

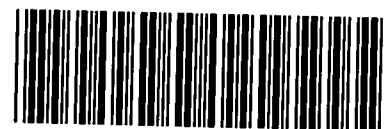
REGISTERED NUMBER: 12574803  
(England and Wales)

# **NIGHTHAWK HOLDINGS LIMITED**

## **ANNUAL REPORT AND CONSOLIDATED ACCOUNTS**

**FOR THE YEAR ENDED 30 JUNE 2023**

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# NIGHTHAWK HOLDINGS LIMITED

## COMPANY INFORMATION for the Year Ended 30 June 2023

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<b>Directors</b>	D Marsden M Marsden
<b>Registered number</b>	12574803
<b>Registered office</b>	1 Blythe Gate Blythe Valley Park Shirley Solihull B90 8AD
<b>Independent Auditors</b>	Cooper Parry Group Limited Statutory Auditors Cubo Birmingham Office 401, 3 <sup>rd</sup> Floor Two Chamberlain Square Birmingham B3 3AX

# NIGHTHAWK HOLDINGS LIMITED

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# NIGHTHAWK HOLDINGS LIMITED

## GROUP STRATEGIC REPORT for the Year Ended 30 June 2023

The directors present their Strategic Report on the group for the year ended 30 June 2023.

### PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The group trades through its main subsidiary, Lounge Underwear Limited ("Lounge").

Lounge is established in the UK and currently sells its products worldwide through its online stores.

Lounge sells its own-branded products through its direct-to-consumer "D2C" model via lounge.com to its core market of 16-30 year olds in the UK and internationally. At the time of writing, the brand currently has 4 arms to its offering including Apparel, Swimwear, Intimates and its primary focus, Underwear. Lounge does not follow trends or styles but prefers to create brand focused products around supplier and customer feedback and the company's feel and identity. With its D2C model the brand has the luxury of having direct contact with its customer so can in turn design its output around what its consumers want with the feedback they give.

Lounge has seen exponential growth since its launch in 2015 and continues to see revenue, customers and orders increase year on year.

The group recognises the significance of attracting both young and established talent. The unique culture within the business is vital in order to attract and retain staff. The directors strongly believe that the culture and brand ethos has been key to Lounge's success over recent years and will no doubt play a large part in its future growth as the group continues to strive to improve the benefits to individual employees but also the facilities that it offers on a day-to-day basis. Making sure employees develop and lead healthy lifestyles is a key part of Lounge's company values.

All products are designed in-house at Lounge HQ, based in Solihull, and are distributed worldwide from Lounge's UK warehouse and its distribution centre ("DC") in Belgium, which specifically services our EU markets. Focus is put on modern marketing techniques around the digital space, predominately across the ever-changing social media landscape. Lounge has made significant investment in building out its product offering over the last 12 months with providing more essential everyday items of underwear which the directors believe is key to creating the world's biggest underwear brand and fulfilling Lounge's full potential.

### KEY PERFORMANCE INDICATORS (KPIs)

	Year ended 30 June 2023	15 months ended 30 June 2022 (as reported)	Year ended 30 June 2022 (pro-rata)	Change vs pro-rata period
<strong>Financial KPIs</strong>				
Global turnover	<strong>£67.9m</strong>	£71.3m	£64.1m	6%
Total international sales (non-UK)	<strong>£52.9m</strong>	£53.8m	£46.6m	13%
Gross profit	<strong>£48.4m</strong>	£52.0m	£47.8m	1%
Gross profit margin	<strong>71.3%</strong>	72.9%	74.6%	(3)%
Profit before tax	<strong>£5.3m</strong>	£7.2m	£8.2m	(35)%
Group net assets	<strong>£14.8m</strong>	£21.3m	£21.3m	(30)%

The table above uses monthly data in order to display the pro-rata 12 months to 30 June 2022 for comparative reasons, given the extended 15 month period in 2022. Group Revenue for the year increased to £67.9 million, up 6% on the equivalent 12 months to 30 June 2022. Gross margin increased to £48.4 million, albeit a reduction on percentage terms (71.3%), versus £47.8 million (74.6%) in the 12 months to 30 June 2022.

A continued focus on international expansion is at the forefront of the company's growth and vision with the company experiencing 13% growth in international sales in the year to 30 June 2023. Continued growth in Mainland Europe has been a huge success for the company and will continue to be a target moving forward as well as the further growth in the Americas and Australia.

# NIGHTHAWK HOLDINGS LIMITED

## GROUP STRATEGIC REPORT (continued) for the Year Ended 30 June 2023

### KEY PERFORMANCE INDICATORS (KPIs) (continued)

Lounge continues to refine its marketing activities, distribution costs and products to optimise profitability and growth. Significant investment continues to be made in the year to June 2023 in marketing, advertising and other associated brand activities which has led to an increase in administrative expenses. As a result, the profit before tax for the period was down 35% on the comparative 12 months to 30 June 2022 at £5.3m.

Group net assets has decreased during the year as a result of the dividends paid out during the year. If dividends are discounted from the comparison the year to 30 June 2023 would have seen an increase in net assets of £4.2m as a result of the profitability of the group in the year. There was a focus during the year on investing in stock levels to facilitate further growth, an expanding product range and distributing from two distribution centres which in turn has seen a movement from cash into stock.

	Year ended 30 June 2023	15 months ended 30 June 2022 (as reported)	Year ended 30 June 2022 (pro-rata)	Change
<b>Other KPIs</b>				
Active customers <sup>1</sup>	931k	778k	778k	20%
Total orders	1.41m	1.45m	1.28m	10%
Units sold	5.40m	5.35m	4.94m	9%
Average number of employees	138	135	135	2%

<sup>1</sup> Defined as having shopped within the last 12 months as at 30 June 2023 and 30 June 2022.

Along with the group's financial success this period we also saw increases in all of our key other KPIs as is shown in the table above. Active customers increased by 20% across all our markets, again with significant growth across mainland Europe. On the back of this, the group saw an increase of orders of 10%, but more importantly, an increase in the items and value of what customers were purchasing.

We have also seen an increase in the average number of employees in the period as the group continues to invest in its people.

### PRINCIPAL RISKS AND UNCERTAINTIES

The directors review annually any additional perceived major changes in the principal risks and uncertainties facing the group.

The underwear market continues to be strong with a varying range of competitors. Some of the new entrants seem to be having similar success, whereas some of the more established brands have plateaued. Fast fashion brands are also entering the market, more so over the past year, but Lounge's strong branding and focus on its female community ethos will continue to help establish the brand's reputation.

The worldwide economy is also likely to go into a downturn over the next year with a cost-of-living crisis within the UK specifically but also signs of recession being seen in other countries around the globe.

#### Currency risk

The group trades in several currencies, but mostly in Sterling, US Dollar, AUS Dollar and Euro. It has income and expenditure in all of these currencies creating a natural hedge that is largely sufficient to reduce our exposure. Any surplus currency is exchanged into Sterling at appropriate times and forward contracts are used where necessary in order to mitigate any excess exposures.

#### Credit risk

The group operates a D2C where customers pay instantly when purchasing goods. This mitigates the risk of bad debts.

## NIGHTHAWK HOLDINGS LIMITED

### GROUP STRATEGIC REPORT (continued) for the Year Ended 30 June 2023

#### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

##### *Liquidity risk*

The business is mainly funded through working capital movements on a day to day basis. The risk around liquidity is managed through a strong banking relationship and the availability of financing such as trade or asset financing if required. The directors have prepared projections including cashflows for the year ending and beyond, and the group monitors cashflow as part of its day-to-day control procedures. The group has considerable cash headroom and as a consequence the directors believe the group is well placed to manage business risks successfully.

##### *Legal risk*

The group endeavours to comply with or exceed the requirements of all legalisations. Resource has been dedicated to the compliance of GDPR regulations. New or proposed legislation governing all aspects of the business are renewed routinely.

##### *Technology risk*

The group continues to invest heavily in technology across their website, inventory management, warehouse management, customer experience and overall IT infrastructure as technology continues to advance rapidly.

##### *Political risk*

The group has a strategy to ensure that the risks associated with Brexit are managed and mitigated wherever possible, including a continuous assessment of our supply chain. The directors continue to stay informed on political developments and obtain advice from external resources to facilitate decision making where necessary in order to ensure that any long-term effects of Brexit on the group are managed effectively.

#### OUTLOOK

The directors expect the performance of the group to continue to grow and increase over the coming year as e-commerce sales continue to expand worldwide, alongside the introduction of new revenue streams as the group moves into the bricks and mortar retail space. The group's D2C model is still proving to be the future of retail however headwinds are expected as the world recovers from COVID-19. In 2020/2021 the world was pushed into an increased level of online purchasing as a result of global lockdown restrictions. However, as customers have returned to the high street this is expected to fall. It is however the group's aim to retain the new customers it has gained over recent years and build on this, resulting in overall growth.

The group will continue to build out and further cultivate its localised offerings with improved logistical options and online experience.

The product offering of the business will build out significantly over the next year to include a broader range of underwear and apparel. A priority will be put on offering innovative products that are forward-thinking and high quality. With the core of the brand's products being underwear, we will continue to expand our "everyday" items and more luxurious intimates which are the areas that we have seen increased demand for.

Investment will continue to be put into digital marketing avenues, with a focus being put on organic and paid social media. The group's influencer strategy will develop further into international territories and investment in said territories will increase year on year in order to promote further growth. Our movement into physical retail space is also something that will continue, following the positive start that has been made on this front, in the next financial year with stores having opened in London, Manchester, Leeds and Bristol at the time of writing this report.

The directors recognise the importance of attracting talent across all areas of the business. The group will continue to invest in resource and infrastructure, to offer a world leading culture for its employees to develop and innovate. The people that work at Lounge are at the heart of what the group is made of and what we are building, this will never change.

This report was approved by the board of directors on 27 February 2024 and signed on behalf of the board by:

**D Marsden**  
Director



# NIGHTHAWK HOLDINGS LIMITED

## DIRECTORS' REPORT for the Year Ended 30 June 2023

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The directors present their report and the financial statements of the group for the year ended 30 June 2023.

### DIRECTORS

The directors who served the company during the year were as follows:

D Marsden  
M Marsden

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £4,188,268 (15 months ended 30 June 2022: £5,869,550).

Dividends of £Nil (15 months ended 30 June 2022: £1,400,000) were paid during the period in respect of the previous financial year.

Dividends of £10,650,000 have been paid during the period in respect of the current financial period (15 months ended 30 June 2022: £1,700,000). No further dividends are recommended.

In addition to the above, during the previous period Rockwell Capital Limited, a wholly owned subsidiary was transferred out of the group via a dividend in specie of £1,160,688.

### DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT

In preparing the Directors' Report, the directors have complied with S414C (11) of the Companies Act 2006 by including certain disclosures required by S416(4) within the Strategic Report which are financial risk management and future developments.

### EMPLOYEE INVOLVEMENT

The quality, commitment and participation of the group's employees is crucial to our continued success.

Regular communication of business performance and strategies are held through internal meetings. The HR team continually develop and improve ways the group can communicate to ensure staff happiness and mental wellbeing is kept a priority.

Employment policies do not discriminate on the grounds of colour, race, ethnicity, sex, marital status, sexual orientation, religious beliefs or disability.

If an employee was to become disabled whilst in employment and as a result was unable to perform his or her duties, every effort would be made to offer suitable alternative employment and assistance with retraining.

It is group policy wherever possible, to provide continued employment under normal terms and conditions.

### DONATIONS

Charitable donations during the period totalled £359,868 (15 months ended 30 June 2022: £136,419). There were no political donations (15 months ended 30 June 2022: £Nil).

# NIGHTHAWK HOLDINGS LIMITED

## DIRECTORS' REPORT (continued) for the Year Ended 30 June 2023

### DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Group Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The group has disclosed its energy usage in line with requirements from the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon) Regulations 2018.

Adler and Allan, a trusted, multidisciplinary environmental consultancy firm, were appointed to independently assess our Greenhouse Gas (GHG) emissions. This assessment was carried out in general accordance with 'ISO14064-1:2006 Greenhouse Gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals.' and 'PAS2050:2001 Specification for the assessment of the life cycle greenhouse gas emissions of goods and services' and the 'GHG Protocol'.

Wherever possible, the assessment has used the emission conversion factors published by the Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS).

The previous period's figures relate to the 15 months to 30 June 2022 and therefore, the current period assessment includes a 12 month reference period, but includes GHG intensity ratios to assess like-for-like performance against the previous financial period.

Our Scope 1 emissions in relation to transport are considered to be trivial given all movements of goods are subcontracted. In February 2022 we moved our UK warehouse to Redditch. There were no Scope 1 emissions for the year to 30 June 2023 (15 months to 30 June 2022 – 1.67 tCO<sub>2</sub>e).

Our Scope 2 emissions for the Year Ended 30 June 2023 relate to the operation of our third-party Distribution Centre ("DC") in Reime, Belgium (opened July 2021) and our new UK warehouse in Redditch (opened February 2022).



# NIGHTHAWK HOLDINGS LIMITED

## DIRECTORS' REPORT (continued) for the Year Ended 30 June 2023

### STREAMLINED ENERGY AND CARBON REPORTING (SECR) (continued)

Scope 2 GHG emissions for the year ended 30 June 2023 totalled 16.52 tCO<sub>2</sub>e (15 months ended 30 June 2022: 89.21 tCO<sub>2</sub>e). In the year ended 30 June 2023 this was over 3.35m units sold which equates to 5 kgCO<sub>2</sub>e per item (15 months ended 30 June 2022: 5.35m units sold which equates to 17 kgCO<sub>2</sub>e per item).

Total GHG emissions, including all Scope 1, 2 and 3 emissions associated with our product lifecycle for the year ended 30 June 2023 are estimated to be 3,178.90 tCO<sub>2</sub>e (15 months ended 30 June 2022: 5,546.15 tCO<sub>2</sub>e).

Carbon intensity ratios have been established in order to assess the normalised carbon emissions per product sold, per £1m of turnover and per employee. Our performance against these ratios are as follows:

	Year ended 30 June 2023	15 months ended 30 June 2022	Change
<b>Carbon intensity ratios</b>			
tCO <sub>2</sub> e per £m turnover	<b>47.4</b>	77.56	↓ 38%
tCO <sub>2</sub> e per employee	<b>23.03</b>	41.08	↓ 44%
gCO <sub>2</sub> e per unit sold	<b>947</b>	1,036	↓ 8%

As can be seen from the table above, all of our intensity ratios have seen an improvement on the previous year following the improvements made on the operations side of the business. As a business we are aware that our air freight emissions were one of the most significant contributing factors to our GHG emissions in our product lifecycle. During the previous period we successfully opened a Distribution Centre ("DC") in Belgium in order to service our EU markets and have also moved to a larger UK warehouse space in order to allow us to plan further ahead from a stock holding point of view. This continues to bring benefits to the ratios that we are seeing here.

Our products are manufactured using a variety of different materials including cotton, polyester, polyamide, viscose, acrylic, nylon, spandex, elastane, bamboo, and metallised fibres. We have also recently introduced a greater proportion of Post-Consumer Recycled (PCR) content of polyester and polyamide across the range. A greater proportion of natural materials such as bamboo are being utilised as well as the introduction of modal (bio-fabric made from beech tree cellulose). During the period to June 2023 we estimate that we have saved a total of 236 tCO<sub>2</sub>e (15 months to 30 June 2022 – saving of 534 tCO<sub>2</sub>e) as a result of using more responsibly sourced materials.

We recognise that climate change is one of the most serious environmental challenges currently threatening the global community and we understand we have a role to play in reducing greenhouse gas emissions. Although we know it is not the answer, each year we review and offset the carbon that we create as a result of being in business by selecting one or two projects and buy carbon credits to go towards projects that offset carbon. We continue to engage with external consultants to create a plan to move us towards a 'net zero' position.

### DIRECTORS' STATEMENT OF COMPLIANCE WITH SECTION 172(1)

The directors consider that, as set out under Section 172(1) of the Companies Act 2006, they have, in good faith, acted in a way that they consider would be most likely to promote the success of the group and the company for the benefit of its members as a whole. In doing so, the directors have given due regard to the interests of key stakeholder groups and have assessed the likely consequences of decisions on the group's long-term performance and its reputation. The following elements inform all of the directors' decision-making processes:

#### *Strategy*

The directors review the strategic process and key performance indicators (KPI's) alongside the wider C-Suite team to ensure that the group remains aligned with its strategic and long-term objectives. Using a collaborative approach at all levels across the business ensures that all stakeholders' views are heard and considered, helping to achieve a balanced decision-making process to ensure the long-term financial success of the group.

# NIGHTHAWK HOLDINGS LIMITED

## DIRECTORS' REPORT (continued) for the Year Ended 30 June 2023

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### DIRECTORS' STATEMENT OF COMPLIANCE WITH SECTION 172(1) (continued)

#### *Strategy (continued)*

Still being a founder-led group allows the brand to be super reactive and nimble which is always an invaluable quality in super-fast growing brands. Being able to make decisions quickly and be agile from a brand perspective is one of the keys to Lounge's success.

The culture of the group is fed down from the top in a young and modern environment where the core passions and focus of the group can still be pushed from.

#### *Our customers*

The directors consider our D2C model to be the future of retail. This allows us to stay as close as physically possible to our customers, hear their feedback and in turn react to it. As a result, we are able to build the product they truly want and we remain accountable for the service and product we offer. This model allows us to have instant impact on the service we can offer our end user from the logistics to the customer service. We can take responsibility and provide the best possible experience from start to end.

#### *Our people*

Culture is the single most important element when it comes to building out our teams. It's often mentioned why it can take longer than normal to recruit, but this is all based around our people and how important it is for us to not only find the right skill set for the job, but the right person for the job too. Lounge is such a unique place to work, as it houses a certain type of person who is ambitious, determined, hardworking, humble and kind, to name just a few.

With a year of huge financial growth has come the natural need for more hands. With such a focus on culture it's been difficult at times to build a team so fast but the people we have here now are truly incredible. Every department within Lounge has been built out which in turn has given massive opportunity for internal growth for our Loungers. We are super proud that our C-Suite is built up purely of people brought through the business, most of which started at exec level and have grown with the brand.

The group invests in its infrastructure in order to provide its employees the best facilities and in turn the best chance to reach their full potential. Completed in the Summer of 2021, our Lounge HQME is built of collaborative working spaces and a free-flowing open plan office to help encourage creativity and teamwork. We are promoting a healthy lifestyle with onsite facilities such as a gym, cinema club, shower facilities, chill out areas and Cup Cafe, our on-site canteen.

#### *Disabled employees*

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees became disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

#### *Our suppliers*

The directors acknowledge that the need to build strong long-standing relationships with both our customers and suppliers is paramount to the success of the group and its longevity.

We continually develop strategies to maintain and further improve relationships with our suppliers.

With respect to suppliers the group's policy for the payment of suppliers is to agree to terms of payment in advance in line with normal trade practices and, provided a supplier performs in accordance with the agreement, to abide by such terms.

# NIGHTHAWK HOLDINGS LIMITED

## DIRECTORS' REPORT (continued) for the Year Ended 30 June 2023

### DIRECTORS' STATEMENT OF COMPLIANCE WITH SECTION 172(1) (continued)

#### *Sustainability*

As a group we are hugely passionate about our carbon footprint and the effect we have on the world's environment. We have made big steps, redesigning all of our packaging using sustainable materials. Since 2021, we have been a carbon neutral brand ... and that's just the start!

Sustainability has been a key consideration and focus for the group right from its early years. Fortunately, we are now at a point where we can heavily invest into this and have since moved all of our packaging to sustainable or recycled materials.

We have also turned our focus to our product. Since 2022, we have put a significant focus on sustainably sourcing our product launches.

#### *Charity*

The group continues to support its partner charities which are aligned with our business. In 2022 we, once again, had an absolutely incredible year supporting Trekstock, CoppaFeel!, Black Women Rising UK, Breast Cancer Now, Make 2nds Count and Future Dreams. As part of our 2022 #FEELYOURBREAST campaign we raised £359,868 and gave away 65,000 free thongs to help raise awareness for breast cancer and as a reminder to Feel Your Breast! Going forward into 2023 we have now established our own Charity, The Lounge Foundation which will enable us to go one step further in really making a difference to the causes that mean the most to us as a brand.

### DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the parent company and the group's auditor is unaware; and
- the director 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 parent company and the group's auditor is aware of that information.

This report was approved by the board of directors on 27 February 2024 and signed on behalf of the board by:



**D Marsden**  
Director

# NIGHTHAWK HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NIGHTHAWK HOLDINGS LIMITED for the Year Ended 30 June 2023

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### OPINION

We have audited the financial statements of Nighthawk Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2023, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows, the Consolidated Analysis of Net Debt 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 group's and the parent company's affairs as at 30 June 2023 and of the group's profit for 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.

### 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 group 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.

### CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### 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 Group 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 Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## **NIGHTHAWK HOLDINGS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NIGHTHAWK HOLDINGS LIMITED (continued) for the Year Ended 30 June 2023**

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#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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

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

#### **RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **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:

Our assessment focussed on key laws and regulations that the group and parent company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation including corporate taxes, VAT and Duty and employment taxes legislation.

The group and parent company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigation. We identified such laws and regulations to be health and safety legislation, sale of goods legislation, intellectual property legislation and the Bribery Act 2010.

We are not responsible for preventing irregularities. Our approach to detect irregularity included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the group and the parent company and how the group is complying with that framework, including a review of legal and professional nominal codes;
- obtaining and understanding the company's policies and procedures and how the company has complied with these, through discussions and walkthrough testing of controls;
- obtaining an understanding of the group's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment;

## NIGHTHAWK HOLDINGS LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NIGHTHAWK HOLDINGS LIMITED (continued) for the Year Ended 30 June 2023

#### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- performing audit work over the risk of management override of controls, including testing journal entries, including manual journals posted to revenue and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias; and
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to irregularity or fraud.

In response to the risk of irregularities in relation to non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and associated parties.

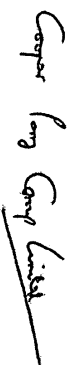
Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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](http://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 members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.



Catherine Kelly (Senior Statutory Auditor)  
for and on behalf of  
**Cooper Parry Group Limited**  
Statutory Auditor  
Cubo Birmingham  
Office 401, 3<sup>rd</sup> Floor  
Two Chamberlain Square  
Birmingham  
B3 3AX

Date: 27 February 2024

# NIGHTHAWK HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the Year Ended 30 June 2023

	Note	Year ended 30 June 2023 £	15 months ended 30 June 2022 £
<b>Turnover</b>	<b>4</b>	<b>67,880,987</b>	71,349,301
Cost of sales		<b>(19,506,954)</b>	(19,365,604)
<b>Gross profit</b>		<b>48,374,033</b>	51,983,697
Distribution costs		<b>(11,270,996)</b>	(11,261,541)
Administrative expenses		<b>(31,321,155)</b>	(33,492,653)
Fair value movements	<b>12</b>	<b>(29,564)</b>	95,525
Other operating income		-	-
Profit on sale of investments in subsidiary undertakings		-	21,029
<b>Operating profit</b>	<b>5</b>	<b>5,752,318</b>	7,346,057
Other interest receivable and similar income	<b>8</b>	<b>33,591</b>	1,746
Interest payable and similar charges	<b>9</b>	<b>(471,893)</b>	-
<b>Profit before taxation</b>		<b>5,314,016</b>	7,347,803
Tax on profit	<b>10</b>	<b>(1,125,748)</b>	(1,478,253)
<b>Profit for the financial year/period</b>		<b>4,188,268</b>	5,869,550
<b>Other comprehensive income</b>			
Foreign currency translation differences		<b>(4,926)</b>	-
<b>Total comprehensive income for the year/period</b>		<b>4,183,342</b>	5,869,550

All the activities of the group are from continuing operations.

The notes on pages 18 to 35 form part of these financial statements.

# NIGHTHAWK HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2023

	Note	30 June 2023	30 June 2023	30 June 2022	30 June 2022
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	11		555,812		700,414
Tangible assets	12		<u>2,004,464</u>		<u>2,548,680</u>
			<b>2,560,276</b>		<b>3,249,094</b>
<b>Current assets</b>					
Stocks	14	13,859,891		18,389,293	
Debtors	15	1,860,491		1,854,413	
Cash at bank and in hand		<u>13,520,131</u>		<u>8,545,776</u>	
		<b>29,240,513</b>		<b>28,789,482</b>	
Creditors: amounts falling due within one year	16	<u>(8,723,818)</u>		<u>(9,954,845)</u>	
<b>Net current assets</b>			<b>20,516,695</b>		<b>18,834,637</b>
<b>Total assets less current liabilities</b>			<u><b>23,076,971</b></u>		<u><b>22,083,731</b></u>
Creditors: amounts falling due after more than one year	17		<b>(7,648,959)</b>		-
<b>Provisions</b>					
Deferred tax	19	(357,366)		(521,427)	
Other provisions	20	<u>(250,000)</u>		<u>(250,000)</u>	
			<b>(607,366)</b>		<b>(771,427)</b>
<b>Net assets</b>			<u><b>14,820,646</b></u>		<u><b>21,312,304</b></u>
<b>Capital and reserves</b>					
Called up share capital	24		1,000		1,000
Retained earnings			<b>14,608,998</b>		<b>21,100,656</b>
Share based payments reserve			<b>210,648</b>		<b>210,648</b>
<b>Shareholders' funds</b>			<u><b>14,820,646</b></u>		<u><b>21,312,304</b></u>

These financial statements were approved by the board of directors and authorised for issue on 27 February 2024, and signed on behalf of the board by:



**D Marsden**  
**Director**

Company registration number: 12574803

The notes on pages 18 to 35 form part of these financial statements.



# NIGHTHAWK HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the Year Ended 30 June 2023

	Called-up Share Capital £	Share based payments reserve £	Retained earnings £	Total Equity £
<b>At 1 April 2021</b>	1,000	-	18,591,794	18,592,794
<b>Comprehensive Income for the period:</b>				
Profit for the period	-	-	5,869,550	5,869,550
<b>Other comprehensive income</b>				
Foreign currency translation differences	-	-	-	-
<b>Total Comprehensive Income for the period</b>	-	-	5,869,550	5,869,550
<b>Transactions with owners</b>				
Share based payments charge (note 29)	-	210,648	-	210,648
Equity dividends paid (note 24)	-	-	(3,360,688)	(3,360,688)
<b>Total transactions with owners</b>	-	210,648	(3,360,688)	(3,150,040)
<b>At 1 July 2022</b>	<b>1,000</b>	<b>210,648</b>	<b>21,100,656</b>	<b>21,312,304</b>
<b>Comprehensive Income for the year:</b>				
Profit for the year	-	-	4,188,268	4,188,268
<b>Other comprehensive income</b>				
Foreign currency translation differences	-	-	(4,926)	(4,926)
<b>Total Comprehensive Income for the year</b>	-	-	4,183,342	4,183,342
<b>Transactions with owners</b>				
Bonus issue of shares (note 24)	34,999,000	-	-	34,999,000
Share capital reduction (note 24)	(34,999,000)	-	-	(34,999,000)
Share based payments charge (note 29)	-	-	-	-
Equity dividends paid (note 24)	-	-	(10,675,000)	(10,675,000)
<b>Total transactions with owners</b>	-	-	(10,675,000)	(10,675,000)
<b>Balance as at 30 June 2023</b>	<b>1,000</b>	<b>210,648</b>	<b>14,608,998</b>	<b>14,820,646</b>

The purpose of each reserve within equity is as follows:

Called-up Share Capital	The nominal value of allotted and fully paid-up Share Capital
Share based payment reserve	Cumulative share based payments charges as a result of share options issued to employees of the group by the parent company
Retained earnings	Cumulative net gains and losses recognised in the Statement of Comprehensive Income, net of dividends paid.

The notes on pages 18 to 35 form part of these financial statements.

# NIGHTHAWK HOLDINGS LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION As at 30 June 2023

	Note	30 June 2023 £	30 June 2023 £	30 June 2022 £	30 June 2022 £
<b>Fixed assets</b>					
Investments	13		<u>35,210,648</u>		<u>35,210,648</u>
			<b>35,210,648</b>		<b>35,210,648</b>
<b>Current assets</b>					
Debtors	15	<b>136,962</b>		19,943	
Cash at bank and in hand		<u>653</u>		<u>-</u>	
		<b>137,615</b>		<b>19,943</b>	
Creditors: amounts falling due within one year	16	<u>(1,302,730)</u>		<u>(11,003)</u>	
<b>Net current (liabilities)/assets</b>			<b>(1,165,115)</b>		<b>8,940</b>
<b>Total assets less current liabilities</b>			<u><b>34,045,533</b></u>		<u><b>35,219,588</b></u>
Creditors: amounts falling due after more than one year	17		<b>(7,648,959)</b>		<b>-</b>
<b>Net assets</b>			<u><b>26,396,574</b></u>		<u><b>35,219,588</b></u>
<b>Capital and reserves</b>					
Called up share capital	24		<b>1,000</b>		<b>1,000</b>
Merger reserve			<b>-</b>		<b>34,999,000</b>
Share based payment reserve			<b>210,648</b>		<b>210,648</b>
Retained earnings			<b>26,184,926</b>		<b>8,940</b>
<b>Shareholders' funds</b>			<u><b>26,396,574</b></u>		<u><b>35,219,588</b></u>

The profit after tax recorded by the company for the year was £1,851,986 (15 months ended 30 June 2022: £3,168,850).

These financial statements were approved by the board of directors and authorised for issue on 27 February 2024, and signed on behalf of the board by:



**D Marsden**  
Director

Company registration number: 12574803

The notes on pages 18 to 35 form part of these financial statements.

# NIGHTHAWK HOLDINGS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY for the Year Ended 30 June 2023

	Called-up Share Capital £	Share based payments reserve £	Merger reserve £	Retained earnings £	Total Equity £
<b>At 1 April 2021</b>	1,000	-	34,999,000	200,778	35,200,778
<b>Comprehensive Income for the period:</b>					
Profit for the period	-	-	-	3,168,850	3,168,850
<b>Total Comprehensive Income for the period</b>	-	-	-	3,168,850	3,168,850
<b>Transactions with owners</b>					
Share based payments charge (note 29)	-	210,648	-	-	210,648
Equity dividends paid (note 24)	-	-	-	(3,360,688)	(3,360,688)
<b>Total transactions with owners</b>	-	210,648	-	(3,360,688)	(3,150,040)
<b>At 1 July 2022</b>	<b>1,000</b>	<b>210,648</b>	<b>34,999,000</b>	<b>8,940</b>	<b>35,219,588</b>
<b>Comprehensive Income for the year:</b>					
Profit for the year	-	-	-	1,851,986	1,851,986
<b>Total Comprehensive Income for the year</b>	-	-	-	1,851,986	1,851,986
<b>Transactions with owners</b>					
Bonus issue of shares (note 24)	34,999,000	-	(34,999,000)	-	-
Share capital reduction (note 24)	(34,999,000)	-	-	34,999,000	-
Share based payments charge (note 29)	-	-	-	-	-
Equity dividends paid (note 24)	-	-	-	(10,675,000)	(10,675,000)
<b>Total transactions with owners</b>	-	-	(34,999,000)	24,324,000	(10,675,000)
<b>Balance as at 30 June 2023</b>	<b>1,000</b>	<b>210,648</b>	<b>-</b>	<b>26,184,926</b>	<b>26,396,574</b>

The purpose of each reserve within equity is as follows:

Called-up Share Capital	The nominal value of allotted and fully paid-up Share Capital.
Share based payment reserve	Cumulative share based payments charges as a result of share options issued to employees of the group by the parent company
Merger reserve	Cumulative excess of the fair value of consideration received for shares exchanged over and above the nominal value of shares issued.
Retained earnings	Cumulative net gains and losses recognised in the Statement of Comprehensive Income, net of dividends paid.

The notes on pages 18 to 35 form part of these financial statements.

# NIGHTHAWK HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS for the Year Ended 30 June 2023

	Year ended 30 June 2023 £	15 months ended 30 June 2022 £
<b>Cash flows from operating activities</b>		
Profit for the year	4,188,268	5,869,550
Adjustments for:		
Amortisation of intangible assets	244,604	18,318
Depreciation of tangible fixed assets	660,023	709,115
Profit on sale of fixed assets	(31,115)	-
Interest payable	471,893	-
Interest received	(33,591)	(1,746)
Fair value movements through profit and loss	29,564	(95,525)
Share based payments charge	-	210,648
Taxation charged	1,125,748	1,478,253
Decrease/(increase) in stocks	4,529,402	(13,607,568)
(Increase)/decrease in debtors	(31,138)	335,618
(Decrease)/increase in creditors	(2,516,196)	2,927,524
Increase in provisions	-	250,000
Foreign exchange differences arising on consolidation	(4,926)	-
<b>Net cash from operating activities</b>	<b>8,632,536</b>	<b>(1,905,813)</b>
Taxation paid	(1,207,688)	(3,340,347)
<b>Net cash generated/(used) from operating activities</b>	<b>7,424,848</b>	<b>(5,246,160)</b>
<b>Cashflow from investing activities</b>		
Purchase of intangible assets	(151,458)	(592,519)
Purchase of tangible assets	(215,133)	(1,723,759)
Disposal of tangible assets	130,441	-
Purchase of fixed asset investments	-	(900,000)
Interest received	33,591	1,746
<b>Net cash used in investing activities</b>	<b>(202,559)</b>	<b>(3,214,532)</b>
<b>Cash flow from financing activities</b>		
New bank loans (note 23)	9,925,000	-
Repayment of bank loans (note 23)	(1,026,041)	-
Equity dividends paid	(10,675,000)	(2,200,000)
Interest paid	(471,893)	-
<b>Net cash used in financing activities</b>	<b>(2,247,934)</b>	<b>(2,200,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,974,355</b>	<b>(10,660,692)</b>
Cash and cash equivalents at the beginning of the period	8,545,776	19,206,468
<b>Cash and cash equivalents at the end of the period</b>	<b>13,520,131</b>	<b>8,545,776</b>
<b>Cash and cash equivalents at the end of the period comprise:</b>		
Cash at bank and in hand	13,520,131	8,545,776

The notes on pages 18 to 35 form part of these financial statements.

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 30 June 2023

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### 1. GENERAL INFORMATION

Nighthawk Holdings Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales with the registered number 12574803. The address of the registered office is 1 Blythe Gate, Blythe Valley Business Park, Solihull, B90 8AD.

The principal activity of the company is that of a holding company. The nature of the group's operations and principal activities are set out in the Group Strategic Report on page 1.

### 2. ACCOUNTING POLICIES

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

#### a) Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

During the previous period the company changed its accounting reference date to 30 June 2022 for commercial reasons. Whilst the current period reflects the twelve months to 30 June 2023 the comparative period reflects the results for a 15 month period to 30 June 2022.

Nighthawk Holdings Limited has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

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

#### b) Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group" as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

On 28 April 2020, Nighthawk Holdings Limited acquired 100% of the share capital of Lounge Underwear Limited by way of a share for share exchange. The results of the group have been combined using merger accounting in accordance with paragraphs 19.29 to 19.33 of FRS 102. The group reconstruction meets the requirements of merger accounting in accordance with paragraph 19.27 of FRS 102.

All financial statements are made up to 30 June 2023 and all intra-group transactions and balances are eliminated on consolidation.

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 2. ACCOUNTING POLICIES (continued)

#### c) Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- No cash flow statement has been prepared for the parent company; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

#### d) Going concern

At the Statement of Financial Position date the group had a significant cash balance and a strong net asset position. The group meets its day-to-day working capital requirements through its bank facilities. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group and the parent company can operate within the level of its current facilities. At the date of signing these accounts, 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.

#### e) Foreign currency

##### i) Functional and presentation currency

The group's and company's functional and presentation currency is the pound Sterling, and the financial statements are rounded to the nearest £1.

##### 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 profit or loss.

#### f) Turnover

##### i) Sale of goods

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes

In the case of goods sold through trading websites, turnover is recognised when goods are sold and the title has passed, less provision for returns. Accumulated experience is used to estimate and provide for such returns at the time of the sale and this provision is included within other creditors. Online sales are usually by debit card, by credit card or through other payment providers.

For online sales, title is deemed to have passed when the goods are dispatched from the warehouse.

##### ii) Gift cards

The initial sale of a gift card is treated as an exchange of tender with the revenue recognised when the cards are redeemed by the customer. Revenue from gift card breakage is recognised when the likelihood of the customer utilising the gift card becomes remote.

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 2. ACCOUNTING POLICIES (continued)

#### g) Employee benefits

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

##### *i) Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### *ii) 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. The assets of the plan are held separately from the group in independently administered funds.

##### *iii) Annual bonus plan*

The group operates an annual bonus plan for employees. An expense is recognised in profit or loss 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.

#### h) Taxation

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

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.

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 2. ACCOUNTING POLICIES (continued)

#### i) Intangible assets

Intangible assets are initially recognised at cost.

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

Software and IT	- 1-5 years
Other intangible assets	- 10 years

Other intangible assets relates to the purchase of a domain name.

#### j) Tangible 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.

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

##### i) *Leasehold land and buildings*

Leasehold land and buildings include stamp duty land tax and leasehold improvements.

##### ii) *Office equipment and computer equipment*

Office equipment and computer equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

##### iii) *Depreciation and residual values*

Depreciation on other assets is calculated, using the straight-line or reducing balance methods, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Stamp duty land tax	- over the period of the lease
Leasehold improvements	- 20% straight line
Office equipment	- 25% reducing balance
Computer equipment	- 33% straight line
Motor vehicle	- 15% reducing balance

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

At each Statement of Financial Position date, the directors review the carrying amounts of its tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the asset, the directors estimate the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised as an expense immediately.

#### k) Valuation of investments

Investments in subsidiary undertakings are held at cost less impairment. Cost is determined as the fair value of the consideration at the time of purchase.



## NIGHTHAWK HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

#### 2. ACCOUNTING POLICIES (continued)

##### l) Stock

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

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes, duties, transport and handling costs directly attributable to bringing the stock to its present location and condition.

At the end of each reporting period stock is assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. 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 profit and loss account.

##### m) Cash and cash equivalents

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

##### n) Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

##### o) Dilapidations provisions

Where the group has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

##### p) Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive income on a straight-line basis over the period of the lease.

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 2. ACCOUNTING POLICIES (continued)

#### q) Financial instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

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.

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.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### r) 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.

#### s) Share based payments

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

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

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

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

Where equity instruments are provided to employees by the parent company the profit and loss is charged with the fair value of the options with the corresponding entry being recognised in equity as a capital contribution from the parent company. In the parent company financial statements the share based payments charge is added to the cost of the investment in the subsidiary undertaking with the corresponding entry being recognised in a share based payments reserve within equity.

#### t) Equity dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 2. ACCOUNTING POLICIES (continued)

#### u) Related party transactions

The group discloses transactions with all related parties, subject to any available disclosure exemptions. 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 financial statements.

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Below are the key sources of estimation uncertainty listed by management.

#### Refunds provision

Revenue from the sale of goods is recognised when the company sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the goods and it is the company's policy to sell its products to the end customer with a right of return within 30-45 days, dependent on territory. Therefore, a refund liability (included in creditors due within one year) is recognised for expected refunds in relation to sales made until the end of the reporting period. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method), and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

#### Stock obsolescence provision

Stock held at the Statement of Financial Position date is assessed for impairment by the directors. All stock which is considered slow-moving, by virtue of the fact that it is considered succeeded by another product or has not sold significant volumes in the previous twelve months, is written down accordingly.

### 4. TURNOVER

Turnover arises from:

	<b>Year ended 30 June 2023</b>	<b>15 months ended 30 June 2022</b>
	<b>£</b>	<b>£</b>
Sale of goods	<b><u>67,880,987</u></b>	<b><u>71,349,301</u></b>

No geographical analysis of turnover is given as in the opinion of the directors, such information would be seriously prejudicial to the interests of the group. A split of international and UK sales is given in the Strategic Report.

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 5. OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 30 June 2023	15 months ended 30 June 2022
	£	£
Depreciation of tangible assets	660,023	709,115
Amortisation of intangible assets	244,604	18,318
Foreign exchange differences	350,947	648,481
Fees payable to the group's auditor for the audit of the group's annual financial statements	34,600	29,500
Fees payable to the group's auditor in respect of:		
- Tax compliance services	-	9,250
- other taxation related services	-	7,000
Operating lease costs	<u>1,731,613</u>	<u>2,072,517</u>

### 6. STAFF COSTS

The average number of persons employed by the group and the company during the year, including the directors, amounted to:

	Group Year ended 30 June 2023	Group 15 months ended 30 June 2022	Company Year ended 30 June 2023	Company 15 months ended 30 June 2022
	No.	No.	No.	No.
Directors	2	2	2	2
Administrative staff	<u>136</u>	<u>133</u>	<u>-</u>	<u>-</u>
	<u>138</u>	<u>135</u>	<u>2</u>	<u>2</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	Group Year ended 30 June 2023	Group 15 months ended 30 June 2022	Company Year ended 30 June 2023	Company 15 months ended 30 June 2022
	£	£	£	£
Wages and salaries	4,716,277	4,770,039	-	-
Social security costs	474,077	484,124	-	-
Other pension costs	204,510	98,493	-	-
Share based payment charge	-	210,648	-	-
	<u>5,394,864</u>	<u>5,563,304</u>	<u>-</u>	<u>-</u>

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 7. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	<b>Group Year ended 30 June 2023</b>	<b>Group 15 months ended 30 June 2022</b>
	<b>£</b>	<b>£</b>
Remuneration	<b>25,564</b>	32,547
Pensions	<b>17,350</b>	21,762
	<b>42,914</b>	54,309

During the period retirement benefits were accruing to two directors (15 months ended 30 June 2022: two) in respect of defined contribution pension schemes.

### 8. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	<b>Group Year ended 30 June 2023</b>	<b>Group 15 months ended 30 June 2022</b>
	<b>£</b>	<b>£</b>
Interest on loans and receivables	<b>33,591</b>	1,746

### 9. INTEREST PAYABLE AND SIMILAR CHARGES

	<b>Group Year ended 30 June 2023</b>	<b>Group 15 months ended 30 June 2022</b>
	<b>£</b>	<b>£</b>
Interest payable on bank loans	<b>471,893</b>	-

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 10. TAX ON PROFIT

#### a) Tax expense included in profit or loss

	Group Year ended 30 June 2023 £	Group 15 months ended 30 June 2022 £
<b>Current tax:</b>		
UK Corporation tax on profit for the year	1,281,598	1,186,994
Adjustments in respect of prior periods	8,211	(76,041)
<b>Total current tax</b>	<b>1,289,809</b>	<b>1,110,953</b>
<b>Deferred Tax:</b>		
Origination and reversal of timing differences	(164,744)	323,327
Adjustments in respect of prior periods	683	43,973
<b>Total deferred tax</b>	<b>(164,061)</b>	<b>367,300</b>
<b>Total tax expense</b>	<b>1,125,748</b>	<b>1,478,253</b>

#### b) Reconciliation of tax charge

	Group Year ended 30 June 2023 £	Group 15 months ended 30 June 2022 £
Profit before tax	5,314,016	7,347,803
Profit multiplied by the hybrid rate of tax in the UK for the year of 21% (15 months ended 30 June 2022: 19%)	1,115,943	1,396,083
Effects of:		
– Expenses not deductible for tax purposes	10,504	24,409
– Capital allowances and depreciation	19,066	(53,884)
– Adjustments in respect of provisions	-	46,270
– Research and development	-	(27,742)
– Difference in tax rates	(28,659)	56,896
– Change in tax rates	-	68,289
– Adjustments in respect of prior periods	8,894	(32,068)
<b>Tax charge for the year</b>	<b>1,125,748</b>	<b>1,478,253</b>

#### c) Factors that may affect future tax charges

Deferred tax has been provided in these financial statements at 25%.

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 11. INTANGIBLE ASSETS

#### Group

	Software £	Other intangible assets £	Total £
<b>Cost or valuation</b>			
At 1 July 2022	149,514	569,218	<b>718,732</b>
Additions	100,002	-	<b>100,002</b>
Disposals	(100,000)	-	<b>(100,000)</b>
<b>At 30 June 2023</b>	<b>149,516</b>	<b>569,218</b>	<b>718,734</b>
<b>Amortisation</b>			
At 1 July 2022	18,318	-	<b>18,318</b>
Charge for year	187,682	56,922	<b>244,604</b>
Eliminated on disposals	(100,000)	-	<b>(100,000)</b>
<b>At 30 June 2023</b>	<b>106,000</b>	<b>56,922</b>	<b>162,922</b>
<b>Net Book Value</b>			
<b>At 30 June 2023</b>	<b>43,516</b>	<b>512,296</b>	<b>555,812</b>
At 30 June 2022	131,196	569,218	700,414

#### Company

The company has no intangible assets.

### 12. TANGIBLE FIXED ASSETS

#### Group

	Leasehold land and buildings	Office and computer equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 July 2022	2,583,103	750,850	120,840	<b>3,454,793</b>
Additions	13,384	122,123	79,626	<b>215,133</b>
Disposals	-	(26,548)	(120,840)	<b>(147,388)</b>
<b>At 30 June 2023</b>	<b>2,596,487</b>	<b>846,425</b>	<b>79,626</b>	<b>3,522,538</b>
<b>Depreciation</b>				
At 1 July 2022	554,194	323,227	28,692	<b>906,113</b>
Charge for period	491,151	155,302	13,570	<b>660,023</b>
Eliminated on disposals	-	(13,321)	(34,741)	<b>(48,062)</b>
<b>At 30 June 2023</b>	<b>1,045,345</b>	<b>465,208</b>	<b>7,521</b>	<b>1,518,074</b>
<b>Net Book Value</b>				
<b>At 30 June 2023</b>	<b>1,551,142</b>	<b>381,217</b>	<b>72,105</b>	<b>2,004,464</b>
At 30 June 2022	2,028,909	427,623	92,148	2,548,680

#### Company

The company has no tangible fixed assets.

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 13. INVESTMENTS

#### Group

The group has no investments.

#### Company

	Investment in subsidiary undertakings £	Total £
<b>Cost Or Valuation</b>		
At 1 July 2022	35,210,648	35,210,648
<b>At 30 June 2023</b>	<b>35,210,648</b>	<b>35,210,648</b>

#### Interests in subsidiaries

At 30 June 2023 the company had the following subsidiary undertakings:

Subsidiaries	Types of shares held	Holding	Country of incorp.	Nature of business
Lounge Underwear Limited	Ordinary	100%	UK	Retail
Lounge Underwear Ireland Limited*	Ordinary	100%	Ireland	Agent services

\*Indirectly owned through Lounge Underwear Limited

Lounge Underwear Limited has a registered office of 1 Blythe Gate, Blythe Valley Business Park, Solihull, B90 8AD. Lounge Underwear Ireland Limited has a registered office of 3rd Floor, Ulysses House, Foley Street, Dublin 1, Ireland.

### 14. STOCKS

	Group 30 June 2023 £	Group 30 June 2022 £	Company 30 June 2023 £	Company 30 June 2022 £
Finished goods	13,859,891	18,389,293	-	-

### 15. DEBTORS

	Group 30 June 2023 £	Group 30 June 2022 £	Company 30 June 2023 £	Company 30 June 2022 £
Trade debtors	35,864	-	-	-
Amounts owed from group undertakings	-	-	120,727	-
Amounts owed from related parties	203,748	25,298	16,235	19,943
Corporation tax repayable	212,390	237,450	-	-
Other debtors	261,612	24,816	-	-
Prepayments and accrued income	1,146,877	1,566,849	-	-
	<b>1,860,491</b>	<b>1,854,413</b>	<b>136,962</b>	<b>19,943</b>



# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 30 June 2023	Group 30 June 2022	Company 30 June 2023	Company 30 June 2022
	£	£	£	£
Bank loans (see note 18)	1,250,000	-	1,250,000	-
Trade creditors	2,813,354	5,849,388	-	-
Amounts owed to group undertakings	-	-	-	2,173
Corporation tax	57,061	-	-	-
Social security and other taxes	849,942	1,309,885	-	-
Other creditors	1,048,804	1,076,467	8,824	8,830
Accruals and deferred income	2,675,093	1,719,105	43,906	-
Financial instruments	29,564	-	-	-
	<u>8,723,818</u>	<u>9,954,845</u>	<u>1,302,730</u>	<u>11,003</u>

Details of the security on the bank loans can be found at note 18.

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 30 June 2023	Group 30 June 2022	Company 30 June 2023	Company 30 June 2022
	£	£	£	£
Bank loans (see note 18)	<u>7,648,959</u>	-	<u>7,648,959</u>	-

Details of the security on the bank loans can be found at note 18.

### 18. BANK LOANS

Bank loans are repayable as follows:

	Group 30 June 2023	Group 30 June 2022	Company 30 June 2023	Company 30 June 2022
	£	£	£	£
Within one year	1,250,000	-	1,250,000	-
Between one to two years	1,250,000	-	1,250,000	-
Between two to five years	<u>6,398,959</u>	-	<u>6,398,959</u>	-
	<u>8,898,959</u>	-	<u>8,898,959</u>	-

During the year the company took out two bank loans with HSBC. The loans attract interest at between 2.0% and 2.5% above the Sterling Overnight Index Average (SONIA) rate per annum. Interest accrues daily and is payable monthly in arrears. The loan is repayable by instalments over four years and is secured via a cross guarantee between Nighthawk Holdings Limited and Lounge Underwear Limited.

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 19. DEFERRED TAX

#### Group

	Group 30 June 2023 £
At the beginning of the year	521,427
Credited to the profit and loss account	<u>(164,061)</u>
<b>At the end of the year</b>	<b><u>357,366</u></b>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group 30 June 2023 £	Group 30 June 2022 £
Accelerated capital allowances	415,268	575,613
Fair value movements	<u>(57,902)</u>	<u>(54,186)</u>
	<b><u>357,366</u></b>	<b><u>521,427</u></b>

#### Company

The company has no deferred tax asset or liability.

### 20. PROVISIONS

#### Group

	Dilapidations provisions £
At the beginning of the year	250,000
Utilised during the year	<u>(130,000)</u>
Charged to the profit and loss account	<u>130,000</u>
<b>At the end of the period</b>	<b><u>250,000</u></b>

The dilapidation provision represents the estimated exit cost of leased premises.

#### Company

The company has no other provisions.

### 21. PENSIONS COMMITMENTS

#### Defined contribution plans

The group operates a defined contribution pension scheme. The amount recognised in profit or loss as an expense in relation to defined contribution plans was £204,510 (15 months ended 30 June 2022: £98,943).

Contributions totalling £26,136 (30 June 2022: £16,925) were payable to the scheme at the end of the year and are included within other creditors.

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 22. FINANCIAL INSTRUMENTS

	Group 30 June 2023	Group 30 June 2022	Company 30 June 2023	Company 30 June 2022
	£	£	£	£
<b>Financial assets that are debt instruments measured at amortised cost</b>				
Cash at bank and in hand	13,520,131	8,545,776	653	-
Trade debtors	35,864	-	-	-
Amounts owed from related parties	203,748	25,298	16,235	19,943
Other debtors	261,612	24,816	-	-
	<u>14,021,355</u>	<u>8,595,890</u>	<u>16,888</u>	<u>19,943</u>
<b>Financial liabilities measured at amortised cost</b>				
Bank loans	8,898,959	-	8,898,959	-
Trade creditors	2,813,354	5,849,388	-	-
Social security and other taxes	849,942	1,309,885	-	-
Other creditors	1,048,804	1,076,467	8,824	8,830
Accruals	2,675,093	1,581,445	43,906	-
	<u>16,286,152</u>	<u>9,817,185</u>	<u>8,951,689</u>	<u>8,830</u>
<b>Financial liabilities at fair value through profit or loss</b>				
Foreign currency forward contracts	29,564	-	-	-

#### Foreign currency forward contracts

During the year the group took out a number of foreign currency forward contracts. At the year end the company was committed to buying \$2,000,000 across multiple forward contracts (30 June 2022: None). The MTM value of these contracts at the year end was a loss of £29,564 (30 June 2022: £Nil).

### 23. RECONCILIATION OF NET DEBT

	At 1 July 2022	Cash flows	At 30 June 2023
		£	£
Cash and cash equivalents	8,545,776	4,974,355	13,520,131
Bank loans due within one year	-	(1,250,000)	(1,250,000)
Bank loans due after more than one year	-	(7,648,959)	(7,648,959)
	<u>8,545,776</u>	<u>(3,924,604)</u>	<u>4,621,172</u>

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 24. SHARE CAPITAL

	Company 30 June 2023 £	Company 30 June 2022 £
<b>Allotted and fully paid</b>		
730 (30 June 2022: 730) A Ordinary shares of £1.00 each	730	730
270 (30 June 2022: 270) B Ordinary shares of £1.00 each	270	270
	<u>1,000</u>	<u>1,000</u>

#### Bonus issue of shares

On 31 March 2023 the company issued 25,549,270 A Ordinary shares of £1.00 each and 9,449,730 Ordinary shares of £1.00 each via a bonus share issue to existing shareholders. The bonus issue was funded through the Merger reserve.

#### Share capital reduction

On 3 April 2023 the company reduced the capital of the company by £34,999,000 from £35,000,000 to £1,000 which was effected by the cancellation of 25,549,270 A Ordinary Shares of £1 each and 9,449,730 B Ordinary Shares of £1 each. Following the share capital reduction, the arising reserve of £34,999,000 was treated as a realised profit and transferred to the profit and loss account reserve.

	Company 30 June 2023 £	Company 30 June 2022 £
<b>Equity dividends paid</b>		
Interim 30 June 2023 (30 June 2022: Interim 2022)	10,675,000	1,700,000
Final 30 June 2022 (30 June 2022: Final 2021)	-	500,000
Dividend in specie	-	1,160,688
	<u>10,675,000</u>	<u>3,360,688</u>

On 11 November 2021, Rockwell Capital Limited was distributed from the group via a dividend in specie.

No final dividend has been proposed for the year ended 30 June 2023.

### 25. CAPITAL COMMITMENTS

The group had no capital commitments as at 30 June 2023 (30 June 2022: £Nil). The company had no capital commitments at 30 June 2023 (30 June 2022: £Nil)

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 26. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2023, the group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 30 June 2023 £	Group 30 June 2022 £
<b>Land and buildings</b>		
Due within one year	1,236,500	1,505,682
2-5 years	6,002,708	7,129,917
over 5 years	<u>749,583</u>	<u>2,597,939</u>
	<b>7,988,791</b>	11,233,538
<b>Other</b>		
Due within one year	<u>-</u>	47,612
	-	47,612
<b>Total</b>		
Due within one year	1,236,500	1,553,294
2-5 years	6,002,708	7,129,917
over 5 years	<u>749,583</u>	<u>2,597,939</u>
	<b>7,988,791</b>	11,281,150

#### Company

The company had no commitments under non-cancellable operating leases.

### 27. RELATED PARTY TRANSACTIONS

As a qualifying entity under FRS 102 the entity is able to take advantage of the disclosure exemption under the requirements of Section 33 Related Party Disclosures paragraph 33.1A to not disclose transactions with other wholly owned subsidiaries of the Nighthawk Holdings Limited Group.

During the period the group settled invoices totalling £55 (15 months ended 30 June 2022: £5,355) on behalf of Chinook Capital Limited, a company under common control. At the period end the group was owed £5,410 (30 June 2022: £5,355) from Chinook Capital Limited.

During the year the group settled invoices totalling £182,103 (15 months ended 30 June 2022: £19,943) on behalf of Blackbird Capital Investments Limited, a company under common control. During the year the group repaid a total of £3,708 (15 months ended 30 June 2022: £Nil) At the period end the group was owed £198,338 (30 June 2022: £19,943) from Blackbird Capital Investments Limited.

During the period, amounts totalling £55,520 (15 months ended 30 June 2022: £156,500) were paid to close family members of the directors in respect of services to the company.

During the previous period the company provided a interest free loan of £15,000 to a close family member of a director. During the current year the loan was fully repaid and therefore at the year end the total amount outstanding was £Nil (30 June 2022: £14,375 included within other debtors due within one year).

During the period, key management personnel were remunerated a total of £302,401 (15 months ended 30 June 2022: £353,797).

# NIGHTHAWK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the Year Ended 30 June 2023

### 28. TRANSACTIONS WITH DIRECTORS

The following loans from and advances and credits to directors subsisted during the year ended 30 June 2023:

	<b>Group</b>	<b>Group</b>
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>£</b>	<b>£</b>
At 1 July 2022	<b>(1,592)</b>	(4,937)
Amounts advanced	<b>4,233</b>	3,485
Amounts repaid	<b>(5,612)</b>	(140)
<b>As at 30 June 2023</b>	<b>(2,971)</b>	(1,592)

These balances are interest free and repayable on demand.

### 29. SHARE BASED PAYMENTS

In 2022 the company, introduced an EMI share option compensation scheme for certain employees of its subsidiary undertaking, Lounge Underwear Limited. Employees under the scheme were granted a maximum number of options which are exercisable on either a sale, listing or any other such event which management considers to be an exit event. The options are over 'C' shares in Nighthawk Holdings Limited and have a maximum term of 10 years.

On 11 October 2021, 42 share options were granted which carry an exercise price of £1. These shares are exercisable based on different "hurdles" based on the valuation of the business at the time of the exit event.

The binomial option pricing model has been used to determine the fair value of the share options at the grant date. The directors consider this to be the most appropriate method given the details of the share options granted. The following assumptions were used in arriving at the fair value of the share options:

The volatility assumption has been estimated at 35%. In forming this view we have considered the historical volatility of other publicly listed e-commerce companies over the last 5 years.

A risk-free rate of 1% and a dividend yield of 0% have been used as part of the valuation process.

No share based payments charge has been recognised in the year as the directors consider the charge to be immaterial (15 months ended 30 June 2022: £210,648).

### 30. CONTROLLING PARTY

There is no ultimate controlling party.