NEXT Beauty Limited (formerly Marie Claire Beauty Limited)

Reports and Financial Statements

For the 52 week period ended 29 January 2022

Registered No: 09252560

Reports and Financial Statements

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Registered in England & Wales

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Strategic Report

The directors present their Annual Report and audited financial statements for NEXT Beauty Limited (formerly Marie Claire Beauty Limited), (the "Company") a company limited by shares, incorporated and domiciled in the United Kingdom, for the 52 week period ended 29 January 2022.

Results

The principal activity of the Company is the retailing of beauty products. The Company sells through retail outlets in the UK and online via the next.co.uk website.

The profit for the period after taxation amounted to £4.3m (2021: profit £3.1m).

Turnover for the 52 week period ended 29 January 2022 was £54.2m (2021: £32.5m) and pre-tax profit was £5.2m (2021: profit £2.6m).

Key Performance Indicators

The directors use a number of key performance indicators to assess the business performance. Principal amongst these are turnover, gross profit margin, operating profit and net assets which are reported in the audited financial statements.

	2022	*2021*	*Variance*
	£m	*£m*	*%*
Turnover	*54.2*	*32.5*	*66.8*
Gross profit margin	*9.2%*	*11.4%*	*-19.2*
Operating profit	*5.2*	*2.7*	*92.6*
Net Assets	*8.8*	*4.5*	*95.6*

Risks and Uncertainties

The directors (the "Board") has overall responsibility for risk management, the supporting system of internal controls and for reviewing their effectiveness. The Company, through the wider NEXT plc Group structure (the "Group" or "NEXT"), operates a policy of continuous identification and review of business risks. This includes the monitoring of key risks, identification of emerging risks and consideration of risk mitigations after taking into account risk appetite and the impact of how those risks may affect the achievement of business objectives.

The risks and uncertainties that the business faces evolve over time and executive directors and senior management are delegated the task of implementing and maintaining controls to ensure that risks are managed appropriately. The Groups risk management framework is designed to identify and manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

Business strategy development and implementation
Risk
If the Board adopts the wrong business strategy or does not implement its strategies effectively, the business may suffer. The Board therefore needs to understand and properly manage strategic risk, taking into account specific retail sector risk, in order to deliver long term growth for the benefit of the Company's stakeholders.

Mitigation
The Board reviews business strategy on a regular basis to determine how sales and profit can be maximised, and business operations made more efficient. The Board and senior management consider strategic risk factors, wider economic and industry specific trends that affect the Company's businesses, the competitive position of its product and the financial structure of the Company. A detailed plan to manage the Company going forward and its longer term direction of travel exists and aligned to the NEXT plc Groups plan which is articulated to the Groups stakeholders in the NEXT plc annual and half yearly reports.

Strategic Report (continued)

Product design and selection
Risk
Our success depends on designing and selecting products that customers want to buy, at appropriate price points and stocked in the right quantities. In the short term, a failure to manage this risk may result in surplus stocks that cannot be sold and may have to be disposed of at a loss. Over the longer term, a failure to meet the design, quality and value expectations of our customers will adversely affect the reputation of the Brand.

Mitigation
Executive directors and senior management continually review the design, selection and performance of Company product ranges. Executive directors and senior management regularly review product range trends to assess and correct any key selection or product issues. Corrections to significant missed trends or poorer performing ranges are targeted for amendment, with alternative products being sourced within six months where necessary. Senior product management approves quality standards, with in-house quality control and testing teams in place across all product areas. Senior management regularly reviews product recalls and product safety related issues.

Key suppliers and supply chain management
Risk
Reliance on our supplier base to deliver products on time and to quality standards is essential. Failure to do so may result in an inability to service customer demand or adversely affect our reputation. Changes in global manufacturing capacity and costs may impact profit margins. Non-compliance by suppliers with the NEXT Code of Practice may increase reputational risk or undermine our reputation as a responsible retailer.

Mitigation
Stock availability is reviewed on an ongoing basis and appropriate action taken where service or delivery to customers may be negatively impacted. Management continually seeks ways to develop our supplier base to reduce over-reliance on individual suppliers and to maintain the quality and competitiveness of our offer. The Company is part of the Groups supplier risk assessment procedures establish contingency plans in the event of key supplier failure. Existing and new sources of product supply are developed in conjunction with NEXT Sourcing, external agents and/or direct suppliers. The Groups in-house global Code of Practice team carry out regular audits of our product-related suppliers operations to ensure compliance with the standards set out in our Code. These standards cover supplier production methods, employee working conditions, quality control and inspection processes. We train relevant employees and communicate with suppliers regarding our expectations in relation to responsible sourcing, anti-bribery, human rights and modern slavery.

Financial, treasury, liquidity and credit risks
Risk
The Company's ability to meet its financial obligations and to support the operations of the business is dependent on having sufficient liquidity over the short, medium and long term. The Company and the wider Group is reliant on the availability of adequate financing from banks and capital markets to meet its liquidity needs. The Company is exposed to foreign exchange risk and profits may be adversely affected by unforeseen moves in foreign exchange rates. The Company might suffer financial loss if a counterparty with which it has transacted fails and is unable to fulfil its contract.

Mitigation
The Group operate a centralised treasury function which is responsible for managing liquidity, interest and foreign currency risks. It operates under a Board approved Treasury policy. Approved counterparty and other limits are in place to mitigate the Group's exposure to counterparty failure.

The Group's debt position, available funding and cash flow projections are regularly monitored and reported to the Board. The Board will agree funding for the Group in advance of its requirement to mitigate exposure to illiquid market conditions.

The Group has a Treasury Committee which includes the Group Finance Director. The Treasury Committee usually meets weekly to review the Group's treasury and liquidity risks including foreign exchange exposures.

Strategic Report (continued)

Reliance on the NEXT Group
Risk
The operations of the Company rely on various operations within the NEXT Group. These include warehousing and distribution, customer experience, retail store network and information security, business continuity and cyber risk.

Mitigation
Further details of these risks and how they are managed or mitigated are included in the NEXT Plc Annual Report and Accounts.

Employees

The Company's employees are key to achieving its business objectives and the Company actively takes steps to attract and retain the right people to work at every level throughout the business. The Company has established policies for recruitment, training and development of personnel and is committed to achieving excellence in the areas of health, safety, welfare and protection of employees and their working environment.

The Company is an equal opportunities employer and will continue to ensure it offers career opportunities without discrimination. Full consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities and in accordance with relevant legislation. The Company has continued the employment wherever possible of any person who becomes disabled during their employment, providing assistance and modifications where possible. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees.

The Company aims to realise the potential of its employees by supporting their career progression and promotion wherever possible. It makes significant investment in the training and development of staff and in training and education programmes which contribute to the promotion prospects of employees.

The Company has a policy of providing employees with financial and other information about the business and ensures that the suggestions and views of employees are taken into account. Employees of the Company may participate in Sharesave schemes offered by NEXT plc. The Company has established a pension scheme which employees may contribute to.

Section 172 Statement

This section describes how the directors have had regard to the matters set out in section 172(1)_(a) to (f) Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its member, NEXT plc.

The Company is a wholly owned subsidiary of Lipsy Ltd which is a 100% owned subsidiary of Next Plc. Its purpose is the retailing of beauty products. Therefore the Company considers that, indirectly, its key stakeholders reflect those of NEXT plc. The relationships of direct relevance and importance to the long term success of the Company are as follows:

Relationship and engagement with stakeholders

Workforce
The strength of our business is built on the hard work and dedication of all of the Company's people. We also consider the interests of former employees who are members of a Group pension scheme. Our colleagues rely on us to provide stable employment and opportunities to realise their potential in a working environment where they can be at their best.

How the Board engages:
- Discussing the output of employee engagement surveys and agreeing follow-up actions
- Presentations on performance and strategy from the Group Chief Executive and the Group Finance Director following results announcements
- Attendance at Product Training Days and visits to stores and warehouses
- Online performance, development and feedback tools

Strategic Report (continued)

Each of our executive directors joined the Group as employees before being promoted to the Board. All of them joined the Group over 25 years ago and this gives them extensive knowledge of the business as well as an acute insight into the mood, culture and views of their colleagues. All have a high degree of personal oversight and engagement in the business. Engagement with our employees has never been more vital to the success of our business. In a year of profound uncertainty, we had ongoing engagement with our workforce about their health and safety in the face of Covid.

Employee engagement surveys
In 2021, we undertook an employee engagement survey across the majority of our business. The survey was sent to Head Office, Retail and Online employees and response rates were very good.

Respondents overwhelmingly told us they felt proud to work for NEXT, and that they felt safe at work. Employee sentiment was positive about expressing ideas and beliefs at work, and being recognised for doing a job well. We received feedback that the quality of coaching and development of employees varied. The Board considered the results of the survey and the HR initiatives underway to address the matters raised, such as plans to increase headcount in the Training and Development teams to strengthen our offering in this area.

Continuous performance management and feedback
Our online performance and development tool provides a forum for positive and constructive feedback by individuals, peers and managers.

The Group HR Director attended a meeting of the Board to brief the directors on employee-related matters, including workforce demographics, engagement activities, the results of employee engagement, staff retention rates, diversity, whistleblowing, disciplinary and grievance procedures, learning and development activity, pay and reward including gender pay gap and HR initiatives.

The Board considers that, taken together, these arrangements deliver an effective means of ensuring the Board stays alert to the views of the workforce.

With regard to health, safety and wellbeing, during the year the Audit Committee received an update from the Group Health and Safety Manager on safety performance, safety risk management and mental health wellbeing initiatives.

Customers
Our customers are the reason we exist. They have near limitless choice, so it is essential to our future that we can consistently and continuously design and offer attractive, stylish products of high quality to new and existing customers at an accessible price. In doing so, we will build our brand value and loyalty.

As a large retail business, the sentiment of customers can be seen in the Company's underlying sales performance figures, which the Board reviews regularly. The executive directors provide updates to the NEXT Plc Board on their perceptions and the market view of consumer sentiment. The interests of customers are considered in key decisions e.g. relating to: store portfolio changes; selection of product lines including third-party brands; selection and monitoring of suppliers to ensure quality and safety standards are met; freight and logistics arrangements to maximise efficiencies from order to delivery; the availability of customer credit products; and the development of the Group Online Platform. With the interests of customers in mind, during the year the Board reviewed proposals in respect of phased plans to reopen stores following enforced closure, compliance with Government guidance on health and safety measures in store and store staffing levels.

Strategic Report (continued)

Suppliers
We rely on our suppliers to make and distribute our products, provide the real estate through which we store, sell and display our products, and provide essential services we need to operate our business. Our suppliers rely on us to generate revenue and employment for them.

We focus on ethical trading, traceability and responsible sourcing to ensure our products are made by workers who are treated fairly and whose safety, human rights and wellbeing are respected.

Throughout the year the Board approved major contract renegotiations and strategy with regard to key suppliers, notably with the Groups Online orders home delivery service provider, new warehouse suppliers, providers of freight forwarding services, and with certain landlords. We balanced the benefits of maintaining strong partnerships with key suppliers alongside the need to obtain value for money for our investors and excellent quality and service for our customers.

By order of the Board

Seonna Anderson

Seonna Anderson
Secretary
25October 2022

Directors' Report

Directors

The directors who served the Company during the period and up to the date of signing the financial statements were as follows:

Lord Wolfson of Aspley Guise
Amanda James

No director had any interest in the share capital of the Company or of any subsidiary company of NEXT plc. Lord Wolfson and Amanda James are also directors of NEXT plc, and their own and their connected persons' interests in the ordinary shares of NEXT plc are shown in the financial statements of that company.

Dividends

There were no dividends paid in the period (2021: £nil) and the directors do not recommend the payment of a final dividend.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out under Risks and Uncertainties within the Strategic report.

The Company participates in the Next Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiary companies. Accordingly, the assessment of going concern considered both the financial position and forecasts of the Company and those of the Next Group.

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities including the Group's principal risks and uncertainties. The Board also considered the Group's current cash position, intercompany balances within the Group, the repayment profile of its obligations and the resilience of its 12 month cash flow forecasts to a series of severe but plausible downside scenarios such as further enforced store closures. Having considered these factors the Board is satisfied that the Group has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the financial statements for the 52 weeks ended 29 January 2022.

Outlook

The Company will continue to focus on managing its overall financial position, cash flows and liquidity while delivering high quality beauty products to its customers.

By order of the Board

Seonna Anderson

Seonna Anderson
Secretary
25 October 2022

Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "*Reduced disclosure framework*", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

The directors 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.

Profit and Loss Account

for the 52 week period ended 29 January 2022

	Note	*52 weeks to 29 January 2022* £m	*53 weeks to 30 January 2021* £m
Turnover	2	54.2	32.5
Cost of sales		(49.2)	(28.8)
Gross profit		5.0	3.7
Distribution costs		(0.1)	(0.2)
Administrative expenses		(1.3)	(0.8)
Other income		1.6	-
Operating profit	3	5.2	2.7
Interest payable and similar expenses	6	-	(0.1)
Profit before taxation		5.2	2.6
Tax on profit	7	(0.9)	0.5
Profit for the financial period		4.3	3.1

All amounts relate to continuing operations.

Statement of Comprehensive Income

for the 52 week period ended 29 January 2022

There was no comprehensive income or expense other than the profit for the financial period of £4.3m attributable to the shareholders for the period ended 29 January 2022 (2021: profit £3.1m).

Balance Sheet

at 29 January 2022

	Notes	29 January 2022 £m	30 January 2021 £m
Fixed assets			
Tangible assets	8	0.1	0.1
Debtors: amounts falling due after more than one year	9	0.6	1.0
		0.7	1.1
Current assets			
Stock	10	10.4	11.8
Debtors: amounts falling due within one year	11	2.1	1.2
Cash at bank and in hand		0.1	0.2
		12.6	13.2
Creditors: amounts falling due within one year	12	(4.5)	(8.1)
Lease liabilities	13	-	(0.3)
Net current assets		8.1	5.8
Total assets less current liabilities		8.8	5.9
Creditors: amounts falling due after more than one year			
Lease liabilities	13	-	(1.4)
Net assets		8.8	4.5
Capital and reserves			
Share capital	14	-	-
Profit and loss account		8.8	4.5
Total equity		8.8	4.5

For the year ending 29 January 2022 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:
• the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
• the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements on pages 8 to 22 were approved and authorised for issue by the Board of directors on 25 October 2022.

Amanda James
Director

Registered in England, no. 09252560

Statement of Changes in Equity
for the 52 week period ended 29 January 2022

	Called up share capital £m	*Profit and loss account £m*	*Total equity £m*
At 25 January 2020	-	1.4	1.4
Profit for the period and total comprehensive income	-	3.1	3.1
At 30 January 2021	-	4.5	4.5
Profit for the period and total comprehensive income	-	4.3	1.3
At 29 January 2022	-	8.8	8.8

Notes to the Financial Statements

for the 52 week period ended 29 January 2022

1. Accounting policies

General information
The Company was registered and is domiciled in the United Kingdom.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101") and The Companies Act 2006 as applicable to companies using FRS 101.

The financial statements have been prepared on the historical cost basis. The financial statements are for the 52 weeks to 29 January 2022 (last period 53 weeks to 30 January 2021) and the principal accounting policies adopted, which have been applied consistently, are set out below.

The Company was incorporated and is domiciled in the United Kingdom.

The Company's financial statements are presented in Pounds Sterling and all values are rounded to the nearest hundred thousand pounds except where otherwise indicated.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

Paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).

IFRS 7, 'Financial instruments: Disclosures'.

Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:

i. Paragraph 79(a)(iv) of IAS 1;
ii. Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
iii. Paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).

The following paragraphs of IAS 1, 'Presentation of financial statements':

- 10(d) (statement of cash flows);
- 16 (statement of compliance with all IFRS);
- 38A (requirement for minimum of two primary statements including cash flow statements);
- 38B-D (additional comparative information);
- 111 (statement of cash flows information); and
- 134-136 (capital management disclosures).

IAS 7, 'Statement of cash flows'.

Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).

The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

Notes to the Financial Statements (continued)
for the 52 week period ended 29 January 2022

1. Accounting policies (continued)

The Company participates in the Next Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiary companies. Accordingly, the assessment of going concern considered both the financial position and forecasts of the Company and those of the Next Group.

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities including the Group's principal risks and uncertainties. The Board also considered the Group's current cash position, intercompany balances within the Group, the repayment profile of its obligations and the resilience of its 12 month cash flow forecasts to a series of severe but plausible downside scenarios such as further enforced store closures. Having considered these factors the Board is satisfied that the Group has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the financial statements for the 52 weeks ended 29 January 2022.

Tangible assets
Plant and equipment are stated at cost less accumulated depreciation and impairment.

Depreciation is charged so as to write down the cost of assets to their estimated residual values over their remaining useful lives on a straight line basis. Estimated useful lives and residual values are reviewed at least annually and are summarised as follows:

Plant and machinery	5 to 10 years
Office equipment	3 years

Impairment
The carrying values of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any impairment loss arises, the asset value is adjusted to its estimated recoverable amount and the difference is recognised in the Profit and Loss Account.

Stock
Stock is valued at the lower of standard cost or net realisable value. Net realisable value is based on estimated selling prices less further costs to be incurred to disposal.

Trade and other debtors
Trade debtors are stated at invoice value less any allowance for impairment; see below for our policy over the impairment of financial assets.

Taxation
Taxation, comprised of current and deferred tax, is charged or credited to the Profit and Loss Account unless it relates to items in other comprehensive income or directly in equity. In such cases, the related tax is also recognised in other comprehensive income or directly in equity.

Current tax liabilities are measured at the amount expected to be paid, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method and is calculated using rates of taxation enacted or substantively enacted at the balance sheet date which are expected to apply when the asset or liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is not recognised in respect of subsidiaries and associates where the reversal of any taxable temporary differences can be controlled and are unlikely to reverse in the foreseeable future.

Notes to the Financial Statements (continued)
for the 52 week period ended 29 January 2022

1. Accounting policies (continued)

The company's tax liabilities have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date. On 3rd March 2021 the Chancellor confirmed an increase in the main CT rate from 19 to 25 percent with effect from 1st April 2023. The Company's tax expense for the financial year ended 29th January 2022 has taken into consideration the effect of this increase as the increase was substantively enacted pre the balance sheet date.

Turnover
Turnover represents the consideration to which the Company expects to be entitled to in exchange for transferring goods or services to a customer. Revenue from the sale of product is recognised at the point in time when control of the asset is transferred to the customer ie on the delivery of the product. The Company uses the expected value method to estimate the value of goods that will be returned because this method best predicts the amounts of variable consideration to which it will be entitled.

Cash at bank and in hand
This comprises cash at bank and in hand and short term deposits with an original maturity of three months or less.

Foreign currencies
Transactions in foreign currencies other than an entity's functional currency are recorded at the exchange rate on the transaction date, while assets and liabilities are translated at exchange rates at the balance sheet date. Exchange differences are recognised in the Profit and Loss Account.

Government grants
Grants are recognised only when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Grants that are receivable as compensation for expenses already incurred are recognised in profit or loss in the period in which they become receivable.

Other financial assets and liabilities

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL). The classification is based on two criteria:

- the Company's business model for managing the assets; and
- whether the instruments' contractual cash flows represent "Solely Payments of Principal and Interest" on the principal amount outstanding (the "SPPI criterion").

A summary of the Company's financial assets is as follows:

Financial assets	Classification under IFRS 9
Trade and customer debtors, Other debtors, Amounts owed by parent undertaking and Amounts owed by other Group undertakings	Amortised cost – hold to collect business model and SPPI met
Cash and short term deposits	Amortised cost

Under IFRS 9 the Company initially measures a financial asset at its fair value plus directly attributable transaction costs, unless the asset is classified as FVPL. Transactional costs of financial assets carried at FVPL are expensed in the Profit and Loss Account.

Notes to the Financial Statements (continued)

for the 52 week period ended 29 January 2022

1. Accounting policies (continued)

Subsequent measurement

A summary of the subsequent measurement of financial assets is set out below.

Financial assets at FVPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	Subsequently measured at amortised cost using the effective interest rate (EIR) method. The amortised cost is reduced by impairment losses. Interest income, impairment or gain or loss on derecognition are recognised in profit or loss.

Derecognition

A financial asset is primarily derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a "pass-through" arrangement; and either a) the Company has transferred substantially all the risks and rewards of the asset, or b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment – financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The most significant financial assets of the Company are its third party receivables, which are referred to as Trade and customer debtors and Other taxation and social security. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. For trade and customer debtors the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities

Initial recognition and measurement

The Company has classified its financial liabilities as follows:

Financial liabilities	Classification under IFRS 9
Trade creditors, Amounts owed to parent undertaking, Amounts owed to other Group companies	Amortised cost

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

A summary of the subsequent measurement of financial liabilities is set out below.

Financial liabilities at FVPL	Subsequently measured at fair value. Gains and losses are recognised in the Income Statement.
Financial liabilities at amortised cost	Subsequently measured at amortised cost using the EIR method. The EIR amortisation is included in finance costs in the Income Statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Profit and Loss Account.

Notes to the Financial Statements (continued)
for the 52 week period ended 29 January 2022

1. Accounting policies (continued)

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention and ability to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Employee benefits
The Company operates a defined contribution pension scheme which employees may contribute to. The Company does not operate a defined benefit pension scheme.

Provisions
A provision is recognised where the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Lease Accounting
Company as lessee
At inception of a contract the Company assesses whether the contract is or contains a lease. A lease is present where the contract conveys, over a period of time, the right to control the use of an identified asset in exchange for consideration.

Where a lease is identified the Company recognises a right-of-use asset and a corresponding lease liability, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Lease liability – initial recognition
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted at the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments such as those that depend on an index or rate (such as RPI), initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options where the Company is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Balance Sheet, split between current and non-current liabilities.

Lease liability – subsequent measurement
The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability – re-measurement
The lease liability is re-measured where:

- there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate or;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used) or;
- the lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Notes to the Financial Statements (continued)
for the 52 week period ended 29 January 2022

1. Accounting policies (continued)

When the lease liability is re-measured, an equivalent adjustment is made to the right-of-use asset unless its carrying amount is reduced to zero, in which case any remaining amount is recognised in profit or loss.

Where the lease liability is denominated in a foreign currency it is retranslated at the Balance Sheet date with foreign exchange gains and losses recognised in profit or loss.

Right-of-use asset – initial recognition
The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the Company has an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. The right-of-use asset is presented as a separate line in the Balance Sheet.

Right-of-use asset – subsequent measurement
Right-of-use assets are depreciated over the shorter of the lease term and useful life of the underlying asset.

Impairment
The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment – non-financial assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Short term leases and low value assets
For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

New standards, amendments and IFRIC interpretations
The Company has applied no new interpretations and amendments for the first time in these financial statements.

Certain new accounting standards and interpretations have been published that are not yet effective and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Significant areas of estimation and judgment
The preparation of the financial statements requires judgements, estimations and assumptions to be made that affect the reported values of assets, liabilities, revenues and expenses. The nature of estimation and judgement means that actual outcomes could differ from expectation. Significant areas of estimation uncertainty and judgement for the Company include:

Notes to the Financial Statements (continued)

for the 52 week period ended 29 January 2022

1. Accounting policies (continued)

Significant areas of estimation and judgment (continued)

Net realisable value of inventories

The selling prices of inventory are estimated to determine the net realisable value of inventory. Historical sales patterns and post year end trading performance are used to determine these. A 2% change in the volume of inventories going to clearance would impact the net realisable value by c£52k.

2. Turnover

Geographical market	*52 weeks to 29 January 2022 £m*	*53 weeks to 30 January 2021 £m*
United Kingdom	54.2	32.5
	54.2	32.5

All turnover is derived from the sale of goods and is categorised by destination.

3. Operating profit

	52 weeks to 29 January 2022 £m	*53 weeks to 30 January 2021 £m*
Operating profit is stated after charging/(crediting):		
Depreciation of tangible assets	-	0.1
Cost of stock recognised as an expense	33.0	20.4
Write down of stock to net realisable value	1.2	-
Government grants	-	(0.2)
Business rates relief	-	(0.2)

Other income of £1.6m (2021: £nil) recognised in the year is the release of the lease liability upon disposal of a lease held by the Company.

Notes to the Financial Statements (continued)
for the 52 week period ended 29 January 2022

4. Staff costs

	52 weeks to 29 January 2022 £m	*53 weeks to 30 January 2021 £m*
Wages and salaries	1.5	1.4
Social security costs	0.2	0.1
Other pension costs	0.1	0.1
	1.8	1.6

	52 weeks to 29 January 2022 No.	*53 weeks to 30 January 2021 No.*
Average monthly number of employees	29	28

5. Directors' emoluments

None of the current directors received any remuneration from the Company for the 52 week period ended 29 January 2022. Lord Wolfson and Amanda James are also directors of the ultimate parent company, NEXT Plc, and their emoluments for services to the Group are disclosed in the report and financial statements of that company. All of the directors work across the NEXT Group of companies and the directors believe that it is not practicable to apportion their remuneration between qualifying services for this Company and other Group companies in which they hold office.

6. Interest payable and similar expenses

	52 weeks to 29 January 2022 £m	*53 weeks to 30 January 2021 £m*
Finance cost on lease liability	-	0.1
	-	0.1

Notes to the Financial Statements (continued)
for the 52 week period ended 29 January 2022

7. Tax on profit

	52 weeks to 29 January 2022 £m	*53 weeks to 30 January 2021 £m*
Current tax:		
UK corporation tax charge on profit for the period	0.5	-
Total current tax	0.5	-
Deferred tax:		
Origination and reversal of temporary differences	0.5	(0.1)
Unused tax losses and credits	-	(0.4)
Impact of deferred tax rate change	(0.1)	-
Tax charge / (credit) reported in the Profit and Loss Account	0.9	(0.5)

The following table shows how the effective tax rate for the period relates to the standard rate of UK corporation tax.

	2022 %	*2021 %*
UK corporation tax rate	19.0	19.0
Expenses not deductible	0.7	0.4
Adjustments in respect of prior periods	(0.2)	(28.9)
Deferred tax rate change	(2.2)	(5.9)
Effective total tax rate on profit before taxation	17.3	(15.4)

Notes to the Financial Statements (continued)
for the 52 week period ended 29 January 2022

7. Tax on profit (continued)

Deferred tax asset

	2022 £m	2021 £m
Accelerated capital allowances	0.3	0.3
Unused tax losses and credits	-	0.4
IFRS 16 transition adjustment	0.3	0.3
	0.6	1.0

The movement in the period is as follows:

	2022 £m	2021 £m
Opening position	1.0	0.5
(Charged)/credited to the Profit and Loss Account		
Unused tax losses and credits	(0.4)	0.4
Accelerated capital allowances	-	0.1
Closing position	0.6	1.0

8. Tangible assets

	Plant and machinery £m	Office equipment £m	Total £m
Cost			
At 31 January 2021	2.1	0.2	2.3
Disposals	(1.2)	-	(1.2)
At 29 January 2022	0.9	0.2	1.1
Accumulated depreciation			
At 31 January 2021	2.1	0.1	2.2
Disposals	(1.2)	-	(1.2)
At 29 January 2022	0.9	0.1	1.0
Net book value			
At 29 January 2022	-	0.1	0.1
At 30 January 2021	-	0.1	0.1

Notes to the Financial Statements (continued)

for the 52 week period ended 29 January 2022

9. Debtors: amounts falling due after more than one year

	29 January 2022 £m	*30 January 2021 £m*
Deferred tax	0.6	1.0
	0.6	1.0

10. Stock

	29 January 2022 £m	*30 January 2021 £m*
Finished goods and goods for resale	10.4	11.8

11. Debtors: amounts falling due within one year

	29 January 2022 £m	*30 January 2021 £m*
Other taxation and social security	0.4	1.1
Amounts owed by parent undertaking	1.7	-
Prepayments and accrued income	-	0.1
	2.1	1.2

12. Creditors: amounts falling due within one year

	29 January 2022 £m	*30 January 2021 £m*
Trade creditors	1.6	1.4
Refund liabilities	0.2	0.1
Amounts owed to parent undertaking	-	3.8
Amounts owed to other Group companies	1.3	2.3
Accruals and deferred income	0.9	0.5
Corporation tax	0.5	-
	4.5	8.1

Notes to the Financial Statements (continued)

for the 52 week period ended 29 January 2022

13. Lease liability

	29 January 2022 £m	*30 January 2021 £m*
Current	-	0.3
Non-current	-	1.4
	-	1.7

The lease was disposed of at the start of February 2021.

The total cash outflow for leases was £nil in the year. (2021: £0.4m).

14. Share capital

		Allotted, called up and fully paid		
	2022 *No.*	2022 *£m*	2021 *No.*	2021 *£m*
Ordinary shares of £0.01 each	102	-	102	-

		Allotted, called up and fully paid		
	2022 *No.*	2022 *£m*	2021 *No.*	2021 *£m*
A Ordinary shares	-	-	-	-

15. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

16. Contingent Liabilities

The Company has entered into cross guarantee arrangements with Barclays Bank plc in respect of bank set-off arrangements with its parent undertaking Lipsy Limited, and certain fellow subsidiary undertakings. The guarantees are limited to the credit balances held on the Company's bank accounts.

17. Ultimate parent company and controlling party

The Company's immediate parent is Lipsy Limited. The Company's ultimate parent company and controlling party is NEXT plc, a company registered in England & Wales. NEXT plc is the only group preparing financial statements which include NEXT Beauty Limited (formerly Marie Claire Beauty Limited). Copies of its Group financial statements are available from its Company Secretary at its registered office, Desford Road, Enderby, Leicester, LE19 4AT.