

Threads Styling Ltd

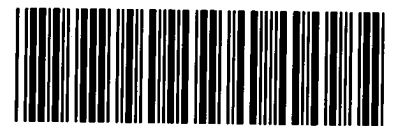
Annual Report and Financial Statements

Year Ended

31 December 2022

Company Number 07093672

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Threads Styling Ltd

Report and financial statements for the year ended 31 December 2022

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Directors

Sophie Hill
Thomas Spurgeon
Michael Chalhoub
Miguel Calello
Antonio Corso

Secretary and registered office

Telephone House
69 Paul St,
London,
EC2A 4NG

Company number

07093672

Auditors

Mazars LLP, 30 Old Bailey, London, EC4M 7AU

Threads Styling Ltd

Strategic report for the year ended 31 December 2022

The Director's present their strategic report for the year ended 31 December 2022.

Principal activities

Threads is a luxury fashion retailer, providing exceptional levels of service to high-net-worth individuals on a personalised basis through social media and ecommerce channels.

Financial headlines and Key Performance Indicators

- Sales of £54,494,000 exceeded prior year by £8,602,000 (+19%)
- Underlying EBITDA loss of £13,048,279 increased by £4,590,667 from 2021 (54%) due to increased investment in people and marketing and reflects a period that included significant corporate activity and distraction.

Key strategic developments

The key strategic developments of the Group ("Threads") related to the year are as follows:

- A period of consolidation of operations, following the scaling up undertaken in 2021
- Further investment in marketing and associated sales costs to drive continuing sales growth against challenging market conditions
- Strong year on year sales growth achieved for US based operations with sales more than doubling
- Utilisation of debt funding to support business operations in the first 9 months of the year
- On 27 September 2022, Chalhoub Group, a Middle East based luxury fashion retail group, acquired a majority stake in Threads through the acquisition of existing investor shares, refinancing of existing debt and new equity investment to support Threads' next stage of growth

Threads Styling Ltd

Strategic report
for the year ended 31 December 2022 (*continued*)

Principal risks and uncertainties

Risk	Mitigating activities
Reputational risk arising from inadequate products or substandard service	<p>Threads operates with reputable and trusted suppliers and inspects all products passing through its logistics hubs prior to dispatch.</p> <p>The Group prides itself on providing exceptional customer service. Staff training programs are run for its shopper teams and performance closely monitored across all areas of customer service.</p>
Technological risk due to reliance on third party platforms	<p>Threads invests heavily in maintaining an exceptional technology team to develop and maintain its internal technology applications and limits its external technological risk by only using market leading partners such as Instagram, WhatsApp, Slack, Tableau and Netsuite.</p>
People risk due to reliance on key staff	<p>Significant staff investment was made in the prior year, both to continue to build out the executive team and to increase the depth of knowledge and experience across the broader management team, suitable for continued expansion of the business and to mitigate reliance on individual team members.</p>
Supply chain risk due to supplier or carrier failure	<p>The Brands team continue to focus on acquiring new suppliers to increase the breadth of supply and developing existing relationships to deliver more favourable terms in light of continued growth.</p> <p>Threads has good working relationships with our range of carriers which enables flexible and timely responses to client needs. Market leading carriers are used including specialised high-value carriers for deliveries over certain thresholds.</p>
Liquidity risk arising from working capital commitments and debt financing repayments	<p>The Group mitigates liquidity risk thorough favourable working capital flows including utilising supplier terms and obtaining customer funds upfront.</p> <p>Threads is financed and supported by its parent company, Chalhoub Group, a substantial Middle Eastern based luxury fashion group.</p>
Risk arising from external market factors	<p>The Group took action to mitigate the impact of Brexit and now operates regional distribution activities locally within the European Union to facilitate continued growth.</p> <p>Following the Russian invasion of Ukraine, there has been minimal impact for the Group given its limited number of Russian customers and suppliers. The Board ensures full compliance with sanctions.</p> <p>COVID-19 restrictions are monitored across relevant markets to be able to react swiftly to any resurgence and restrictions that may occur. Internal policies are regularly reviewed to support staff safety.</p>
Financial risk arising from foreign exchange	<p>The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency, and on an underlying entity basis to match the currency in which revenue is generated and expenses are incurred. See the Directors Report for further details on foreign exchange mitigating activities.</p>

Threads Styling Ltd

Strategic report for the year ended 31 December 2022 (*continued*)

Current position and outlook

Threads saw another year of growth in sales during 2022 (+19%) in the face of challenging market conditions, supported by the scaling up in operations undertaken in the prior year. The increase in underlying EBITDA loss for 2022 to £13,048,279 reflects slower progress than anticipated in migrating sales to higher margin categories, and the investment made in operations and marketing spend.

During the first nine months of 2022 the company raised funds via convertible loans totalling £4.7m and drew down a further £3.5m from its existing loan provider, enabling continued build of its infrastructure and successful sales growth, most notably through successful focus on the US market. Threads launched its first trial e-commerce website in February 2022 with a limited number of products, and testing continued throughout 2022. Alongside other "self-serve" initiatives, e-commerce website remains an important part of the strategy for growth going forward.

In March 2022 a Portuguese subsidiary 100% owned by Threads Styling Ltd was incorporated to provide technology services. Subsequent to the year end a 100% owned Italian subsidiary was established to help drive EU sourcing activity, and a 100% owned UAE subsidiary was established to further develop local sales and sourcing activity in the Middle East region.

On 27 September 2022, Chalhoub Group acquired a majority stake in Threads through the acquisition of existing investor shares, refinancing of existing debt and new investment. £2,809,467 of expenses were incurred as one-off exceptional transaction costs related to the acquisition of this majority stake. See Note 4 for full reconciliation between operating loss and underlying EBITDA.


Looking across 2023 and an initial slowing in the rate of growth post investment, Threads is well placed to gain from synergies and to leverage the wide spread of new opportunities available within its new ownership structure as part of the Chalhoub Group. The Group has introduced a revised commercial strategy to help migrate sales to higher margin categories, and is confident it will continue its rapid growth trajectory with focus areas including the Middle East and US markets, and development of e-commerce activity alongside other complementary revenue streams.

Going concern

These financial statements have been prepared on a going concern basis. The directors considered both recent trading and forecasts, and the letter of support from the Company's majority shareholder, Chalhoub Group Limited, when coming to this conclusion. See page 21 for the full going concern disclosure.

Approval

This Strategic Report was approved by order of the Board.

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Sophie Hill
Director

Date: 1 December 2023

Threads Styling Ltd

Directors' report for the year ended 31 December 2022

Directors

The directors of the company throughout the year were:

Sophie Hill
 Matus Maar resigned 27 September 2022
 Anthony Zappala resigned 27 September 2022
 Yin Pan Cheng resigned 25 February 2021, reappointed 26 August 2021, resigned 27 September 2022
 Michael Chalhoub appointed 27 September 2022
 Sharmila Murat appointed 27 September 2022, resigned 19 July 2023
 Miguel Calello appointed 27 September 2022
 Thomas Spurgeon appointed 27 September 2022
 Antonio Corso appointed 19 July 2023

Qualifying third party indemnity provisions

In line with standard practice, the company maintains Directors and Officers insurance cover for both directors and managerial staff.

Political donations

No political donations were made during the year (2021: Nil) by the company and its subsidiaries.

Financial instruments

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has limited exposure due to the standard policy of obtaining payment from the client prior to stock purchase. Where the Group does exceptionally enter into credit sales it is policy to assess the credit risk of each individual customer where credit terms are offered.

The Board assesses concentrations of credit risk by quarterly monitoring of the balance sheet. Internal review of the trade receivables' ageing analysis is undertaken, and customers' credit is reassessed periodically. Any customers not passing the periodic reassessment are restricted from future credit sales.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

The primary institution with which cash balances are held is as follows:

	Rating at 31 December 2022	Balance at 31 December 2022	Rating at 31 December 2021	Balance at 31 December 2021
HSBC UK Bank plc	A+	3,231,192	A+	2,208,914
	<hr/>	<hr/>	<hr/>	<hr/>

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on any debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

Threads Styling Ltd

Directors' report for the year ended 31 December 2022 (continued)

Financial instruments (continued)

Liquidity Risk (cont'd)

The Board receives regular cash flow projections as well as information regarding cash balances. At the end of the financial year and having subsequently considered the impact of the change in majority ownership, projections covering 12 months to October 2024 indicated that the Group is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. See the going concern note on page 21 for further detail.

Market risk

The Group does not use tradable or foreign currency financial instruments. Therefore, it is not exposed to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk) or other market factors (other price risk). See below for interest rate risk.

Cash flow interest rate risk

Interest on part of the Group's debt during the year was linked to the US prime rate with significant movement from the prevailing rate needing to occur before there was a material impact on interest payments. Interest on all debt at year end is at a fixed rate for the whole duration.

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (primarily Pound Sterling, Euro, or US Dollar) with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The Group is not tied to specific suppliers so is able to mitigate currency risk by changing where stock is purchased from where it is economical to do so.

The Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

Post balance sheet events

Subsequent to the year end 100% owned subsidiaries were incorporated in Italy and UAE.

Likely future developments in the business of the Company

Information on likely future developments in the business of the Company has been included in the Strategic Report on page 3

Threads Styling Ltd

Directors' report for the year ended 31 December 2022 (*continued*)

Research and development

The Group continues to invest in research and development to enhance the experience of both our customers and staff. Costs are expensed in the income statement as they are incurred, no costs are capitalised. The income statement charge for the year is £1,540,064 (2021: £1,223,548).

Existence of branches of the company outside of the United Kingdom

The Group operates internationally through 100% owned subsidiaries. The Company has no branches outside of the United Kingdom.

Employment of disabled persons

The Group is committed to a policy of recruitment and promotion based on aptitude and ability without discrimination of any kind.

Employee involvement

Employee engagement, team performance and employee wellbeing are critical to the Group's operations. Team performance is facilitated using 'Objectives and Key Results'. Training is provided on high performance frameworks to enable employees to work at an accelerated pace. The frameworks include rapid decision making, feedback models and leadership toolkits. Next generation leaders are taken through an accelerated program to prepare them for new opportunities as the business scales.

Threads has created a culture code that incorporates values, emblematic behaviours, and explicit traditions, rituals and routines that embed the culture. Staff surveys are completed on a quarterly basis, with additional focus groups organised for topics where in-depth feedback is required. Threads runs annual strategy sessions for all employees, and two weekly meetings in which updates, priorities and targets from across the team are shared.

Diversity, equity and inclusion play a pivotal role in the organisational development of Threads. Quarterly diversity reports are shared with the business, equitable hiring techniques are leveraged for talent acquisition and a program of educational talks and training focused on inclusion is run throughout the year. To support wellness Threads provides all employees with access to an internal team of Mental Health First Aiders, alongside ways for employees to leverage a more flexible approach to work. Threads has received an accreditation for its approach to flexible working, and another for its commitment to being a disability confident employer.

Statement of disclosure to auditors

All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the Company's auditor is unaware.

Auditor

A resolution to reappoint Mazars LLP as auditor will be put to the members.

Approval

This Directors' Report was approved by order of the Board.

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Sophie Hill
Director

Date: 1 December 2023

Threads Styling Ltd

Directors' responsibilities statement for the year ended 31 December 2022

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

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

- select suitable accounting policies 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; and
- 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 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 and other information included in Director's reports may differ from legislation in other jurisdictions.

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

Threads Styling Ltd

Independent auditor's report

Opinion

We have audited the financial statements of Threads Styling Limited the ('parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company balance sheet, the company 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the group and the parent 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

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

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

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

Threads Styling Ltd

Independent auditor's report (continued)

Other information

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

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

We have nothing to report in this regard.

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.

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Threads Styling Ltd

Independent auditor's report (*continued*)

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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut off assertion), valuation of complex financial instruments, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

Threads Styling Ltd

Independent auditor's report (*continued*)

Auditor's responsibilities for the audit of the financial statements (cont'd)

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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 the audit 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.

Elisabeth Maxwell

Elisabeth Maxwell (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Mazars LLP, 30 Old Bailey, London, EC4M 7AU

Date: Dec 4, 2023

Threads Styling Ltd

Consolidated income statement for the year ended 31 December 2022

	Note	2022	2021
		£	£
Turnover	3	54,494,488	45,892,360
Cost of sales		(47,920,468)	(38,155,969)
Gross profit		6,574,020	7,736,391
Administrative expenses		(23,949,838)	(17,346,641)
Operating loss	4	(17,375,818)	(9,610,250)
Underlying EBITDA	4	(13,048,279)	(8,457,612)
Other interest receivable and similar income		5,829	59
Interest payable and other finance costs	7	(8,858,017)	(1,184,741)
Loss on ordinary activities before taxation		(26,228,006)	(10,794,932)
Taxation on loss on ordinary activities	8	402,736	473,704
Loss for the financial year		(25,825,270)	(10,321,228)

All of the activities of the Group are classified as continuing.

The notes on pages 21 to 38 form part of these financial statements.

Threads Styling Ltd

Consolidated statement of comprehensive income for the year ended 31 December 2022

	2022 £	2021 £
Loss for the financial year	(25,825,270)	(10,321,228)
Currency translation differences	(230,706)	(4,741)
Other comprehensive income for the year	(230,706)	(4,741)
Total comprehensive loss for year	(26,055,976)	(10,325,969)

The notes on pages 21 to 38 form part of these financial statements.

Threads Styling Ltd

Consolidated balance sheet at 31 December 2022

	Note	2022	2022	2021	2021
		£	£	£	£
Fixed assets					
Tangible assets	9		835,728		1,059,447
Investments	10		207,165		207,165
			<u>1,042,893</u>		<u>1,266,612</u>
Current assets					
Stocks	11	1,519,504		1,470,784	
Debtors	12	8,964,878		4,532,368	
Cash at bank and in hand		4,090,630		3,072,624	
		<u>14,575,012</u>		<u>9,075,776</u>	
Creditors: amounts falling due within one year	13	(10,336,582)		(12,422,846)	
Net current (liabilities) / assets			<u>4,238,430</u>		<u>(3,347,070)</u>
Total assets less current liabilities			<u>5,281,323</u>		<u>(2,080,458)</u>
Creditors: amounts falling due after one year	14		(23,790,908)		(11,691,966)
Net liabilities			<u>(18,509,585)</u>		<u>(13,772,424)</u>
Capital and reserves					
Called up share capital	19		368		202
Share premium account			40,157,429		19,667,095
Retained earnings			(58,474,267)		(33,477,312)
Foreign exchange reserve			(193,115)		37,591
Shareholders' funds			<u>(18,509,585)</u>		<u>(13,772,424)</u>

The financial statements were approved by the Board of Directors and authorised for issue.

DocuSigned by:



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Sophie Hill

Director

Company registered number: 07093672

Date: 1 December 2023

The notes on pages 21 to 38 form part of these financial statements.

Threads Styling Ltd

Consolidated statement of changes in equity For the year ended 31 December 2022

	Share capital £	Share premium £	Foreign exchange reserve £	Retained earnings £	Total equity £
1 January 2021	202	19,667,095	42,332	(23,264,206)	(3,554,577)
Loss for the year	-	-	-	(10,321,228)	(10,321,228)
<i>Other comprehensive income for the year:</i>					
Currency translation differences	-	-	(4,741)	-	(4,741)
Other comprehensive income for the year	-	-	(4,741)	-	(4,741)
Total comprehensive loss for the year	-	-	(4,741)	(10,321,228)	(10,325,969)
Share based payment	-	-	-	75,000	75,000
Share warrants	-	-	-	33,122	33,122
31 December 2021	202	19,667,095	37,591	(33,477,312)	(13,772,424)
1 January 2022	202	19,667,095	37,591	(33,477,312)	(13,772,424)
Loss for the year	-	-	-	(25,825,270)	(25,825,270)
<i>Other comprehensive income for the year:</i>					
Currency translation differences	-	-	(230,706)	-	(230,706)
Other comprehensive income for the year	-	-	(230,706)	-	(230,706)
Total comprehensive loss for the year	-	-	(230,706)	(25,825,270)	(26,055,976)
Share based payment	-	-	-	828,315	828,315
<i>Contributions by and distributions to owners:</i>					
Shares issued in year	166	20,490,334	-	-	20,490,500
Total contributions by and distributions to owners	166	20,490,334	-	-	20,490,500
31 December 2022	368	40,157,429	(193,115)	(58,474,267)	(18,509,585)

The notes on pages 21 to 38 form part of these financial statements

Threads Styling Ltd

Consolidated statement of cash flows for the year ended 31 December 2022

	Note	2022	2021
		£	£
Cash flows from operating activities			
Loss for the financial year		(25,825,270)	(10,321,228)
Adjustments for:			
Depreciation, impairment and amortisation of fixed assets	9	309,882	297,148
Net fair value (gains)/losses recognised through profit or loss	7	(799,218)	222,010
Interest income		(5,829)	(59)
Interest expense	7	9,945,728	978,583
Taxation (income) / expense	8	(402,736)	(473,704)
Share based payment expense	20	828,315	75,000
(Increase) / decrease in trade and other debtors		(3,918,248)	(1,150,089)
Decrease / (increase) in stocks		4,737	(163,110)
Increase in trade and other creditors		513,084	1,717,187
Foreign exchange		11,103	18,727
Cash from operations		(19,338,452)	(8,799,535)
Taxation (paid) / received		(349)	475,424
Net cash from operating activities		(19,338,801)	(8,324,111)
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		1,295	-
Purchases of tangible fixed assets	9	(85,964)	(173,142)
Net cash from investing activities		(84,669)	(173,142)
Cash flows from financing activities			
Interest paid		(9,031,212)	(530,060)
Interest received		5,829	59
Shares issued	19	20,490,500	-
Net proceeds from new borrowings		31,098,368	8,450,000
Repayment of loans		(22,156,939)	(1,487,826)
Net cash from financing activities		20,406,546	6,432,173
Net decrease in cash and cash equivalents		983,076	(2,065,080)
Cash and cash equivalents at beginning of year		3,072,624	5,136,965
Foreign exchange		34,930	739
Cash and cash equivalents at end of year		4,090,630	3,072,624
Cash and cash equivalents comprise:			
Cash at bank and in hand		4,090,630	3,072,624

The notes on pages 21 to 38 form part of these financial statements.


Threads Styling Ltd

Company balance sheet at 31 December 2022

	Note	2022	2022	2021	2021
		£	£	£	£
Fixed assets					
Tangible assets	9		811,007		1,048,494
Investments	10		253,962		251,321
			<u>1,064,969</u>		<u>1,299,815</u>
Current assets					
Stocks	11	981,718		1,015,395	
Debtors	12	11,921,033		6,451,465	
Cash at bank and in hand		3,656,502		2,788,473	
		<u>16,559,253</u>		<u>10,255,333</u>	
Creditors: amounts falling due within one year	13	(8,704,094)		(11,775,029)	
Net current assets			<u>7,855,159</u>		<u>(1,519,696)</u>
Total assets less current liabilities			<u>8,920,128</u>		<u>(219,881)</u>
Creditors: amounts falling due after one year	14		(23,790,908)		(11,691,966)
Net (liabilities) / assets			<u>(14,870,780)</u>		<u>(11,911,847)</u>
Capital and reserves					
Called up share capital	19		368		202
Share premium account			40,157,429		19,667,095
Retained earnings			(55,028,577)		(31,579,144)
			<u>14,870,780</u>		<u>(11,911,847)</u>
Shareholders' funds			<u>14,870,780</u>		<u>(11,911,847)</u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss of the company for the year was £24,277,748 (2021: £9,699,136).

The financial statements were approved by the Board of Directors and authorised for issue on 1 December 2023.

DocuSigned by:

 Sophie Hill
 Director
 C9A8C6A80825423...
 Company registered number: 07093672

Date: 1 December 2023

The notes on pages 21 to 38 form part of these financial statements.

Threads Styling Ltd

Company statement of changes in equity For the year ended 31 December 2022

	Share capital £	Share premium £	Retained earnings £	Total equity £
1 January 2021	202	19,667,095	(21,988,129)	(2,320,832)
<i>Comprehensive income for the year</i>				
Loss for the year	-	-	(9,699,136)	(9,699,136)
Total comprehensive loss for the year	-	-	(9,699,136)	(9,699,136)
Share based payments	-	-	75,000	75,000
Share warrants	-	-	33,121	33,121
Total contributions by and distributions to owners	-	-	-	-
31 December 2021	202	19,667,095	(31,579,144)	(11,911,847)
1 January 2022	202	19,667,095	(31,579,144)	(11,911,847)
<i>Comprehensive income for the year</i>				
Loss for the year	-	-	(24,277,748)	(24,277,748)
Total comprehensive loss for the year	-	-	(24,277,748)	(24,277,748)
Share based payments	-	-	828,315	828,315
<i>Contributions by and distributions to owners:</i>				
Shares issued in year	166	20,490,334	-	20,490,500
Total contributions by and distributions to owners	166	20,490,334	-	20,490,500
31 December 2022	368	40,157,429	(55,028,577)	(14,870,780)

The notes on pages 21 to 38 form part of these financial statement

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022

1 Accounting policies

Threads Styling Ltd is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

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

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments and share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Going concern

These financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. In adopting the going concern basis, the directors considered the business activities and the group's principal risks and uncertainties.

The Company's majority shareholder, Chalhoub Group, refinanced the Company's debt balances in September 2022 by means of a shareholder loan and provided new investment to support the Company's continued operations and investment in growth. Chalhoub Group have confirmed their continuing support for the Company by providing of a letter of support from Chalhoub Group LTD, the immediate parent undertaking, and have provided the directors with information concerning the financial resources of Chalhoub Group LTD.

Based on the group's balance sheet, cash reserves, sources of financing, and cash projections covering 12 months to November 2024, the directors expect to have adequate financial resources to continue for a period of at least 12 months from the date of signing the financial statements and as such, continue to adopt the going concern basis of accounting in preparing the annual financial statements

Basis of consolidation

The consolidated financial statements present the results of Threads Styling Ltd and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022 (*continued*)

1 Accounting policies (*continued*)

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes. Turnover from the sales of goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable, in instances where payment is not collected upfront, that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Turnover from the rendering of services is recognised in accordance with the stage of completion of the contract.

Tangible fixed assets

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

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

Depreciation

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

Fixtures and fittings	-	25% straight line
Computer equipment	-	33% straight line
Leasehold improvements	-	Length of lease

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

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

Valuation of investments

Investments in subsidiaries and other fixed asset investments are measured at cost less accumulated impairment.

Impairment of fixed assets

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

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022(*continued*)

1 Accounting policies (*continued*)

Stocks

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

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'sterling', which is the company's functional and the group's presentation currency.

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

(b) Transactions and balances

Foreign currency transactions are translated into the group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented in profit or loss within 'interest payable and other finance costs'.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Debt

Loans are initially recognised at an amount equal to the cash received less transaction costs incurred. Loans are then subsequently measured at amortised cost using the effective interest rate method. Where loans include share warrants, the value is determined by comparing the loan cash flows being discounted by the implied rate and the market rate. The resulting warrant value is deducted from the loan and unwound as part of the effective interest rate charge.

Convertible debt

Convertible loans are an 'other financial instrument' under Section 12 of FRS 102 and are therefore recognised at fair value, with changes in fair value being recorded in profit or loss.

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022 (*continued*)

1 Accounting policies (*continued*)

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income. Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

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

Leased assets

The group has no finance leased assets with leases treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease. Where a rent free period or capital contribution have been granted, the benefit is spread over the length of the lease.

Share-based payments

Options granted to external advisors have been valued based on the fair value of the advisory services provided. For employees, the fair value of the share options granted during the year has been determined using the Black-Scholes model as it is possible to estimate reliably the fair value of employee services received.

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

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

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

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

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022 (*continued*)

1 Accounting policies (*continued*)

Pension costs

Contributions to the group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Reserves

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued;
- The share premium account includes the premium on issue of equity shares, net of any issue costs;
- Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments; and
- Foreign exchange reserve represents the cumulative amount of any exchange differences related to the Group's foreign subsidiaries.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

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

Determine whether there are indicators of impairment of the company or group's assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The group's minority investment in a luxury fashion business was assessed by comparing our investment to recent investment rounds to confirm no down rounds had occurred. Recent rounds were conducted at a higher price per share and thus no impairment is required.

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

- Determine the appropriateness of provisions for bad debt and slow moving stock. A detailed review is conducted with the subject matter experts in the business to assess the provision with reference also made to post-year activity.
- Determine the probability of potential qualifying events and repayments of the group's convertible loan. The company has chosen to apply the provisions of FRS 102 Sections 11 and 12 in relation to these loans. See note 15 for further details.
- Determine the discount rate used to assess the fair value of our convertible debt. The group referenced CCC corporate bonds, alongside internal inputs including our own venture debt interest rate. See note 15 for further details

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022 (continued)

3 Analysis of turnover

	2022	2021
	£	£
Analysis by geographical market by destination:		
Middle East	16,020,924	18,243,555
United Kingdom	11,007,920	11,306,622
Asia Pacific	14,469,246	9,321,255
United States	11,045,834	4,770,583
Rest of World	1,950,564	2,250,345
	<u>54,494,488</u>	<u>45,892,360</u>
Analysis by revenue type:		
Sale of goods	54,471,954	45,220,039
Sale of content services	22,534	672,321
	<u>54,494,488</u>	<u>45,892,360</u>

4 Operating loss and EBITDA

	2022	2021
	£	£
Operating loss is arrived at after charging/(crediting):		
Research and development	1,540,064	1,223,548
Coronavirus Job Retention Scheme	-	(2,016)
Depreciation of tangible fixed assets	309,882	297,148
Operating lease expense	859,850	847,211
Share based payment	828,315	75,000
Foreign exchange losses / (gains)	59,426	(24,281)
Defined contribution pension cost	222,508	213,635
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	90,607	62,000
Fees payable to the company's auditor for taxation compliance and other assurance services	4,900	4,100
	<u>(17,375,818)</u>	<u>(9,610,250)</u>
Operating loss	(17,375,818)	(9,610,250)
Depreciation of tangible fixed assets	309,882	297,148
Investment related costs	2,809,467	473,490
Share based payment	828,315	75,000
Restructuring costs	379,875	307,000
Underlying EBITDA	(13,048,279)	(8,457,612)

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022 (continued)

5 Employees

	2022	2021
	£	£
Staff costs (including directors) consist of:		
Wages and salaries	12,180,313	10,947,904
Social security costs	1,373,600	1,180,366
Cost of defined contribution scheme	222,508	213,635
	<u>13,776,421</u>	<u>12,341,905</u>

The average number of employees (including directors) during the year was as follows:

	2022	2021
Selling, marketing and distribution	170	153
Technology and business support	49	48
	<u>219</u>	<u>201</u>

6 Directors' and key management remuneration

Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	241,410	160,443
Company contributions to money purchase pension schemes	6,848	4,770
	<u>248,258</u>	<u>165,213</u>

There were two directors remunerated by the company in the year (2021: 1). There were two directors in the company's defined contribution pension scheme (2021: 1). The highest paid director emoluments totalled £174,062 (2021: £160,443) and pension contributions totalled £5,198 (2021: £4,770).

Share options were held by two directors in the year (2021: 1). All share options were C ordinary shares of £0.0001 nominal value each. No share options were exercised in the year by directors (2021: None) and all share options lapsed on 27 September 2022.

Details as follows:	Number of Options 2022	Exercise Price per Share 2022 p	Number of Options 2021	Exercise Price per Share 2021 p
Directors share options held	Nil	Nil	823	3,798

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2022	2021
	£	£
Key management emoluments	1,331,874	1,251,099
Company contributions to money purchase pension schemes	25,273	26,820
	<u>1,357,147</u>	<u>1,277,919</u>

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022 (*continued*)

7 Interest payable and other finance costs

	2022	2021
	£	£
Debt interest	1,182,178	978,583
Interest on intercompany borrowing	914,488	-
Convertible loan interest & settlement premium	7,849,061	-
Convertible loan fair value adjustment	(799,218)	222,010
Foreign exchange (gain) / loss	(288,492)	(15,852)
	<u>8,858,017</u>	<u>1,184,741</u>

8 Taxation on loss on ordinary activities

	2022	2021
	£	£
<i>Current tax</i>		
Adjustments in respect of prior periods	(413,244)	(479,809)
Foreign tax	10,508	6,105
	<u>(402,736)</u>	<u>(473,704)</u>
Taxation charge / (credit) on loss on ordinary activities	(402,736)	(473,704)

The tax assessed for the year is higher (2021: higher) than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below:

	2022	2021
	£	£
Loss on ordinary activities before tax	(26,228,006)	(10,794,932)
	<u>(26,228,006)</u>	<u>(10,794,932)</u>
Tax on loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2021: 19%)	(4,983,321)	(2,051,037)
Effects of:		
Expenses / Income not deductible for tax purposes	2,278,888	139,304
Income not taxable for tax purposes	(76,768)	-
Difference in tax rates on overseas earnings	(29,814)	(12,141)
Fixed asset and other permanent differences	32,818	36,218
Remeasurement of deferred tax for changes in tax rates	(776,136)	(1,611,814)
Unrecognised deferred tax	3,160,084	3,505,575
Adjustments in respect of prior years		
- Deferred tax	404,757	-
- Current year	(413,244)	(479,809)
	<u>(402,736)</u>	<u>(473,704)</u>
Total tax charge / (credit) for period	(402,736)	(473,704)

The adjustments in respect of prior years relate to research and development tax credits. The Group has a deferred tax asset at year-end of £9,543,620 (2021: £6,715,891), which has not been recognised due to uncertainty around the timing of recoverability.

Threads Styling Ltd

Notes forming part of the financial statements
for the year ended 31 December 2022 (*continued*)

9	Tangible fixed assets	Computers & equipment	Fixtures and fittings	Leasehold improvements	Total
	Group	£	£	£	£
	<i>Cost or valuation</i>				
	At 1 January 2022	433,813	253,499	1,041,467	1,728,779
	Additions	78,667	7,519	-	86,186
	Disposals	(84,189)	-	-	(84,189)
	Foreign exchange	2,105	723	-	,828
	As 31 December 2022	430,396	261,741	1,041,467	1,733,604
	<i>Depreciation</i>				
	At 1 January 2022	277,859	116,878	274,595	669,332
	Disposals	(82,894)	-	-	(82,894)
	Charge for the year	95,673	60,835	153,374	309,882
	Foreign exchange	1,229	327	-	1,556
	As 31 December 2022	291,867	178,040	427,969	897,876
	<i>Net book value</i>				
	At 31 December 2022	138,529	83,701	613,498	835,728
	At 31 December 2021	155,954	136,621	766,872	1,059,447
	Group	£	£	£	£
	<i>Cost or valuation</i>				
	At 1 January 2021	319,433	232,676	1,005,056	1,557,165
	Additions	115,986	20,745	36,411	173,142
	Disposals	(1,859)	-	-	(1,859)
	Foreign exchange	253	78	-	331
	As 31 December 2021	433,813	253,499	1,041,467	1,728,779
	<i>Depreciation</i>				
	At 1 January 2021	191,665	59,629	122,568	373,862
	Disposals	(1,859)	-	-	(1,859)
	Charge for the year	87,910	57,211	152,027	297,148
	Foreign exchange	143	38	-	181
	As 31 December 2021	277,859	116,878	274,595	669,332
	<i>Net book value</i>				
	At 31 December 2021	155,954	136,621	766,872	1,059,447
	At 31 December 2020	127,768	173,047	882,488	1,183,303

Threads Styling Ltd

Notes forming part of the financial statements
for the year ended 31 December 2022 (*continued*)

9 Tangible fixed assets (<i>continued</i>)	Computers & equipment	Fixtures and fittings	Leasehold improvements	Total
Company Cost or valuation	£	£	£	£
At 1 January 2022	5,686	247,277	1,041,466	1,704,429
Additions	62,972	1,973	-	64,945
Disposals	(84,189)	-	-	(84,189)
As 31 December 2022	394,469	249,250	1,041,466	1,685,185
<i>Depreciation</i>				
At 1 January 2022	267,279	114,061	274,595	655,935
Disposals	(82,894)	-	-	(82,894)
Charge for the year	89,419	58,344	153,374	301,137
As 31 December 2022	273,804	172,405	427,969	874,178
<i>Net book value</i>				
At 31 December 2022	120,665	76,845	613,497	811,007
At 31 December 2021	148,407	133,216	766,871	1,048,494
	Computers & equipment	Fixtures and fittings	Leasehold improvements	Total
Company	£	£	£	£
Cost or valuation				
At 1 January 2021	309,827	228,629	1,005,055	1,543,511
Additions	107,718	18,648	36,411	162,777
Disposals	(1,859)	-	-	(1,859)
As 31 December 2021	415,686	247,277	1,041,466	1,704,429
<i>Depreciation</i>				
At 1 January 2021	185,668	57,989	122,568	366,225
Disposals	(1,859)	-	-	(1,859)
Charge for the year	83,470	56,072	152,027	291,569
As 31 December 2021	267,279	114,061	274,595	655,935
<i>Net book value</i>				
At 31 December 2021	148,407	133,216	766,871	1,048,494
At 31 December 2020	124,159	170,640	882,487	1,177,286

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022 (continued)

10 Fixed asset investments

Group	2022 £	2021 £
Other fixed asset investments	207,165	207,165
	<u>207,165</u>	<u>207,165</u>

The investment represents a <10% holding through seed shares in a luxury fashion business.

Company	2022 £	2021 £
Group undertakings	46,797	44,156
Other fixed asset investments	207,165	207,165
	<u>253,962</u>	<u>251,321</u>

Subsidiary and associated undertakings

The principal undertakings in which the company's interest at the year-end is 20% or more are as follows:

Name	Country of Incorporation	Registered address	Proportion of voting rights and ordinary share capital held	Nature of business
Portlus Inc	United States	Corporation Trust Centre, 1209, Orange Street, Wilmington, DE 19801	100%	Luxury fashion
Threads Styling Unipessoal LDA	Portugal	43 Rua Joaquim António de Aguiar, RC Esq, Santo Antonio, Lisbon	100%	Technology services
Threads Styling UK Ltd	United Kingdom	6th Floor, Telephone House, 69 Paul St, London, EC2A 4NG	100%	Non-trading
Threads Styling Hong Kong Limited	Hong Kong	27/F Alexandra HSE, 18 Chater Rd, Central, Hong Kong	100%	Non-trading
Threads SAS	France	25 place de la Madeleine, 75008, Paris	100%	Non-trading

The 100% owned subsidiary in Portugal incorporated in March 2022 to provide technology development services for the Group.

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022 (continued)

11 Stocks

	Group 2022	Group 2021	Company 2022	Company 2021
	£	£	£	£
Finished goods and goods for resale	<u>1,519,504</u>	<u>1,470,784</u>	<u>981,718</u>	<u>1,015,395</u>

The stock provision for the Group was £122,569 (2021: £132,979). The stock provision for the company was £99,633 (2021: £105,683). There is no significant difference between the replacement cost of the stock and its carrying amount.

12 Debtors

	Group 2022	Group 2021	Company 2022	Company 2021
	£	£	£	£
Trade debtors	1,142,771	467,280	1,029,783	456,373
Other debtors	2,630,079	1,019,689	2,415,408	692,279
Prepayments and accrued income	4,778,784	3,045,399	3,537,817	2,625,453
Taxation and social security	413,244	-	413,244	-
Amounts owed by group undertakings	-	-	4,524,781	2,677,360
	<u>8,964,878</u>	<u>4,532,368</u>	<u>11,921,033</u>	<u>6,451,465</u>

The impairment loss recognised in the group profit or loss for the period in respect of bad and doubtful trade debtors was £138,478 (2021: £164,083). The impairment loss recognised in the company profit or loss for the period in respect of bad and doubtful trade debts was £7,993 (2021: £140,293).

Amounts owed by group undertakings are not interest bearing and whilst due on demand are not intended to be recalled within 12 months.

13 Creditors: amounts falling due within one year

	Group 2022	Group 2021	Company 2022	Company 2021
	£	£	£	£
Trade creditors	(1,461,101)	(1,420,244)	(1,075,570)	(1,456,384)
Other creditors	(2,670,541)	(2,456,963)	(2,369,382)	(2,207,554)
Borrowings (note 15)	-	(3,042,244)	-	(3,042,244)
Accruals and deferred income	(5,719,999)	(5,177,386)	(4,870,591)	(4,742,838)
Taxation and social security	(484,941)	(326,009)	(371,192)	(326,009)
Amounts owed by group undertakings	-	-	(17,359)	-
	<u>(10,336,582)</u>	<u>(12,422,846)</u>	<u>(8,704,094)</u>	<u>(11,775,029)</u>

Threads Styling Ltd

Notes forming part of the financial statements
for the year ended 31 December 2022 (*continued*)

14 Creditors: amounts falling due after one year

	Group 2022 £	Company 2022 £	Group 2021 £	Company 2021 £
<i>Measured at amortised cost</i>				
Borrowings (note 15)	-	-	(1,686,535)	(1,686,535)
Intercompany Creditor	(23,790,908)	(23,790,908)	-	-
<i>Measured at fair value through profit or loss</i>				
Convertible loans	-	-	(10,005,431)	(10,005,431)
	<u>(23,790,908)</u>	<u>(23,790,908)</u>	<u>(11,691,966)</u>	<u>(11,691,966)</u>

The intercompany creditor is a loan repayable on 31 March 2028, carrying an interest rate of 15% and is unsecured. The loan can be converted into preference shares at market value at the end of the loan period.

15 Borrowings

	Group 2022 £	Company 2022 £	Group 2021 £	Company 2021 £
<i>Measured at amortised cost</i>				
Borrowings net of transaction costs	-	-	(4,728,779)	(4,728,779)
<i>Measured at fair value through profit or loss</i>				
Convertible loans	-	-	(10,005,431)	(10,005,431)
	<u>-</u>	<u>-</u>	<u>(14,734,210)</u>	<u>(14,734,210)</u>

	Group 2022 £	Company 2022 £	Group 2021 £	Company 2021 £
Not later than one year	-	-	(3,042,244)	(3,042,244)
Later than one year and not later than five years	-	-	(11,691,966)	(11,691,966)
	<u>-</u>	<u>-</u>	<u>(14,734,210)</u>	<u>(14,734,210)</u>

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022 (continued)

15 Borrowings (continued)

In December 2019 and February 2021, the company borrowed £4,000,000 and £2,000,000 respectively under a growth capital loan agreement with associated warrants. Between February 2022 and July 2022 the company borrowed a further £3,500,000 under an extension of this growth capital loan agreement with associated warrants, and renegotiated its capital repayment profile for existing loans. The growth capital loan was secured firstly by a fixed and then floating charge over the assets of the company. Interest rates of between 9.25% and 10.75% applied to the various tranches of the loan, along with end of term payments of between 5% to 9%. The total loan value of £9,500,000 was repaid in full on 27 September 2022 with all warrants lapsing at that date.

In September 2020 the company borrowed funds of £2,501,287 in the form of a convertible loan through the Future Fund, a scheme designed by the UK government and delivered by the British Business Bank where half the funds are provided by private investors with the Future Fund matching their contribution. The convertible loan was valued as at 31 December 2021 by a third party valuer. The loan accrued non-compound interest at 8% and was repaid in full in cash on 27 September 2022.

In August 2021 the company created a £10,000,000 convertible loan, with £6,450,000 loan notes issued in the year. This initial tranche of loan notes included a £500,000 Director loan, see note 23 for details. The convertible loan was valued as at 31 December 2021 by a third party valuer. The convertible loan was extended in July 2022 to £15,000,000 with a further £4,721,947 loan notes issued between March 2022 and September 2022. No interest accrued on this loan and the loan was repaid in full in cash including a redemption premium on 27 September 2022.

16 Analysis of changes in net debt

Group	1 Jan 2022	Cash flows	Non-cash	31 Dec 2022
	£	£	£	£
Cash & cash equivalents				
Cash	3,072,624	983,076	34,930	4,090,630
Borrowings				
Borrowings at amortised cost	(4,728,779)	4,728,779	-	-
Convertible loans at FVTPL	(10,005,431)	9,206,212	799,219	-
Intercompany				
Intercompany Creditor	-	(22,876,421)	(914,487)	(23,790,908)
	<u>(11,661,586)</u>	<u>(7,958,354)</u>	<u>(80,338)</u>	<u>(19,700,278)</u>

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022 (continued)

17 Financial instruments

The Group's financial instruments may be analysed as follows:

	Group 2022	Group 2021
	£	£
Financial assets		
<i>Financial assets that are measured at amortised cost:</i>		
Trade debtors	1,181,996	467,280
Other debtors	2,630,079	1,019,689
Cash	4,090,630	3,072,624
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Trade creditors	(1,500,326)	(1,420,244)
Other creditors	(2,670,541)	(2,456,963)
Accruals	(979,933)	(951,567)
Borrowings	-	(4,728,779)
Intercompany Creditor	(23,790,908)	-
<i>Financial liabilities measured at fair value through profit or loss:</i>		
Convertible loans	-	(10,005,431)

Financial assets measured at amortised cost comprise cash, trade debtors and other debtors. Trade debtors are stated after provision for doubtful debt of £61,670 (2021: £74,763). Financial liabilities measured at amortised cost comprise trade creditors, borrowings, accruals and other creditors. Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Directors' report.

18 Pension

The Company operates a defined contribution pension plan. The total expense related to the plan in the current year was £222,508 (2021: £213,635).

The pension scheme is administered by an independent pension provider.

A pension contribution liability of £42,221 (2021: £42,444) is included in the balance sheet.

19 Share capital

	2022	2021
Company	£	£
<i>Allotted, called up and fully paid</i>		
2,217,907 ordinary A shares of £0.0001 each (2021: 558,200)	222	56
966,500 ordinary B shares of £0.0001 each (2021: 966,500)	97	97
28,000 ordinary C shares of £0.0001 each (2021: 28,000)	3	3
1,279,062 ordinary D shares of £0.000036 each (2021: nil)	46	-
Nil preferred A Shares of £0.0001 each (2021: 463,400)	-	46
	368	202

1,659,707 ordinary A shares were issued on 27 September 2022 at a subscription price of £12.35 per share. A share split of 2.8 to 1 for preferred A shares and subsequent re-designation of preferred A Shares to ordinary D shares was undertaken during the year. All shares have full voting and dividend rights.

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022 (*continued*)

20 Share based payments

Group and company

Certain employees of the company and external advisors have been granted options over the shares in Threads Styling Ltd.

The options are granted with a fixed exercise price, vest over the period specified in the employee contract and can only be exercised in an 'exit event', as defined by the rules of the plan.

Options expire on the tenth anniversary of the grant date and employees are required to remain in employment with the group, unless deemed good leavers. Share options are equity settled.

	Weighted average exercise price p 2022	Number 2022	Weighted average exercise price p 2021	Number 2021
Outstanding at the beginning of the year	2,964	153,004	3,040	170,718
Granted during the year	-	-	-	-
Forfeited during the year	(2,964)	(153,004)	(3,690)	(17,714)
Exercised during the year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at the end of the year	-	-	2,964	153,004
	<hr/>	<hr/>	<hr/>	<hr/>

There were no outstanding options at the end of the year. At the end of the prior year there were 153,004 options outstanding (126,763 vested) with exercise price ranged between 250p and 3,798p and weighted average contractual life of 8 years.

All options in place as at 27 September 2022 totalling 145,154 were fully vested as a result of the majority investment made at that date. No share options were exercised during the year, with all vested options lapsing subsequent to the majority investment.

Options granted to external advisors have been valued based on the fair value of the advisory services provided. For employees, the fair value of the share options granted during the year has been determined using the Black-Scholes model. The model is internationally recognised as being appropriate to value employee share based payments.

An accounting charge of £828,315 (2021: £75,000) has been made to the income statement to reflect the accelerated vested and is all related to equity-settled schemes.

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022 (*continued*)

21 Commitments under operating leases

Lessee

The group and company had minimum lease payments under non-cancellable operating leases as set out below:

	2022	2021
	£	£
Not later than 1 year	956,571	900,000
Later than 1 year and not later than 5 years	2,687,903	3,587,903
Later than 5 years	-	-
	<hr/>	<hr/>
Total	3,644,474	4,487,903
	<hr/>	<hr/>

22 Capital commitments

The group has no capital commitments at year-end.

23 Related party disclosures

2022					
Related Party	Relationship	Staff sales	Owed to related party at year-end	Loan balance owed to related party at year-end	
S Hill	Director	£11,501	-	-	
2021					
Related Party	Relationship	Staff sales	Owed to related party at year-end	Loan balance owed to related party at year-end	
S Hill	Director	£32,307	£(16,588)	£(500,000)	
M Maar	Director	£8,385	£(11,943)	-	

The £500,000 loan relates to the £6,450,000 convertible loan notes issued in August 2021, see note 15 for details.

Threads Styling Ltd

Notes forming part of the financial statements for the year ended 31 December 2022 (*continued*)

24 Ultimate controlling party

On 27 September 2022, Chalhoub Group LTD acquired a majority stake in the company, invested new capital and provided a shareholder loan to refinance the company's debt and settle all convertible loan notes.

As a result of the changes in shareholding, Chalhoub Group LTD, a company registered in the United Arab Emirates, is now considered to be the ultimate controlling party of the group (2021: none).

25 Post balance sheet events

Subsequent to the year end two new 100% owned subsidiaries have been incorporated:

- Threads Styling S.R.L. (Italy) incorporated 16 May 2023 with ordinary share capital
- Threads Styling Trading LLC (United Arab Emirates) incorporated 17 May 2023 with ordinary share capital