

Fat Face Limited

Annual Report & Financial Statements
Registered number 02954734
For the 52 weeks ended 27 May 2023



Company number: 02954734

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For the 52 weeks ended 27 May 2023

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Strategic Report

The Directors present their Strategic Report for the 52 week period ended 27 May 2023.

Principal Activities

"A modern, family, lifestyle brand that is Made for Life"

FatFace is a B Corp Certified, UK based lifestyle clothing brand, with a unique heritage, offering a wide range of high quality and affordable clothing, footwear and accessories for all the family. We are a highly relevant sustainable family lifestyle brand with strong customer engagement through both owned and partner distribution. Our customers are predominantly family-oriented women and men who are attracted by an active, casual outdoor lifestyle and we want them to love wearing our clothes. Our products are designed with purpose and built to last.

Business Review

Overview

Despite the external economic headwinds, the business has had an exceptional year with record sales. The store estate have exceeded expectations, whilst digital sales (inc partners) have continued to grow. As a result, revenue increased to £270.9m (2022: £234.9m). Managements main measure of profit and key performance indicator continues to be operating profit before interest, tax, depreciation, amortisation and impairment was £20.2m (2022: £8.9m), the improvement verses 2022 reflects the improved trade, but also shows a reduction in margin from input price pressures and inflation. Reduced fixed asset impairments and the change in the Group's transfer pricing policy reducing the royalty charge for the year has also had a positive impact on the Company's profit. Profit after tax for the period was £15.4m (2022: £5.2m). Increased profit has resulted in an increase of net assets to £25.6m (2022: £8.7m).

Digital

When we talk Digital, we mean our Own Channel Websites and our Digital Partners. The desire is to create a digital first business with a mix of at least 60%.

To accelerate our digital proposition, the team will drive continuous improvement to optimise on site experience and support digital self-service. Furthermore, we will enhance the delivery and fulfilment solutions through omni-channel capability.

Further growth will be achieved by partnering to sell product through third-party digital retailers. Alongside this, we will grow the digital marketing database and set clear plans to migrate users through customer segments and develop personalised online shopping experiences that leverage customer data.

Additionally, we will enhance our front-end design and develop the user journey with a mobile-first focus, showcasing our full product ranges and engaging our customers with inspiring brand content.

Our Partners have developed over the last 5 years, we now have a good network and strong pipeline of new business in the UK.

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Stores

We will remain an omnichannel retailer with stores continuing to play an important role in the success of our business.

Our UK stores remains the largest part of the business, there will be continued focus on operating profitable stores. The stores have a flexible lease portfolio (2.0 years on average to lease expiry or break option).

Opportunities to exit properties at the end of lease for tactical or strategic reasons are discussed and executed regularly, as well as converting rent terms to turnover where it proves economically attractive to do so.

Key Performance Indicators

A summary of the Company's other current KPIs are presented below:

	2023	2022
	(52 week period)	(52 week period)
Number of UK Full Price stores	180	193
Digital revenues as a % of total revenue	39.5%	38.8%
Website visits	42.8m	37.4m
Gross margin	57%	58%

Fat Face Limited remains an multichannel business despite the expectation that the stores segment will decline slightly over time. Digital revenues as a % of total revenue has increased slightly and remains strong with website visits increasing through focus on traffic growth in the period and investment in organic searches.

Principal Risks and Uncertainties

Being the main trading company of the Group, Fat Face Limited's principal risks and uncertainties are closely aligned to those of the Fulham Topco Limited, as outlined in the Fulham Parent Limited consolidated accounts. The consolidated financial statements of Fulham Parent Limited are available to the public and may be obtained from Unit 1- 3 Ridgway, Havant, PO9 1QJ.

The Group Board is responsible for identifying significant risks to the business and for ensuring that appropriate internal controls and risk management is in place to allow FatFace to achieve its strategic objectives.

The FatFace Audit Committee¹ monitors these risks via the risk register, with executive Directors and operational management delegated with the task of implementing these processes and reporting to the Committee on the outcome.

The risks and uncertainties described below represent those which the Directors consider to be the most significant to delivering the strategy. This list is not exhaustive and there may be additional risks and uncertainties, currently not known to the Directors or which the Directors believe to be less material, which may have an adverse effect on the Company:

¹ The role of the Audit Committee, which acts independent of management, includes monitoring the integrity of the financial statements, the adequacy and effectiveness of the Group's internal controls and risk management systems and the policies employed to mitigate risk across the organisation.

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Type	Issue	Potential Impact	Mitigation
Strategic Risks	Infrastructure	Any significant interruption in the activities of our distribution centre or administrative offices could be highly disruptive to the business and could result in a loss of revenue, data and inventory. This includes: <ul style="list-style-type: none"> - Cyber breaches - IT system failure - Changing technology 	<p>In January 2021 the business was a target of a cyber-attack, as such the business undertook significant works to improve controls and processes around the risk of phishing and malware attacks.</p> <p>Technology investments to upgrade or replace our web platform, integration hub and all data integrations have also significantly reduced future risk. The business has also completed a core system replacement project during the year. In addition, investment in additional resource for the Business Change and IT team will facilitate successful delivery and ongoing support of IT-related change projects.</p>
	Brand and reputational risk	<p>The strength of the FatFace brand and our reputation are fundamental to the business. There is a risk of damage to the brand by either our internal actions, the actions of external business partners, including unethical behaviour by suppliers, particularly around climate change, human rights, modern slavery or breaches of cyber security threatening the safety of customer data.</p> <p>Brand damage could cause severe and enduring reductions in revenue.</p>	<p>Management plans campaigns very carefully and have a proactive approach towards social media monitoring.</p> <p>Any negative publicity, such as customer complaints, is dealt with in a timely manner.</p> <p>All suppliers sign and agree to abide by the "FatFace Way of Life" which is our ethical code of conduct. An annual Sedex Members Ethical Trade Audit is followed up by FatFace's own verification audit. Any issues are highlighted, and a Corrective Action Plan (CAP) put together with the supplier for regular review. Furthermore, a sustainability update is provided at 2 of the 3 annual Audit Committee meetings.</p> <p>Once audited, all of our factories are graded Green, Amber, Red or Black according to our ethical code of conduct. It is FatFace's sourcing policy that no orders will be placed with a black graded factory. All other grades of factory have a Corrective Action Plan (CAP) in place that details the remediation of any issues found in the factory during the auditing process.</p> <p>The business is also committed to working with other retailers, suppliers, the government and other stakeholders, and to support customers collectively to deliver the retail industry's net zero ambition.</p>
	Fashion and design trends	As with all clothing retailers, there is a risk that our product will not satisfy the needs of our customers, resulting in excess inventory and reduced sales.	<p>We have a strong team in place to allow us to maintain a high level of market awareness and understanding of fashion and consumer trends to ensure that we can respond to changes in consumer needs.</p> <p>Our handwriting is established and while our offering includes items which reflect market trends, we execute this in a way that reflects our brand DNA, and this continues to be well received by our customers.</p>

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Type	Issue	Potential Impact	Mitigation
	Customer demand	There is a risk that with rising interest rates and cost of living crisis the business may see a reduction in customer demand resulting in a reduction in sales growth.	<p>The business has continued to monitor customer spend and costs.</p> <p>The business is reactive to the fluctuations in customer demand as and when required, and monitors cost closely.</p>
Operational Risks	Global Legal Compliance	Failure to react appropriately in the event of breach to legal compliance across all markets in which we operate, particularly around cyber security, GDPR, and evolving data laws in North America could result in financial penalties or reputational damage. Where required, management consult with advisors and compliance experts.	<p>Systems, policies and procedures are in place to safeguard against breaches in regulations.</p> <p>- Intellectual Property ("IP") - The Group has significant focus on the maintenance of its IP. All currently held trademarks are maintained on a database and a 3rd party system reviews all potential trademarks which are being proposed globally. The Group also reviews international trademarks well ahead of any new territory launch to ensure all relevant trademarks are obtained.</p> <p>- Payment Card Industry Data Security Standard ("PCI") - Credit Card details are not stored in any of our systems and are managed on our behalf by third parties. The third parties are PCI compliant.</p> <p>- Store processes - Retail Operations continue to update the operations manual as processes and procedures change.</p>
	Stock planning and demand forecasting	As a result of the cyber-attacked in January 2021 the merchandise financial planning system was decommissioned. This is a crucial tool for the merchandise team to control stock levels and forward buying commitment. The new system was completed in May 2023 which replaced the interim Excel solution.	<p>Inputs from various sources are gathered to inform buying decisions e.g. trend presentations, inspiration shopping, market awareness, historical sales analysis</p> <p>Stock and sales forecasting and on-going open-to-buy processes are in place to continually monitor forward commitment forecasts in line with anticipated sales performance.</p> <p>Weekly trading meetings are held to highlight under or over performance at department, category and line level to then drive corrective action if demand forecasting needs adjusting.</p> <p>Trends appearing in any season are reviewed to ensure these are reflected in all future collections.</p>

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Type	Issue	Potential Impact	Mitigation
Financial Risk	Input price pressure	Input prices are causing suppliers to increase their prices. The impact is a reduced margin if these increases are passed onto the Company without us being able to pass them onto the customer.	<p>There is a strong emphasis from the Board to continue to work with key suppliers to mitigate cost price rises and actively look to increase our intake margins.</p> <p>Cross costings (effectively procurement of key lines) is ongoing and will increase. Current suppliers are holding or lowering prices to maintain the business.</p> <p>Cotton and oil prices are tracked monthly by Management and are now back to pre-pandemic levels These are being closely monitored as they could present a future potential margin risk.</p>
	Liquidity risk	Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.	<p>The company monitors its working capital daily, forecasts its cash flow on a daily basis for approximately three months ahead and monthly for a year ahead.</p> <p>The company monitors monthly its exposure to banking covenants in order to ensure that there are no unforeseen liquidity problems.</p>
	Foreign exchange risk	Unfavourable fluctuations in exchange rates are causing purchases to become more expensive due to the company importing finished goods from overseas and settling in local currency	<p>The company has a treasury policy in place which manages the risk of foreign exchange fluctuations through foreign exchange forward contracts.</p> <p>Due to the variability of exchange rates, the company takes a succession of smaller contracts to benefit from day-to-day fluctuations in rates. These have been combined with upper and lower triggers in order to ensure that the company's exchange risk is still controlled.</p>

Section 172 Statement

This statement summarises how the Directors have exercised their duties with regard to the matters set out in section 172 (a to f) of the Companies Act 2006.

The objects of the Company are to promote the success of the Company:

- a) for the benefit of its members as a whole; and
- b) through its business and operations, to have a material positive impact on (i) society and (ii) the environment, taken as a whole.

Our Directors act in the way they consider, in good faith, most likely to promote the success of the Company in achieving its objectives, and in doing so shall have regard (amongst other matters) to:

- The likely consequences of any decision of the Directors in the long term and the impact any such decision may have on any affected stakeholders;
- The interests of the Company's employees;

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- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and environment and on affected stakeholders;
- The desirability of the Company maintaining a reputation for high standards of business conduct and the impact this has on affected stakeholders; and
- The need to act fairly between members of the Company.

Our stakeholders

The Board considers the interests of all key stakeholders in decision making and seeks to understand their interests via direct engagement by Directors, and receiving reports and updates from members of management who engage with such groups.

For the purposes of a Director's duty to act in the way they consider, in good faith, most likely to promote the success of the Company, our Directors do not regard the benefit of any particular Stakeholder Interest or group of Stakeholder Interests as more important than any other.

The Directors consider that the following are the Group's key stakeholders:

- Shareholders – Focused on building a strong brand that will generate value in the medium term.
- Our Crew – The strength of our business depends upon the hard work and dedication of our crew in our stores, distribution centre and head office.
- Our Customer - Passion for our customers is truly at the heart of everything we do, it is vital we continue to meet their needs.
- Being sustainable – We are committed to minimising and ultimately offsetting any detrimental effects our operations may have on the environment and evolving a sustainable future for the business.
- Our Suppliers - A strong, trusted, and transparent supply chain is integral to our success as a retailer.
- Regulation – We seek to build a cooperative relationship with regulatory bodies and maintain compliance with current legislation.

Stakeholder Group and Regulatory Considerations	Key board decisions	Considerations
Shareholders	<ul style="list-style-type: none"> • During the prior year, the Group operating debt was repaid, totalling £27m. The Group has successfully secured a £25m revolving credit facility, which has remained undrawn throughout the year, and remains undrawn as at 27th May 2023. 	The requirement to ensure that the Group has an appropriate level of debt and strong cashflow is important to deliver future growth.
Our Crew	<ul style="list-style-type: none"> • Without an engaged Crew, the FatFace business could lose some of its competitive advantage. • The importance of health, safety, and wellbeing of our crew is a key driver in business decisions. • Remote working continues to be a benefit, including enhanced and extended flexible working arrangements, upgraded IT equipment, and tools and support to assist with mental health. 	The commitment to our crew has been to ensure strong communication in what we are doing and ensuring they are fully engaged in the business goals and future looking strategy.

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Our Customers	<ul style="list-style-type: none"> The Board is focused on growing the Digital business by increasing customer engagement via websites and social media platforms. Improving our services offered to our customers by developing existing channels such as Order in Store to provide as much flexibility to our customers as possible. 	The need to service the customer in multiple channels will be important over the coming years, along with creating 'newness' in our product ranges.
Being Sustainable	<ul style="list-style-type: none"> FatFace is now a Certified B Corporation - a company verified by B Lab to meet high standards of social and environmental performance, transparency, and accountability. The Board have set stretching goals with the 2025 strategy. This will utilise the lessons we've learned so far and target our activity to areas of the business where we can have the greatest impact. Refer to the Sustainability section. 	The impact of business on the planet is a key consideration across all stakeholders.
Our Suppliers	<ul style="list-style-type: none"> We continued to work with our suppliers collaboratively to reach fair conclusions surrounding payments terms, and the maximisation of strong on-going relationships. Ongoing discussions with landlords around fair and equitable lease arrangements are being undertaken across the estate to reflect the change in the rental market. 	The requirement to balance the needs of the business with that of our suppliers has always been key to ensure that both parties achieve their desired outcome wherever possible.
Regulation	<ul style="list-style-type: none"> With the help of external advisors the Board is updated regularly on potential regulatory changes. Ongoing compliance with data protection is monitored and audited to remain compliant with Data Protection Laws. 	Non-compliance can impact stakeholders reputationally, legally and financially.

The report was approved by the Board on 5th October 2023

By order of the board:

Will Crumbie
William Crumbie
Director

Unit 3, Ridgway, Havant, Hampshire, PO9 1QJ

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Directors' Report

The Directors present their Directors' Report and the audited financial statements for the 52 week period ended 27 May 2023 (2022: 52 week period ended 28 May 2022).

Fat Face Limited is the main trading company in the Group of companies which was controlled by Fulham Topco Limited ('the Group') during the financial year, operating across the UK and from an Irish Branch.

Under S414C(11) of the Companies Act 2006 some of the matters normally included in the Directors' Report have instead been included in the Strategic Report and notes to the financial statements. Specifically these are:

- Risk management (page 3)
- Employee related matters are covered within the Section 172 Statement (page 7)

Corporate Governance

The Board has chosen to report the Company's corporate governance against the Wates Corporate Governance Principles for Large Private companies.

Principle	Page reference
1. An effective board develops and promotes the purpose of the company and ensures that its values, strategy and culture align.	Refer to page 10
2. Board composition – Effective board composition requires an effective chairman and a balance of skills, backgrounds and knowledge with individual Directors having sufficient capacity to make a valued contribution. The size of the board should be guided by the scale and complexity of the business.	Refer to page 10
3. Director responsibilities – The board and individual Directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.	Refer to page 10
4. Opportunity and risk – A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	Refer to principal risks section on pages 4 to 6
5. Remuneration – A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	Refer to page 10
6. Stakeholders – Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	See our Section 172 statement on pages 7 and 8 which maps out our stakeholders and the engagement with them during the year.

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Purpose and Leadership

FatFace's purpose is to offer a wide range of high-quality clothing, footwear, and accessories for all the family, that are designed with purpose and built to last. Further information can be found in the Strategic Report, detailing value and strategy.

The Board and Director Responsibilities

The Board takes a number of steps to ensure decision making has sufficient regard to key stakeholders, with a key focus on corporate governance and compliance.

The Group Board is made of Executive Directors, Non-Executive Directors, a Chairman, and key shareholder representatives.

The Board has scheduled meetings every month, where information on all key aspects of the business are discussed.

In addition, the Group has formed an Audit Committee. The Audit Committee responsibilities include overseeing the financial reporting and external audit process, along with reviewing risk management and internal controls. Audit Committee meetings are held three times a year, two of these meetings are attended by the Group's external auditors.

Opportunity and Risk

The key strategic, operational, and financial risks, along with the mitigations, are set out in the Strategic Report. The Audit Committee requires regular updates on these risks.

Remuneration

There is a Remuneration Committee in place, both Executive and Non-Executive Directors sit on the committee. The Committee recommends and approves all Director and senior management remuneration via a majority vote. The Chairman's salary is also approved by the Remuneration Committee on a fee basis.

Stakeholder Relationships and Engagement

Further information about the key stakeholder groups and how the Board consider these in relation to decision making, including values and engagement with the Crew, are set out within the Section 172 statement on page 9.

Inclusion, Equality and Diversity

We believe in promoting and driving inclusion, equality, and diversity within our workforce. We strive to create an environment free from prejudice, racism, sexism, harassment, bullying and any other form of marginalisation.

We acknowledge that in some circumstances, people need to be treated differently to provide meaningful equality of opportunity. This year we have worked with our managers to broaden their mindset and have run 'growth mindset' workshops in house alongside workshops to build awareness of the Equality Act and unconscious bias. We work with our managers daily to make the right people decisions for the right situations, ensuring we are creating a culture of inclusion and authenticity.

As well as the work we have done to raise awareness and support of the menopause, we have continued to grow our parent network. We have a parent 'Biscuit Club' once a month and invite anyone who is involved in the journey of parenthood to attend. We have also been able to build on

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our current family friendly policies and now provide a subsidy for any parents wanting to participate in pre-natal classes.

We have continued to celebrate Black History month and Pride this year. Our Pride campaign was called 'Proud of You, Proud of Me' and we celebrated our beautiful community by sharing their stories of pride.

Our policy continues to aim to ensure a full and fair consideration of applications for employment by the company made by disabled persons, having regard to their particular aptitudes and abilities. Opportunities for promotion, transfer or training and development are available to all staff on a fair and equal basis and appropriate training given for employees of the company who have become disabled persons during the period when they were employed by the company.

As a company we also continue to understand the diverse customer base and treat all equal through inclusive marketing and by using a diverse age, ethnicity and size range of models to reflect society as a whole. We are committed to show our models authentically and do not retouch the models' appearance in any way.

Wellbeing

We believe in promoting physical, mental, and financial wellbeing across all areas of our business. We are passionate about making a difference to our people and bringing wellbeing to the forefront of every day at work. We raise awareness and encourage a culture where wellbeing is an everyday conversation attempting to break down stereotypes and taboos that often surround this subject. This is supported by regular 1-to-1's and structured wellbeing objectives within the appraisal. We share preventative resources and signpost appropriately, ensuring we tailor our approach to what is needed.

Off the back of the success of last year, we have celebrated the following for a second year running.

- **Nutrition and Hydration Week:** we provided subsidised health food in our canteen to include smoothies, salads, energy balls every day. We also shared content raising awareness by email.
- **Mental Health Awareness Week:** external speakers invited in to hold workshops on two focus areas. Anxiety: educating, providing coping strategies and techniques. Stress: what it is, how it affects us and how we manage workplace stress.
- **Men's Health Week:** we invited external speakers to Head Office and shared content via email. This was about male health and also about how it is best to support the men in your life.

Engagement Survey

For a second year, we undertook our annual engagement survey in March 2023, seeking to build on our understanding gained in the previous year. We wanted to understand our colleagues' view on how they feel about working at FatFace, whether they understand the part they play and what could be improved.

Our participation score this year was 78%, which was a significant improvement on last year which was 66%. Our overall engagement score was 78% which was a slight improvement from last year which was 77%.

Some standout results from this year's survey were:

- 85% reported that they feel they can bring their true, authentic self to work.
- 84% reported that they are happy (and feel safe) with their work environment.

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- 83% reported to feel trusted to make decisions.
- 87% reported to have a good relationship with their manager.
- 85% reported that they are treated with respect.
- 86% felt committed to helping the organisation succeed.

As a result of this survey each department has reviewed team and culture strategy and produced three commitments to implement over the coming year. We plan to measure whether these have had the desired effect in a pulse survey in October and a further full engagement survey next March.

Community

The important charity work and fundraising that we manage through both FatFace and our Foundation has continued to grow healthily this year. The Foundation was founded in 2009 as a registered charity and separate legal entity with the aim of making a positive and enduring difference to the lives of people in communities where FatFace sources, manufactures, retails and distributes its products, and where we have our head office. Through the business and our Foundation, we pride ourselves in enabling our partners, chosen local charities, suppliers, customers and crew to make a difference to causes close to our hearts.

Charitable partners we have worked with this year include, Shelter, Marine Conservation Society, The Prince's Trust, Retail Trust and The British Red Cross.

Our approach to sustainability

B Corp Certification

In April 2023, FatFace was certified as a B Corp, joining a global community of over 7,000 businesses that meet high standards of social and environmental impact.

After undergoing the assessment and verification process, FatFace scored above the 80 point threshold and has been accepted into the B Corp community. This is a fantastic achievement for the brand and is recognition for the progress we're making against our sustainability agenda. We're proud to be counted among businesses that are leading a global movement for an inclusive, equitable, and regenerative economy.

Our Strategy

The journey to sustainability is ongoing, and it is one that FatFace is committed to. Our aim is clear: to make the most sustainable choices for our product, our planet and our community. This is the basis of our three-pillar strategy, which was created in 2020 with ambitious targets to achieve by 2025.

Product covers what we buy and where we buy it from. There are 3 main focuses; firstly, we want our product to be made using the most sustainable materials that we can source, choosing raw materials that have a lower impact than conventional options. Cotton is our predominant fibre (making up 66% of our collection) and 100% of our cotton is already obtained from more responsible sources, using a combination of organically grown cotton, recycled cotton and Better Cotton. By 2025 we will have expanded the scope of this activity to cover our next most commonly-used materials – polyester, viscose, leather and linen.

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The second focus is our responsible sourcing program - we only work with manufacturing partners who share our values. All our suppliers are required to deliver an annual ethical trade assessment for review and this information is used by our Responsible Sourcing team to continuously improve conditions in the supply base.

Lastly within the Product pillar of our strategy, we want to help our customers make their clothes last as long as possible, so we will offer care tips and other solutions to extend the life of our products and offer an end-of-life reuse option.

The **Planet** pillar looks to reduce our impact on the environment. By 2025, we will reduce our energy usage and move to renewable energy sources across our business. We will also be carbon neutral for our own operations for the next 5 years and beyond, reducing our emissions and offsetting our remaining carbon by investing in verified offsetting projects. Conscious of the resources that we use, we will aim to eliminate single use plastic and increase our recycling rates, making sure that nothing ends up in landfill.

Finally, in the **Communities** that we touch through our stores, DC, offices and suppliers, we will raise the equivalent of 1% of our profits for chosen charity partnerships and also donate our time to help good causes.

Streamline Energy and Carbon Reporting

The Company is included in the Streamline Energy and Carbon Reporting in the parent company, Fulham Parent Limited, consolidated accounts.

Proposed Dividend

The Directors do not recommend the payment of a dividend (2022: £nil).

Directors

The Directors who held office in the Company during the year were as follows:

William Crumie

Michael Rainer

The Company provides and has continued to provide subsequently to the year end Directors' and officers' insurance protection for all of the Directors of the companies in the Group.

Going Concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate.

Further information concerning the principal activities as well as the business risks is set out in the Strategic report.

The Group has use of a £25,000,000 revolving credit facility, which has remained undrawn throughout the year, and also remains undrawn as at the signing of these financial statements.

Going concern forecasts

The Company forms an integral part of the Fulham Parent Limited Group ("the Group or Fulham Group) and it is reliant upon the continuation of the wider Group, in particular covenant compliance

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on the new debt facilities where the entity acts as a guarantor. As such, in making the going concern assessment the Directors have considered the cash flow forecasts for the entire Fulham Group.

As at the date of approving these financial statements the market continues to face the impact of the cost-of-living crisis and rising inflation, more households are struggling to pay mortgages with higher interest rates, and the cost of basic essentials continue to increase. However, digital trading remains strong and continues to grow, and our stores continue to deliver positive contributions.

As part of the Group's going concern assessment, the Directors have prepared future forecasts, including cash flow forecasts for a period of 12 months from the date of approval of these financial statements. These indicate that the Group and company will have sufficient funds to meet its liabilities as they fall due for that period, there would be no breach of covenants and significant headroom exists at all test points.

The Directors believe the forecasts prepared are based upon reasonable assumptions including a phased level of ecommerce growth, and a slow decline in store performance as the market shifts to digital first. Overall company sales and profit grow steadily over the forecasts.

The Directors have performed stress testing of this conclusion by considering other scenarios and assumptions. Including a reduction in sales and profit growth and as a result of the current cost of living crisis. The stress tests continue to demonstrate that the Group and company will have funds to meet its liabilities as they fall due for that period.

Based on the significant level of headroom available to the Group, the Directors continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Grant Thornton UK LLP will therefore continue in office.

**The Directors' report was approved by the Board on
By order of the board:**

Will Crumbie

William Crumbie

Director

Unit 3, Ridgway, Havant, Hampshire, PO9 1QJ

Date: 5th October 2023

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Statement of Directors' Responsibilities in respect of the Strategic Report, The Directors' Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The Directors 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 auditor is aware of that information.
- The Directors are responsible for preparing the annual report in accordance with applicable law and regulations, the Directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair balanced and understandable.
- The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board:


William Crumbie
Director

Unit 3, Ridgway, Havant, Hampshire, PO9 1QJ

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Independent Auditor's Report to the members of Fat Face Limited**Opinion**

We have audited the financial statements of Fat Face Limited (the 'company') for the period from 29 May 2022 to 27 May 2023, which comprise Income Statement, Statement of Comprehensive Income, Statement of Financial Position, and Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 27 May 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the Directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the cost of living crisis and the war in Ukraine, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 5, 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

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preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the industry in which the company operates through our general commercial and sector experience, discussions with management and inspection of legal correspondence. We determined that the most significant are those that relate to the financial reporting frameworks (FRS 102 and Companies Act 2006) and the relevant tax regulations in the jurisdictions in which the company operates. In addition, we concluded that there are certain specific laws and regulations that may have an effect on the determination of amounts and disclosures in the financial statements and those laws and regulations relating to employee matters, environmental matters, data protection, and bribery and corruption practices.
- We enquired of management and those charged with governance, concerning the Company's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations; and the detection and response to the risks of fraud.
 - whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
 - evaluation of the programmes and controls established to address the risks related to irregularities and fraud;
 - challenging assumptions and judgments made by management in its significant accounting estimates, in particular, the valuation of the share based payment charge and the potential impairment of store assets;

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- identifying and testing journal entries, in particular material post close journals including elimination and consolidation journals, unusual posting combinations and manual adjustments to revenue, and entries determined to be large or relating to unusual transactions;
 - assessing the extend of compliance with relevant laws and regulations as part of our procedures in the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates;
 - understanding of the legal and regulatory requirements specific to the company including 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), the Companies Act 2006, and the relevant tax jurisdictions in which the company operates.
 - All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of entities of a similar size and complexity, appropriate to their role within the team.
- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential unusual account combinations within revenue; potential management bias in determining significant accounting estimates, and through management override of controls.
- We did not identify any matters relating to non-compliance with laws and regulation and fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
- the company's operations, including the nature of its revenue and its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- the company's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, the adequacy of procedures for authorisation of transactions,
- the applicable statutory provisions.

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

Use of our report

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

Grant Thornton uk LLP

Norman Armstrong FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton
Date: 5th October 2023

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Income Statement*for the 52 weeks ended 27 May 2023 (2022: 52 weeks ended 28 May 2022)*

	Note	Trading results £000	Exceptional items £000	2023 £000	Trading results £000	Exceptional items £000	2022 £000
Revenue	2	270,532	-	270,532	234,808	-	234,808
Other income	2	348	-	348	185	-	185
		270,880	-	270,880	234,993	-	234,993
Purchases and changes in inventories		(116,991)	-	(116,991)	(92,433)	-	(92,433)
Staff costs	4	(42,891)	-	(42,891)	(38,044)	-	(38,044)
Other trading expenses	3	(88,679)	(2,166)	(90,845)	(94,327)	(1,312)	(95,639)
Total trading expenses before depreciation, amortisation and impairment		(248,561)	(2,166)	(250,727)	(224,804)	(1,312)	(226,116)
Operating profit before interest, tax, depreciation, amortisation and impairment		22,319	(2,166)	20,153	10,189	(1,312)	8,877
Depreciation, amortisation and impairment	3	(1,214)	-	(1,214)	(3,079)	-	(3,079)
Operating profit/(loss)		21,105	(2,166)	18,939	7,110	(1,312)	5,798
Finance income	6	442	-	442	1,431	-	1,431
Finance cost	6	(562)	-	(562)	(886)	-	(886)
Net finance income/(cost)		(120)	-	(120)	545	-	545
Profit/(loss) before tax		20,985	(2,166)	18,819	7,655	(1,312)	6,343
Taxation	7	(3,868)	433	(3,435)	(1,412)	249	(1,163)
Profit/(loss) for the period		17,117	(1,733)	15,384	6,243	(1,321)	5,180

All of the Company's activities in the above periods are derived from continuing operations.

The notes on pages 25 to 45 are an integral part of these financial statements.

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Statement of Comprehensive Income*for the 52 weeks ended 27 May 2023 (2022: 52 weeks ended 28 May 2022)*

	Note	2023 £000	2022 £000
Profit / (Loss) for the period		<u>15,384</u>	<u>5,180</u>
Other comprehensive income		-	-
Total comprehensive income		<u>15,384</u>	<u>5,180</u>

The notes on pages 25 to 45 are an integral part of these financial statements.

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Statement of Financial Position*as at 27 May 2023 (2022: as at 28 May 2022)*

	Note	2023 £000	As restated 2022 £000
Non-current assets			
Tangible assets	8	5,180	5,603
Intangible assets	9	3,534	2,602
Deferred tax assets	10	3,408	5,157
		<u>12,122</u>	<u>13,362</u>
Current assets			
Inventories	11	42,317	42,525
Trade and other receivables	12	26,451	24,980
Cash and cash equivalents		15,501	8,844
Other financial assets	13	-	349
		<u>84,269</u>	<u>76,698</u>
Total assets		<u>96,391</u>	<u>90,060</u>
Current Liabilities			
Trade and other payables	14	(51,193)	(56,873)
Employee benefits	15	(219)	(175)
Provisions	16	(546)	(1,555)
Tax payables		(10,638)	(12,229)
Other financial liabilities	13	(304)	-
		<u>(62,900)</u>	<u>(70,826)</u>
Non-current Liabilities			
Other payables	14	(5,522)	(6,868)
Provisions	16	(2,350)	(3,706)
		<u>(7,872)</u>	<u>(10,574)</u>
Total liabilities		<u>(70,772)</u>	<u>(81,406)</u>
Net assets		<u>25,619</u>	<u>8,654</u>
Equity			
Share capital	17	300	300
Capital contribution reserve	17	190,488	188,907
Retained earnings		<u>(165,169)</u>	<u>(180,553)</u>
Total equity		<u>25,619</u>	<u>8,654</u>

The notes on pages 25 to 45 are an integral part of these financial statements. These financial statements were approved by the board of Directors on 5th October 2023 and were signed on its behalf by



Michael Rainer
Director

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Statement of Changes in Equity

	Note	Share capital £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
Balance at 29 May 2021		300	187,333	(185,733)	1,900
Profit for the period		-	-	5,180	5,180
Total comprehensive income for the period		-	-	5,180	5,180
Share based payments	23	-	1,574	-	1,574
Balance at 28 May 2022		300	188,907	(180,553)	8,654
Profit for the period		-	-	15,384	15,384
Total comprehensive income for the period		-	-	15,384	15,384
Share based payments	23	-	1,581	-	1,581
Balance at 27 May 2023		300	190,488	(165,169)	25,619

The notes on pages 25 to 45 form an integral part of these financial statements.

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Notes to the Financial Statements
(forming part of the Financial Statements)

1. Accounting policies

Fat Face Limited (the 'Company') is a company incorporated in England in the UK. The registered office is Unit 1- 3 Ridgway, Havant, PO9 1QJ. The company also operates branches in Ireland.

The Company financial statements have been prepared and approved by the Directors in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. An adapted format of the Income Statement and Statement of Financial Position has been used to provide greater clarity in its presentation.

The Company's parent undertaking, Fulham Parent Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Fulham Parent Limited are prepared in accordance with international accounting standards as adopted by the UK in conformity with the requirements of the Companies Act 2006 and are available to the public and may be obtained from Unit 1- 3 Ridgway, Havant, PO9 1QJ. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Fulham Parent Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share-based Payments; and,
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The preparation of financial statements requires management to exercise judgements in applying its accounting policies. It also involves the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The actual amounts may differ from the estimates.

There are no judgements made by the Directors in the application of these accounting policies that have a significant effect on the financial statements or estimates with a significant risk of material adjustment in the next year.

The following have been identified as areas that involve some degree of judgement but are not considered to be at significant risk of material adjustment within the next financial year:

- Accounting for the implementation of Software as a Services ("SaaS")

The following have been identified as areas that involve some degree of estimation but are not considered to be at significant risk of material adjustment within the next financial year:

- Assumptions for valuations used in impairment testing
- Inventory valuation and provision
- Provisioning for dilapidations and onerous leases
- The valuation used to calculate the share based payment charge

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Prior period restatement

The balance sheet as at 28th May 2022 has been restated to present the deferred tax asset as a Non-current asset.

Measurement convention

The financial statements are prepared on the historical cost basis with the exception of derivative financial instruments which are stated at their fair value.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Currencies

The Company uses Sterling as its presentational currency and all values have been rounded to the nearest thousand unless otherwise stated. The Company's functional currency is Sterling.

Classification of financial instruments

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- a) where the instrument includes no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments, or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability and where such an instrument takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account excludes amounts in relation to those shares.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate.

Further information concerning the principal activities as well as the business risks is set out in the Strategic report.

The Group has use of a £25,000,000 revolving credit facility, which has remained undrawn throughout the year, and also remains undrawn as at the signing of these financial statements.

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Going concern forecasts

The Company forms an integral part of the Fulham Parent Limited Group ("the Group or Fulham Group") and it is reliant upon the continuation of the wider Group, in particular covenant compliance on the new debt facilities where the entity acts as a guarantor. As such, in making the going concern assessment the Directors have considered the cash flow forecasts for the entire Fulham Group.

As at the date of approving these financial statements the market continues to face the impact of the cost-of-living crisis and rising inflation, more households are struggling to pay mortgages with higher interest rates, and the cost of basic essentials continue to increase. However, digital trading remains strong and continues to grow, and our stores continue to deliver positive contributions.

As part of the Group's going concern assessment, the Directors have prepared future forecasts, including cash flow forecasts for a period of 12 months from the date of approval of these financial statements. These indicate that the Group and company will have sufficient funds to meet its liabilities as they fall due for that period, there would be no breach of covenants and significant headroom exists at all test points.

The Directors believe the forecasts prepared are based upon reasonable assumptions including a phased level of ecommerce growth, and a slow decline in store performance as the market shifts to digital first. Overall company sales and profit grow steadily over the forecasts.

The Directors have performed stress testing of this conclusion by considering other scenarios and assumptions. Including a reduction in sales and profit growth and as a result of the current cost of living crisis. The stress tests continue to demonstrate that the Group and company will have funds to meet its liabilities as they fall due for that period.

Based on the significant level of headroom available to the Group, the Directors continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Basic financial instruments

Basic financial instruments comprise investment in equity and debt securities, trade and other receivables, cash and cash equivalents and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised at transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and include cash balances, credit card receipts and call deposits.

Trade and other payables

Trade and other payables are recognised initially at transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

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Other financial instruments*Other financial instruments*

Other financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. No hedge accounting has been applied.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes direct costs incurred in bringing assets into their present condition, including certain incremental labour costs.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over their estimated useful economic lives as follows:

<u>Asset Class</u>	<u>Depreciation Policy</u>
Short Leasehold land and buildings	Life of lease
<i>Equipment and fixtures:</i>	
Computer and communications equipment	3 years
Shopfit, fixtures and fittings, furniture, mannequins	5 years
Plant and machinery	4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Assets in the course of construction generally refers to expenditure on new stores not yet trading and are not yet depreciated. On-going refurbishment projects in respect of existing stores are charged directly into the appropriate asset categories.

Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Following the IFRIC agenda guidance, which in the absence of specific FRS102 guidance management consider to be a proxy, configuration and customisation costs of SaaS arrangements were identified and assessed to determine if the company has control of the software. For those arrangements where there is no control of the developed software by the company, to the extent that the services were performed by third parties, the company does not capitalise an intangible asset.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

<u>Asset Class</u>	<u>Amortisation policy</u>
Software and Licences	3-5 years

The basis for choosing these useful lives is justified by the average life of the expected technological benefit of the asset.

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The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Provisions are made for obsolescence, mark-downs and shrinkage.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would

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have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability unless and until it becomes probable that the Company will be required to make a payment under the guarantee.

Employee benefits*Defined contribution plan*

The Company operates a defined contribution pension plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Revenue

Revenue represents the invoiced amounts of goods sold during the period, stated net of value added tax.

Store and ecommerce revenue

Revenue arising from store sales and ecommerce sales should be recognised at the point in time when control of the asset is transferred to the customer i.e. at the point of customer checkout, and on customer receipt of goods.

It is the company's policy to sell its products to the customer with a right to exchange or full refund within 28 days. Provisions are made for returns based on the expected level of returns. Refund liabilities in existence at the balance sheet date are expected to be utilised within 12 months, the provision is recalculated at each balance sheet date taking into account recent sales and anticipated level of returns.

Funds for goods purchased at checkout online are deferred, being held on the balance sheet and released a few days later to the income statement when the goods have been delivered to the customer, at which point, the performance obligation has been satisfied.

Sale or Return revenue

Revenue arising from sale or return represents the fair value of consideration receivable of goods sold during the period, stated net of value added tax and after any concession fees. This is a consignment arrangement and revenue is recognised once the goods are transferred to the end consumer.

Gift cards and e-vouchers

Revenue arising from the sale of gift vouchers and gift cards is deferred and recognised at the point of redemption. Breakage is assumed based on past customer behaviour.

Wholesale revenue

Revenue arising from wholesale is recognised when the risks and rewards have transferred subject to settlement discounts. Risks and rewards are considered to have been transferred when goods are delivered to the retail customer.

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Royalty income

Royalties on licensed products are recognised based on sales statements received from product license partners, to reflect delivery of the product, typically invoiced quarterly.

Other income

Other income represent royalty income, rent receivable and other ad-hoc receipts which are recognised at the point of invoice or claim.

Expenses*Changes in inventories of finished goods*

Cost of inventories recognised as an expense represents variable expenses (excluding VAT and similar taxes) incurred from revenue generating activity. Product sold by the Company is the principal expense included under this category.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and are therefore also recognised on a straight-line basis over the term of the lease.

Net finance income/(costs)

Net finance costs comprise interest payable, interest receivable on funds invested and foreign exchange gains and losses that are recognised in the income statement. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method

Exceptional items

Exceptional items comprise of material items of income and expense which are not considered to be part of the normal operations of the Company, these include one off projects that are unusual and non-recurring. These are separately disclosed on the face of the income statement in arriving at operating profit to assist with the understanding of the financial statements separating them from the underlying performance of the business

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that the Company will be required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Dilapidation provisions are recorded where landlords' assets have been consumed or damaged during a lease and a cost is anticipated to be incurred in restoring these assets.

Asset retirement provisions are recorded at the outset of a lease when company assets are installed in a landlord's premises and a material cost is anticipated to remove them at the end of the lease term. Such provisions are calculated based on the anticipated cost of removal today, as adjusted for expected inflation over the lease term, with these cash flows being discounted to result in the provision. Changes in the estimate of the gross cost of removing assets are capitalised into plant, property and equipment.

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Onerous lease provisions are recorded where the unavoidable costs of a lease exceed the economic benefit expected to be received from it after considering mitigating actions. A provision is made for the present value of the lower of the obligations under the lease or the forecasted future losses.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following timing differences are not provided for:

- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Taxation is recognised directly in Other Comprehensive Income when the taxable items are accounted for there

2. Revenue and other income

	2023	2022
	£000	£000
Sale of goods	270,374	233,757
Franchise fee	-	878
Rent receivables	158	173
Royalties	136	125
Other income	212	60
	<u>270,880</u>	<u>234,993</u>

In the year the Group revised its transfer pricing policy resulting in a reduction in the franchise fee and reclassification as a group support charge.

Revenue by geographical location	2023	2022
	£000	£000
United Kingdom	257,507	225,749
United States of America	8,739	5,371
Republic of Ireland	4,634	3,813
	<u>270,880</u>	<u>234,993</u>

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3. Expenses, exceptional items and Auditor's Remuneration

Included in the profit for the period are the following exceptional items:

	2023 £000	2022 £000
Other operating expenses:		
Microsoft D365 – finance and order management system implementation	-	16
Microsoft D365 – till system implementation	-	138
Microsoft D365 – stock system implementation	1,953	1,158
Microsoft D365 – Canadian till system implementation	213	-
Exceptional items included within operating profit	<u>2,166</u>	<u>1,312</u>
Exceptional items before income tax	<u>2,166</u>	<u>1,312</u>
Exceptional items income tax (credit)	<u>(433)</u>	<u>(249)</u>
Exceptional items for the period	<u>1,733</u>	<u>1,063</u>

	2023 £000	2022 £000
Other operating expenses – before exceptional items		
Carriage and packaging	9,919	7,772
Property costs	24,744	26,600
Other trading expenses (pre-exceptional items)	54,016	59,955
Total other trading expenses (pre-exceptional items)	<u>88,679</u>	<u>94,327</u>

Other charges/(credits):

Inventories loss recognised as an expense in the period	-	732
Depreciation of tangible assets (note 9)	1,981	3,447
Impairment of tangible assets (note 9)	2	194
(Profit)/loss on disposal of tangible fixed assets (note 9)	(10)	(227)
Amortisation (note 10)	<u>964</u>	<u>1,217</u>

	2023 £000	2022 £000
Auditor's Remuneration:		
Audit of these financial statements	<u>155</u>	<u>171</u>

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4. Staff Numbers and Costs

The average number of persons employed by the Company, including Directors, during the period, analysed by category was as follows:

	2023	2022
Fat Base (Head Office)	270	247
Distribution centre	196	150
Stores	1,856	1,843
Total	2,322	2,240

The aggregate payroll costs of these persons were as follows:

	2023	2022
	£000	£000
Wages and salaries	37,760	33,361
Social security costs	2,593	2,244
Other pension costs	784	695
Healthcare costs	173	170
Share based payments (see note 23)	1,581	1,574
Total	42,891	38,044

5. Director's Emoluments

Directors' emoluments on behalf of the Company are as follows:

	2023	2022
	£000	£000
Directors' emoluments	905	1,293
Company contributions to defined contribution pension plans	12	12
Total	917	1,305

The aggregate of emoluments excluding share based payments of the highest paid Director was £468,000 (2022: £570,000) and company pension contributions of £nil (2022: £nil) were made a defined contribution scheme on their behalf.

Shares held in a parent company Fulham Parent Limited were issued to the Directors in the prior year. The highest paid Director holds 270 B shares.

	Number of Directors 2023	2022
Retirement benefits are accruing to the following number of Directors under defined contribution benefit plans:	1	1

The amount accrued in respect of Directors' pensions at 27 May 2023 was £1,000 (2022: £2,000).

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6. Finance Income and Costs

	2023	2022
	£000	£000
Net foreign exchange gain	199	215
Other group companies	243	1,216
Finance income	442	1,431
Bank interest expense	-	41
Other group companies	562	845
Finance cost	562	886

In accordance with the Group's transfer pricing policy, interest on group balances is charged at 3.25% (2022: 3.25%)

7. Taxation**Recognised in the income statement**

	2023	2022
	£000	£000
<i>Current tax expense</i>		
Current year	2,266	(244)
Adjustments for prior years	(580)	66
Total current tax	1,686	(178)

	2023	2022
	£000	£000
<i>Deferred tax expense</i>		
Current year	845	1,548
Adjustments in respect of previous periods	728	(502)
Deferred tax rate change	176	295
Total deferred tax	1,749	1,341

Total tax in income statement	3,435	1,163
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	£000	£000
Profit/(loss) before tax	18,819	6,343

Tax using the UK corporation tax rate of 20.00% (2022: 19.00%)	3,764	1,205
Non-deductible expenses	39	(105)
Deferred tax not recognised	(522)	-
Over provided in prior years	148	(437)
Share based payments expense	(170)	204
Rate difference on deferred tax	176	296

Total tax in income statement	3,435	1,163
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Factors affecting the tax expense in the year

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset/liability at 27 May 2023 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary/timing differences.

8. Tangible assets

	Short leasehold land and buildings £000	Equipment and fixtures £000	Assets under the course of construction	Motor vehicles £000	Total £000
Cost					
Balance at 28 May 2022	5,394	85,612	-	73	91,079
Additions	260	1,242	90	-	1,592
Disposals	(233)	(1,465)	-	-	(1,698)
Remeasurement ²	-	(399)	-	-	(399)
Balance at 27 May 2023	5,421	84,990	90	73	90,574
Depreciation and impairment					
Balance at 28 May 2022	(3,919)	(81,485)	-	(73)	(85,477)
Depreciation charge for the period	(371)	(1,219)	-	-	(1,590)
Impairment	-	(2)	-	-	(2)
Disposals	212	1,464	-	-	1,675
Balance at 27 May 2023	(4,079)	(81,242)	-	(73)	(85,394)
At 28 May 2022	1,475	4,128	-	-	5,603
At 27 May 2023	1,342	3,748	90	-	5,180

Cost includes direct costs incurred in bringing assets into their present condition, including certain incremental labour costs.

Impairment testing

The Company's management has reviewed the carrying value of property plant and equipment ("PPE") for possible impairment based on the lowest level at which its performance can be monitored. This may be at individual cash generating units ("CGUs") or groupings of CGUs. The Group has determined its PPE can be monitored on an individual store level.

The process of impairment testing is intended to estimate the recoverable amount of an asset and recognise an impairment loss whenever the carrying amount of an asset exceeds the recoverable amount.

² A review of the Distribution Centre Asset Retirement Obligation has been carried out during the period, this has resulted in a remeasurement of the previous estimate.

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The Company conducts impairment testing on PPE annually to determine whether there is any indication of impairment.

After reviewing the trade of individual stores and comparing the discounted future cash flows of these with the assets held within each store it was determined that an impairment should be recognised of £2,000 (2022: £194,000) due to the forecast value in use of a number of stores being lower than the assets carrying amount. There has been £nil (2022: £nil) impairments reversed.

Key assumptions*Income stream forecasts*

Cashflow forecasts derived from the Business Plan cover the shorter of five years or the lease expiry or break date, starting from the end of the current financial year. No perpetuity growth rate has been applied to the store CGUs.

Cost growth forecasts

Costs are assumed to grow in line with assumed inflation based on market information, including Government budgets, as well as a reasonable increase in costs to support the continued expansion.

Discount rate

The Company has assessed a post tax weighted average cost of capital (WACC) of 12.95% (2022: 11.13%) and applied this to post tax cashflows for the purposes of impairment testing. The equivalent pre-tax WACC is 16.48% (2022: 13.99%). WACC has been estimated based on market data and an assessment of the inherent risks in the forecasts for the Company.

Changes to these estimates and assumptions could materially impact the fair value estimates and as such, sensitivities around these are carried out.

Sensitivity

As part of the impairment review management considered reasonably possible changes in key assumptions. Sensitivity analysis has been performed on the key assumptions, as at the 27 May 2023 these indicated sufficient head room (2022: sufficient headroom indicated).

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9. Intangible Assets

	Software £000
Cost	
Balance at 28 May 2022	9,566
Additions during this period	1,896
Disposals during this period	(3,603)
Balance at 27 May 2023	<u>7,859</u>
Amortisation and Impairment	
Balance at 28 May 2022	(6,964)
Amortisation for the period	(964)
Disposals	3,603
Balance at 27 May 2023	<u>(4,325)</u>
Net book value	
At 28 May 2022	<u>2,602</u>
At 27 May 2023	<u>3,534</u>

10. Deferred Tax Assets and Liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributed to the following:

	Assets 2023 £000	Assets 2022 £000	Liabilities 2023 £000	Liabilities 2022 £000	Net 2023 £000	Net 2022 £000
Property, plant and equipment	(2,546)	(3,479)	-	-	(2,546)	(3,479)
Accruals and provisions	(862)	(38)	-	-	(862)	(38)
Losses	-	(1,640)	-	-	-	(1,640)
Tax (assets)/liabilities	<u>(3,408)</u>	<u>(5,157)</u>	<u>-</u>	<u>-</u>	<u>(3,408)</u>	<u>(5,157)</u>
Net of tax (assets)/liabilities	-	-	-	-	-	-
Net tax (assets)/liabilities	<u>(3,408)</u>	<u>(5,157)</u>	<u>-</u>	<u>-</u>	<u>(3,408)</u>	<u>(5,157)</u>

Movement in deferred tax during the year	28 May 2022 £000	Recognised in income £000	Recognised in equity £000	27 May 2023 £000
Property, plant and equipment	(3,479)	933	-	(2,546)
Accruals and provisions	(38)	(824)	-	(862)
Losses	(1,640)	1,640	-	-
	<u>(5,157)</u>	<u>1,749</u>	<u>-</u>	<u>(3,408)</u>

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Movement in deferred tax during the prior year	29 May 2021	Recognised in income	Recognised in equity	28 May 2022
	£000	£000	£000	£000
Property, plant and equipment	(3,089)	(390)	-	(3,479)
Accruals and provisions	(1,330)	1,292	-	(38)
Losses	(2,079)	439	-	(1,640)
	<u>(3,378)</u>	<u>(3,120)</u>	<u>-</u>	<u>(6,498)</u>

Deferred tax balances expected to reverse within one year of the balance sheet date amount to £144,000 (2022: £724,000 (in respect of capital allowances and other tax items.))

11. Inventories

	2023 £000	2022 £000
Finished goods and goods for resale	<u>42,317</u>	<u>42,525</u>

All inventories are expected to be sold within 12 months.

Inventory provision comprise amounts in respect of inventories expected to be sold at less than cost price, together with an estimate of inventory shrinkage. The provision was £4,078,000 at 27 May 2023 (2022: £5,206,000), this is calculated by analysing stock by season with aged categories holding a higher provision percentage as these lines are more likely to be terminalised. The value of inventories expected to be sold at less than cost price is determined based on historical costs, current sales prices including discounts, current wholesale arrangements, together with volumes held. The estimate of inventory shrinkage is calculated based on historic data of levels of inventory adjustments not recognised through the stock take process.

12. Trade and Other Receivables

	2023 £000	2022 £000
Amounts due from Group companies	16,571	13,759
Prepayments	6,304	7,586
Other receivables	691	648
Trade receivables	<u>2,885</u>	<u>2,987</u>
	<u>26,451</u>	<u>24,980</u>

All group receivables are recoverable on demand. Management has analysed forecast future cash flows of the Group, and as a result no impairment was deemed necessary.

Included within trade receivables is £27,000 (2022 £12,000) owed from related parties.

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13. Other Financial Assets and Financial Liabilities

	2023	2022
	£000	£000
Current derivative financial assets / (liabilities)		
Foreign currency derivatives classified as other financial assets/(liabilities)	(304)	349
	<u> </u>	<u> </u>

14. Trade and Other Payables

	2023	2022
	£000	£000
Current		
Amounts due to Group companies	13,840	12,302
Trade payables	20,714	27,781
Deferred revenue	3,427	2,714
Accrued rent	3,782	5,185
Non-trade payables and accrued expenses	9,430	8,890
	<u>51,193</u>	<u>56,873</u>
Non-Current		
Accrued expenses	2,017	2,001
Deferred lease incentives	3,505	4,867
	<u>5,522</u>	<u>6,868</u>

Amounts due to Group companies are payable on demand and expected to be settled within 12 months.

15. Employee Benefits**Defined contributions plan**

The Company operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £219,000 (2022: £695,000).

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16. Provisions

	Onerous lease provision	Asset retirement and Dilapidation provision	Total
	£000	£000	£000
Balance at 28 May 2022	1,690	3,570	5,260
Provision utilised during the year	-	(808)	(808)
Provision released during the year	(1,571)	(2,553)	(4,124)
Provision created during the year	337	2,231	2,568
Balance at 27 May 2023	456	2,440	2,896
2023			
Current	140	406	546
Non-current	316	2,034	2,350
2022			
Current	851	703	1,555
Non-current	840	2,867	3,706

Where the Company will no longer trade from a leased property, either due to the lease expiring or as a result of other considerations, a review is carried out to determine whether a dilapidations provision is required. An asset retirement and dilapidation provision are made to cover the cost of returning properties to the condition required by the lease upon exit from the lease. A dilapidations provision is based on management's assessment of the store relocation programme and the current state of properties in the Company's portfolio.

Onerous lease provisions are recorded where the unavoidable costs of a lease exceed the economic benefit expected to be received from it. A provision is made for the present value of the lower of the obligations under the lease or the forecasted future losses (calculated using the discounted cashflow method, for key assumptions, see note 8).

Onerous lease and dilapidation provisions are reviewed on a lease by lease basis.

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17. Capital and Reserves**Share Capital****In thousands of shares**

	Ordinary Shares 2023	Ordinary Shares 2022
On issue at period end - fully paid	300	300
	2023 £000	2022 £000
Allotted, called up and fully paid		
300,000 Ordinary shares of £1 each	300	300
Shares classified in equity	300	300

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company.

Capital contribution reserve

The capital contribution reserve movement in the current and prior year arises from deemed contributions received in relation to share-based payment schemes with a corresponding charge through the Income Statement.

The capital contribution in previous years arose from a debt for equity swap where the company's parent entity Fulham Parent Limited novated £164,599,000 of the company's liabilities.

Dividends declared and paid

The Directors are not proposing a dividend in respect of the period ended 27 May 2023 (2022: £nil).

18. Financial instruments*18 (a) Carrying amount of financial instruments measured at fair value*

The carrying amounts of financial assets and (liabilities) measured at fair value include:

	2023 £000	2022 £000
Foreign currency derivatives classified as other financial assets/ (liabilities)	(304)	350

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As at 27 May 2023, the Company had fixed forward contracts in place in respect of \$30,000,000 expiring by April 2024 with a fair value loss of £653,000 (2022: £349,000 gain) based on the period end US/GBP rate of \$1.23/£1 (2022: \$1.26/£1).

18 (b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of forward foreign exchange contracts is estimated by reference to the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

18 (c) Guarantees

The Company is an obligor and joint guarantor of the Group's banking facilities held in the name of a fellow Group company, FatFace Group Borrowings Limited. The undrawn balance of the facility is £25,000,000 and the values of those facilities at the reporting date are shown below:

At 28 May 2022	Currency	Nominal interest rate Cash paid	Payment in Kind	Year of final maturity	Carrying amount
					£000
Revolving Credit Facility	£	SONIA+3.10%	-	2027	-
					-

At 27 May 2023	Currency	Nominal interest rate Cash paid	Payment in Kind	Year of final maturity	Carrying amount
					£000
Revolving Credit Facility	£	SONIA+2.95%	-	2027	-
					-

19. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2023 £000	2022 £000
Less than one year	19,246	21,921
Between one and five years	29,887	36,750
More than five years	5,277	7,886
	<u>54,410</u>	<u>66,557</u>

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During the year £20,010,000 (2022: £20,331,000) was recognised as an expense in the profit and loss account in respect of operating leases.

20. Capital Commitments and Contingent Liabilities

Capital Commitments

At 27 May 2023, the Company had entered into contracts to open new stores and develop the Group's IT infrastructure, which will require estimated capital expenditure of £506,000 (28 May 2022: £2,963,000).

Contingent Liabilities

As detailed in the 29th May 2021 Annual Report, on 22nd March 2021, FatFace notified a number of its employees (current and former) and customers that it had been the target of a cyber-attack from a highly sophisticated unauthorised third party.

The Information Commissioner's Office (ICO) opened an investigation into the cyber incident, and FatFace is fully cooperating with the ICO's investigation. The ICO communicated a provisional decision to the Group on 04 November 2022 concluding there would be no penalty or enforcement action. Separately, a number of claimant law firms have sent letters of claim to FatFace on behalf of a variety of customers, employees and former employees. Given the recent judgements in this area (including Lloyd vs Google), FatFace will continue to robustly defend any claims. The likely eventual outcome and potential impact on FatFace of the claims, are subject to a number of significant uncertainties, and therefore, FatFace is unable to assess the likely outcome, timing or quantum of the claims as at the date of these financial statements.

Accordingly, there is no provision in these financial statements for any liability that may arise in relation to the above.

22. Employee benefits

Share-based payments

Equity settled share awards

Within the consolidated financial statements, the fair value of shares granted is recognised as an employee expense (a share-based payment) with a corresponding increase in equity. The fair value of share grants is measured at the date of grant to the employee. The share based payment charge is then charged to the entity in which the services are rendered through a capital contribution.

The fair value of the shares is measured using a Monte Carlo model, taking into account the terms and conditions upon which the shares were granted. The market value of the business is principally derived from discounted cash flow techniques, which are based on management's latest projections, growth rates and discount rates as applied to the calculated free cash flows. The resulting fair value is then allocated over a vesting period to the anticipated exit date. Management estimated the anticipated exit date at the time the shares were granted.

970 B shares were issued in the prior year in Fulham Parent Limited to incentivise management, these are all held by key management personnel. This created an associated equity-based charge.

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The total share-based payment charge in the period for the equity settled awards was £1,581,000 (2022: £1,574,000), this was charged to the income statement.

23. Related party transactions

Outside of Directors remuneration (see note 5) there are no related party transactions with the Company's Directors and connected parties that require disclosure.

The Company has taken advantage of the exemption contained in FRS 102 paragraph 33.1a not to disclose transactions entered into between wholly owned group members.

24. Ultimate Parent Company and Parent Company of Larger Group

The Company is a subsidiary undertaking of FatFace Holdings Limited. The ultimate controlling party is Fulham Topco Limited.

The largest group in which the results of the Company are consolidated is that headed by Fulham Topco Limited, 47 Esplanade, St Helier, Jersey, JE1 0BD. The smallest group in which they are consolidated is that headed by Fulham Parent Limited, Unit 1- 3 Ridgway, Havant, PO9 1QJ. The consolidated financial statements of these groups are available to the public and may be obtained from Unit 1- 3 Ridgway, Havant, PO9 1QJ.