Registered number: 08226798

THREAD ONLINE LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

RPG CROUCH CHAPMAN LLP
Chartered Accountants
5th Floor
14-16 Dowgate Hill
London
EC4R 2SU

THREAD ONLINE LTD

COMPANY INFORMATION

Director	K L O'Neill
Registered number	08226798
Registered office	1 Alie Street London E1 8DE
Independent auditors	RPG CROUCH CHAPMAN LLP Chartered Accountants & Statutory Auditors 5th Floor 14-16 Dowgate Hill London EC4R 2SU

THREAD ONLINE LTD

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Business review

Through 2020 Thread delivered significant growth of both topline sales and profitability. The customer offering was enhanced through new website and app features, expansion of range and increased sustainability, a few highlights of which include:

- Growing our range to over 100,000 items - our range now includes thousands of individual brands.
- The addition of many new personalisation and discovery features to our user experience including brand profiles, shuffle button, owned items, embedded outfit ideas in the shop, and increased personalisation of email
- We started on our journey to make Thread one of the most sustainable places to buy clothes. We now carbon offset all deliveries, plant a tree for every order, and tag all our products based on different sustainability aspects. We also recently launched a free clothes recycling scheme partnering with the charity Traid.

Thread's future growth was also invested in, firstly with the launch of womenswear, and secondly with the launch of a new high margin B2B platform business, leaving Thread poised for an acceleration of growth by the end of 2020.

The Coronavirus was a major feature of 2020 for the world with the new ways of living and working that it necessitated, and the uncertainty that it introduced. In response to the pandemic, the Director and management team focused on adjusting the business to be ready for remote working and for potential disruption to supply chains as well as reducing our cost base and increasing our marketing efficiency. More on how this was achieved in the Business Risks and Uncertainties section below.

The Director is pleased with the progress made in the year and with the results for 2020.

Business risks and uncertainties

Risks that the business faces are identified on an ongoing basis. To mitigate such risks, measures have been put in place which have proven to be effective.

Liquidity risk (investment) - Liquidity needs to be maintained to fund the business and working capital. As a growing business, Thread is not yet generating positive net cashflow and is reliant upon receiving capital from investors from time to time. Although Thread continues to receive strong support from existing investors and strong interest from new investors, there is a risk that this is not always the case.

Foreign exchange rate risk - The group undertakes transactions in foreign currencies. With the recent volatility of the British Pound, there is a risk of incurring losses on exchange. Procedures are in place to try and minimise this risk partially through natural hedging and through holding capital in multiple currencies.

BREXIT - Thread has limited exposure to European supply chains, and the Director is confident that the free trade agreement between the UK and the European Union following BREXIT will not adversely affect its trade.

Coronavirus Pandemic - In December 2019, the Coronavirus was first reported and subsequently spread around the world resulting in the UK government placing the majority of the UK on various lockdown restrictions. In response to the pandemic, the Director has proactively addressed the following core issues:

Colleagues:

- Safety of staff was given paramount importance. Arrangements were made for head-office and administrative staff to work from home very early on during the pandemic to reduce risk of transmission.

Logistics, supply and demand:

- Logistics and timely supply of stock could have been potentially disruptive to the operations due to the challenges and uncertainty caused by the pandemic across the world and supply chains. Our buying teams maintained heightened contact with suppliers to ensure continuity of supply with plans in place to mitigate any potential delays.
- We are integrated with multiple logistics providers, which ensures redundancy of operations
- We worked closely with our 3rd party logistics partners to ensure social distancing could be observed in our picking and packing operations and procedures and protocols were put in place to ensure that these protocols were being monitored continuously and any necessary action taken promptly. Substantially increased health and safety to drive and heighten hygiene standards have been in place throughout the pandemic and continue to this day.

As such, at the date of signing this report, the Board does not consider that the economic impact of the Coronavirus will have a significant impact on the future financial statements or on the long-term prospects of the business.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

This report was approved by the board on 18 June 2021 and signed on its behalf.

DocuSigned by:

Kieran O'Neill

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K L O'Neill

Director

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The director presents his report and the financial statements for the year ended 31 December 2020.

Director's responsibilities statement

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare 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'. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is 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 to enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Principal activity

The principal activity continued to be that of an online fashion marketplace.

Director

The director who served during the year was:

K L O'Neill

Disclosure of information to auditors

The director at the time when this Director's Report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end..

Auditors

The auditors, RPG CROUCH CHAPMAN LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 18 June 2021 and signed on its behalf.

DocuSigned by:
Kieran O'Neill
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K L O'Neill
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THREAD ONLINE LTD

Opinion

We have audited the financial statements of Thread Online Ltd (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THREAD ONLINE LTD (CONTINUED)

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the company incurred a net loss of £5,750,014 during the year ended 31 December 2020 and, as of that date, the company had net liabilities of £40,876,027. The matters explained in note 2.2 indicate that the company (through it's parent entity) needs to raise further finance to fund its working capital needs and development plans. As at the date of approval of these financial statements there are no legally binding agreements relating to securing the required funds. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the director's assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Analysing Management's and the Directors' cashflow forecast which forms the basis of their assessment that the going concern basis of preparation remains appropriate for the preparation of the Company financial statements for a period of at least twelve months from the date of approval of these financial statements
- Testing the mathematical integrity of the cashflow model in order to ensure the basis of preparation of the model
- Discussing with Management the strategy to continue to ensure funds are available to the company to fund its plans.
- Reviewing and considering the adequacy of the disclosure within the financial statements relating to the Directors' assessment of the going concern basis of preparation.

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The director is responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THREAD ONLINE LTD (CONTINUED)

Opinion 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Director's Report.

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

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

Responsibilities of directors

As explained more fully in the Director's Responsibilities Statement set out on page 4, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THREAD ONLINE LTD (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:
We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. These include but were not limited to compliance with Companies Act 2006 and Financial Reporting Standards.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment. We focused on laws and regulations that could give rise to a material misstatement in the financial statements.

Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation, performing substantive testing of account balances which were considered to be a greater risk of susceptibility to fraud;
- enquiries of management as to whether there was any correspondence from regulators;
- performed journals testing with a focus on identifying entries that could be indicative of fraud
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations

These procedures are designed to address the risk of material misstatements in respect of irregularities, including fraud, but do not provide absolute assurance as to the non-existence of any such misstatements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

RPG Crouch Chapman LLP

Steven Johnson BENG (HONS) FCCA (Senior Statutory Auditor)

for and on behalf of
RPG CROUCH CHAPMAN LLP

Chartered Accountants
Statutory Auditors

5th Floor
14-16 Dowgate Hill
London
EC4R 2SU

18 June 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Turnover	4	14,028,606	11,371,066
Cost of sales		(8,658,337)	(6,882,504)
Gross profit		5,370,269	4,488,562
Administrative expenses		(10,230,285)	(12,093,869)
Exceptional administrative expenses	8	(752,796)	(309,182)
Operating loss		(5,612,812)	(7,914,489)
Interest payable and similar expenses		(769,631)	(720,634)
Loss before tax		(6,382,443)	(8,635,123)
Tax on loss		632,429	847,566
Loss for the financial year		(5,750,014)	(7,787,557)

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 15 to 28 form part of these financial statements.

THREAD ONLINE LTD
REGISTERED NUMBER:08226798

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note		2020 £		2019 £
Fixed assets					
Intangible assets	9		2,633		3,569
Tangible assets	10		23,466		72,832
			26,099		76,401
Current assets					
Stocks	11	1,825,468		2,630,754	
Debtors	12	562,650		732,334	
Cash at bank and in hand	13	4,200,322		2,171,843	
		6,588,440		5,534,931	
Creditors: amounts falling due within one year	14	(46,003,604)		(37,312,210)	
Net current liabilities			(39,415,164)		(31,777,279)
Total assets less current liabilities			(39,389,065)		(31,700,878)
Creditors: amounts falling due after more than one year	15		(1,486,962)		(3,425,135)
Net liabilities			(40,876,027)		(35,126,013)
Capital and reserves					
Called up share capital	17		1		1
Profit and loss account			(40,876,028)		(35,126,014)
			(40,876,027)		(35,126,013)

**STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020**

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:
Kieran O'Neill
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K L O'Neill
Director

Date: 18 June 2021

The notes on pages 15 to 28 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2020	1	(35,126,014)	(35,126,013)
Comprehensive income for the year			
Loss for the year	-	(5,750,014)	(5,750,014)
At 31 December 2020	1	(40,876,028)	(40,876,027)

The notes on pages 15 to 28 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	1	(27,338,457)	(27,338,456)
Comprehensive income for the year			
Loss for the year	-	(7,787,557)	(7,787,557)
At 31 December 2019	1	(35,126,014)	(35,126,013)

The notes on pages 15 to 28 form part of these financial statements.

1. General information

Thread Online Ltd ('the Company') is a private company limited by shares incorporated in England and Wales with registration number 08226798.

The address of the registered office is 1 Alie Street, London E1 8DE.

The principal activity of the company continued to be that of an online fashion marketplace.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The Company's loss for the financial year amounted to £5.8m (2019: £7.8m) and the company has a net liability position of £40.1m (2019: £35.1m), of which £39.5m (2019: £32.2m), is our intercompany balance funding our continued growth.

The company is in an investment phase to build and scale its AI lead styling technology platform. To continue as a going concern and fund the Company's growth and investments the Company needs to obtain additional capital. Although the Group and Director have demonstrated a track record of raising funds, and investors are pleased with performance, its is not certain that the company will be able to raise additional capital. Therefore, the Director highlights this as a materail uncertainity for the going concern assumption.

The Director and Company have a consistent track record of raising capital when required and current investors are pleased with the performance of the business, therefore the director reasonably expects that the company is a going concern and the financial statements have been prepared on this basis.

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.4 Revenue

Revenue consists of online sales of fashion clothing at invoiced values exclusive of value added tax and trade discounts.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. Accounting policies (continued)

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Share based payments

The parent company operated an equity-settled, cash based compensation plan of which the company is a part. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitablity and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each financial position date, the entity revises its estmates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the income statement. The credit entry is posted to the intercompany account.

2. Accounting policies (continued)

2.10 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

2.11 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.13 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Short-term leasehold property	-	33% on a straight line basis
Office equipment	-	33% on a straight line basis
Computer equipment	-	33% on a straight line basis

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2. Accounting policies (continued)

2.14 Stocks

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

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

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity

2. Accounting policies (continued)

2.18Financial instruments (continued)

concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Stock valuation
Stock is stated at lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. This requires an estimate of the future selling prices. A provision is also made to write down any slow-moving or obsolete inventory to net realisable value.

Returns provision
Accruals for sales returns are estimated based on historical returns and are recorded so as to allocate them to the same period in which the original revenue is recorded. These accruals are reviewed regularly and updated to reflect management's latest best estimates, although actual returns could vary from these estimates.

Share based payments
The charge for share based payments is based on the fair value of the options on the date of grant. Judgement is applied in determining teh most appropriate valuation model and in determining the inputs to the model. Thread Online Ltd incurs a reasonable reallocation of the charge incurred in Thread inc, based on the cost incurred in Thread Inc.

Other financial instruments
The treatment of Other financial instruments requires judgement in assessing their fair value. in our assessment of the fair value of Other financial instruments, where required we have used reasonable benchmarks to assess the fair value.

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Turnover	14,028,606	11,371,066
	14,028,606	11,371,066

All turnover arose within the United Kingdom.

5. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	15,450	15,000

6. Employees

Staff costs, including director's remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	4,282,161	4,697,832
Social security costs	416,864	541,489
Cost of defined contribution scheme	61,690	65,173
	4,760,715	5,304,494

The average monthly number of employees, including directors, during the year was 69 (2019 - 83).

7. Director's remuneration

	2020	2019
	£	£
Director's emoluments	120,080	129,918
Company contributions to defined contribution pension schemes	1,314	-
	121,394	129,918

During the year retirement benefits were accruing to no directors (2019 - NIL) in respect of defined contribution pension schemes.

8. Exceptional items

	2020	2019
	£	£
Redundancy payments to staff	234,828	120,195
Early exit of property rental lease charge	98,273	188,987
Non recoverable rebate provision	419,695	-
	752,796	309,182

9. Intangible assets

	Trademarks £
Cost	
At 1 January 2020	9,364
At 31 December 2020	9,364
Amortisation	
At 1 January 2020	5,795
Charge for the year on owned assets	936
At 31 December 2020	6,731
Net book value	
At 31 December 2020	2,633
At 31 December 2019	3,569

10. Tangible fixed assets

	Improvements to property £	Office equipment £	Computer equipment £	Total £
<u>Cost or valuation</u>				
At 1 January 2020	60,132	220,005	140,403	420,540
Additions	-	130	4,652	4,782
Disposals	-	(18,836)	(1,978)	(20,814)
At 31 December 2020	60,132	201,299	143,077	404,508
<u>Depreciation</u>				
At 1 January 2020	59,939	185,279	102,490	347,708
Charge for the year on owned assets	193	27,566	20,752	48,511
Disposals	-	(14,258)	(919)	(15,177)
At 31 December 2020	60,132	198,587	122,323	381,042
<u>Net book value</u>				
At 31 December 2020	-	2,712	20,754	23,466
At 31 December 2019	193	34,726	37,913	72,832

11. Stocks

	2020 £	2019 £
Finished goods and goods for resale	1,825,468	2,630,754
	1,825,468	2,630,754

12. Debtors

	2020 £	2019 £
Due after more than one year		
Other debtors	331,650	361,980
	331,650	361,980
Due within one year		
Trade debtors	85,433	81,625
Other debtors	145,567	288,729
	562,650	732,334

13. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	4,200,322	2,171,843
Less: bank overdrafts	(515,452)	(235,188)
	3,684,870	1,936,655

14. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank overdrafts	515,452	235,188
Other loans	3,096,031	2,632,423
Trade creditors	684,125	1,041,948
Amounts owed to group undertakings	39,472,807	32,155,071
Other taxation and social security	113,345	163,550
Other creditors	246,564	106,750
Accruals and deferred income	1,875,280	977,280
	46,003,604	37,312,210

Other loans measured at fair value through profit or loss is a loan repayable in monthly instalments until 31 December 2022. The interest rate is 10.25% per annum. The loan is secured by a fixed charge over the Company's assets.

Repayment term of this other loan are as follow: Due within one year is £3,096,031. Due within one to two years is £503,625. Due within two to five years is £983,337.

Amounts owed to parent company are repayable on demand and have a zero coupon rate. There is no security over this loan.

15. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Other loans	1,486,962	3,425,135
	1,486,962	3,425,135

Other loans measured at fair value through profit or loss is a loan repayable in monthly instalments until 31 December 2022. The interest rate is 10.25% per annum. The loan is secured by a fixed charge over the Company's assets.

16. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	4,200,322	2,171,843

Financial assets measured at fair value through profit or loss comprise cash at bank.

17. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
1 (2019 - 1) Ordinary share of £1.00	1	1

18. Share based payments

Thread Inc. Thread Online Ltd's parent, operates a Share Option Scheme. Under the scheme, the Board can grant options over shares in Thread Inc. to the employees of Thread Online Ltd.

As at the year end, options were granted over 4,068,836 ordinary shares of $0.01 each, to 84 group employees and advisors at a fixed excercise price of $0.13 per share. These share options present around 11% of the total issued and outstanding shares in Thread Inc.

As the shares are issued in Thread Inc, the charge for Thread Online Ltd is calculated on reasonable allocation basis through an intercompany recharge.

The amount recharged is detailed below:

	2020 £	2019 £
Option pricing model used	96,868	79,862
	96,868	79,862

19. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £56,500 (2019: £65,173). Contributions totalling £17,819 (2019: £22,494) were payable to the fund at the reporting date and are included in creditors.

20. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	523,162	583,526
Later than 1 year and not later than 5 years	503,095	1,026,257
	1,026,257	1,609,783

21. Related party transactions

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group headed by Thread, Inc.

22. Controlling party

Thread, Inc., a company incorporated in Delaware, USA, with its registered offices located at 3500 South Du pont Highway, City of Dover, County of Kent, United States, 19901 is the parent company and considered to be the controlling party.