTION

The Company reports its carbon emissions following the Streamline Energy and Carbon Reporting (SECR) legislation for the period 1 April 2021 to 31 March 2022.

In 2022, a review was carried out with external consultants and it collected a large amount of consumption data from its operations for the purpose of SECR. It was able to achieve 100% verifiable data coverage with no estimations required.

The following figures make up the baseline reporting for the Company.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets. The total gas consumption was taken from gas bills from the chosen utilities supplier for the year.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations. The total electricity consumption was taken from the electricity bills from the chosen utilities supplier for the year.

Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by the reporting company. This is related to grey fleet (business travel undertaken in employee-owned vehicles) only. Total mileage for petrol reimbursed from staff expensed mileage claims for the year.

The total consumption (kWh) figures for energy supplies reportable by the Company is as follows.

	2022 kWh	2021 kWh
Grid-Supplied Electricity (Scope 2)	2,148,336	1,533,898
Gaseous and other fuels (Scope 1)	465,665	311,965
Transportation (Scope 1 and 3)	12,837	5,552
Total energy consumption	2,626,838	1,851,415

## SPACE NK LIMITED

### DIRECTORS' REPORT (CONTINUED) For the 52 Week Period Ended 26 March 2022

#### ENERGY CONSUMPTION (CONTINUED)

In 2022, our total net greenhouse gas (GHG) emissions were 544 tonnes carbon dioxide equivalent (tCO<sub>2</sub>e). This represents an increase of 30.8% compared with 416 tCO<sub>2</sub>e in 2021.

	2022 tCO <sub>2</sub> e	2021 tCO <sub>2</sub> e
Grid-Supplied Electricity (Scope 2)	456	358
Gaseous and other fuels (Scope 1)	85	57
Transportation (Scope 1 and 3)	3	1
Total gross GHG emissions	544	416

Our Scope 1 and 3 direct emissions (combustion of natural gas and transportation fuels) for 2022 are 88 tCO<sub>2</sub>e (2021: 58 tCO<sub>2</sub>e), resulting from the direct combustion of 478,502 kWh (2021: 317,517 kWh) of fuel.

Scope 2 indirect emissions (purchased electricity) for 2022 are 456 tCO<sub>2</sub>e (2021: 358 tCO<sub>2</sub>e), resulting from the consumption of 2,148,336 kWh (2021: 1,533,898 kWh) of electricity purchased and consumed in day-to-day business operations.

An intensity metric of tCO<sub>2</sub>e per m<sup>2</sup> Gross Store Area has been applied for the annual total emissions of the Company. This has been calculated utilising the 2021 reportable figures for the following metrics, and tCO<sub>2</sub>e for both individual sources and total emissions were then divided by this figure to determine the tCO<sub>2</sub>e per metric.

	2022	2021
Intensity Ratio (tCO <sub>2</sub> e per m <sup>2</sup> )	0.060	0.046

The Company is committed to year-on-year improvements in their operational energy efficiency. As such, a register of energy efficiency measures available to the Company has been compiled, with a view to implementing these measures in the next 5 years.

Building on the progress made in the last financial year, the Company has continued to roll out their lighting initiative with a view for all sites to be fitted with energy efficient LED lamps. To date, over 60% of stores are now fitted with LED lighting. A further 5 stores will be fitted with energy efficient lighting during the next financial year.

The Company is also investigating building control options to assist in monitoring and subsequently reducing out of hours electricity usage.

We have secured the procurement of energy for HH and NHH electricity supplies to renewable, REGO certified energy sources, effective from 1st October 2022.

## SPACE NK LIMITED

### DIRECTORS' REPORT (CONTINUED)

For the 52 Week Period Ended 26 March 2022

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

#### DIRECTORS' CONFIRMATIONS

In the case of each Director in office at the date the Directors' Report is approved, it is confirmed that:

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

#### INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Approved by the Board and signed on its behalf by



Graham Taylor  
Director  
7 December 2022

## **SPACE NK LIMITED**

### *Independent auditors' report to the members of Space NK Limited*

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Space NK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 26 March 2022 and of its loss and cash flows for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 26 March 2022; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

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

##### *Independence*

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

##### **Conclusions relating to going concern**

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

##### **Reporting on other information**

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

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

## SPACE NK LIMITED

### *Independent auditors' report to the members of Space NK Limited (continued)*

#### **Reporting on other information (continued)**

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 26 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

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

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

##### *Auditors' responsibilities for the audit of the financial statements*

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to General Data Protection Regulation (GDPR) and health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax regulations and the requirements of Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management recording inappropriate journal entries and the risk of bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Enquiring of management and those charged with governance, and inspection of policy documentation, as to the company's high-level policies and procedures to prevent and detect fraud as well as enquiries around actual and potential litigation and claims;
- Enquiring of those charged with governance as to whether management have knowledge of any actual, suspected or alleged fraud;
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; and
- Assessing the reasonableness of key accounting estimates (because of the risk of management bias), including challenging assumptions and judgements made by management in their significant accounting estimates.



## SPACE NK LIMITED

### *Independent auditors' report to the members of Space NK Limited (continued)*

#### **Responsibilities for the financial statements and the audit (continued)**

##### *Auditors' responsibilities for the audit of the financial statements (continued)*

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

##### *Use of this report*

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

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Suzanne Woolfson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Watford  
8 December 2022

**SPACE NK LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

For the 52 Week Period Ended 26 March 2022

		Period ended 26 March 2022	Period ended 27 March 2021 Consolidated
	Note	£	£
Turnover	5	119,138,575	111,824,388
Cost of sales		(69,290,102)	(60,719,252)
<b>Gross profit</b>		<b>49,848,473</b>	<b>51,105,136</b>
Administrative expenses		(50,633,069)	(47,951,648)
Profit on disposal of subsidiary		-	83,125,054
Other income	6	221,833	4,783,460
<b>Operating (loss) / profit before exceptional items</b>		<b>(562,763)</b>	<b>91,062,002</b>
Exceptional items	7	(415,782)	(2,112,223)
<b>Operating (loss) / profit</b>	8	<b>(978,545)</b>	<b>88,949,779</b>
Interest receivable and similar income	10	-	2
Interest payable and similar expenses	11	(26,660)	(147,005)
<b>(Loss) / Profit before taxation</b>		<b>(1,005,205)</b>	<b>88,802,776</b>
Tax on (loss) / profit	12	384,437	(1,181,178)
<b>(Loss) / Profit for the financial period</b>		<b>(620,768)</b>	<b>87,621,598</b>

All amounts relate to continuing activities.

# SPACE NK LIMITED

## BALANCE SHEET as at 26 March 2022

			26 March 2022		27 March 2021
	Note	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	13		1,775,517		893,095
Tangible assets	14		8,741,887		8,466,748
Investments	15		10,800		10,800
			<u>10,528,204</u>		<u>9,370,643</u>
<b>Current assets</b>					
Inventories	16	17,656,157		13,463,418	
Debtors	17	12,860,961		18,373,280	
Cash at bank and in hand		3,973,105		4,805,589	
		<u>34,490,223</u>		<u>36,642,287</u>	
<b>Creditors: amounts falling due within one year</b>	19	(28,655,285)		(22,029,020)	
<b>Net current assets</b>			<u>5,834,938</u>		<u>14,613,267</u>
<b>Total assets less current liabilities</b>			<u>16,363,142</u>		<u>23,983,910</u>
<b>Net assets</b>			<u>16,363,142</u>		<u>23,983,910</u>
<b>Capital and reserves</b>					
Called up share capital	21		2,751,344		2,751,344
Share premium account			6,352,764		6,352,764
Retained earnings			7,259,034		14,879,802
<b>Total equity</b>			<u>16,363,142</u>		<u>23,983,910</u>

The notes on pages 22 to 46 are an integral part of these financial statements.

The financial statements on pages 18 to 46 were approved and authorised by the board on 7 December 2022. and signed on its behalf by



G Taylor  
Director

Space NK Limited  
Registered number: 02773985

**SPACE NK LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
For the 52 Week Period Ended 26 March 2022

	Called up share capital	Share premium account	Retained earnings	Total equity
	£	£	£	£
<b>Balance as at 28 March 2020</b>	2,751,344	6,352,764	25,987,009	35,091,117
Profit for the financial period and total comprehensive income	-	-	87,621,598	87,621,598
Dividends	-	-	(98,728,805)	(98,728,805)
<b>Balance as at 27 March 2021</b>	<u>2,751,344</u>	<u>6,352,764</u>	<u>14,879,802</u>	<u>23,983,910</u>
Loss for the financial period and total comprehensive expense	-	-	(620,768)	(620,768)
Dividends	-	-	(7,000,000)	(7,000,000)
<b>Balance as at 26 March 2022</b>	<u>2,751,344</u>	<u>6,352,764</u>	<u>7,259,034</u>	<u>16,363,142</u>

# SPACE NK LIMITED

## CASH FLOW STATEMENT

For the 52 Week Period Ended 26 March 2022

		Period ended 26 March 2022	Period ended 27 March 2021 Consolidated
		£	£
	Note		
Net cash inflow from operating activities	22	11,619,446	7,277,657
Taxation paid		(1,111,223)	(559,313)
Net cash generated from operating activities		10,508,223	6,718,344
Cash flow from investing activities			
Proceeds from Sale of Space Brands, net of cash disposed of and transaction fees		-	99,008,956
Payments to acquire intangible assets	(1,485,128)	(619,773)	
Payments to acquire tangible assets	(2,969,933)	(1,289,934)	
Interest received	-	2	
Net cash (used in) / generated from investing activities		(4,455,061)	97,099,251
Cash flow from financing activities			
Repayment of bank loans	-	(400,000)	
Funding repaid	-	(2,081,010)	
Interest paid	(18,487)	(178,005)	
Dividends paid to SNK Holdings	(7,000,000)	(98,728,805)	
Net cash used in financing activities		(7,018,487)	(101,387,820)
Net (decrease) / increase in cash and cash equivalents		(965,325)	2,429,775
Cash and cash equivalents at the beginning of the period (net of bank overdraft)		4,805,589	2,719,919
Foreign exchange differences		132,841	(344,105)
Cash and cash equivalents at the end of the period (net of bank overdraft)		3,973,105	4,805,589

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ended 26 March 2022

#### 1. GENERAL INFORMATION

Space NK Limited's ('the Company') principal activities during the period continued to be the retail and wholesale of skincare and cosmetic products.

The Company is a private company limited by share capital, incorporated in the United Kingdom and registered in England. The address of its registered office is:

5th Floor Shropshire House  
11 - 20 Capper Street  
London  
WC1E 6JA

#### 2. STATEMENT OF COMPLIANCE

The Company financial statements of Space NK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Company financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (a) Basis of preparation

These Company financial statements are prepared on a going concern basis under the historical cost convention, unless otherwise specified in the accounting policies.

The financial statements are prepared for a 52 week period ended 26 March 2022, with the comparatives being for a 52 week period ended 27 March 2021.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

##### (b) Going concern

The Company meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over the level of demand for the Company's products.

The possibility of another outbreak of Covid-19 or alternative global pandemic creates specific uncertainty on the performance of retail stores. The Directors have reviewed the possible changes in trading performance that could result and have modelled a series of downside case scenarios including the closure of stores for a prolonged period in line with previous government restrictions. Having learnt and traded successfully through previous lockdowns the Directors are confident in the Company's ability to adapt to trade solely on-line. Nonetheless, these downside cases allow for significant adverse impacts on turnover and EBITDA. Even in the most severe scenario (considered by the Directors to be severe yet plausible) where stores are closed for 10 weeks, the Company's forecasts suggest that it has adequate liquidity so that it can operate within its current facilities with a reduction of capital investment to continue trading in those circumstances.

High inflation and 'the cost of living crisis' is presenting uncertainty for all businesses. The Directors have reviewed possible changes in trading performance that could transpire where sales reduce and affected costs increase. The modelling of downside case scenarios suggest that the Company has adequate liquidity so that it can operate within its current facility with a reduction in capital investment to continue to trade in those circumstances.

The Directors have a reasonable expectation that alternative sources of funding are accessible to the Company through shareholder or bank loans. After making enquiries, the Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for at least twelve months from the date of approving the financial statements. The Company therefore continue to adopt the going concern basis in preparing their financial statements.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 Week Period Ended 26 March 2022

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- (i) as permitted by Section 33 ("Related Party Disclosure") of FRS 102, transactions with other entities in the Group are not required to be disclosed.

##### (d) Foreign currency

###### (i) *Functional and presentation currency*

The Company's functional and presentation currency is the pound sterling.

###### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions, or at an average rate.

At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'administrative expenses'.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 Week Period Ended 26 March 2022

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (e) Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Company and value added taxes.

The Company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The Company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Company's sales channels have been met, as described below.

##### (i) *Sale of goods – retail*

The Company operates retail shops for the sale of a range of branded and own branded products. Sales of goods are recognised on sale to the customer, which is considered the point of delivery. Retail sales are usually by cash, credit or payment card.

Sales are made to retail customers with a right to return within 28 days, subject to certain conditions regarding the usage. Accumulated experience is used to estimate and provide for such returns at the time of sale.

The Company operates a loyalty programme based on an award of points at the time of individual transactions. On initial recognition the Company treats this as two transactions and allocates the consideration received between the award and the other sale components.

##### (ii) *Sale of goods – internet based transactions*

The Company sells goods via its websites for delivery to the customer. Revenue is recognised when the risks and rewards of the inventory is passed to the delivery agent. Transactions are settled by credit or payment card.

Provision is made for refunds based on the expected level of returns which is based on the historical experience of returns.



## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 Week Period Ended 26 March 2022

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (e) Turnover (continued)

###### (iii) *Sale of goods – wholesale*

The Company manufactures and sells a range of branded skincare and cosmetic products in the wholesale market. Sales of goods are recognised on delivery to the wholesaler, when the wholesaler has full discretion over the channel and price to sell the product, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the product.

Provision is made for credit notes based on the expected level of returns which is based on the historical experience of returns.

Sales are normally made with a credit term of 60 days. The element of financing is deemed immaterial and is disregarded in the measurement of revenue.

###### (iv) *Income from 'concession arrangements'*

Certain brands have 'concession arrangements' in the Company's stores whereby the Company receives a fixed percentage payment based on the concessionaires' revenue. This revenue is recognised on an accruals basis.

###### (v) *Interest income*

Interest income is recognised using the effective interest rate method.

##### (f) Exceptional items

The Company classifies certain charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

##### (g) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, and defined contribution pension plans.

###### (i) *Defined contribution pension plans*

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 when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

###### (ii) *Annual bonus plan*

The Company operates an annual bonus plan for employees. An expense is recognised in the statement of comprehensive income when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 Week Period Ended 26 March 2022

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (h) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case tax is also recognised in equity.

Current or deferred taxation assets and liabilities are not discounted.

##### (i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

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.

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.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 Week Period Ended 26 March 2022

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (i) Intangible 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:

- Trademarks – 20 years
- Development costs – 5 to 10 years
- Software – 3 years

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

Where factors, such as technological advancement or changes in 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 if the above factors indicate that the carrying amount may be impaired.

Capitalised development costs relate to expenditure on the design and testing of unique own label products controlled by the Company and are recognised as intangible assets when the following criteria are met:

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the 52 Week Period Ended 26 March 2022

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (j) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated 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 and borrowing costs capitalised. Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all fixtures, fittings and computers, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold properties	Straight line over the lease term
Fixtures, fittings and equipment	Straight line over 3 to 6 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Assets in construction are not depreciated.

##### (k) Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

##### (i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Rentals payable based on levels of turnover are charged in the same period as the respective turnover.

##### (ii) Lease incentives

Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 and continues to credit such lease incentives to the statement of comprehensive income over the period to the first review date on which the rent is adjusted to market rates.

##### (l) Financial assets and liabilities

Section 11 and 12 of FRS 102 has been applied to account for all financial instruments.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

## **SPACE NK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the 52 Week Period Ended 26 March 2022**

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(l) Financial assets and liabilities (continued)**

If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### **(m) Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation.

Thereafter any excess is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 Week Period Ended 26 March 2022

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (n) Investments

Investment in a subsidiary company is held at cost less accumulated impairment losses.

##### (o) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the average cost method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

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

##### (p) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within creditors in current liabilities.

##### (q) Provisions and contingencies

###### (i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

In particular:

- Restructuring provisions are recognised when the Company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and
- Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

## **SPACE NK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the 52 Week Period Ended 26 March 2022**

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(q) Provisions and contingencies (continued)**

###### *(ii) Contingencies*

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

##### **(r) Share capital**

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

##### **(s) Related party transactions**

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements.

##### **(t) Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 Week Period Ended 26 March 2022

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### (a) Critical judgements in applying the Company's accounting policies

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations that have had a significant effect on the amounts recognised in the financial statements.

##### (b) Key accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

###### (i) *Inventory provisioning*

The Company sells luxury branded skin care and cosmetic products. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 16 for the net carrying amount of the inventory and associated provision and note 3 for the accounting policies.

###### (ii) *Loyalty card provision*

The Company operates a loyalty card scheme. As a result it is necessary to consider the outstanding liability of points and rewards owed to customers. When calculating this management consider the likelihood that these points will convert into rewards and then that the rewards will be used before expiry.

###### (iii) *Finite lived intangible assets*

Intangible assets include amounts spent by the Company on the costs of purchasing and/or developing computer software.

Where intangible assets are developed in house and no active market for the assets exists, the value of the assets are determined by estimating the amount allocated for the software development based on time spent. Reducing the useful life will increase the amortisation charge in the statement of comprehensive income. Useful lives are periodically reviewed to ensure that they remain appropriate. See note 13 for the carrying value of intangible assets and note 3 for the accounting policies.

###### (iv) *Tangible assets*

Tangible assets includes the original purchase price of leasehold properties, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

The estimates and assumptions made may have a material impact on their carrying value of related depreciation charges. The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value. Increasing an asset's expected life or residual value would result in a reduced depreciation charge in the statement of comprehensive income. Useful lives are periodically reviewed to ensure that they remain appropriate. See note 14 for the carrying value of tangible assets and note 3 for the accounting policies.



# SPACE NK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the 52 Week Period Ended 26 March 2022

5. TURNOVER	Period ended 26 March 2022	Period ended 27 March 2021 Consolidated
	£	£
Geographical split by destination:		
United Kingdom	118,094,032	93,078,762
Outside the United Kingdom	1,044,543	18,745,626
	<u>119,138,575</u>	<u>111,824,388</u>

The non-UK sales relate to an outlet in Ireland. In the prior period, it also included wholesale sales within the international market place.

6. OTHER INCOME	Period ended 26 March 2022	Period ended 27 March 2021 Consolidated
	£	£
Coronavirus Job Retention Scheme grants	221,833	4,783,460
	<u>221,833</u>	<u>4,783,460</u>

7. EXCEPTIONAL ITEMS	Period ended 26 March 2022	Period ended 27 March 2021 Consolidated
	£	£
Costs relating to departmental restructuring	114,528	72,802
Restructuring costs from sale of Space Brands Limited	269,868	760,762
Other restructuring costs	31,386	60,607
Stock provision	-	674,348
Write off of intercompany debt on restructuring	-	543,704
	<u>415,782</u>	<u>2,112,223</u>

During the current period ended 26 March 2022 there was £114,528 (period ended 27 March 2021: £72,802) of departmental restructuring of the executive team.

Restructuring costs from the sale of Space Brands Limited consisted of £180,342 (period ended 27 March 2021: £599,591) relating to employment costs and £89,526 (period ended 27 March 2021: £161,171) of mainly IT costs.

During the current period ended 26 March 2022 there was £31,386 of mainly IT costs from the sale of Kevyn Aucoin. In the prior period, there was company restructuring costs of £60,607 relating to redundancies from the Lipstick Queen sale and Covid-19.

Exceptional stock provision in the current period was £nil. During the prior period ending 27 March 2021 there was £674,348 relating to the brand closure of Lipstick Queen and the subsequent write down of assets, and the realisation of the exceptional stock provision.

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the 52 Week Period Ended 26 March 2022**

**8. OPERATING (LOSS) / PROFIT**

	Period ended 26 March 2022	Period ended 27 March 2021
	£	Consolidated £
Operating (loss) / profit is stated after charging:		
Foreign exchange (gain) / loss	(132,841)	344,105
Amortisation of intangible assets	602,706	735,010
Depreciation of tangible assets	2,668,041	3,101,707
Loss on disposal of assets	26,752	81,563
Operating lease rentals – plant and machinery	135,750	120,851
Operating lease rentals – other	8,883,864	6,061,088
Inventory recognised as an expense in cost of sales	57,309,410	51,626,067
	<hr/>	<hr/>
Auditors' remuneration		
- Fees paid to the Company's auditors for the audit of the Company's financial statements	74,500	43,162
- Fees paid to the Company's auditors for the audit of subsidiary companies	-	25,184
- Other services: taxation compliance services	31,167	34,950
- Other services: tax structuring services	-	154,800
	<hr/>	<hr/>
Total amount payable to the Company's auditors and their associates	105,667	258,096
	<hr/> <hr/>	<hr/> <hr/>

# SPACE NK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the 52 Week Period Ended 26 March 2022

### 9. EMPLOYEES AND DIRECTORS

	Period ended 26 March 2022	Period ended 27 March 2021 Consolidated
	£	£
Wages and salaries	19,175,249	19,033,282
Social security costs	1,703,884	1,547,653
Other pension costs	683,626	664,898
	<u>21,562,759</u>	<u>21,245,833</u>
	Period ended 26 March 2022 Number	Period ended 27 March 2021 Number
<b>Employees</b>		
The monthly average number of persons, including directors, employed by the Company during the period was:		
Administration	220	199
Retail	338	404
	<u>558</u>	<u>603</u>

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the 52 Week Period Ended 26 March 2022

**9. EMPLOYEES AND DIRECTORS (continued)**

<b>Directors</b>	<b>Period ended 26 March 2022</b>	<b>Period ended 27 March 2021 Consolidated</b>
	<b>£</b>	<b>£</b>
The directors' emoluments were as follows:		
Aggregate emoluments	503,338	1,292,930
Contributions to money purchase pension schemes	19,611	54,340
	<u>522,949</u>	<u>1,347,270</u>
	<b>Number</b>	<b>Number</b>
During the period the following number of directors accrued benefits under money purchase pension schemes	<u>1</u>	<u>2</u>
One director does not get remunerated through Space NK Limited.		
<b>Highest paid director</b>	<b>Period ended 26 March 2022</b>	<b>Period ended 27 March 2021</b>
	<b>£</b>	<b>£</b>
The emoluments of directors disclosed above include the following amounts paid to the highest paid director:		
Emoluments	378,188	433,877
Contributions to money purchase pension schemes	19,611	4,840
	<u>397,799</u>	<u>438,717</u>
<b>Key management compensation</b>	<b>Period ended 26 March 2022</b>	<b>Period ended 27 March 2021 Consolidated</b>
	<b>£</b>	<b>£</b>
Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:		
Aggregate emoluments	1,565,499	2,134,367
Contributions to money purchase pension schemes	104,304	138,142
	<u>1,669,803</u>	<u>2,272,509</u>

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the 52 Week Period Ended 26 March 2022**

**10. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>Period ended 26 March 2022</b>	<b>Period ended 27 March 2021 Consolidated</b>
	<b>£</b>	<b>£</b>
Bank interest receivable	-	2
<b>Total interest receivable and similar income</b>	<b>-</b>	<b>2</b>

**11. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>Period ended 26 March 2022</b>	<b>Period ended 27 March 2021 Consolidated</b>
	<b>£</b>	<b>£</b>
Bank interest payable	26,660	16,944
Return on Preferred Equity	-	130,061
<b>Total interest payable and similar expenses</b>	<b>26,660</b>	<b>147,005</b>

# SPACE NK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the 52 Week Period Ended 26 March 2022

### 12. TAX ON (LOSS) / PROFIT

	Period ended 26 March 2022	Period ended 27 March 2021 Consolidated
	£	£
<b>(a) Tax expense included in statement of comprehensive income</b>		
Current tax:		
UK corporation tax at 19% (period ended 27 March 2021: 19%)	-	1,505,500
Adjustment in respect of prior periods	(165,555)	12,860
Total current tax	(165,555)	1,518,360
Deferred tax:		
Origination and reversal of timing differences	94,429	(124,570)
Adjustment in respect of prior periods	(128,937)	(212,612)
Impact of change in tax rate	(184,374)	-
Total deferred tax	(218,882)	(337,182)
<b>Tax on (loss) / profit</b>	<b>(384,437)</b>	<b>1,181,178</b>
<b>(b) Reconciliation of tax (credit) / charge</b>		

Tax credit assessed for the period is lower (period ended 27 March 2021 tax charge: lower) than the standard rate of corporation tax in the UK for the period ended 26 March 2022 of 19% (period ended 27 March 2021: 19%). The differences are explained below:

	Period ended 26 March 2022	Period ended 27 March 2021 Consolidated
	£	£
(Loss) / Profit before taxation	(1,005,205)	88,802,776
(Loss) / Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (period ended 27 March 2021: 19%)	(190,989)	16,872,527
Effects of:		
Expenses not deductible	285,418	42,819
Income not taxable	-	(15,534,416)
Adjustment in respect of prior periods	(294,492)	(199,752)
Tax rate changes	(184,374)	-
<b>Total tax (credit) / charge for the period</b>	<b>(384,437)</b>	<b>1,181,178</b>

SPACE NK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the 52 Week Period Ended 26 March 2022

13. INTANGIBLE ASSETS

	Trademarks	Development costs	Software	Total
	£	£	£	£
<b>COST</b>				
At 28 March 2021	183,507	114,574	3,080,707	3,378,788
Additions	22,616	165,200	1,297,312	1,485,128
	<u>206,123</u>	<u>279,774</u>	<u>4,378,019</u>	<u>4,863,916</u>
At 26 March 2022				
<b>ACCUMULATED AMORTISATION</b>				
At 28 March 2021	108,683	2,026	2,374,984	2,485,693
Charge for the period	16,778	46,442	539,486	602,706
	<u>125,461</u>	<u>48,468</u>	<u>2,914,470</u>	<u>3,088,399</u>
At 26 March 2022				
<b>NET BOOK VALUE</b>				
At 26 March 2022	<u>80,662</u>	<u>231,306</u>	<u>1,463,549</u>	<u>1,775,517</u>
At 27 March 2021	<u>74,824</u>	<u>112,548</u>	<u>705,723</u>	<u>893,095</u>

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the 52 Week Period Ended 26 March 2022**

**14. TANGIBLE ASSETS**

	<b>Leasehold properties £</b>	<b>Fixtures, fittings and equipment £</b>	<b>Total £</b>
<b>COST</b>			
At 28 March 2021	3,812,706	23,169,486	26,982,192
Additions	558,364	2,411,569	2,969,933
Disposals	(51,606)	(284,364)	(335,970)
At 26 March 2022	<u>4,319,464</u>	<u>25,296,691</u>	<u>29,616,155</u>
<b>ACCUMULATED DEPRECIATION</b>			
At 28 March 2021	1,818,362	16,697,082	18,515,444
Charge for the period	245,938	2,422,103	2,668,041
Disposals	(40,626)	(268,591)	(309,217)
At 26 March 2022	<u>2,023,674</u>	<u>18,850,594</u>	<u>20,874,268</u>
<b>NET BOOK VALUE</b>			
At 26 March 2022	<u>2,295,790</u>	<u>6,446,097</u>	<u>8,741,887</u>
At 27 March 2021	<u>1,994,344</u>	<u>6,472,404</u>	<u>8,466,748</u>



## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the 52 Week Period Ended 26 March 2022

#### 15. INVESTMENTS

	Other investments £	Total £
COST AND NET BOOK VALUE		
At 28 March 2021 and at 26 March 2022	10,800	10,800
Analysed as:	2022 £	2021 £
Baynards Freehold Limited	10,800	10,800
	10,800	10,800

#### Baynards Freehold Limited

The Company owns 1% of the ordinary share capital of Baynards Freehold Limited (period ended 27 March 2021: 1%). Baynards Freehold Limited is incorporated in the UK. Fixed asset investments comprise equity shares in Baynards Freehold Limited, which are not publicly traded. The address of the registered office of Baynards Freehold Limited is Estate Office, 1 Chepstow Place, London, W2 4TE.

#### 16. INVENTORIES

	2022 £	2021 Consolidated £
Finished goods and goods for resale	17,656,157	13,463,418
	17,656,157	13,463,418

There is no significant difference between the replacement cost of the inventory and its carrying amount. Inventories are stated after provision for impairment of £737,512 (2021: £330,000).

# SPACE NK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 Week Period Ended 26 March 2022

### 17. DEBTORS

	2022	2021
	£	Consolidated £
Trade debtors	144,344	107,779
Amounts owed by Group undertakings	7,851,689	14,937,561
Corporation tax receivable	500,517	-
Deferred tax (see note 18)	768,227	549,345
Other debtors	54,075	36,727
Prepayments and accrued income	3,542,109	2,741,868
	<u>12,860,961</u>	<u>18,373,280</u>

Trade debtors are stated after provisions for impairment of £nil (2021: £nil).

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

### 18. DEFERRED TAX ASSETS

#### Analysis of deferred taxation:

The provision for deferred tax consists of the following deferred tax.

	2022	2021
	£	£
Accelerated capital allowances	758,785	522,002
Other timing differences	9,442	27,343
	<u>768,227</u>	<u>549,345</u>

There are no unused tax losses or unused tax credits.

	£	
At 28 March 2021	549,345	
Credited to the income statement	218,882	
	<u>768,227</u>	
At 26 March 2022		768,227

#### Offsetting

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset).

	2022	2021
	£	£
Net deferred tax assets	768,227	556,717
Net deferred tax (liabilities)	-	(7,372)
	<u>768,227</u>	<u>549,345</u>

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the 52 Week Period Ended 26 March 2022

**19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2022	2021
	£	Consolidated £
Trade creditors	17,902,153	9,870,069
Amounts owed to Group undertakings	590,479	371,667
Corporation tax payable	-	776,262
Other taxation and social security costs	976,575	2,169,058
Other creditors	2,717,726	3,544,154
Accruals and deferred income	6,468,352	5,297,810
	<u>28,655,285</u>	<u>22,029,020</u>

Amounts owed to Group undertakings are unsecured, interest free and repayable within 30 days.

**20. FINANCIAL INSTRUMENTS**

		2022	2021
		£	Consolidated £
Financial assets that are debt instruments measured at amortised cost			
Trade debtors	17	144,344	107,779
Amounts owed by Group undertakings	17	7,851,689	14,937,561
Accrued income	17	295,217	31,695
Other debtors	17	54,075	36,727
		<u>8,345,325</u>	<u>15,113,762</u>
Financial liabilities measured at amortised cost			
Trade creditors	19	17,902,153	9,870,069
Amounts owed to Group undertakings	19	590,479	371,667
Other creditors	19	2,717,726	3,544,154
Accruals	19	5,562,708	4,581,820
		<u>26,773,066</u>	<u>18,367,710</u>

# SPACE NK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the 52 Week Period Ended 26 March 2022

### 21. CALLED UP SHARE CAPITAL

	2022 £	2021 £
Authorised share capital:		
4,145,484 (2021: 4,145,484) ordinary shares of £1 each	4,145,484	4,145,484
Issued share capital:		
2,748,444 (2021: 2,748,444) ordinary shares of £1 each – fully paid	2,748,444	2,748,444
290,000 (2021: 290,000) ordinary shares of £0.01 each – partially paid	2,900	2,900
Total paid:	2,751,344	2,751,344

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

### 22. NOTES TO THE CASHFLOW STATEMENT

	2022 £	2021 Consolidated £
(Loss) / Profit for the financial period	(620,768)	87,621,598
Adjustments for:		
Tax on (loss) / profit	(384,437)	1,181,178
Interest payable and similar expenses	26,660	147,005
Interest receivable and similar income	-	(2)
Foreign Exchange (gain) / loss	(132,841)	344,105
Operating (loss) / profit	(1,111,386)	89,293,884
Depreciation of tangible assets	2,668,041	3,101,707
Amortisation of intangible assets	602,706	735,010
Profit on disposal of Space Brands	-	(83,125,054)
Loss on disposal of tangible assets	26,752	81,562
(Increase) / Decrease in inventories	(4,192,739)	1,330,494
Decrease / (Increase) in debtors	6,231,718	(3,444,700)
Increase / (Decrease) in creditors	7,394,354	(695,246)
Net cash inflow from operating activities	11,619,446	7,277,657

### 23. ANALYSIS OF CHANGES IN NET DEBT

	At 27 March 2021 £	Cash Flows £	At 26 March 2022 £
Cash at bank and in hand	4,805,589	(832,484)	3,973,105
	4,805,589	(832,484)	3,973,105

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 Week Period Ended 26 March 2022

#### 24. CAPITAL COMMITMENTS

At 26 March 2022, the Company had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Operating leases which expire:		
- within one year	7,714,123	7,423,650
- within two to five years	18,653,667	22,125,597
- after five years	3,765,344	7,505,716
	<u>30,133,134</u>	<u>37,054,963</u>

Included in the above commitments are leases in which rent varies according to the level of turnover achieved. The commitment has been calculated based on the minimum commitment payable.

#### 25. RELATED PARTY TRANSACTIONS

During the period ended 26 March 2022 the Company purchased £432,060 (period ended 27 March 2021 £2,099,761) of stock from Saint Germain Ltd, a company within which W Fisher, a Company Director, has an interest and is registered in the UK. At the period end, the balance owed to Saint Germain Ltd was £548,056 (2021: owed to Saint Germain Ltd £67,009).

The Company provided services for £113,280 (period ended 27 March 2021: £1,355,434) to Space NK USA LLC. At the period end, the balance owed by Space NK USA LLC was £7,851,689 (2021: owed by Space NK USA LLC £14,603,221).

The Company had a credit for purchased stock of £22,412 (2021: purchased £243,595 of stock) from Kevyn Aucoin Cosmetics Inc. At the period end, the balance owed to Kevyn Aucoin Cosmetics Inc was £581 (2021: owed by Kevyn Aucoin Cosmetics Inc £304,658).

The Company received services for £17,869 (2021: received services £89,512) to Manzanita Capital UK LLC, a company within which W Fisher, a Company Director, has an interest. At the period end, the balance owed to Manzanita Capital UK LLC was £41,842 (2021: owed to Manzanita Capital UK LLC £nil).

See note 9 for disclosure of the Directors' remuneration.

## **SPACE NK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the 52 Week Period Ended 26 March 2022**

#### **26. CONTINGENT LIABILITIES**

NatWest bank has provided a £600,000 (2021: £600,000) bond to H M Revenue & Customs on behalf of the Company. The bank has recourse to the Company and has security by way of a fixed and floating charge over all the assets of the Company.

#### **27. PENSION COMMITMENTS**

The Company operates a defined contribution group personal pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds amounted to £683,626 (2021: £626,010). At period end the Company had outstanding contributions of £236,520 (2021: £182,706) with other creditors in note 19.

#### **28. ULTIMATE CONTROLLING PARTY**

At the date on which the financial statements were approved by the directors, the Group is owned by a number of private shareholders and companies, none of whom own more than 20% of the issued share capital of Manzanita US Investments LLC. Accordingly there is no ultimate controlling party.

#### **29. ULTIMATE PARENT COMPANY**

The immediate parent company is Space NK Holdings Inc, incorporated in the United States of America. The registered office of this corporation is 99 Greene Street, New York, NY 10012, United States of America. The ultimate parent company is Manzanita US Investments LLC, incorporated in the United States of America. The registered office of this corporation is 874 Walker Road Suite C, Dover, Delaware, DE 19904.

#### **30. SUBSEQUENT EVENTS**

As at 1 September 2022, Space NK Limited and Space NK USA LLC agreed a revolving credit facility of £15,000,000 expiring on 31 July 2025 from NatWest bank. There is a potential additional £5,000,000 from the 31 March 2023. The interest rate applicable on the revolving credit facility is 2.25% above the Relevant Reference rate. The quarterly covenants relate to the consolidated financial information and includes an interest cover of 4.00 to 1 and net leverage of 3.00 to 1 for periods ending up to 31 December 2022; 2.50 to 1 for periods ending up to 31 March 2024; then 2.00 to 1. The Company has forecasted scenarios that suggest that the Company will be covenant compliant to operate with the revolving credit facility.