

Lyst Ltd

**Annual Report, Directors' Report and Consolidated
Financial Statements
Registered number 07132083
31 March 2021**

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Strategic Report

The directors present their Strategic Report for Lyst Ltd ("the company") and its subsidiaries (together "the group") for the year ended 31 March 2021.

Business review

In this financial year the group continued its rapid expansion, generating £35.5m (2020: £23.0m) in revenue, an increase of 54%. This rate of growth represents an acceleration versus the prior year (2020: 26%).

This year the group focused on the following strategic initiatives:

- Grow reach to users through existing and new marketing channels resulting in 156m unique visitors (2020: 108m);
- Transitioning towards being an app first business and growing Lyst's membership base; and
- Improvements in product functionality, mainly in web mobile and app.

Investments in these longer term strategic initiatives have driven revenue growth and resulted in EBITDA of (£7.9m) (2020: (£11.4m)), excluding the fair value adjustment of financial instruments of (£2.1m) (2020: £nil). The group has a cash balance of £7.5m (2020: £4.5m) as at 31 March 2021. EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

Future developments

In the coming financial year the group plans to focus on further growing its membership base, strengthening the value proposition to partners and improving personalisation for customers. We expect these long term priorities to not only grow the user base but also to improve the company's unit economics.

Post balance sheet events

The company raised a total of £48.2m (\$63.2m) via an equity fundraise on 11 May 2021, 30 June 2021, 12 August 2021 and 17 December 2021. Following the equity fundraise, secondary share sales occurred for a total of £9.9m (\$13.0m) from employees to investors of the company on 29 June 2021, 7 July 2021 and 3 August 2021.

Following the fundraise, the convertible loan note converted to shares.

Principal risks and uncertainties

The group faces challenges typical of online aggregators, including:

- A shifting competitive landscape;
- Technical challenges in aggregating such a large selection of products in real time; and
- Constant and swift evolution of user expectations and demands resulting in a need to develop the platform continuously to keep ahead in the market.

Strategic Report (continued)

Principal risks and uncertainties (continued)

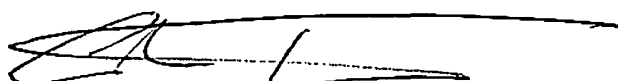
Our success depends, in part, on our ability to attract additional consumers who have historically purchased fashion products through traditional retailers rather than online. The online market for fashion products is significantly less developed than the online market for other goods and services such as books, music, travel and other consumer products. If the online market for personal fashion goods does not gain widespread acceptance, our business may suffer. Furthermore, we may have to incur significantly higher and more sustained advertising and promotional expenditures or offer more incentives than we currently anticipate in order to attract additional online consumers and convert them into purchasing consumers.

We have seen increased adoption of online channels by fashion consumers during the COVID-19 pandemic and the related heightened restrictions imposed by governments around the world. However, we cannot guarantee that this trend will continue or accelerate, including after the heightened restrictions associated with the COVID-19 pandemic are lifted. Further, if this change in consumer behavior represents a secular trend toward online purchases for fashion products by consumers, we cannot guarantee that we will continue to capitalise on the trend or that our competitors will not capitalise on the trend more successfully.

Furthermore, the global deterioration in economic conditions, which may have an adverse impact on discretionary consumer spending, could also impact our business. A reduction in consumer spending or disposable income could affect us more significantly than companies in other industries and companies with a more diversified product offering due in part to the fact that fashion items are often discretionary purchases for consumers. In the past, governments have taken unprecedented actions in an attempt to address and rectify these extreme market and economic conditions by providing liquidity and stability to financial markets. If these actions are not successful, the return of adverse economic conditions could have a negative effect on our business, results of operations and financial condition.

At a company level there is exposure to transactional foreign exchange risk due to earning revenues and incurring expenses in a number of different foreign currencies relative to the relevant company's functional currency, mainly Sterling, U.S. Dollar and Euro. Movements in exchange rates therefore impact the company's results and the consolidated results and cash flows. These transactional exposures are not currently hedged and therefore are exposed to fluctuations in exchange rates that could harm the results of operations and financial prospects. Macroeconomic factors, including geopolitical uncertainty and the COVID-19 pandemic, could lead to increased volatility in the currency markets, which would exacerbate such fluctuations.

By order of the board and signed on its behalf by



C M L Merton
Director

21 Mincing Lane, London, EC3R 7AG

Date 04/02/2022

Directors' Report

The directors present their Directors' Report and financial statements for the year ended 31 March 2021.

Principal activities

The principal activity of the group is a global fashion shopping platform. Launched in 2010, Lyst allows millions of shoppers globally to search for, discover and buy fashion from thousands of designers and stores, including Aene, Balenciaga, Bottega Veneta, Burberry, Farfetch, Gucci, Harrods, Luisa via Roma, MATCHESFASHION, MR PORTER, Mytheresa, NET-A-PORTER, Prada, Saint Laurent, Saks Fifth Avenue and The Outnet. The directors do not anticipate any material changes to the nature of the business.

Research and development

Due to the limitations of off the shelf implementations, it has been necessary for Lyst to research, modify and tune various machine learning algorithms that help to categorise and extract additional metadata. This research and development has helped Lyst manage a vast database of fashion content and to understand which products are most relevant to specific users.

Proposed dividend

The directors do not recommend the payment of a dividend (2020: £nil).

Political donations

Neither the company nor any of its subsidiaries made any political donations or incurred any disclosable political expenditure during the year (2020: £nil).

Directors

The directors who held office during the period were as follows:

C M L Morton

S Trepcu

W M Evans

N McClafferty

A Zubillaga

B Horowitz

J Ojeda (resigned 11 May 2021)

I Rogers (resigned 9 September 2021)

E McFerran (appointed 11 May 2021)

J Roze (appointed 9 September 2021)

Directors' Report (continued)

Going concern

Notwithstanding the loss for the year of £10,166,015 (2020: £11,408,578) these financial statements have been prepared on a going concern basis, as the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. In reaching this conclusion the directors have considered the status of the group, its financial position and future prospects. In particular, regard has been given to the uncertainties relating to: (1) the general economic outlook; (2) impact of the COVID-19 crisis on the group, its customers and the general economy; (3) the markets in which the group operates; and (4) the particular risks described in the report to which the group is exposed.

The directors have further considered the financial budgets and forecasts prepared in relation to the group's activities for the period to 28 February 2023, these assume that revenue continues to grow over the next financial year, while marketing and payroll expenses are expected to increase in order to support this, as well as including the equity fundraises completed post year end amounting to £48.2m (see note 22 for further details). The directors have produced scenario analysis over this forecast, including one where revenue is meaningfully impacted by the uncertainties highlighted earlier causing a drastic shift from expected customer behaviours, which is not considered likely but is a severe but plausible outcome. In this most negative scenario, revenue growth is expected to remain at the growth levels to date with marketing and headcount costs expected to increase to support this revenue growth. Even under this scenario, the group maintains a positive cash balance for at least 12 months from the date of approval of the financial statements.

On the basis of the foregoing, the directors consider the going concern basis to be appropriate for the preparation of the group's financial statements. Consequently, the directors are confident that the group and company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared them on a going concern basis.

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.

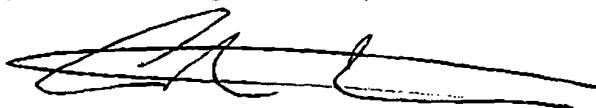
Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3.

Auditor

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

By order of the board and signed on its behalf by



C M L Morton

Director

21 Mincing Lane, London, EC3R 7AG

Date 04/02/2022

Statement of Directors' responsibilities in respect of the Annual Report, the Directors' Report and the Consolidated Financial Statements

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the group and parent company 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 group and parent company 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 group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LYST LIMITED

Opinion

We have audited the financial statements of Lyst Limited for the year ended 31 March 2021 which comprise the Consolidated Profit and Loss Account & Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

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 March 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included.

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LYST LIMITED

(continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited incentives, opportunities and/or rationalisations to fraudulently adjust revenue.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those unusual journal entries impacting cash and/or revenue accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with management (as required by auditing standards) and discussed with management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and pension legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, health and safety, anti-bribery, General Data Protection Requirements (GDPR), and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LYST LIMITED (continued)

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

**Chrissy Douka (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square

London

E14 5GL

4th February 2022

Consolidated Profit and Loss Account & Other Comprehensive Income
for the year ended 31 March 2021

		2021	2020
	<i>Note</i>	£	£
Turnover	2	35,449,391	22,981,038
Administration expenses		(44,061,748)	(34,905,757)
Other operating income		<u>288,183</u>	<u>130,050</u>
Group operating loss	7	(8,324,174)	(11,794,669)
Interest receivable and similar income	3	9,438	88,783
Interest payable and similar expenses	4	(528,698)	(486)
Fair value adjustment of financial instruments	16	(2,066,349)	-
Loss before taxation		<u>(10,909,783)</u>	<u>(11,706,372)</u>
Tax on loss	10	743,768	297,794
Loss for the financial year		<u>(10,166,015)</u>	<u>(11,408,578)</u>
Other comprehensive income			
Foreign exchange differences on translation of foreign operations		(10,495)	(1,842)
Total comprehensive loss for the financial year		<u>(10,176,510)</u>	<u>(11,410,420)</u>

All amounts relate to continuing activities.

There were no recognised gains or losses other than those stated above and therefore no separate statement of other comprehensive income has been prepared.

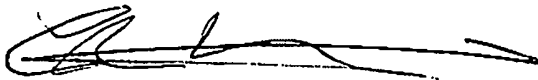
The notes on pages 17 to 31 form part of these financial statements.

Consolidated Balance Sheet
at 31 March 2021

		2021	2020
	Note	£	£
Fixed assets			
Intangible assets	11	8,203	11,709
Tangible assets	12	830,327	1,212,987
		<u>838,530</u>	<u>1,224,696</u>
Current assets			
Debtors (including £1,821,283 (2020: £1,821,283) due after more than one year)	14	14,605,062	10,193,262
Cash at bank and in hand		<u>7,519,275</u> 22,124,337	<u>4,464,744</u> 14,658,006
Creditors: amounts falling due within one year	15, 16	<u>(18,234,709)</u>	<u>(5,578,032)</u>
Net current assets		3,889,628	9,079,974
Total assets less current liabilities		4,728,158	10,304,670
Creditors: amounts falling due after one year	16	(3,690,536)	-
Provisions	19	(229,960)	(229,960)
Net assets		<u>807,662</u>	<u>10,074,710</u>
Capital and reserves			
Called up share capital	18	440	435
Share premium account		55,492,444	55,166,393
Share based payment reserve	17	2,053,656	1,902,323
Profit and loss account		(56,738,878)	(46,994,441)
Shareholders' funds		<u>807,662</u>	<u>10,074,710</u>

The notes on pages 17 to 31 form part of these financial statements.

These financial statements were approved by the board of directors on 04/02/2022 and were signed on its behalf by



C M L Morton

Director

company registered number: 07132083

Company Balance Sheet
at 31 March 2021

		2021	2020
	Note	£	£
Fixed assets			
Intangible assets	11	8,203	11,709
Tangible assets	12	830,327	1,207,580
Investments	13	6	6
		<u>838,536</u>	<u>1,219,295</u>
Current assets			
Debtors (including £1,821,283 (2020: £1,821,283) due after more than one year)	14	14,605,062	10,172,428
Cash at bank and in hand		<u>7,436,655</u> 22,041,717	<u>4,380,688</u> 14,553,116
Creditors: amounts falling due within one year	15, 16	<u>(18,272,611)</u>	<u>(5,591,159)</u>
Net current assets		3,769,106	8,961,957
Total assets less current liabilities		4,607,642	10,181,252
Creditors: amounts falling due after one year	16	(3,690,536)	-
Provisions	19	(229,960)	(229,960)
Net assets		<u>687,146</u>	<u>9,951,292</u>
Capital and reserves			
Called up share capital	18	440	435
Share premium account		55,492,444	55,166,393
Share based payment reserve	17	2,053,656	1,902,323
Profit and loss account		(56,859,394)	(47,117,859)
Shareholders' funds		<u>687,146</u>	<u>9,951,292</u>

The notes on pages 17 to 31 form part of these financial statements.

These financial statements were approved by the board of directors on 04/02/2022 and were signed on its behalf by

C M L Morton

Director

company registered number: 07132083

Consolidated Statement of Changes in Equity

	Called up share capital £	Share premium account £	Share reserve £	Profit and loss account £	Total equity £
Balance as at 1 April 2019	425	55,116,524	1,921,858	(36,161,384)	20,877,423
<i>Total comprehensive income for the period</i>					
Loss for the year	-	-	-	(11,408,578)	(11,408,578)
Other comprehensive income	-	-	-	(1,842)	(1,842)
Total comprehensive income for the period	425	55,116,524	1,921,858	(47,571,804)	9,467,003

Transactions with owners, recorded directly in equity

Issue of shares	-	-	-	-	-
Exercise of share options	10	49,869	(577,363)	577,363	49,879
Equity settled share-based payment transactions (note 17)	-	-	557,828	-	557,828
Total contributions by and distributions to owners	10	49,869	(19,535)	577,363	607,707
Balance as at 31 March 2020	435	55,166,393	1,902,323	(46,994,441)	10,074,710

	Called up share capital £	Share premium account £	Share reserve £	Profit and loss account £	Total equity £
Balance as at 1 April 2020	435	55,166,393	1,902,323	(46,994,441)	10,074,710
<i>Total comprehensive income for the period</i>					
Loss for the year	-	-	-	(10,166,015)	(10,166,015)
Other comprehensive income	-	-	-	(10,495)	(10,495)
Total comprehensive income for the period	435	55,166,393	1,902,323	(57,170,951)	(101,800)

Transactions with owners, recorded directly in equity

Issue of shares	1	302,052	-	-	302,053
Exercise of share options	4	23,999	(432,073)	432,073	24,003
Equity settled share-based payment transactions (note 17)	-	-	583,406	-	583,406
Total contributions by and distributions to owners	5	326,051	151,333	432,073	909,462
Balance at 31 March 2021	440	55,492,444	2,053,656	(56,738,878)	807,662

The notes on pages 17 to 31 form part of these financial statements.

Company Statement of Changes in Equity

	Called up share capital £	Share premium account £	Share reserve £	Profit and loss account £	Total equity £
Balance as at 1 April 2019	425	55,116,524	1,921,858	(36,273,831)	20,764,976
<i>Total comprehensive income for the period</i>					
Loss for the year	-	-	-	(11,421,391)	(11,421,391)
Total comprehensive income for the period	425	55,116,524	1,921,858	(47,695,222)	9,343,585
<i>Transactions with owners, recorded directly in equity</i>					
Issue of shares	-	-	-	-	-
Exercise of share options	10	49,869	(577,363)	577,363	49,879
Equity settled share-based payment transactions (note 17)	-	-	557,828	-	557,828
Total contributions by and distributions to owners	10	49,869	(19,535)	577,363	607,707
Balance as at 31 March 2020	435	55,166,393	1,902,323	(47,117,859)	9,951,292

	Called up share capital £	Share premium account £	Share reserve £	Profit and loss account £	Total equity £
Balance as at 1 April 2020	435	55,166,393	1,902,323	(47,117,859)	9,951,292
<i>Total comprehensive income for the period</i>					
Loss for the year	-	-	-	(10,173,608)	(10,173,608)
Total comprehensive income for the period	435	55,166,393	1,902,323	(57,291,467)	(222,316)
<i>Transactions with owners, recorded directly in equity</i>					
Issue of shares	1	302,052	-	-	302,053
Exercise of share options	4	23,999	(432,073)	432,073	24,003
Equity settled share-based payment transactions (note 17)	-	-	583,406	-	583,406
Total contributions by and distributions to owners	5	326,051	151,333	432,073	909,462
Balance at 31 March 2021	440	55,492,444	2,053,656	(56,859,394)	687,146

The notes on pages 17 to 31 form part of these financial statements.

Consolidated Cash Flow Statement
for period ended 31 March 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Loss for the year		(10,166,015)	(11,408,578)
Adjustments for:			
Depreciation, amortisation and impairment	7, 11, 12	443,548	437,080
Loss on disposal of tangible fixed assets	12	8,117	5,023
Foreign exchange (loss) / gain	7	(718,628)	101,036
Equity settled share-based payment expenses	17	583,406	557,828
Fair value adjustment of convertible loan note	16	2,066,349	-
Taxation	10	(743,768)	(297,794)
Interest receivable	3	(9,438)	(88,783)
Interest payable	4	528,698	486
Increase in trade and other debtors		(3,406,333)	(449,077)
Increase in trade and other creditors		7,424,810	901,676
Tax (paid) / credit received		1,489,796	(193,758)
Net cash from operating activities		(2,499,458)	(10,434,861)
Cash flows from investing activities			
Acquisition of tangible fixed assets	11, 12	(67,386)	(153,867)
Proceeds from sale of fixed assets		1,704	88,783
Interest received		9,438	-
Net cash from investing activities		(56,244)	(65,084)
Cash flows from financing activities			
Proceeds from the issue of share capital		302,053	-
Proceeds from bank loan		5,374,256	-
Proceeds from exercise of share options		24,003	49,879
Repayment of loan capital		-	-
Interest paid		(528,698)	(486)
Net cash from financing activities		5,171,614	49,393
Net (decrease) / increase in cash and cash equivalents		2,615,912	(10,450,552)
Cash and cash equivalents at 1 April		4,464,744	14,903,003
Foreign exchange gain on bank balances		438,619	12,293
Cash and cash equivalents at 31 March		7,519,275	4,464,744

The notes on pages 17 to 31 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Lyst Ltd (the "company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 07132083 and the registered address is The Minster Building, 21 Mincing Lane, London, EC3R 7AG.

These group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is Sterling.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time; and
- 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 accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Notwithstanding the loss for the year of £10,166,015 (2020: £11,408,578) these financial statements have been prepared on a going concern basis, as the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. In reaching this conclusion the directors have considered the status of the group, its financial position and future prospects. In particular, regard has been given to the uncertainties relating to: (1) the general economic outlook; (2) impact of the COVID-19 crisis on the group, its customers and the general economy; (3) the markets in which the group operates; and (4) the particular risks described in the report to which the group is exposed.

The directors have further considered the financial budgets and forecasts prepared in relation to the group's activities for the period to 28 February 2023, these assume that revenue continues to grow over the next financial year, while marketing and payroll expenses are expected to increase in order to support this, as well as including the equity fundraises completed post year end amounting to £48.2m (see note 22 for further details). The directors have produced scenario analysis over this forecast, including one where revenue is meaningfully impacted by the uncertainties highlighted earlier causing a drastic shift from expected customer behaviours, which is not considered likely but is a severe but plausible outcome. In this most negative scenario, revenue growth is expected to remain at the growth levels to date with marketing and headcount costs expected to increase to support this revenue growth. Even under this scenario, the group maintains a positive cash balance for at least 12 months from the date of approval of the financial statements.

On the basis of the foregoing, the directors consider the going concern basis to be appropriate for the preparation of the group's financial statements. Consequently, the directors are confident that the group and company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared them on a going concern basis.

Notes (continued)

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2021. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet 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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors / creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

Notes (continued)

1.7 Employee benefits

Share-based payment transactions

Share-based payment arrangements in which the entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the entity.

The group issues equity settled share-based payments to both employees and non-employees, whereby services are rendered in exchange for rights over shares of the company.

The grant date fair value of share-based payments awards granted to both employees and non-employees is recognised as an employee or contractor expense, with a corresponding increase in equity, over the period in which the parties become unconditionally entitled to the awards. The fair value of the awards granted is measured based on the company's investment valuations, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit 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 profit and loss account in the periods during which services are rendered by employees.

1.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Depreciation

The group and company assess at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

• Computer equipment	3 years
• Office equipment, fixtures and fittings	5 years
• Leasehold improvements	5 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.

1.9 Intangible assets

The intangible assets of image rights and trademarks that are acquired by the group and company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

• Image rights and trademarks	5 years
• Domain names	5 years

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

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

Notes (continued)

1.10 Provisions

A provision is recognised in the balance sheet when the group and company have a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.11 Turnover

Turnover represents amounts receivable for services provided net of VAT.

The company operates a commission model with its retail partners and affiliate networks, who list products on the company's websites and app. Commission is recognised as revenue when a customer purchases a product through Lyst Ltd, less a provision for returns.

1.12 Other income

Other income represents revenue from the sublease of desk space in the head office.

1.13 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and interest payable

Interest income and interest payable are recognised in profit or loss as they accrue.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Notes (continued)

2 Turnover

	2021	2020
	£	£
Commissions on sales	35,449,391	22,981,038
Total turnover	<u>35,449,391</u>	<u>22,981,038</u>
By geographical domain		
Europe	18,693,601	11,471,342
North America	12,406,982	8,238,250
APAC	2,115,964	1,580,020
Other	2,232,844	1,691,426
Total turnover	<u>35,449,391</u>	<u>22,981,038</u>

3 Interest receivable and similar income

	2021	2020
	£	£
Interest receivable	9,438	88,783
	<u>9,438</u>	<u>88,783</u>

4 Interest payable and similar expenses

	2021	2020
	£	£
Interest payable on third party loan	526,844	-
Interest payable on finance leases	1,854	486
	<u>528,698</u>	<u>486</u>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	2021	2020
Number of employees	Number	Number
company management	5	4
Product and Engineering	69	65
Marketing	36	36
Operations	28	24
	<u>138</u>	<u>129</u>

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£	£
Wages and salaries	10,045,547	9,466,237
Share-based payments (note 17)	583,406	557,828
Social security costs	1,227,678	1,227,528
Contributions to defined contribution pension plan	289,129	240,412
	<u>12,145,760</u>	<u>11,492,005</u>

The total liability due in relation to the defined contribution pension scheme at the balance sheet date is £78,473 (2020: £nil).

6 Directors' remuneration

	2021	2020
	£	£
Directors' remuneration	497,892	568,564
Amounts receivable under share-based payments	166,101	356,420
	<u>663,993</u>	<u>924,984</u>

The aggregate of remuneration and amounts receivable under share-based payments of the highest paid director was £251,316 (2020: £476,801). During the year, the highest paid director did not exercise share options and receive shares under a long term incentive scheme (2020: the highest paid director exercised share options and received shares under a long term incentive scheme).

During the year there were three directors remunerated as full time equivalent employees for the full financial year (2020: three). During the year six directors (2020: five) were not paid for their services to the company.

	2021	2020
Number of directors	Number	Number
The number of directors who exercised share options was	1	1
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	<u>3</u>	<u>4</u>

Notes (continued)

7 Expenses

Included in the operating loss are the following:

	2021	2020
	£	£
Depreciation and amortisation (notes 11 and 12)	443,548	437,080
Operating lease expenses (note 9)	1,234,720	1,327,057
Research and development costs expensed as incurred	2,206,208	2,312,591
Foreign exchange (loss) / gain	<u>(718,628)</u>	<u>101,036</u>

8 Auditor's remuneration

Auditor's remuneration:

	2021	2020
	£	£
Audit of these financial statements	45,000	37,250
Amounts receivable by the company's auditor and its associates in respect of:		
Other services	11,741	181,427
Research and development claim services	14,500	-
Tax compliance services	<u>9,100</u>	<u>6,400</u>

9 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2021 £	Group 2020 £	company 2021 £	company 2020 £
Less than one year	762,372	793,006	762,372	762,372
Between one and five years	5,400,098	4,637,738	5,400,098	4,637,738
More than five years	3,684,769	5,209,501	3,684,769	5,209,501
	<u>9,847,239</u>	<u>10,640,245</u>	<u>9,847,239</u>	<u>10,609,611</u>

The operating leases relate to the rent of the group and company's offices. During the year £1,234,720 (2020: £1,327,057) was recognised as an expense in the profit and loss account in respect of operating leases.

Notes (continued)

10 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity:

	2021	2020
	£	£
Current tax		
Foreign tax on subsidiary income	(7,998)	16,329
Prior year over provision for R&D tax credit receivable	-	457,126
Current tax credit relating to the R&D expenditure claim	(735,770)	(771,249)
Total tax	<u>(743,768)</u>	<u>(297,794)</u>

Reconciliation of effective tax rate:

	2021	2020
	£	£
Loss for the year	(10,166,015)	(11,408,578)
Total tax credit	(743,768)	(297,794)
Loss excluding taxation	<u>(10,909,783)</u>	<u>(11,706,372)</u>
 Tax using the UK corporation tax rate of 19% (2020: 19%)	 (2,072,859)	 (2,224,211)
Fixed asset differences	42,350	41,307
Expenses not deductible for tax purposes	522,994	288,583
Income not taxable for tax purposes	(1,887)	(112,677)
Other permanent differences	(168,559)	-
Additional deduction for R&D expenditure	(544,933)	(571,210)
Surrender of tax losses for R&D tax credit refund	228,343	239,353
Adjustments to tax charge in respect of previous periods	-	457,126
Adjustments to tax charge in respect of previous periods - deferred tax	(358,795)	-
Adjustment to deferred tax carried forward at 19%	-	(613,565)
Current period losses for which no deferred tax asset was recognised	1,617,576	2,181,170
Foreign tax on subsidiary income	(7,998)	16,329
Total tax expense included in profit or loss	<u>(743,768)</u>	<u>(297,794)</u>

Deferred tax

The company has unrelieved tax losses of £47m (2020: £39m) which can be recovered against tax profits in the future. A deferred tax asset has not been recognised as it is uncertain that the company will generate suitable taxable profits in the future.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

Notes (continued)

11 Intangible assets

Group	Trademarks and Image Rights £	Domain Names £	Total £
Cost			
Balance at 1 April 2020	49,573	52,473	102,046
Additions	-	-	-
Disposals	-	-	-
Balance at 31 March 2021	49,573	52,473	102,046
Amortisation and impairment			
Balance at 1 April 2020	49,573	40,764	90,337
Amortisation for the period	-	3,506	3,506
Disposals	-	-	-
Balance at 31 March 2021	49,573	44,270	93,843
Net book value			
At 1 April 2020	-	11,709	11,709
At 31 March 2021	-	8,203	8,203
Company	Trademarks and Image Rights £	Domain Names £	Total £
Cost			
Balance at 1 April 2020	49,573	52,473	102,046
Additions	-	-	-
Disposals	-	-	-
Balance at 31 March 2021	49,573	52,473	102,046
Amortisation and impairment			
Balance at 1 April 2020	49,573	40,764	90,337
Amortisation for the period	-	3,506	3,506
Disposals	-	-	-
Balance at 31 March 2021	49,573	44,270	93,843
Net book value			
At 1 April 2020	-	11,709	11,709
At 31 March 2021	-	8,203	8,203

Notes (continued)

12 Tangible fixed assets

Group	Computer Equipment	Office Equipment	Fixtures & Fittings	Leasehold Improvements	Total
Cost	£	£	£	£	£
Balance at 1 April 2020	493,466	345,182	179,759	1,112,283	2,130,690
Additions	65,835	1,392	-	159	67,386
Disposals	(49,287)	(93,188)	(158,521)	(1)	(300,997)
Effect of movements in foreign exchange	(278)	(944)	(48)	-	(1,270)
Balance at 31 March 2021	509,736	252,442	21,190	1,112,441	1,895,809
Depreciation					
Balance at 1 April 2020	298,436	192,296	136,401	290,570	917,703
Depreciation charge for the period	109,866	85,219	22,064	222,893	440,042
Disposals	(48,480)	(91,081)	(151,614)	(1)	(291,176)
Effect of movements in foreign exchange	(237)	(814)	(36)	-	(1,087)
Balance at 31 March 2021	359,585	185,620	6,815	513,462	1,065,482
Net book value					
At 1 April 2020	195,030	152,886	43,358	821,713	1,212,987
At 31 March 2021	150,151	66,822	14,375	598,979	830,327
Company					
Cost	£	£	£	£	£
Balance at 1 April 2020	484,265	335,567	179,273	1,112,282	2,111,387
Additions	65,835	1,392	-	159	67,386
Disposals	(46,632)	(84,517)	(158,083)	-	(289,232)
Transfers	6,268	-	-	-	6,268
Balance at 31 March 2021	509,736	252,442	21,190	1,112,441	1,895,809
Depreciation					
Balance at 1 April 2020	293,195	184,011	136,032	290,569	903,807
Depreciation charge for the period	109,435	85,467	22,042	222,893	439,838
Disposals	(45,825)	(83,858)	(151,259)	-	(280,942)
Transfers	2,780	-	-	-	2,780
Balance at 31 March 2021	359,585	185,620	6,815	513,462	1,065,482
Net book value					
At 1 April 2020	191,070	151,556	43,241	821,713	1,207,580
At 31 March 2021	150,151	66,822	14,375	598,979	830,327

Notes (continued)

13 Investments

Company	Shares in group undertakings £
Cost	
At beginning of year	6
At end of year	<u>6</u>
Net book value	
At 1 April 2020	6
At 31 March 2021	<u>6</u>

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

The subsidiary undertakings listed below are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this company has guaranteed the subsidiary company under Section 479C of the Act.

	Principal activity	Registered number	Registered office address	Class of shares held	Ownership 2020 %	Ownership 2019 %
Subsidiary undertakings						
Lyst Inc.	Non Trading Entity	Delaware File Number 5224224	401 Broadway, Suite 2102, New York, NY, 10013	Ordinary	100	100
Lyst IP	Domain Name Host	BC1015374	Suite 2600, Three Bentall Centre, P.O. Box 49314, Vancouver, BC V71L3	Ordinary	100	100

14 Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade debtors	11,439,529	7,151,559	11,439,529	7,151,559
Prepayments and accrued income	599,666	236,094	599,666	236,094
Other debtors	2,565,867	2,805,609	2,565,867	2,784,775
	<u>14,605,062</u>	<u>10,193,262</u>	<u>14,605,062</u>	<u>10,172,428</u>

Within other debtors is the rent deposit of £1,821,283 (2020: £1,821,283) which is due in more than one year.

Notes (continued)

15 Creditors: amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade creditors	3,649,045	1,910,225	3,648,682	1,897,061
Taxation and social security	2,151,063	948,961	2,152,500	939,558
Other creditors	4,042,332	2,718,846	4,042,332	2,718,512
Bank loan falling due within one year (note 16)	1,683,720	-	1,683,720	-
Convertible loan (note 16)	6,656,490	-	6,656,490	-
Amounts owed to group undertakings	-	-	36,827	36,028
Finance lease	52,060	-	52,060	-
	18,234,710	5,578,032	18,272,611	5,591,159

In both the current and prior year there is no interest due on the amounts owed to group undertakings and these are repayable on demand.

16 Interest-bearing loans and borrowings

Group and Company

This note provides information about the contractual terms of the group's and the company's interest-bearing loans and borrowings, which are measured in line with the accounting policies of basic and other financial instruments (note 1).

	2021 £	2020 £
Creditors falling due within less than one year		
Bank loan	1,683,720	-
Convertible loan	6,656,490	-
	8,340,210	-
Creditors falling due after more than one year		
Bank loan	3,690,536	-
	3,690,536	-

<i>Terms and debt repayment schedule</i>		Nominal	Year of	Repayment		
	Currency	Interest rate	maturity	schedule	2021	2020
					£	£
Bank loan	EUR	11.75%	2024	Monthly	695,729	-

Included within the convertible loan above is £6,656,490 (2020: £nil) that is convertible to Series E shares of the company subject to other terms and conditions set out in the loan agreement dated 12 June 2020. In accordance with the agreement, if the debt does not convert, redeem or become repaid within 18 months of the borrowing date, then the debt converts to equity. There is no interest due on the shares classified as debt. This has converted to equity post year end (note 22). Set out below is a breakdown of the loan.

	2021 £	2020 £
Balance at 1 April	-	-
Loans obtained during the year	4,590,141	-
Adjustment on fair valuation	2,066,349	-
Balance at 31 March	6,656,490	-

Notes (continued)

16 Interest-bearing loans and borrowings (continued)

The above loan has been classified as "fair value through profit and loss". Accordingly, the loan was measured at fair value as at the reporting date based on a valuation carried out by an external valuer. The resulting adjustment of £2,066,349 as above was recognised in the profit or loss account. The valuer has estimated the fair value of the loan based on a valuation of the company carried out using "Market Approach" that has taken into account recent equity transactions of the entity, using the Backsolve method. The valuer has used the "Option Pricing Model" for estimating the fair value to classes of equity including the convertible loan. The key assumption used in the valuation is common stock volatility.

17 Share-based payments

Group and Company

The company issues equity settled share-based payments to employees and certain parties, including advisors and contractors, whereby services are rendered in exchange for rights over shares in the company.

Options are granted to qualifying employees at the start of their employment. Upon completion of the first year of employment, 25% of options will vest, and the remainder will vest monthly over the next three years. In certain circumstances additional options are granted to employees to recognise performance. Such options vest monthly over four years. For other parties, vesting periods may differ, ranging between 2 – 4 years.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2021 £	Number of options 2021	Weighted average exercise price 2020 £	Number of options 2020
Outstanding at the beginning of the period	0.050	4,203,694	0.050	4,994,317
Forfeited during the period	0.050	(272,951)	0.050	(607,760)
Exercised during the period	0.050	(480,072)	0.050	(207,450)
Granted during the period	0.050	1,790,338	0.050	24,587
Outstanding at the end of the period	0.050	5,241,009	0.050	4,203,694
Exercisable at the end of the period	0.050	-	0.050	-

The fair value of employee share options is based on a third party valuation completed at least annually.

Options are exercisable and converted to ordinary shares or growth shares when an employee leaves the company or when an exit event has occurred. This includes the event of a flotation of the company's shares or a sale of the business.

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

The total expenses recognised for the year and the total liabilities recognised at the end of the year arising from share-based payments are as follows:

	2021 £	2020 £
Total share based payment expense	583,406	557,828
Total carrying amount of liabilities	(2,053,656)	(1,902,323)

Notes (continued)

18 Capital and reserves

Group and Company

Share capital	Preference shares of £0.00001 each Number	Growth shares Number	Ordinary shares Number
On issue at 31 March 2020	30,649,833	8,129	12,774,216
Share options exercised (note 17)	-	77,669	402,403
Issue of shares	-	-	58,780
On issue at 31 March 2021	<u>30,649,833</u>	<u>85,798</u>	<u>13,235,399</u>
	2021		2020
<i>Allotted, called up and fully paid</i>	£		£
13,235,399 (2020: 12,774,216) ordinary shares of £0.00001 each	133		129
85,798 (2020: 8,129) growth shares of £0.00001 each	1		-
30,649,833 (2020: 30,649,833) preference shares of £0.00001 each	306		306
	<u>440</u>		<u>435</u>

The holders of ordinary shares, growth shares and preference shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

During the year the company issued 58,780 (2020: nil) ordinary shares for cash consideration of £302,053 (2020: £nil).

19 Provisions

Group and Company

	Claims £	Dilapidations £	Total £
Balance at 1 April 2020	-	229,960	229,960
Provisions utilised during the year	-	-	-
Provisions made during the year	-	-	-
Balance at 31 March 2021	<u>-</u>	<u>229,960</u>	<u>229,960</u>

Provisions made during the prior year for dilapidation costs are payable on cessation of an operating lease. It is estimated that the cost of dismantling the new office to return it to its original condition will be £229,960.

20 Ultimate parent undertaking and controlling party

The directors believe there is no ultimate controlling party. No other group financial statements include the results of the company.

Notes (continued)

21 Related parties

Group and Company

Transactions with key management personnel

Total compensation (including share based payments) of key management personnel (including the directors) in the year was £1,420,693 (2020: £1,953,827). There was £nil (2020: £nil) outstanding at year end. These are unsecured. No amount (2020: £nil) was recognised as an expense in relation to bad or doubtful debts during the period.

The following transactions occurred with key management personnel outside of remuneration during the 12 months to 31 March 2021:

	Number of options 2021	Number of options 2020
<i>Share options exercised (note 17)</i>		
J Ojeda	417,765	148,053
J Cossons	-	16,560
E McFerran	-	6,781

Transactions with wholly owned subsidiaries

The following transactions occurred with wholly owned subsidiaries, who are related parties, during the 12 months to 31 March 2021:

	2021 £	2020 £
<i>Lyst Inc.</i>		
Purchases from the subsidiary	74,814	514,574
Intercompany payable	36,827	36,028

Transactions with suppliers with an interest held by a related party

The following transactions occurred with suppliers in which a director has an interest, during the 12 months to 31 March 2021:

	2021 £	2020 £
Dr Marten's	6,790	-

22 Post balance sheet events

The company raised a total of £48.2m (\$63.2m) via an equity fundraise on 11 May 2021, 30 June 2021, 12 August 2021 and 17 December 2021. Following the equity fundraise, secondary share sales occurred for a total of £9.9m (\$13.0m) from employees to investors of the company on 29 June 2021, 7 July 2021 and 3 August 2021.

Following the fundraise, the convertible loan note (note 16) converted to shares.

23 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other relevant factors, including management's reasonable expectations of future events. The preparation of the financial statements requires management to make estimates and judgements concerning the future. The resulting accounting estimates will, by definition, be likely to differ from the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Provisions for customer refunds

Provisions for customer refunds reflect the group's expected liability for returns of goods sold based on historic information of rates of return. These are shown net against the revenue due from retailers.