

BRANDALLEY UK LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

BRANDALLEY UK LIMITED

COMPANY INFORMATION

Directors	B MacInnes S MacInnes M Feldmann R Feldmann T R Pickles T Feldmann
Registered number	03885013
Registered office	Telephone House 69-77 Paul Street London EC2A 4NW
Independent auditors	Wilder Coe Ltd Chartered Accountants & Statutory Auditors 1st Floor Sackville House 143-149 Fenchurch Street London EC3M 6BL

BRANDALLEY UK LIMITED

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BRANDALLEY UK LIMITED

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Introduction

The directors present their Group Strategic Report for the year ended 31 December 2021.

The Group, comprised of BrandAlley UK Limited and BrandAlley France SAS, is a leading online retailer of luxury fashion, homeware, accessories and beauty products made available to only registered members at competitive discounts. The Group runs flash sales of leading brands throughout the year while maintaining permanent designer catalogue in its online outlet store.

Business Review

The Group is the off-price sales partner of first choice for over 500 brands across the premium clothing, footwear, accessories, homeware and beauty product sectors, sourced largely from the UK and mainland Europe.

Group sales increased by 0.5% in 2021 from £101.8m to £102.3m. Gross profit margin improved from 35.3% to 36.0%. Distribution costs increased by 10.6% caused by the underlying increase in fuel, labour and additional import duties post the United Kingdom's exit from the European Union (Brexit). Administrative expenses increased by 4.4% to £14.1m predominantly due to underlying cost increases in digital marketing caused by a legal change to protect customers by reducing behaviour tracking timelines and increased online competition. Operating profit has declined by 56% to £1.3m due to the factors above. The Balance Sheet remains in a strong position as at December 2021 with cash at bank of £7.9m and net current assets of £5.5m, an increase of 26.3% compared to 2020. Stock was heavily invested in prior to peak trading for 2021 in anticipation of supplier delivery delays due to labour shortages resulting in closing stock of £12.5 compared to £8.4m in 2020.

BrandAlley sales results for 2021 were broadly flat compared with 2020. 2020 was a record year for the business as consumer spend turned towards online channels throughout the pandemic, whilst "physical retail" was closed.

The first half of 2021 continued the strong trend of 2020, but the second half showed a marked deceleration. As 2021 progressed, a range of negative external factors increasingly impacted the business.

In April 2021, physical retail stores reopened, resulting in an increasing loss, month by month through the year, of retail market share for the online industry, from the peak of market share in April 2021, as reported by the Office of National Statistics. As the year progressed, a number of external factors started to affect both the sales and profitability of the business. These included changes linked to Brexit. Import duties were imposed on imports from the EU of non-EU origin products. There were significant delays on importation due to changes at the border. Global supply chains were disrupted due to COVID-19, the global coronavirus pandemic, with notable global transport cost inflation. There were noticeably increased warehousing and distribution costs driven by fuel price increases and hourly labour rate increases (which were largely caused by an extremely tight labour market caused by Brexit). Marketing costs increased dramatically due both to a significant increase in competition online and legal/regulatory changes in customer privacy legislation. Furthermore, the business was affected by a general lack of stock availability for off-price sales compared with 2020 as producers had reduced production targets for 2021 due to the economic uncertainty and closure of physical retail stores induced by COVID-19. The trading results of BrandAlley are in line with year-on-year trends of online retail performance in the UK, as reported by the Office for National Statistics and various trade surveys. An overall reduction in share of spending on goods was due to a switch back to spending on services when consumers chose to spend a higher proportion of their discretionary income on leisure, pubs and restaurants compared with 2020.

BRANDALLEY UK LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Towards the end of 2021, during the peak trading period for the business, nationwide labour shortages caused significant warehouse capacity constraints and delivery delays. BrandAlley made the decision to put the customer first, and to restrict sales by limiting merchandise for sale and limiting competitive offers to the customer base. The purpose was to minimise the pressure on the warehouse, with the aim of ensuring customer satisfaction by achieving on-time order delivery. BrandAlley sacrificed short term sales to protect brand reputation for the long term.

This is the second full year consolidation of BrandAlley France SAS and the turnaround plan is progressing. The French company was affected by a number of similar external factors to those experienced by the UK business. However, the financial losses in 2021 remained in line with 2020. Some longer-term IT projects have commenced which will create a channel for future growth within the international market, coupled with further cost savings.

As a result of the significant number of changes in the external environment in 2021, which were generally negative for BrandAlley, the broadly flat sales performance year-on-year was accompanied by a reduction in profitability as mentioned above.

In terms of the post year-end trading environment, 2022 will reflect a continuation of the challenging trends experienced coming out of the first phase of the pandemic in 2021. Furthermore, BrandAlley will not be immune to the macro-economic headwinds affecting the wider economy. However, after the exceptional, one-off boom in on-line sales in 2020 has adjusted, the longterm trend of the growth of on-line retail will be re-established, reconfirming the long-term potential of the BrandAlley business. As suppliers and brands normalise production and inventory levels, sales and market share growth opportunities are expected to re-emerge for late 2022 and 2023 onwards.

BRANDALLEY UK LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Section 172 Companies Act 2006

This report sets out how the directors comply with the requirements of Section 172 Companies Act 2006 and how these requirements have impacted BrandAlley Board's decision making throughout the financial year 2021.

S172a) The likely consequences of any decision in the long term

Board and management decisions have consistently been taken with the long-term perspective focused on creating, first, the UK's, and then one of mainland Europe's, leading online flash sales retailer of premium fashion, homeware and related product sectors.

Despite the multiple challenges of the pandemic, the Board has continued to deploy a long-term perspective throughout 2021, evidenced in particular by the approach to BrandAlley France. The French business holds key Group intellectual property assets and is the designated platform for the rollout of the BrandAlley business model to the mainland European market, which is many times the size of the UK market. Consequently, the Board has supported the operating losses of the French business and investment in its staff, IT platform and logistics operations. The plan for 2022 is to continue to invest in the turnaround of this business.

Furthermore, the Board takes a long-term perspective on the human resources of the Group, treating them as one of its key assets. Decisions about retention, motivation, remuneration and career development of all employees are taken with the long-term in mind.

S172b) The interests of the Group's employees

As mentioned above, the Board considers that the staff of the company are one of its principal assets. The directors recognise that the employees are at the heart of all operations at BrandAlley and the success of the business is dependent on attracting, training and motivating them.

All staff have regular one-to-ones and annual reviews with an opportunity to build a career within the Group. The senior management team actively promote an open and inclusive culture where all staff are encouraged to raise concerns they have regarding the business or their own wellbeing.

Measures were put in place throughout 2020 and continue to operate to ensure both in-house and outsourced staff remained safe during the COVID-19 pandemic. Relevant in-house staff are provided with the necessary equipment to enable homeworking. The Group has a heightened focus on employee wellbeing to enable work life balance during a period of significant growth. This includes introducing longer flexible lunch breaks and reduced working hours on Fridays.

Strict social distancing measures were in place at the third-party warehouse in line with government recommendations to ensure the team are working in the safest possible environment.

S172c) The need to foster the Group's business relationships with suppliers, customers and others

The directors delegate the day-to-day responsibility for the company's business relationships with suppliers, customer and other stakeholders to the executive management of the business. However, this delegation is within the clear long-term orientated framework which requires that all

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relationships are sustainable and based on the principle of mutual benefit and partnership. Periodically the Board will review key issues and key performance indicators to assess the status and approach being taken. Furthermore, the approach to board level decision making is consistent with this.

The Board acknowledges that the long-term success of BrandAlley will depend on sustainable long term business relationships.

The critical brand supplier relationships already in place have been built over multi-year periods during which trust and confidence has been established. Core to this is both the excellent customer service levels that the business has put in place and the inter-personal relationships that specific members of the management team have with key suppliers, based on professional competence and a track record of delivering consistently against common goals.

BRANDALLEY UK LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Equally important are the relationships with hundreds of thousands of active members and customers. The Board and the executive management are aligned on a vision of long-term customer relationships which means, where necessary, short-term costs are incurred and investments are made to ensure customer retention and satisfaction. This culture has underpinned the growth of the business.

S172d) The impact of the Group's operations on the community and the environment

The directors are committed to supporting local businesses and being environmentally responsible from the packaging used to the way in which goods are transported to customers.

The COVID-19 pandemic highlighted the importance of community and BrandAlley has provided donations of products to charities and personal protective equipment to businesses.

S172e) The desirability of the Group maintaining a reputation for high standards of business conduct

BrandAlley's Board of directors is absolutely committed to the highest levels of ethical and compliant business dealings with all stakeholders. The long-term nature of the business relationships that the business is built on with all stakeholders demands and necessitates this and the Board seeks to ensure this is maintained at all times, with the avoidance of any reputational damage an absolute priority.

S172f) The need to act fairly between members of the Group

BrandAlley operates with regular board meetings in place to ensure members of the Board are updated and communicated to regularly on business performance.

Quarterly board meetings take place with clear agendas to ensure no key areas or stakeholders are overlooked.

Monthly management accounts are prepared for the board to enable review of key performance metrics of the business. An annual budget is prepared and approved, after which quarterly forecasts are prepared highlighting any movements or significant changes throughout the year.

Principal risks and uncertainties

Impact of COVID-19

The business traded effectively throughout COVID-19 in 2021. It has risk mitigation policies in place, both operational and financial, to protect the business and all stakeholders in the event of further impact from the pandemic. However, like all businesses, risk cannot be eliminated.

BRANDALLEY UK LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Financial risk management objectives and policies

BrandAlley has a £2m revolving trade Finance facility. The group has no other external debt aside from this.

The Group has a multi-currency banking facility to minimise currency exposure when purchasing stock for resale in other currencies.

The Group's principal assets are stock and bank balances. The valuation for stock in the Balance Sheet is presented net of a conservative provision for impairment where required.

Credit risk on liquid funds is limited because these are held with a bank with a high credit rating assigned by international credit rating agencies.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group maintains careful working capital management.

Key Performance Indicators

The directors monitor company performance using financial and non-financial indicators including turnover, gross profit, operating profit, new members, new customers, member conversion and number of orders. These indicators are monitored daily, weekly and monthly.

This report was approved by the board on 29 September 2022.

R Feldmann
Director

BRANDALLEY UK LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report and the audited financial statements for the year ended 31 December 2021.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

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

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

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

Results and dividends

The profit for the year, after taxation, amounted to £2,486,000 (2020: £3,411,000).

No interim dividend was paid during the period and the directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

B MacInnes
S MacInnes
M Feldmann

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R Feldmann

R Clacher (resigned 20 September 2022)

T R Pickles

T Feldmann

Future developments

Details relating to future developments are addressed in the Group Strategic Report.

BRANDALLEY UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Financial instruments

The risks in relation to the use of financial instruments are addressed in the Group Strategic Report.

Engagement with suppliers, customers and others in a business relationship with the Group

Details relating to engagement with suppliers, customers and others in a business relationship with the Group are addressed in the Group Strategic Report.

Energy and carbon report

BrandAlley is monitoring its electricity usage and continuously seeks ways to reduce its carbon footprint.

UK Government GHG Conversion Factors for Company Reporting 2021 guidelines and factors have been applied in calculation of Scope 2 consumption and CO2e emission data.

	2021	<i>2020</i>
UK Electricity usage kWh	104,324	<i>113,643</i>
Associated Greenhouse gas emissions		
kg CO2e	22,151	<i>26,495</i>
kg CO2	21,925	<i>26,256</i>
kg CH4	83	<i>82</i>
kg N2O	143	<i>157</i>
Intensity ratio CO2e per £m sales	0.0002	<i>0.0003</i>

Disclosure of information to auditors

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

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

Post balance sheet events

There have been no significant events affecting the Group since the year end.

BRANDALLEY UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Auditors

The auditors, Wilder Coe Ltd, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

R Feldmann
Director

BRANDALLEY UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRANDALLEY UK LIMITED

Opinion

We have audited the financial statements of BrandAlley UK Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

BRANDALLEY UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRANDALLEY UK LIMITED (CONTINUED)

Other information

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

BRANDALLEY UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRANDALLEY UK LIMITED (CONTINUED)

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 Group 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:

Discussions with and enquiries of management and those charged with governance were held with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements. During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity.

The following laws and regulations were identified as being of significance to the entity:

- Those laws and regulations considered to have a direct effect on the financial statements include UK financial reporting standards, Company Law, Tax and Pensions legislation and distributable profits legislation.
- Those laws and regulations for which non-compliance may be fundamental to the operating aspects of the business and therefore may have a material effect on the financial statements..

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: enquiries of management and those charged with governance as to whether the entity complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation or claims; inspection of relevant legal correspondence; review of board minutes; testing the appropriateness of journal entries; and the performance of analytical review to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

BRANDALLEY UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRANDALLEY UK LIMITED (CONTINUED)

Use of our report

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

Bee-Lean Chew MSc BA (Hons) FCA (Senior Statutory Auditor)
for and on behalf of

Wilder Coe Ltd
Chartered Accountants & Statutory Auditors
1st Floor Sackville House
143-149 Fenchurch Street
London
EC3M 6BL

Date: 30 September 2022

BRANDALLEY UK LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Turnover	4	102,284	101,769
Cost of sales		(65,474)	(65,879)
Gross profit		36,810	35,890
Distribution costs		(21,380)	(19,336)
Administrative expenses		(14,086)	(13,504)
Operating profit	5	1,344	3,050
Interest receivable and similar income	9	1	2
Interest payable and similar expenses	10	(54)	(198)
Profit on ordinary activities before taxation		1,291	2,854
Taxation on profit on ordinary activities	11	(731)	(485)
Profit for the financial year		560	2,369
Foreign exchange difference		163	-
Total comprehensive income for the year		723	2,369
Profit for the year attributable to:			
Owners of the parent Company		560	2,369
Total comprehensive income for the year attributable to:			
Owners of the parent Company		723	2,369
EBITDA, adjusted for stock provisions, foreign exchange differences, finance costs and exceptional items		2,436	4,927

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There were no recognised gains and losses for 2021 or 2020 other than those included in the Consolidated Statement of Comprehensive Income.
The notes on pages 20 to 42 form part of these financial statements.

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BRANDALLEY UK LIMITED
REGISTERED NUMBER: 03885013**CONSOLIDATED BALANCE SHEET**
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible fixed assets	13	3,277	3,484
Tangible assets	14	141	184
		<u>3,418</u>	<u>3,668</u>
Current assets			
Stocks	16	12,535	8,354
Debtors	17	2,186	3,185
Cash at bank and in hand	18	7,893	18,463
		<u>22,614</u>	<u>30,002</u>
Creditors: amounts falling due within one year	19	(17,112)	(25,647)
Net current assets		<u>5,502</u>	<u>4,355</u>
Total assets less current liabilities		<u>8,920</u>	<u>8,023</u>
Provisions for liabilities			
Other provisions	22	(635)	(462)
Net assets		<u>8,285</u>	<u>7,561</u>
Capital and reserves			
Called up share capital	23	1	1
Share premium account		22,450	22,449
Capital redemption reserve		7,567	7,567
Foreign exchange reserve		163	-
Profit and loss account		(21,896)	(22,456)
Equity attributable to owners of the parent Company		<u>8,285</u>	<u>7,561</u>
Equity shareholders' funds		<u>8,285</u>	<u>7,561</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf 29 September 2022.

R Feldmann
Director

The notes on pages 21 to 43 form part of these financial statements.

BRANDALLEY UK LIMITED
REGISTERED NUMBER: 03885013

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible fixed assets	13	3,170	3,369
Tangible assets	14	128	171
Investments	15	1	1
		<u>3,299</u>	<u>3,541</u>
Current assets			
Stocks	16	10,906	6,990
Debtors	17	5,471	4,097
Cash at bank and in hand	18	7,702	18,082
		<u>24,079</u>	<u>29,169</u>
Creditors: amounts falling due within one year	19	(13,638)	(21,890)
		<u>10,441</u>	<u>7,279</u>
Total assets less current liabilities		<u>13,740</u>	<u>10,820</u>
Provisions for liabilities			
Other provisions	22	(577)	(426)
		<u>13,163</u>	<u>10,394</u>
Net assets			
Capital and reserves			
Called up share capital	23	1	1
Share premium account		22,450	22,449
Capital redemption reserve		7,567	7,567
Profit and loss account brought forward		(19,623)	(24,812)
Profit for the year		2,768	5,189
		<u>(16,855)</u>	<u>(19,623)</u>
Equity shareholders' funds		<u>13,163</u>	<u>10,394</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2022.

R Feldmann
Director

The notes on pages 21 to 43 form part of these financial statements.

BRANDALLEY UK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Capital redemption reserve	Foreign exchange reserve	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 January 2020	1	22,449	7,567	-	(24,825)	5,192	5,192
Comprehensive income for the year							
Profit for the year	-	-	-	-	2,369	2,369	2,369
At 1 January 2021	1	22,449	7,567	-	(22,456)	7,561	7,561
Comprehensive income for the year							
Profit for the year	-	-	-	-	560	560	560
Foreign exchange difference	-	-	-	163	-	163	163
Share options granted	-	1	-	-	-	1	1
At 31 December 2021	1	22,450	7,567	163	(21,896)	8,285	8,285

The notes on pages 21 to 43 form part of these financial statements.

BRANDALLEY UK LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2020	1	22,449	7,567	(24,812)	5,205
Comprehensive income for the year					
Profit for the year	-	-	-	5,189	5,189
At 1 January 2021	1	22,449	7,567	(19,623)	10,394
Comprehensive income for the year					
Profit for the year	-	-	-	2,768	2,768
Share options granted	-	1	-	-	1
At 31 December 2021	1	22,450	7,567	(16,855)	13,163

The notes on pages 21 to 43 form part of these financial statements.

BRANDALLEY UK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Profit for the financial year	560	2,369
Adjustments for:		
Amortisation of intangible assets	746	758
Impairment of intangible assets	-	162
Depreciation of tangible assets	70	75
Interest paid	54	198
Interest received	(1)	(2)
Taxation charge	731	485
Increase in stocks	(4,181)	(1,958)
Decrease/(increase) in debtors	278	(457)
(Decrease)/increase in creditors	(8,466)	11,574
Increase in provisions	173	462
Corporation tax paid	(79)	2
Foreign exchange movement	163	-
Net cash generated from operating activities	(9,952)	13,668
Cash flows from investing activities		
Purchase of intangible fixed assets	(539)	(715)
Purchase of tangible fixed assets	(29)	(80)
Sale of tangible fixed assets	2	-
Interest received	1	2
Net cash from investing activities	(565)	(793)

BRANDALLEY UK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £000	2020 £000
Cash flows from financing activities		
Share options granted	1	-
Interest paid	(54)	(198)
Net cash used in financing activities	<u>(53)</u>	<u>(198)</u>
Net (decrease)/increase in cash and cash equivalents	(10,570)	12,677
Cash and cash equivalents at beginning of year	18,463	5,786
Cash and cash equivalents at the end of year	<u>7,893</u>	<u>18,463</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	7,893	18,463
	<u>7,893</u>	<u>18,463</u>

The notes on pages 21 to 43 form part of these financial statements.

BRANDALLEY UK LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	At 1 January 2021 £000	Cash flows £000	At 31 December 2021 £000
Cash at bank and in hand	18,463	(10,570)	7,893
	<u>18,463</u>	<u>(10,570)</u>	<u>7,893</u>

The notes on pages 21 to 43 form part of these financial statements.

BRANDALLEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. General information

BrandAlley UK Limited ("the Company") (Company number: 03885013), having its registered office and trading address at Telephone House, 69-77 Paul Street, London, EC2A 4NW, is a private limited company incorporated in England and Wales.

The Company and the Group's principal activity is the retail of luxury fashion accessories, homeware and beauty products made available only to registered members at competitive discounts. The Company and the Group run flash sales of leading brands throughout the year while maintaining permanent designer catalogue in their online outlet stores.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a

single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

The Company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows; and
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.45, 11.47, 11.48(a)9iii), 11.48(a)(iv), 11.48(b), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures.

Except where stated, information reported in the notes to the financial statements relate to the Group.

BRANDALLEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.3 Turnover

The Company and Group's turnover is derived from online flash sales of discounted luxury fashion and homeware products to its registered members database.

Turnover is the net amount receivable by the Company and Group in the ordinary course of its business excluding trade discounts, value added tax and other sales related taxes. Turnover is recognised at the point of despatch from the Group's third party stock holder and deferred income relates to the orders that have been placed but not dispatched as at 31 December 2021.

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

Sale of goods

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

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

BRANDALLEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.4 Intangible assets

Intangible assets comprise software licences, IT systems and goodwill.

The software licences and IT systems are initially recognised at cost. After initial recognition, under the cost model, these assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses.

The amendments of the triennial review, as published in December 2017, have been adopted in that intangible assets have not been recognised separately where they do not arise from contractual or other legal rights.

Goodwill is considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Licenses and IT systems are amortised straight-line over their expected useful economic lives or anticipated length of use by the Company in order to write off their costs less estimated residual value. These are stated at cost, net of amortisation and any provision for impairment. The principal rates are as follows:

Licenses	-	33 %	on a straight-line basis
IT System	-	20 %	on a straight-line basis
Goodwill	-	10 %	on a straight-line basis

The amortisation of intangible assets is recognised in administrative expenses on the Statement of Comprehensive Income.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

BRANDALLEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.5 Tangible fixed assets

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

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

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

Depreciation is provided on the following basis:

Furniture, fittings and equipment	-	33%	on a straight-line basis
Computer equipment	-	33%	on a straight-line basis
IT Systems	-	20%	on a straight-line basis

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value.

The net realisable value is based on an estimated selling price, less further costs expected to be incurred to completion and disposal. A provision is made for obsolete, slow moving or defective items where appropriate.

2.8 Debtors

Short-term debtors are measured at transaction price, less any impairment.

2.9 ~~Apache~~ cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

BRANDALLEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.10 Financial instruments

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

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at cost less impairment for all other investments.

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

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

2.11 Creditors

Short-term creditors are measured at the transaction price.

2.12 Business combinations

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

BRANDALLEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.13 Foreign currency translation

Functional and presentation currency

The Group and Company's functional and presentational currency is British Pound Sterling (GBP).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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 except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into GBP at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.14 Finance costs

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

2.15 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

BRANDALLEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company and the Group operate and generate income.

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

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

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

2.17 Research and development

Expenditure on research and development is written off in the year in which it is incurred, except for those items relating to the IT systems referred to above.

2.18 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.19 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each Balance Sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each Balance Sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.20 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

BRANDALLEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.22 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

BRANDALLEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Stock Provisions

Stock comprises items subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provisions, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of goods for resale. See note 16 for the net carrying amount of the stock with associated provision.

Useful economic lives of tangible and intangible assets

The annual depreciation and amortisation charges for tangible and intangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 13 and 14 for the carrying amount of the intangible and tangible assets respectively, and notes 2.4 and 2.5 for the useful economic lives of intangible and tangible assets respectively.

Returns Provision

The Returns Provision comprises a provision for sales, based on the estimate of the calculated expected returns less the actual returns excluding provisions. These estimates are based on industry and the Company's own historic averages.

4. Turnover

The whole of the turnover is attributable to the principal activity of the business, being that of the retail of luxury fashion, accessories, homeware and beauty made available only to registered members at competitive discounts. BrandAlley runs flash sales of leading brands throughout the year and also has a permanent designer catalogue in its online outlet store.

The directors consider that the disclosure of turnover per geographic location is seriously prejudicial to the interests of the Group and the Company and have thus not disclosed this information.

5. Operating profit

The operating profit is stated after charging:

	2021 £000	2020 £000
Depreciation - owned assets	70	75
Intangible fixed assets amortisation	746	763
Auditor's remuneration	38	29
Foreign exchange differences	(85)	43
Other operating leases	329	499

BRANDALLEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

6. Auditors' remuneration

	2021 £000	2020 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>38</u>	<u>29</u>
Fees payable to the Group's auditor and its associates in respect of:		
Audit-related assurance services	36	27
Taxation compliance services	2	2
	<u>38</u>	<u>29</u>

7. Employees

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

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Wages and salaries	6,019	5,654	4,293	3,791
Social security costs	899	809	472	347
Cost of defined contribution scheme	435	354	332	255
	<u>7,353</u>	<u>6,817</u>	<u>5,097</u>	<u>4,393</u>

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

	Group 2021 No.	Group 2020 No.	Company 2021 No.	Company 2020 No.
Sales	79	71	58	53
Administration	72	67	52	43
	<u>151</u>	<u>138</u>	<u>110</u>	<u>96</u>

BRANDALLEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

8. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	33	32
Group contributions to defined contribution pension schemes	2	2
	<u>35</u>	<u>34</u>

During the year retirement benefits were accruing to 2 directors (2020 - 2) in respect of defined contribution pension schemes.

9. Interest receivable and similar income

	2021 £000	2020 £000
Other interest receivable	1	2
	<u>1</u>	<u>2</u>

10. Interest payable and similar charges

	2021 £000	2020 £000
Bank interest payable	-	18
Other loan interest payable	-	9
Other interest payable	54	171
	<u>54</u>	<u>198</u>

BRANDALLEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	<u>10</u>	<u>79</u>
Origination and reversal of timing differences	<u>721</u>	<u>406</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	<u>1,291</u>	<u>2,854</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	245	542
Effects of:		
Expenses not deductible for tax purposes	38	23
Depreciation for the year in excess of/(less than) capital allowances	-	1
Pension contributions	6	-
Inangible asset amortisation	140	-
Trade intangible fixed assets debits on capital items	(118)	-
Utilisation of tax losses	(301)	(487)
Deferred taxation	721	406
Total tax charge for the year	<u>731</u>	<u>485</u>

Factors that may affect future tax charges

The Company has £5,475,705 (2020: £9,270,849) of trading losses to carry forward and offset against future taxable trading profits. Deferred tax assets and liabilities have been calculated using the rate of 19%.

12. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £2,768,000 (2020 - £5,189,000).

BRANDALLEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. Intangible assets

Group

	Licences	IT system	Goodwill	Total
	£000	£000	£000	£000
Cost				
At 1 January 2021	10	4,742	2,368	7,120
Additions	3	532	4	539
At 31 December 2021	<u>13</u>	<u>5,274</u>	<u>2,372</u>	<u>7,659</u>
Amortisation				
At 1 January 2021	10	3,026	600	3,636
Charge for the year	-	526	220	746
At 31 December 2021	<u>10</u>	<u>3,552</u>	<u>820</u>	<u>4,382</u>
Net book value				
At 31 December 2021	<u>3</u>	<u>1,722</u>	<u>1,552</u>	<u>3,277</u>
At 31 December 2020	<u>-</u>	<u>1,716</u>	<u>1,768</u>	<u>3,484</u>

In the year ended 31 December 2019, additions were made to goodwill of £1,539,000, relating to the purchase of Cocosa Lifestyle Limited, and £162,000 relating to the purchase of the trade and assets by BrandAlley France SAS.

In the year ended 31 December 2020, the Company acquired the Lombok trademarks and related assets from Angora Retail Limited for consideration of £30,000, including related legal costs. The assets were all internally generated intangible assets inseparable from goodwill. As such, these assets cannot be attributed with an individual and distinguishable fair value.

BRANDALLEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. Intangible assets (continued)

Company

	Licences	IT system	Goodwill	Total
	£000	£000	£000	£000
Cost				
At 1 January 2021	10	4,627	2,206	6,843
Additions	3	532	4	539
At 31 December 2021	<u>13</u>	<u>5,159</u>	<u>2,210</u>	<u>7,382</u>
Amortisation				
At 1 January 2021	10	3,026	438	3,474
Charge for the year	-	518	220	738
At 31 December 2021	<u>10</u>	<u>3,544</u>	<u>658</u>	<u>4,212</u>
Net book value				
At 31 December 2021	<u>3</u>	<u>1,615</u>	<u>1,552</u>	<u>3,170</u>
At 31 December 2020	<u>-</u>	<u>1,601</u>	<u>1,768</u>	<u>3,369</u>

The IT System relates to the platform on which the online outlet store operates. Development costs are capitalised where the system is demonstrably improved.

BRANDALLEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14. Tangible fixed assets

Group

	IT systems £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost				
At 1 January 2021	1,239	351	126	1,716
Additions	-	-	29	29
Disposals	-	(2)	-	(2)
At 31 December 2021	<u>1,239</u>	<u>349</u>	<u>155</u>	<u>1,743</u>
Depreciation				
At 1 January 2021	1,239	191	102	1,532
Charge for the year	-	64	6	70
At 31 December 2021	<u>1,239</u>	<u>255</u>	<u>108</u>	<u>1,602</u>
Net book value				
At 31 December 2021	<u>-</u>	<u>94</u>	<u>47</u>	<u>141</u>
At 31 December 2020	<u>-</u>	<u>160</u>	<u>24</u>	<u>184</u>

BRANDALLEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14. Tangible fixed assets (continued)

Company

	IT Systems £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost				
At 1 January 2021	1,239	327	126	1,692
Additions	-	-	23	23
At 31 December 2021	<u>1,239</u>	<u>327</u>	<u>149</u>	<u>1,715</u>
Depreciation				
At 1 January 2021	1,239	180	102	1,521
Charge for the year	-	61	5	66
At 31 December 2021	<u>1,239</u>	<u>241</u>	<u>107</u>	<u>1,587</u>
Net book value				
At 31 December 2021	<u>-</u>	<u>86</u>	<u>42</u>	<u>128</u>
At 31 December 2020	<u>-</u>	<u>147</u>	<u>24</u>	<u>171</u>

BRANDALLEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

15. Fixed asset investments

Company

Investments in
subsidiary
companies
£000

Cost

At 1 January 2021 and 31 December 2021

1

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
BrandAlley France SAS	7 rue Paul Louis Courier 75007 Paris, France	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2021 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves £000	Profit/(Loss) £000
BrandAlley France SAS	(4,878)	(2,209)

16. Stocks

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Goods for resale	<u>12,535</u>	<u>8,354</u>	<u>10,906</u>	<u>6,990</u>

BRANDALLEY UK LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**
17. Debtors

	Group 2021 £000	<i>Group 2020 £000</i>	Company 2021 £000	<i>Company 2020 £000</i>
Due within one year				
Amounts owed by group undertakings	-	-	3,452	1,236
Other debtors	415	301	393	301
Prepayments and accrued income	713	1,105	568	781
Deferred taxation	1,058	1,779	1,058	1,779
	<u>2,186</u>	<u>3,185</u>	<u>5,471</u>	<u>4,097</u>

Amounts owed by group undertakings are unsecured, carry an interest rate of 2.87% (2020: 2.87%), have no fixed date of repayment and are repayable on demand.

18. Cash and cash equivalents

	Group 2021 £000	<i>Group 2020 £000</i>	Company 2021 £000	<i>Company 2020 £000</i>
Cash at bank and in hand	<u>7,893</u>	<u>18,463</u>	<u>7,702</u>	<u>18,082</u>

19. Creditors: Amounts falling due within one year

	Group 2021 £000	<i>Group 2020 £000</i>	Company 2021 £000	<i>Company 2020 £000</i>
Trade creditors	1,767	2,407	881	1,294
Corporation tax	10	79	10	79
Other taxation and social security	2,165	3,997	287	2,802
Other creditors	1,468	1,080	1,468	1,080
Accruals and deferred income	11,702	18,084	10,992	16,635
	<u>17,112</u>	<u>25,647</u>	<u>13,638</u>	<u>21,890</u>

In the prior year, other taxation and social security included VAT payable of £2,686,000 arising as a result of the UK Government's deferred VAT scheme. This liability was cleared during the current year.

The Company has a trade finance facility with HSBC with a limit of £2,000,000 (2020: £2,000,000), used to pay suppliers, and repayable within 90 days from the shipping date. This facility is secured by way of fixed and floating charges over the whole of the undertaking and assets of the Company.

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20. Financial instruments

	Group 2021 £000	<i>Group 2020 £000</i>	Company 2021 £000	<i>Company 2020 £000</i>
Financial assets				
Financial assets measured at fair value through profit or loss	<u>8,308</u>	<u>18,764</u>	<u>11,547</u>	<u>19,619</u>
Financial liabilities				
Other financial liabilities measured at fair value through profit or loss	<u>14,937</u>	<u>21,571</u>	<u>13,341</u>	<u>19,009</u>

Financial assets measured at amortised cost through the Statement of Comprehensive Income comprise other debtors and cash at bank and in hand. For the Company they also include amounts owed by group undertakings.

Other financial liabilities measured at amortised cost through the Statement of Comprehensive Income comprise trade creditors, other creditors, accruals and deferred income.

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21. Deferred taxation

Group

2021
£000

At beginning of year	1,779
Charged to profit or loss	(721)
At end of year	1,058

Company

2021
£000

At beginning of year	1,779
Charged to profit or loss	(721)
At end of year	1,058

The deferred tax asset is made up as follows:

Group	<i>Group</i>	Company	<i>Company</i>
2021	<i>2020</i>	2021	<i>2020</i>

	£000	£000	£000	£000
<i>Apache</i> Accelerated capital allowances	16	16	16	16
Tax losses carried forward	1,042	1,763	1,042	1,763
	<u>1,058</u>	<u>1,779</u>	<u>1,058</u>	<u>1,779</u>

The Group net deferred tax asset expected to reverse in 2022 is £506,000, and primarily relates to the utilisation of tax losses brought forward.

The Company net deferred tax asset expected to reverse in 2022 is £1,372,000, and primarily relates to the utilisation of tax losses brought forward.

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22. Provisions

Group

	Returns Provision £000
At 1 January 2021	462
Charged to profit or loss	4,075
Utilised in year	(3,902)
At 31 December 2021	635

Company

	Returns Provision £000	Total £000
At 1 January 2021	426	426
Charged to profit or loss	2,783	2,783
Utilised in year	(2,632)	(2,632)
At 31 December 2021	577	577

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23. Called up share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
666,898 (2019: 666,898) A Ordinary shares of £0.001000 each	1	1
1,806,955 (2019: 1,806,955) A Preferred shares of £0.000001 each	-	-
5,000 (2019: 5,000) B Ordinary shares of £0.100000 each	-	-
270,286 (2019: 270,286) Preferred shares of £0.001000 each	-	-
	<u>1</u>	<u>1</u>

The holders of the A Ordinary shares have rights to dividends and rights to vote.

Holders of Preferred shares are subject to the payment of a preferred dividend. The Preferred shares have a right to vote and a right to a preferred dividend of an equal amount to 10% of the original Preferred share subscription price and are non-redeemable.

The A Preferred shares and B Ordinary shares have no voting rights and are non-redeemable.

24. Share based payments

The Company has an Enterprise Management Incentive Share Option Scheme in place, under which three tranches have been granted. In all tranches the options lapse on termination of employment.

The first and third tranches of options have vesting conditions spread across 4 years from the date of grant, and vested options may be exercised at any point after vesting.

The terms of the second tranche of options are that shares vest in line with agreed performance targets over a specified vesting period, and that vested options may not be exercised before the occurrence of a specified exit event.

	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year	1	5,375
Granted during the year	50	25,000
Outstanding at the end of the year	<u>51</u>	<u>30,375</u>
		2021 £
Fair value at date of grant		
Equity-settled schemes		<u>12,554</u>

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25. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £332,000 (2020: £254,000).

26. Commitments under operating leases

At 31 December 2021 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £000	<i>Group 2020 £000</i>	Company 2021 £000	<i>Company 2020 £000</i>
Not later than 1 year	255	255	255	255
Later than 1 year and not later than 5 years	-	255	-	255
	<u>255</u>	<u>510</u>	<u>255</u>	<u>510</u>

27. Transactions with directors

Included in Other Debtors at the year-end is a balance of £205,000 (2020: £205,000) due from a director and shareholder of the Company. The amount is repayable within 12 months of the year-end.

28. Related party transactions

The Group has taken advantage of the exemptions in FRS 102, Section 33.1A in respect of disclosing transactions between wholly-owned members of a group. Amounts due at the year-end are disclosed in detail in note 17.

29. Controlling party

As at 31 December 2021 and 31 December 2020, M Feldmann, a director, held ultimate control over the Company by virtue of his shareholding.

