

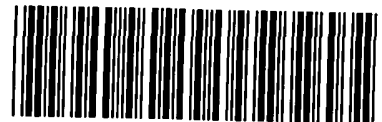
# Annual Report & Financial Statements

For the 52 Week Period Ending 25 March 2017

**Space NK Limited**

Company Registration No : 02773985

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**SPACE NK LIMITED**

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**SPACE NK LIMITED**

**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS:**

C Garek  
W Fisher  
T Macknay  
A Smith  
H Alexander

**SECRETARY:**

T Macknay

**REGISTERED OFFICE:**

5<sup>th</sup> Floor Shropshire House  
Capper Street  
LONDON WC1E 6JA

**INDEPENDENT AUDITORS:**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
10 Bricket Road  
St Albans AL1 3JX

## **SPACE NK LIMITED**

### **STRATEGIC REPORT**

**For the 52 Week Period Ending 25 March 2017**

The Directors present their strategic report for the Group for the 52 week period ended 25 March 2017.

#### **PRINCIPAL ACTIVITIES**

The principal activities of the Group during the period were the retail and wholesale of skincare and cosmetic products.

#### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The Group delivered turnover of £96.4m (2016: £86.6m) during the period, +11.4% versus the prior year. This growth in sales was driven by strong retail sales and increased wholesale sales related to Space Brands Limited.

EBITDA improved during the year with the Group returning £8.2m (2016: £7.7m). Net assets as at 25 March 2017 were £25.2m (2016 : £21.9m). The outlook for 2018 is expected to see continued improvement in sales and profitability across the Group.

The Board of Space NK Limited believe that the carrying value of the outstanding balance of the investment in the US operation (the intercompany balance) to be a fair reflection of the worth of the channel in the medium / long term.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

##### **Liquidity risk**

The Group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its businesses.

##### **Interest rate risk**

The Group is exposed to cash flow interest rate risk on bank overdrafts and loans. The interest rate risk exposure is currently not material to the Group's activities and this risk is managed by regular monitoring rather than through interest rate derivatives.

##### **Foreign currency risk**

The Group's principal foreign currency exposures arise from purchasing from overseas suppliers. Group policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

##### **Credit risk**

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

##### **Business Risk**

The business is subject to the risk that the core proposition of the stores and direct channel are no longer deemed desirable to the customer and addresses this risk on an ongoing basis by regular management reviews of all aspects of the business to prevent this.

**SPACE NK LIMITED**

**STRATEGIC REPORT (CONTINUED)**

**For the 52 Week Period Ending 25 March 2017**

**KPI Disclosures**

The Directors manage the Group and the Company through the use of Key Performance Indicators (KPI's). The principal KPI's used and their results are as follows:

	2017	2016
<b>Turnover</b>	96,447,970	86,549,056
<b>EBITDA</b>	8,237,529	7,709,229
<b>Profit for Financial Year</b>	3,295,524	3,726,829

Non financial KPIs are not disclosed as deemed not applicable.

Approved by the Board on  
And signed on its behalf by



Tom Macknay, Director  
21 December 2017

## **SPACE NK LIMITED**

### **DIRECTORS' REPORT**

**For the 52 Week Period Ending 25 March 2017**

**COMPANY REGISTRATION NUMBER : 02773985**

The Directors present their annual report and audited financial statements of the Group and Company for the 52 week period ended 25 March 2017.

### **RESULTS AND DIVIDENDS**

The results of the Group and Company for the period ended 25 March 2017 are set out in the financial statements on pages 11 to 39. The Directors do not recommend the payment of any dividend (2016: £nil).

The principal activities, business review, risk management and future developments of the Group and Company can be found in the Strategic Report on pages 4 to 5.

### **CHARITABLE DONATIONS**

During the period the Group made charitable donations of £nil (2016: £19,757).

### **TREASURY OPERATIONS AND FINANCIAL INSTRUMENTS**

The Group operates a treasury function appropriate for the scale and complexity of its business, which is responsible for managing the liquidity, interest and foreign currency risks associated with the Group's activities.

The Group's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks arising from the Group's activities. In addition, the Group has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations. Derivative transactions which the Group enters into principally comprise forward exchange contracts. In accordance with the Group's treasury policy, derivative instruments are not entered into for speculative purposes.

### **DIRECTORS' INDEMNITY**

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Group.

Appropriate Directors' and officers' liability insurance cover is in place in respect of all the Group's Directors.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

## **SPACE NK LIMITED**

### **DIRECTORS' REPORT (continued)**

**For the 52 Week Period Ending 25 March 2017**

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

### **STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS**

In the case of each Director in office at the date the Directors' report is approved, it is confirmed that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

### **BRANCHES OUTSIDE THE UK**

The Group operates 1 retail store outside the UK, in Ireland.

### **FUTURE DEVELOPMENTS**

Likely future developments in the business of the Group are discussed in the strategic report.

### **DIRECTORS**

The Directors of the Company during the period and up to the date of this report, unless otherwise stated were:

W Fisher  
T Macknay  
C Garek  
A Smith  
H Alexander

### **DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### **EMPLOYEE CONSULTATION**

The Group is committed to maintaining the cooperation and involvement of its employees in the future of the business. This is achieved through regular communication with employees at appropriate levels.

The Group gives every consideration to applications for employment from disabled persons. Employees who become disabled are given every opportunity to continue employment under normal terms and conditions with appropriate training, career development and promotion wherever possible. The group seeks to achieve equal opportunities in employment through recruitment and training policies.

## **SPACE NK LIMITED**

### **DIRECTORS' REPORT (continued)**

**For the 52 Week Period Ending 25 March 2017**

The Group encourages employee involvement in its affairs and makes use of an intranet system to promote such involvement and to aid communication with employees. Regional management conferences are held annually to bring senior management together to share ideas and develop policy, values and behaviour. Dialogue takes place regularly with employees to make them aware of the financial and economic factors affecting the performance of the Group. Performance related bonus schemes are in operation throughout the group.

### **RESEARCH AND DEVELOPMENT ACTIVITIES**

During the period the Group undertook some development of its skincare, bath and body products. The amount charged to the income statement in respect of these activities was £50,907 (2016: £34,176). The amount capitalised within intangibles on the balance sheet was £1,880,876 (2016: £1,956,855).

### **INDEPENDENT AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'T Macknay', written in a cursive style.

T Macknay, Director  
21 December 2017

# ***Independent auditors' report to the members of Space NK Limited***

## **Report on the financial statements**

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### **Our opinion**

In our opinion, Space NK Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 25 March 2017 and of the group's profit and cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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### **What we have audited**

The financial statements, included within the Annual Report & Financial Statements (the "Annual Report"), comprise:

- the consolidated statement of comprehensive income for the period then ended;
- the consolidated and parent company balance sheets as at 25 March 2017;
- the consolidated and company statement of changes in equity for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

SPACE NK LIMITED

## ***Independent auditors' report to the members of Space NK Limited (continued)***

### **Report on the financial statements (continued)**

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#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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### **Responsibilities for the financial statements and the audit**

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#### **Our responsibilities and those of the directors**

As explained more fully in the *Statement of Directors' Responsibilities set out on pages 6 to 8*, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### **What an audit of financial statements involves**

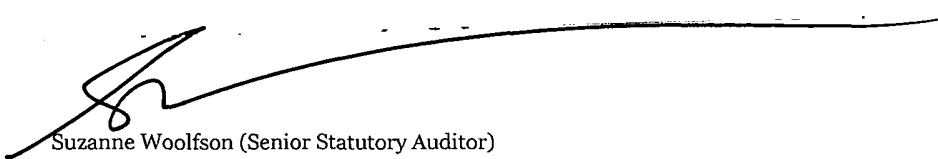
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Suzanne Woolfson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans  
21 December 2017

**SPACE NK LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**For the 52 Week Period Ended 25 March 2017**

	Note	2017 £	2016 £
<b>Turnover</b>	5	96,447,970	86,549,056
Cost of sales		(41,182,345)	(37,422,056)
<b>Gross profit</b>		<u>55,265,625</u>	<u>49,127,000</u>
Administrative expenses		(50,774,377)	(44,184,000)
<b>Operating profit before exceptional items</b>		5,859,099	7,520,983
<b>Exceptional items</b>	6	(1,367,851)	(2,577,983)
<b>Operating profit</b>	7	<u>4,491,248</u>	<u>4,943,000</u>
Interest payable and similar expenses	9	(129,945)	(177,801)
<b>Profit before taxation</b>		<u>4,361,303</u>	<u>4,765,199</u>
Tax on profit from ordinary activities	10	(1,065,779)	(1,038,370)
<b>Profit for the financial year</b>		<u><u>3,295,524</u></u>	<u><u>3,726,829</u></u>

All amounts relate to continuing activities.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit for the Company for the year was £2,928,252 (2016: £4,536,872).

**SPACE NK LIMITED**

**CONSOLIDATED BALANCE SHEET as at 25 March 2017**

	Notes	£	25 March 2017 £	£	26 March 2016 £
<b>Fixed assets</b>					
Intangible assets	11		1,393,834		2,045,860
Tangible assets	12		11,761,231		10,234,671
Investments	13		-		10,800
			<u>13,155,065</u>		<u>12,291,331</u>
<b>Current assets</b>					
Stocks	14	15,137,427		12,682,879	
Debtors	15	12,833,048		9,290,322	
Cash at bank and in hand		2,174,796		1,676,092	
		<u>30,145,271</u>		<u>23,649,293</u>	
<b>Creditors: amounts falling due within one year</b>	17	(18,073,023)		(14,010,075)	
<b>Net current assets</b>			<u>12,072,248</u>		<u>9,639,218</u>
<b>Total assets less current liabilities</b>			<u>25,227,313</u>		<u>21,930,549</u>
<b>Creditors: amounts falling due after more than one year</b>	18		-		-
<b>Net assets</b>			<u>25,227,313</u>		<u>21,930,549</u>
<b>Capital and reserves</b>					
Called up share capital	21		2,751,344		2,751,344
Share premium account			6,352,764		6,352,764
Retained earnings			16,123,205		12,826,441
<b>Total shareholders' funds</b>			<u>25,227,313</u>		<u>21,930,549</u>

The notes on pages 17 to 39 are an integral part of these financial statements.

The financial statements on pages 11 to 39 were approved and authorised by the board on 21 December 2017 and signed on its behalf by

T Macknay  
Director



Space NK Limited  
Registered number: 02773985

**SPACE NK LIMITED**

**COMPANY BALANCE SHEET as at 25 March 2017**

			25 March 2017		26 March 2016
	Note	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	11		93,043		77,762
Tangible assets	12		9,607,700		8,340,759
Investments	13		3,241,768		3,252,568
			<u>12,942,511</u>		<u>11,671,089</u>
<b>Current assets</b>					
Stocks	14	9,068,270		8,864,403	
Debtors	15	11,677,228		10,275,486	
Cash at bank and in hand		2,174,596		1,673,524	
		<u>22,920,094</u>		<u>20,813,413</u>	
<b>Creditors: amounts falling due within one year</b>	17	<u>(11,688,581)</u>		<u>(11,238,730)</u>	
<b>Net current assets</b>			<u>11,231,513</u>		<u>9,574,683</u>
<b>Total assets less current liabilities</b>			<u>24,174,024</u>		<u>21,245,772</u>
<b>Creditors: amounts falling due in more than one year</b>	18		-		-
<b>Net assets</b>			<u>24,174,024</u>		<u>21,245,772</u>
<b>Capital and reserves</b>					
Called up share capital	21		2,751,344		2,751,344
Share premium account			6,352,764		6,352,764
Retained earnings			15,069,916		12,141,664
<b>Total shareholders' funds</b>			<u>24,174,024</u>		<u>21,245,772</u>

The notes on pages 17 to 39 are an integral part of these financial statements.

The financial statements on pages 11 to 39 were approved and authorised by the board on 21 December 2017 and signed on its behalf by:

T Macknay  
Director



Space NK Limited  
Registered number: 02773985

**SPACE NK LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the 52 Week Period Ended 25 March 2017**

	Called up share capital £	Share premium account £	Retained earnings £	Total shareholders' funds £
<b>Balance as at 29 March 2015</b>	2,751,344	6,352,764	9,099,612	18,203,720
Profit for the financial year	-	-	3,726,829	3,726,829
<b>Balance as at 26 March 2016</b>	<u>2,751,344</u>	<u>6,352,764</u>	<u>12,826,441</u>	<u>21,930,549</u>
<b>Balance as at 27 March 2016</b>	2,751,344	6,352,764	12,826,441	21,930,549
Profit for the financial year	-	-	3,295,524	3,295,524
<b>Balance as at 25 March 2017</b>	<u>2,751,344</u>	<u>6,352,764</u>	<u>16,121,965</u>	<u>25,226,073</u>

**SPACE NK LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**For the 52 Week Period Ended 25 March 2017**

	<b>Called up share capital £</b>	<b>Share premium account £</b>	<b>Retained earnings £</b>	<b>Total shareholders' funds £</b>
<b>Balance as at 29 March 2015</b>	2,751,344	6,352,764	7,604,792	16,708,900
Profit for the financial year	-	-	4,536,872	4,536,872
<b>Balance as at 26 March 2016</b>	<u>2,751,344</u>	<u>6,352,764</u>	<u>12,141,664</u>	<u>21,245,772</u>
<b>Balance as at 27 March 2016</b>	2,751,344	6,352,764	12,141,664	21,245,772
Profit for the financial year	-	-	2,928,252	2,928,252
<b>Balance as at 25 March 2017</b>	<u>2,751,344</u>	<u>6,352,764</u>	<u>15,069,916</u>	<u>24,174,024</u>

**SPACE NK LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**

**For the 52 Week Period Ending 25 March 2017**

		25 March 2017	26 March 2016
		£	£
	<b>Notes</b>		
<b>Net cash inflow from operating activities</b>	22	5,298,895	9,554,635
Taxation paid		(1,336,733)	(1,120,794)
<b>Net cash generated from operating activities</b>		<u>3,962,162</u>	<u>8,433,841</u>
<b>Cash flow from investing activities</b>			
Payments to acquire intangible fixed assets		(352,637)	(509,820)
Payments to acquire tangible fixed assets		(4,687,340)	(4,965,187)
Interest received		1,240	-
<b>Net cash used in investing activities</b>		<u>(5,038,737)</u>	<u>(5,475,007)</u>
<b>Cash flow from financing activities</b>			
Repayment of bank loans		(200,000)	(200,000)
Interest paid		(120,945)	(167,699)
<b>Net cash used in financing activities</b>		<u>(320,945)</u>	<u>(367,699)</u>
<b>Net (decrease) / increase in cash &amp; cash equivalents</b>		<u>(1,397,520)</u>	<u>2,591,135</u>
Cash and cash equivalents at the beginning of the year (net of overdraft)		753,567	(1,837,567)
<b>Cash and cash equivalents at the end of the year (net of overdraft)</b>		<u><u>(643,953)</u></u>	<u><u>753,568</u></u>

## **SPACE NK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 Week Period Ending 25 March 2017**

#### **1 GENERAL INFORMATION**

Space NK Limited ('the Company') and its subsidiaries' (together "the Group") principal activity during the year continued to be the retail and wholesale of skincare and cosmetic products.

The Company is a private company limited by share capital, incorporated and domiciled in the United Kingdom. The address of its registered office is:

5th Floor Shropshire House  
Capper Street  
London  
WC1E 6JA

#### **2 STATEMENT OF COMPLIANCE**

The Group and individual financial statements of Space NK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **(a) Basis of preparation**

These consolidated and separate financial statements are prepared on a going concern basis under the historical cost convention as modified by recognition of certain financial assets and liabilities of fair value.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual statement of comprehensive income.

##### **(b) Going concern**

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ending 25 March 2017 (continued)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- (ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- (iii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

##### (d) Basis for consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 25 March 2017.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

##### (e) Foreign currency

###### (i) *Functional and presentation currency*

The Group and Company's functional and presentation currency is the pound sterling.

###### (ii) *Transactions and balances*

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'administrative expenses'.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ending 25 March 2017 (continued)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (e) Foreign currency (continued)

###### (iii) Translation

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end.

##### (f) Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes.

The Group bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The Group recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Group's sales channels have been met, as described below.

###### (i) Sale of goods – retail

The Group operates retail shops for the sale of a range of branded and own branded products. Sales of goods are recognised on sale to the customer, which is considered the point of delivery. Retail sales are usually by cash, credit or payment card.

Sales are made to retail customers with a right to return within 28 days, subject to certain conditions regarding the usage. Accumulated experience is used to estimate and provide for such returns at the time of sale.

The Group operates a loyalty programme based on an award of points at the time of individual transactions. On initial recognition the Group treats this as two transactions and allocates the consideration received between the award and the other sale components.

###### (ii) Sale of goods – internet based transactions

The Group sells goods via its websites for delivery to the customer. Revenue is recognised when the risks and rewards of the inventory is passed to the delivery agent. Transactions are settled by credit or payment card.

Provision is made for credit notes based on the expected level of returns which is based on the historical experience of returns.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ending 25 March 2017 (continued)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (f) Turnover (continued)

###### (iii) *Sale of goods – wholesale*

The Group manufactures and sells a range of branded skincare and cosmetic products in the wholesale market. Sales of goods are recognised on delivery to the wholesaler, when the wholesaler has full discretion over the channel and price to sell the product and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the product.

Provision is made for credit notes based on the expected level of returns which is based on the historical experience of returns.

Sales are normally made with a credit term of 60 days. The element of financing is deemed immaterial and is disregarded in the measurement of revenue.

###### (iv) *Income from 'Concession' arrangements*

Certain brands have 'concession arrangements' in the Group's stores whereby the Group receives a fixed percentage payment based on the concessionaires' revenue. This revenue is recognised on an accruals basis.

###### (v) *Interest income*

Interest income is recognised using the effective interest rate method.

##### (g) Exceptional items

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

##### (h) Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, and defined contribution pension plans.

###### (i) *Defined contribution pension plans*

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

###### (ii) *Annual bonus plan*

The Group operates an annual bonus plan for employees. An expense is recognised in the statement of comprehensive income when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ending 25 March 2017 (continued)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (i) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case tax is also recognised in equity.

Current or deferred taxation assets and liabilities are not discounted.

##### (i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

##### (j) Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

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

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ending 25 March 2017 (continued)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (j) Business combinations and goodwill (continued)

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 5 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

The directors have estimated the useful economic life of the goodwill arising on the acquisition of Eve Lom Complexions Co. Ltd is twenty years.

In 2012 goodwill also arose due to the acquisition by Nail Apparel Limited of the business and assets of International Cosmetics and Design Limited, and from the acquisition by Lipstick London Limited of the business and assets of Lipstick Queen LLC. The estimated useful economic life on both is estimated to be twenty years.

##### (k) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Goodwill – 20 years
- Trademarks – 20 years
- Development costs – 5 to 10 years

Amortisation is charged to Administrative expenses in the Statement of Comprehensive Income.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Capitalised development costs relate to expenditure on the design and testing of unique own label products controlled by the Group and are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the products so that it will be available for use;
- management intends to complete the products and use or sell it;
- there is an ability to use or sell the products;
- it can be demonstrated how the products will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the products are available; and
- the expenditure attributable to the products during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ending 25 March 2017 (continued)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (l) Tangible fixed assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised. Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all fixtures, fittings and computers, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Short leasehold properties	Straight line over the lease term
Long leasehold properties	Straight line over 50 years
Fixtures, fittings and equipment	Straight line over 3 to 6 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Assets in construction are not depreciated.

##### (m) Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

##### (i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Rentals payable based on levels of turnover are charged in the same period as the respective turnover.

##### (ii) Lease incentives

Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 and continues to credit such lease incentives to the statement of comprehensive income over the period to the first review date on which the rent is adjusted to market rates.

##### (n) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ending 25 March 2017 (continued)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (n) Financial assets and liabilities (continued)

If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, Despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### (o) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation.

Thereafter any excess is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ending 25 March 2017 (continued)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (p) Investments – Company

Investment in a subsidiary company is held at cost less accumulated impairment losses.

##### (q) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the average cost method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

##### (r) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within creditors in current liabilities.

##### (s) Provisions and contingencies

###### (i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

In particular:

- Restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and
- Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ending 25 March 2017 (continued)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (s) Provisions and contingencies (continued)

###### (ii) Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

##### (t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

##### (u) Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### (i) Inventory provisioning

The company sells luxury branded skin care and cosmetic products. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 14 for the net carrying amount of the inventory and associated provision.

##### (ii) Loyalty card provision

The company operates a loyalty card scheme. As a result it is necessary to consider the outstanding liability of points and rewards owed to customers. When calculating this management consider the likelihood that these points will convert into rewards and then that the rewards will be used before expiry.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ending 25 March 2017 (continued)

#### 5. TURNOVER

	2017	2016
	£	£
Geographical split by destination:		
United Kingdom	79,573,001	73,766,812
Outside the United Kingdom	16,874,969	12,782,244
	<u>96,447,970</u>	<u>86,549,056</u>

The non UK sales relate to an outlet in Ireland and wholesale sales within the international market place.

#### 6. EXCEPTIONAL ITEMS

	2017	2016
	£	£
Costs relating to departmental restructuring	975,908	552,235
Discontinued stock write off	-	1,564,469
Store closure costs	-	25,064
Intellectual Property protection	-	311,513
Stock adjustment	-	124,702
Corporate restructuring	391,943	-
	<u>1,367,851</u>	<u>2,577,983</u>

During the current year there was £975,908 (2016: £552,235) of departmental restructuring of the executive team.

Corporate restructuring during the year of £391,943 (2016: £nil) relates to the write down of the trademark held by B.V. Space NK during the year and the waiver of intercompany balances associated with this.

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 Week Period Ending 25 March 2017 (continued)**

**7. OPERATING PROFIT**

	2017	2016
	£	£
Operating profit is stated after charging/(crediting):		
Wages and salaries	17,879,051	15,414,946
Social security costs	1,404,603	1,355,196
Other pension costs	433,796	330,030
	<hr/>	<hr/>
<b>Staff costs charged to the statement of comprehensive income</b>	<b>19,717,450</b>	<b>17,100,172</b>
	<hr/>	<hr/>
Foreign exchange differences	782,645	(524,270)
Depreciation of tangible assets	3,078,581	2,185,643
Amortisation of intangible assets	511,623	424,521
Loss on disposal of assets	188,017	84,116
Amortisation of goodwill	156,077	156,065
Operating lease rentals – plant and machinery	81,879	76,877
Operating lease rentals – other	9,899,812	9,668,964
Inventory recognised as an expense in cost of sales	39,051,336	36,087,483
	<hr/>	<hr/>
Auditors' remuneration		
- Group audit fee	30,495	36,000
- fees paid for audit of subsidiary companies	20,203	15,600
- other services: taxation compliance services	75,345	23,200
	<hr/>	<hr/>
<b>Total amount payable to the Company's auditors and their associates</b>	<b>126,043</b>	<b>74,800</b>
	<hr/> <hr/>	<hr/> <hr/>

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the 52 Week Period Ending 25 March 2017 (continued)

**8. EMPLOYEES AND DIRECTORS**

<b>Employees</b>	<b>2017 Number</b>	<b>2016 Number</b>
The average number of persons, including directors, employed by the company during the period was:		
Administration	176	158
Retail	280	284
	<u>456</u>	<u>442</u>

<b>Directors</b>	<b>2017 £</b>	<b>2016 £</b>
The directors' emoluments were as follows:		
Aggregate emoluments	963,500	781,188
Contributions to money purchase pension schemes	57,000	24,158
	<u>1,020,500</u>	<u>805,346</u>

	<b>Number</b>	<b>Number</b>
During the year the following number of directors accrued benefits under money purchase pension schemes	<u>2</u>	<u>1</u>

<b>Highest paid director</b>	<b>2017 £</b>	<b>2016 £</b>
The emoluments of directors disclosed above include the following amounts paid to the highest paid director:		
Emoluments	455,000	450,000
	<u>455,000</u>	<u>450,000</u>

**9. NET INTEREST EXPENSE**

<b>(a) Interest payable and similar expenses</b>	<b>2017 £</b>	<b>2016 £</b>
Bank interest payable	129,945	177,801
<b>Total interest payable and similar expenses</b>	<u>129,945</u>	<u>177,801</u>
<b>(b) Net interest expense</b>		
Interest receivable and similar income	1,240	-
Interest payable and similar expenses	129,945	177,801
<b>Net interest expense</b>	<u>131,185</u>	<u>177,801</u>

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 Week Period Ending 25 March 2017 (continued)**

**10. TAX ON PROFIT**

<b>(a) Tax expense included in statement of comprehensive income</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Current tax:		
UK corporation tax at 20% (2016: 20%)	1,148,369	1,097,858
Adjustment in respect of prior periods	(102,836)	(131,072)
	<hr/>	<hr/>
Total current tax	1,045,533	966,786
	<hr/>	<hr/>
Deferred tax:		
Origination and reversal of timing differences	21,396	16,032
Adjustment in respect of prior periods	(6,955)	49,270
Impact of change in tax rate	5,805	6,282
	<hr/>	<hr/>
Total deferred tax	20,246	71,584
	<hr/>	<hr/>
<b>Tax on profit</b>	<b>1,065,779</b>	<b>1,038,370</b>
	<hr/> <hr/>	<hr/> <hr/>

**(b) Reconciliation of tax charge**

Tax assessed for the period is lower (2016: higher) than the standard rate of corporation tax in the UK for the year ended 25 March 2017 of 20% (2016: 20%). The differences are explained below:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Profit before taxation	4,362,542	4,765,199
	<hr/>	<hr/>
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	872,507	953,040
Effects of:		
Expenses not deductible	335,344	173,927
Income not taxable	(38,086)	-
Effects of group relief/other reliefs	-	(638)
Adjustment in respect of prior periods	(109,791)	(94,241)
Tax rate changes	5,805	6,282
	<hr/>	<hr/>
<b>Total tax charge for the year</b>	<b>1,065,779</b>	<b>1,038,370</b>

**(c) Tax rate changes**

UK Corporation tax is calculated at 20% (2016: 20%) of the estimated assessable profit for the year. As a result of the provisions of Finance Act 2014 to reduce the UK corporation tax rate from 21% to 20% from 1 April 2015, the applicable rate of corporation tax for the year is 20%. Finance Act 2015 introduced further changes to the main rate of corporation tax, which was reduced from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020, UK deferred tax balances have therefore been re-measured to reflect the rate at which they are expected to reverse.

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the 52 Week Period Ending 25 March 2017 (continued)

**11. INTANGIBLE ASSETS**

	Goodwill	Trademarks	Development costs	Total
	£	£	£	£
<b>GROUP</b>				
<b>COST</b>				
At 27 March 2016	3,086,625	1,544,046	1,956,855	6,587,526
Additions	-	200,755	151,882	352,637
Disposals	-	(905,312)	(228,661)	(1,133,973)
	<u>3,086,625</u>	<u>839,489</u>	<u>1,880,076</u>	<u>5,806,190</u>
At 25 March 2017	3,086,625	839,489	1,880,076	5,806,190
<b>ACCUMULATED AMORTISATION</b>				
At 27 March 2016	2,403,561	860,825	1,277,280	4,541,666
Charge for the period	156,077	71,716	439,907	667,700
Disposals	-	(674,169)	(122,841)	(797,010)
	<u>2,559,638</u>	<u>258,372</u>	<u>1,594,346</u>	<u>4,412,356</u>
At 25 March 2017	2,559,638	258,372	1,594,346	4,412,356
<b>NET BOOK VALUE</b>				
At 25 March 2017	<u>526,987</u>	<u>581,117</u>	<u>285,730</u>	<u>1,393,834</u>
At 26 March 2016	<u>683,064</u>	<u>683,221</u>	<u>679,575</u>	<u>2,045,860</u>
		<b>Trademarks</b>	<b>Development costs</b>	<b>Total</b>
		£	£	£
<b>COMPANY</b>				
<b>COST</b>				
At 27 March 2016		126,413	451,232	577,645
Additions		28,082	-	28,082
		<u>154,495</u>	<u>451,232</u>	<u>605,727</u>
At 25 March 2017		154,495	451,232	605,727
<b>ACCUMULATED AMORTISATION</b>				
At 27 March 2016		48,651	451,232	499,883
Charge for the period		12,801	-	12,801
		<u>61,452</u>	<u>451,232</u>	<u>512,684</u>
At 25 March 2017		61,452	451,232	512,684
<b>NET BOOK VALUE</b>				
At 25 March 2017		<u>93,043</u>	<u>-</u>	<u>93,043</u>
At 26 March 2016		<u>77,762</u>	<u>-</u>	<u>77,762</u>

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 Week Period Ending 25 March 2017 (continued)**

**12. TANGIBLE ASSETS**

	Leasehold properties £	Fixtures, fittings and equipment £	Total £
<b>GROUP</b>			
<b>COST</b>			
At 27 March 2016	3,994,918	21,947,424	25,942,342
Additions	286,950	4,400,390	4,687,340
Disposals	<u>(206,537)</u>	<u>(743,482)</u>	<u>(950,019)</u>
At 25 March 2017	<u>4,075,331</u>	<u>25,604,332</u>	<u>29,679,663</u>
<b>ACCUMULATED DEPRECIATION</b>			
At 27 March 2016	2,157,050	13,550,623	15,707,673
Charge for the period	196,690	2,881,891	3,078,581
Disposals	<u>(170,694)</u>	<u>(697,128)</u>	<u>(867,822)</u>
At 25 March 2017	<u>2,183,046</u>	<u>15,735,386</u>	<u>17,918,432</u>
<b>NET BOOK VALUE</b>			
At 25 March 2017	<u>1,892,285</u>	<u>9,868,946</u>	<u>11,761,231</u>
At 26 March 2016	<u>1,837,868</u>	<u>8,396,801</u>	<u>10,234,669</u>

Included within disposals are amounts in respect of fully depreciated assets that are no longer in use. The cost and accumulated depreciation of which are £553,873 (2016: £4,009,6127).

	Leasehold properties £	Fixtures, fittings and equipment £	Total £
<b>COMPANY</b>			
<b>COST</b>			
At 27 March 2016	3,994,918	18,866,966	22,861,884
Additions	286,950	3,346,470	3,633,420
Disposals	<u>(206,537)</u>	<u>(733,457)</u>	<u>(939,994)</u>
At 25 March 2017	<u>4,075,331</u>	<u>21,479,979</u>	<u>25,555,310</u>
<b>ACCUMULATED DEPRECIATION</b>			
At 27 March 2016	2,157,050	12,364,075	14,521,125
Charge for the period	196,690	2,091,891	2,288,581
Disposals	<u>(170,694)</u>	<u>(691,402)</u>	<u>(862,096)</u>
At 25 March 2017	<u>2,183,046</u>	<u>13,764,564</u>	<u>15,947,610</u>
<b>NET BOOK VALUE</b>			
At 25 March 2017	<u>1,892,285</u>	<u>7,715,415</u>	<u>9,607,700</u>
At 26 March 2016	<u>1,837,868</u>	<u>6,502,891</u>	<u>8,340,759</u>

Included within disposals are amounts in respect of fully depreciated assets that are no longer in use. The cost and accumulated depreciation of which are £553,873 (2016: £4,009,6127).

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ending 25 March 2017 (continued)

#### 13. INVESTMENTS

##### GROUP

Other  
investments  
£

##### COST AND NET BOOK VALUE

At 26 March 2016 and 25 March 2017

0

##### COMPANY

Investment in  
subsidiary  
undertakings  
£

Other  
investments  
£

Total  
£

##### COST AND NET BOOK VALUE

At 26 March 2016	3,252,568	0	3,252,568
Provision during the year	(10,800)	0	(10,800)
At 25 March 2017	3,241,768	0	3,241,768

Investments in subsidiary undertakings are listed below:

	County of incorporation	Principal activity	Class of holding	Percentage of shares held
Eve Lom Complexions Co. Ltd	England & Wales	Dormant	Ordinary	100%
B.V. Space NK	Netherlands	Holding international trademarks	Ordinary	100%
Lipstick London Ltd	England & Wales	Dormant	Ordinary	100%
Nail Apparel Ltd	England & Wales	Dormant	Ordinary	100%
Space Brands Ltd	England & Wales	Wholesale of skincare products & cosmetics	Ordinary	100%

The registered address of B.V. Space NK is Prins Bernhardplein 200, 1097JB Amsterdam, The Netherlands. The registered address of Eve Lom Complexions Co. Ltd, Lipstick London Ltd, Nail Apparel Ltd and Space Brands Ltd is 5th Floor Shropshire House, 11-20 Capper Street, London WC1E 6JA, England.

During the year a provision was taken against the investment in B.V. Space NK to reflect the cancellation of the licence agreement between this entity and Space NK Ltd.

#### 14. STOCKS

	GROUP		COMPANY	
	2017 £	2016 £	2017 £	2016 £
Raw materials and consumable:	587,376	832,967	66	-
Finished goods and goods for resale	14,550,051	11,849,912	9,068,204	8,864,403
	<u>15,137,427</u>	<u>12,682,879</u>	<u>9,068,270</u>	<u>8,864,403</u>

There is no significant difference between the replacement cost of the inventory and its carrying amount. Inventories are stated after provision for impairment of £1,884,768 (2016 : £1,704,413)

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the 52 Week Period Ending 25 March 2017 (continued)

**15. DEBTORS**

	GROUP		COMPANY	
	2017 £	2016 £	2017 £	2016 £
Trade debtors	4,245,519	2,871,938	159,866	494,842
Amounts owed by group undertakings	4,942,088	2,959,533	8,572,440	6,950,617
Corporation tax	-	13,268	-	-
Deferred tax (see note 16)	123,140	143,386	72,877	56,538
Other tax	24,693	-	-	-
Financial Instruments	-	269,000	-	227,000
Other debtors	283,895	46,314	182,749	8,238
Prepayments and accrued income	3,213,713	2,986,883	2,689,296	2,538,251
	<u>12,833,048</u>	<u>9,290,322</u>	<u>11,677,228</u>	<u>10,275,486</u>

Other debtors includes £8,238 (2016: £8,238) falling due after more than one year.

Trade debtors are stated after provisions for impairment of £593,981 (2016: £510,063).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**16. DEFERRED TAX (ASSETS) / LIABILITIES**

**Analysis of deferred taxation:**

The deferred tax included in the balance sheet is as follows:

	GROUP		COMPANY	
	2017 £	2016 £	2017 £	2016 £
Provision at start of period	(143,386)	(214,970)	(56,538)	(214,970)
Adjustment in respect of prior years	41,612	48,909	(6,955)	49,270
Deferred tax charge to income statement for the period	<u>(21,366)</u>	<u>22,675</u>	<u>(9,384)</u>	<u>109,162</u>
Provision at end of period	<u>(123,140)</u>	<u>(143,386)</u>	<u>(72,877)</u>	<u>(56,538)</u>

**Offsetting**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset).

Net deferred tax (assets)	(124,772)	(161,044)	(72,877)	(72,252)
Net deferred tax liabilities	<u>1,632</u>	<u>17,658</u>	<u>0</u>	<u>15,714</u>
	<u>(123,140)</u>	<u>(143,386)</u>	<u>(72,877)</u>	<u>(56,538)</u>

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the 52 Week Period Ending 25 March 2017 (continued)

**17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	GROUP		COMPANY	
	2017 £	2016 £	2017 £	2016 £
Bank overdraft	2,818,749	922,525	-	-
Bank loans	950,000	1,150,000	950,000	1,150,000
Trade creditors	7,597,666	5,709,864	5,581,202	4,868,935
Amounts owed to group undertakings	3,765	-	64,602	64,602
Corporation tax	177,814	482,281	34,305	482,281
Other taxation and social security costs	1,265,063	1,320,451	1,265,063	1,248,372
Other creditors	1,324,140	1,262,428	1,326,444	1,264,629
Financial Instruments	18,000	-	17,000	-
Accruals and deferred income	3,917,826	3,162,526	2,449,965	2,159,911
	<u>18,073,023</u>	<u>14,010,075</u>	<u>11,688,581</u>	<u>11,238,730</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	GROUP		COMPANY	
	2017 £	2016 £	2017 £	2016 £
Bank loans	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**19. LOAN AND OTHER BORROWINGS**

Obligations under bank borrowings	GROUP		COMPANY	
	2017 £	2016 £	2017 £	2016 £
Amounts payable:				
In 1 year or less	3,768,749	2,072,525	950,000	1,150,000
Between 1 and 2 years	-	-	-	-
	<u>3,768,749</u>	<u>2,072,525</u>	<u>950,000</u>	<u>1,150,000</u>

Bank borrowings are secured by way of a fixed and floating charge over all the assets of the Company.

The company owes £950,000 (2016 £1,150,000) in respect of the mortgage over freehold properties. This loan is due for repayment on 30 September 2017.

The loan bears an interest rate at 2.25% above LIBOR. At the year end the rate was 2.9%.

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ending 25 March 2017 (continued)

#### 20. FINANCIAL INSTRUMENTS

##### Group

The group has the following financial instruments:

	Note	2017 £	2016 £
Financial (liabilities) / assets at fair value through profit or loss			
- Forward contracts		-	269,000
		<u>-</u>	<u>269,000</u>
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	15	4,245,519	2,871,938
- Amounts owed by group undertakings	15	4,942,088	2,959,533
- Prepayments and accrued income	15	3,213,713	2,986,883
- Other debtors	15	283,895	46,314
		<u>12,685,215</u>	<u>8,864,668</u>
Financial liabilities measured at amortised cost			
- Bank overdraft	17	2,818,749	922,525
- Bank loans	17	950,000	1,150,000
- Amount owed to group undertakings	17	3,765	-
- Other creditors	17	1,324,140	1,262,428
- Accruals and deferred income	17	3,917,826	3,162,526
		<u>9,014,480</u>	<u>6,497,479</u>

##### Derivative financial instruments – Forward contracts

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 25 March 2017, the outstanding contracts all mature within 13 months (2016 : 6 months) of the year end. The Group is committed to buy US\$10,500,000 (2016 : \$4,800,000) and €140,000 (2016 : €nil).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP: USD and GBP: EUR. The fair value of the forward-foreign currency contracts is disclosed below.

##### Company

The group has the following financial instruments:

	Note	2017 £	2016 £
Financial assets at fair value through profit or loss			
- Forward contracts	17	-	227,000
		<u>-</u>	<u>227,000</u>
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	15	159,866	494,842
- Amounts owed by group undertakings	15	8,572,440	6,950,617
- Prepayments and accrued income	15	2,689,296	2,538,251
- Other debtors	15	182,749	8,238
		<u>11,604,351</u>	<u>9,991,948</u>
Financial liabilities measured at amortised cost			
- Bank loans	17	950,000	1,150,000
- Trade creditors	17	5,581,202	4,868,935
- Amount owed to group undertakings	17	64,602	64,602
- Accruals and deferred income	17	2,449,965	2,159,911
		<u>9,045,769</u>	<u>8,243,448</u>

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the 52 Week Period Ending 25 March 2017 (continued)

**21. CALLED UP SHARE CAPITAL**

	2017 £	2016 £
Authorised share capital:		
4,145,484 (2016: 4,145,484) ordinary shares of £1 each	4,145,484	4,145,484
Issued share capital:		
2,748,444 (2016: 2,748,444) ordinary shares of £1 each – fully paid	2,748,444	2,748,444
290,000 (2016: 290,000) ordinary shares of £0.01 each – fully paid	2,900	2,900
Total paid:	2,751,344	2,751,344

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

**22. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT**

	2017 £	2016 £
<b>Profit for the financial year</b>	3,295,524	3,726,829
Adjustments for:		
Tax on profit	1,065,779	1,038,370
Interest payable and similar expenses	129,945	177,801
<b>Operating profit</b>	4,491,248	4,943,000
Depreciation of tangible assets	3,078,581	2,185,643
Amortisation of intangible assets	667,700	580,586
Loss on disposal of assets	419,160	84,116
(Increase) / Decrease in stocks	(2,454,545)	1,318,602
(Increase) / Decrease in debtors	(3,639,612)	25,830
Increase in creditors	2,725,563	416,858
<b>Net cash inflow from operating activities</b>	5,298,895	9,554,635

**23. ANALYSIS OF CHANGES IN NET DEBT**

	At 26 March 2016 £	Cash Flows £	At 25 March 2017 £
Cash at bank and in hand	1,676,092	498,704	2,174,796
Bank overdraft	(922,525)	(1,896,224)	(2,818,749)
	753,567	(1,397,520)	(643,953)
Bank loans	(1,150,000)	200,000	(950,000)
	(396,433)	(1,197,520)	(1,593,953)

## SPACE NK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 Week Period Ending 25 March 2017 (continued)

#### 24. CONTINGENT LIABILITIES

##### Group and Company

The bank has provided a £300,000 (2016: £300,000) bond to H M Revenue & Customs on behalf of the Company. The bank has recourse to the Company and has security by way of a fixed and floating charge over all the assets of the Company.

#### 25. CAPITAL COMMITMENTS

##### Group and Company

At 25 March 2017, the Group and the Company the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017	2016
Operating leases which expire:		
- within one year	354,912	391,083
- within two to five years	6,739,260	6,967,494
- after five years	24,297,910	22,810,421
	<u>31,392,082</u>	<u>30,168,998</u>

Included in the above commitments are leases in which rent varies according to the level of turnover achieved. The commitment has been calculated based on the minimum commitment payable.

#### 26. PENSION COMMITMENTS

The Group operates a defined contribution group personal pension scheme. The assets of the scheme are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £433,766 (2016: £330,030). At year end there were outstanding contributions of £141,435 (2016: £87,480) with other creditors in note 17.

#### 27. RELATED PARTY TRANSACTIONS

During the year the Group purchased £1,524,726 (2016 £1,470,983) of stock from Saint Germain Ltd, a company within which C Garek, the Chairman, and W Fisher, a Director of the Company, have an interest and is registered in the UK. At the year end the balance owed to Saint Germain Ltd was £134,538 (2016: £53,873).

The Group also purchased £725,326 (2016 £665,188) of stock from Kevyn Aucoin Cosmetics Inc, a company within which C Garek, a Director of the Company, has an interest. At the year end the balance owed to Kevyn Aucoin Cosmetics Inc was £29,638 (2016: £26,673).

The Group also purchased £387,013 (2016 £418,182) of stock from Malin & Goetz Inc, a company within which C Garek, a Director of the Company, has an interest. At the year end the balance owed to Malin & Goetz Inc was £54,037 (2016: £39,217).

The Group also purchased £152,530 (2016 £nil) of stock from Byredo UK Ltd, a company within which C Garek, a Director of the Company, has an interest. At the year end the balance owed to Byredo UK Ltd was £1,646 (2016: £nil).

See note 8 for disclosure of the Directors' remuneration and key management compensation.

##### Company

Other than the transactions disclosed above and in note 8, the Company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

**SPACE NK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 Week Period Ending 25 March 2017 (continued)**

**28. ULTIMATE CONTROLLING PARTY**

The smallest and largest group to include the Company in its consolidated financial statements is Space NK Holdings Inc. The registered office of this corporation is c/o United Corporate Services Inc, 874 Walker Road, Suite C, Delaware 19904, United States of America.

At the date on which the financial statements were approved by the directors, the ultimate controlling party is Manzanita US Investments LP which is controlled by John Fisher, Robert Fisher and William Fisher.