

Registered No. 02717838

Matchesfashion Limited
Financial report
For the year ended 31 January 2016



Matchesfashion Limited

Company Registration No. 02717838 (England&Wales)

Company Information

Directors	TW Chapman RE Chapman FL Greiner AP Davison S Brooks U Jerome NP Stevens (Resigned on 24 May 2015)
Company secretary	RE Chapman
Company number	2717838
Registered office	Unit 15a Welmar Mews 154 Clapham Park Road London SW4 7DD
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
Bankers	HSBC Bank Plc West End CBC 70 Pall Mall London SW1Y 5EY Wells Fargo Capital Finance 5th Floor, No. 1 Bread Street London EC4M 9BE
Lawyers	Covington & Burling LLP 265 Strand London WC2R 1BH White and Black Legal LLP Chalford Park Oxford Road Old Chalford Oxfordshire OX7 5QR Thrings LLP 6 Drakes Meadow Penny Lane Swindon SN3 3LL

Contents

Strategic report 1

Directors’ report 3

Independent auditors’ report to the members of Matchesfashion Limited 6

Statement of Comprehensive Income 8

Statement of Financial Position 9

Statement of Changes in Equity 10

Statement of Cash Flows 11

Notes to the financial statements 12

Strategic report for the year ended 31 January 2016

The directors present their strategic report on Matchesfashion Limited (the 'company') for the year ended 31 January 2016.

Review of the business

The principal activity of the company continued to be that of fashion retailing, operating from the UK under the principal brand of Matchesfashion.com. There have been no major changes in the company's core activities in the year under review.

Results and performance

The results for the year and the company's financial position at the end of the year are set out on pages 8-33. The company's EBITDA before exceptional items was £3,424k (year ended 31 January 2015: loss £740k).

The company continue to invest in ecommerce and logistics which has delivered impressive sales growth both in the UK and internationally. During the year, the company launched a new web technology platform with benefits being already realised in the year and more expected in the coming years.

Key performance indicators (KPIs)

Management drives business performance through the setting of clearly defined and measured key performance indicators (KPIs), taking appropriate action where required to enhance the financial results of the business.

The key financial performance indicators that are used to monitor and manage the business are primarily:

	<u>Current year</u>	<u>Prior year</u>	
Year on year turnover growth	27.4%	22.0%	Increase of turnover compared to prior year
Margin	41.9%	41.1%	Gross profit on turnover
Stock turn	2.34	2.42	Cost of sales over closing stock

We also focus on head office overheads with the target of continually improving the cost efficiency of the business.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal control. All policies are subject to Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is high priority for the company.

The principal risks are reviewed twice per year by the Board and monthly by an Executive management committee focused on capacity and effectiveness of the organisation. Updates in terms of emerging risks or significant actions undertaken are addressed as and when required at Board meetings. Management also reviews strategic, operational, and financial and compliance risks in regular focused forums during the year.

Strategic report for the year ended 31 January 2016 (continued)

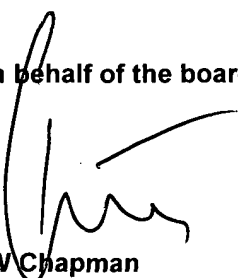
Future developments

In the coming year, the company launches an IOS and Android APPS which will further support the business in realising its full international opportunity for growth.

The company will move Head Quarters in June 2016 to the Shard, London Bridge.

This strategic report has been approved by the board.

On behalf of the board of Directors



TW Chapman
Chairman
02 June 2016

Unit 15A Welmar Mews
154 Clapham Park Road
London SW4 7DD

Directors' report for the year ended 31 January 2016

The directors present their report and the audited financial statements of Matchesfashion Limited (the 'company') for the year ended 31 January 2016. These financial statements represent the 12 month period from 1 February 2015 to 31 January 2016.

Future developments

The company is planning continued growth in both the UK and rest of the world through its e-commerce platform underpinned by investment in stock, marketing and logistics activity.

Dividends

No dividends were proposed or paid during the year (year ended 31 January 2015: nil).

Donations

The company has made charitable donation of £32,236 during the year (year ended 31 January 2015: nil).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:-

TW Chapman
RE Chapman
FL Greiner
A P Davison
S Brooks
U Jerome
NP Stevens (Resigned on 24 May 2015)

Financial risk management policy

The company's financial assets and liabilities, such as cash, trade creditors and trade debtors, arise directly from the company's operating activities.

The main risks associated with the company's financial assets and liabilities are set out below.

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances, all of which earn interest at a fixed rate. The company has a policy of maintaining debt at a fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Credit risk

The company has external debtors; however, the company undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default. Cash deposits are held with Wells Fargo Bank who has an 'AA' class credit rating and HSBC Bank plc who has an 'AA-' class credit rating.

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations.

Directors' report for the year ended 31 January 2016 (continued)

Foreign currency risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to movements between Sterling, US Dollars, Euros, Australian Dollars and Hong Kong Dollars. Exposure is monitored and addressed on a regular basis by entering into forward contracts to hedge the risk on purchases and sales receipts.

Research and Development

The company is currently undertaking research and development into its website. During the year the company has capitalised £887,844 (year ending 31 January 2015: £1,882,509) of website related expenses. The directors believe that this development will lead to future profits for the company.

Disabled employees

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

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through internal media in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its growth.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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 UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

Directors' report for the year ended 31 January 2016 (continued)

Statement of directors' responsibilities (continued)

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

Disclosure of information to auditors

In accordance with Section 418, each director in office at the date the directors' report is approved, that:

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed.

This directors' report has been approved by the board.

On behalf of the board of Directors



TW Chapman
Chairman
02 June 2016

Unit 15A Welmar Mews
154 Clapham Park Road
London SW4 7DD

Independent auditors' report to the members of Matchesfashion Limited

Report on the financial statements

Our opinion

In our opinion, Matchesfashion Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 January 2016 and of its loss and cash flows 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.

What we have audited

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

- the Statement of Financial Position as at 31st January 2016 as at 31 January 2016;
- the Statement of Comprehensive Income for the year ended 31st January 2016 for the year then ended;
- the Statement of Cash Flows for the year ended 31st January 2016 for the year then ended;
- the Statement of Changes in Equity as at 31st January 2016 for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Matchesfashion Limited (continued)

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

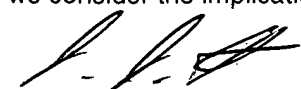
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Craig Skelton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

2 June 2016

Statement of Comprehensive Income for the year ended 31 January 2016

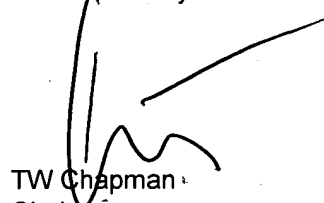
		Year ended 31 January 2016	Year ended 31 January 2015
	Note	£	£
Revenue	2	126,886,232	99,606,004
Cost of sales		(73,754,029)	(58,714,718)
Gross profit		53,132,203	40,891,286
Distribution costs		(18,750,337)	(14,703,339)
Administrative expenses		(34,748,930)	(31,346,209)
Other operating income		1,345,932	690,121
Operating profit/(loss) before Exceptional items	3	978,868	(4,468,141)
Exceptional items	4	187,939	(692,381)
Operating profit/(loss) after Exceptional items		1,166,807	(5,160,522)
Finance costs	7	(2,860,338)	(513,170)
Loss on ordinary activities before taxation		(1,693,531)	(5,673,692)
Tax on loss on ordinary activities	8	-	76,670
Loss for the financial year		(1,693,531)	(5,597,022)

All of the activities of the company relate to continuing operations.

Statement of Financial Position as at 31 January 2016

	Note	31 January 2016 £	31 January 2015 £
Assets			
Non-current assets			
Property, plant and equipment	9	3,558,850	4,930,510
Intangible assets	10	2,848,010	2,899,509
		<u>6,406,860</u>	<u>7,830,019</u>
Current assets			
Inventories	11	31,806,507	24,504,997
Trade and other receivables	12	2,593,523	1,418,600
Cash and cash equivalents	13	2,102,364	1,992,047
		<u>36,502,394</u>	<u>27,915,644</u>
Total assets		<u>42,909,254</u>	<u>35,745,663</u>
Equity and liabilities			
Called up share capital	20	(65,671)	(65,671)
Share premium		(13,987,096)	(13,987,096)
Accumulated losses		9,035,644	7,342,113
Total equity		<u>(5,017,123)</u>	<u>(6,710,654)</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	16	(15,703,579)	(1,089,446)
		<u>(15,703,579)</u>	<u>(1,089,446)</u>
Current liabilities			
Trade and other payables		(22,188,552)	(25,945,563)
Loans and borrowings	16	-	(2,000,000)
	14	<u>(22,188,552)</u>	<u>(27,945,563)</u>
Total liabilities		<u>(37,892,131)</u>	<u>(29,035,009)</u>
Total equity and liabilities		<u>(42,909,254)</u>	<u>(35,745,663)</u>

The financial statements on pages 8 to 33 were approved by the board on 02 June 2016 and signed on its behalf by.


 TW Chapman
 Chairman
 Registered No. 2717838

Statement of Changes in Equity for the year ended 31 January 2016

	Called up share capital	Share Premium	Accumulated losses	Total equity
	£	£	£	£
Balance as at 1 February 2014	(65,671)	(13,987,096)	1,745,091	(12,307,676)
Loss for the financial year	-	-	5,597,022	5,597,022
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	5,597,022	5,597,022
Dividends	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-
Balance as at 31 January 2015	(65,671)	(13,987,096)	7,342,113	(6,710,654)
Balance as at 1 February 2015	(65,671)	(13,987,096)	7,342,113	(6,710,654)
Loss for the financial year	-	-	1,693,531	1,693,531
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	1,693,531	1,693,531
Dividends	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-
Balance as at 31 January 2016	(65,671)	(13,987,096)	9,035,644	(5,017,123)

Statement of Cash Flows for the year ended 31 January 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Cash (used in)/generated from operations	21	(9,763,390)	1,834,265
Income tax paid		-	26,158
Net cash generated from operating activities		(9,763,390)	1,860,423
Cash flow (used in)/ from investing activities			
Purchase of property, plant and equipment		(1,018,885)	(1,720,139)
Purchase of intangible assets		(951,555)	(1,929,535)
Proceeds from disposal of property, plant and equipment		2,090,352	-
Net cash used in investing activities		119,912	(3,649,674)
Cash flow from financing activities			
Interest paid		(1,156,759)	(507,902)
Payment of interest elements of finance lease		-	(5,268)
Repayments of finance leases		-	(46,870)
Proceeds from issuance of convertible loan notes		10,910,554	2,000,000
Net cash flow generated from financing activities		9,753,795	1,439,960
Net (decrease)/increase in cash and cash equivalents during the year		110,317	(349,291)
Cash and cash equivalents at the beginning of the year		1,992,047	2,341,338
Exchange gains/(loss) on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	13	2,102,364	1,992,047

Notes to the financial statements for the year ended 31 January 2016

1. Accounting policies

General information

Matchesfashion Limited is a private limited company limited by shares. The address of its registered office Unit 15a Welmar Mews, 154 Clapham Park Road, London SW4 7DD.

The principal activity of the company continued to be that of fashion retailing, operating from the UK under the principal brand of Matchesfashion.com.

Statement of compliance

The individual financial statements of Matchesfashion Limited have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The company has early adopted amendments to FRS 102 (issued in July 2015).

Summary of significant 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 years presented, unless otherwise stated.

a) Basic of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss. This is the first year in which the financial statements have been prepared under FRS 102. The date of transition to FRS 102 was 1 February 2014. Details of the transition to FRS 102 are disclosed in note 27.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(s).

b) Going concern

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

c) Foreign Currency

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

Notes to the financial statements for the year ended 31 January 2016 (continued)**1. Accounting policies (continued)****d) Revenue recognition**

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

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

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

The total revenue of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

e) Employee benefits

The company provides a range of benefits to employees, including 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 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 when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds. The contribution charge for this financial year is £171,142 (year ended 31 January 2015: 142,199).

iii) Share based payments

The company provides an equity-settled share-based payment scheme to certain employees.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting year, excluding the impact of any non-market vesting conditions.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when options are exercised. No expense is recognised for awards that are not expected to ultimately vest.

f) Exceptional items

The company has adopted an accounting policy and statement of comprehensive income format that seeks to highlight significant items of income and expense for the year. The Directors believe that this presentation provide a more helpful analysis as it highlights one-off items. Such items may include significant restructuring costs, profits or losses on disposal or termination of operations, litigation costs and settlements, profit or loss on disposal of investment, significant impairment of assets and unforeseen gains/losses arising on derivative instruments.

Notes to the financial statements for the year ended 31 January 2016 (continued)**1. Accounting policies (continued)****g) Other operating income**

Other operating income is recognised on an accruals basis in accordance with the substance of the relevant agreement.

h) Finance Cost

Costs associated with raising loan finance and equity shares are recorded against the loan principal and share premium account respectively. Loan finance costs are amortised to the statement of comprehensive income over the life of the relevant loan at a constant rate of return on the carrying amount.

i) Current and deferred income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss, 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 taxation

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 except for certain exceptions. Net deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, or valuation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised. Land and buildings include freehold and leasehold factories, retail outlets and offices. Land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

Notes to the financial statements for the year ended 31 January 2016 (continued)**1. Accounting policies (continued)****j) Property, plant and equipment (continued)**

Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Land and buildings	25 years straight line from completion
Leasehold improvements	Over term of respective lease
Furniture and fittings	Over term of respective lease
Office equipment	5 years straight line
Computer equipment	4 years straight line
Motor vehicles	3 years straight line

Assets in the course of construction are stated at cost. Assets under construction are not depreciated. Repairs, maintenance and minor inspection costs are expensed as incurred.

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

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

k) Intangible assets**(i) Websites**

Where websites are expected to generate future revenues in excess of the costs of developing those websites, expenditure on the functionality of the website is capitalised and treated as an intangible fixed asset. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided, at 25% straight line from the month of acquisition, to write off the cost of each asset evenly over its expected useful life. Accelerated amortisation will be applied when a shorter useful life has been identified.

Costs associated with maintaining websites are recognised as an expense as incurred. Expenditure incurred on developing websites used only for advertising and promotional purposes are written off as incurred.

(ii) Patents and trademarks

The cost of patents and trademarks are capitalised as they have been purchased separately from a business. They are amortised over ten years which is the economic benefits of the legal rights. Amortisation is charged to administrative expenses in the statement of comprehensive income.

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

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

Notes to the financial statements for the year ended 31 January 2016 (continued)

1. Accounting policies (continued)

k) Intangible assets (continued)

(ii) Patents and trademarks (continued)

Development costs that are directly attributable to the design and testing of certain major new product projects are recognised as intangible assets when the following criteria are met:

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

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

l) Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measureable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired. Goodwill arose on the acquisition of the Max Mara Partnership. This purchased goodwill relates to the Max Mara Franchise Partnership's market position and the brand establishment. The goodwill has been capitalised and it is being amortised over its estimated useful economic life of ten years, the period which the company expects to benefit from Max Mara Partnership's reputation, contacts and skills, using the straight line method.

Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

m) Leasing and hire purchase commitments

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

i) Finance Lease

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Notes to the financial statements for the year ended 31 January 2016 (continued)

1. Accounting policies (continued)

m) Leasing and hire purchase commitments (continued)

i) Finance Lease (continued)

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

ii) Operating Lease

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

iii) Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

The company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 February 2014) and continues to credit such lease incentives to the statement of comprehensive income over the period to the first review date on which the rent is adjusted to market rates.

n) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

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

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in the other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no

Notes to the financial statements for the year ended 31 January 2016 (continued)**1. Accounting policies (continued)****n) Impairment of non-financial assets (continued)**

impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

o) Inventories

Inventories are stated at the lower of cost and estimated selling price less cost to complete and sell. Inventories are 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 and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. Inventories consist of raw materials relating to our own label Raey and finished goods relating to other brands. Provision is made for slow moving and defective inventories.

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

p) Cash and cash equivalents

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

q) Provisions and contingencies**(i) Provisions**

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

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

In particular:

Onerous contract provisions are made for the future net costs of leasehold properties which are vacant, loss making or sub-let below passing rent. Provisions are based on discounted future net cash outflows. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies

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

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

Notes to the financial statements for the year ended 31 January 2016 (continued)**1. Accounting policies (continued)****r) Financial instruments**

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The company does not hold or issue derivative financial instruments.

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

s) Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Notes to the financial statements for the year ended 31 January 2016 (continued)

1. Accounting policies (continued)

s) Critical accounting judgements and key source of estimation uncertainty (continued)

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

t) Future amendments to FRS 102

Amendments to FRS 102 were issued in July 2015 as a result of changes to the EU-directives and UK Companies Regulations. The company has early adopted the amendments to FRS 102. None of these are expected to have a significant effect on the financial statements of the company.

2. Revenue

The company's store activities relate solely to the retailing of fashion goods in the United Kingdom. The company's online activities relate to the retailing of fashion goods in the United Kingdom and the rest of world.

Analysis of revenue by classes of business

	Year ended 31 January 2016		Year ended 31 January 2015	
	£	%	£	%
Retail stores activities	19,947,438	16	19,454,095	20
Online activities	106,938,794	84	80,151,909	80
Total revenue	126,886,232	100	99,606,004	100

Analysis of revenue by geographical market

	Year ended 31 January 2016		Year ended 31 January 2015	
	£	%	£	%
United Kingdom	45,144,821	36	41,828,565	42
Rest of world	81,741,411	64	57,777,439	58
Total revenue	126,886,232	100	99,606,004	100

Notes to the financial statements for the year ended 31 January 2016 (continued)

3. Operating profit/(loss) and EBITDA

Operating profit/(loss) before exceptional items is stated after charging/(crediting):

	Year ended 31 January 2016	Year ended 31 January 2015
	£	£
Depreciation of property, plant and equipment		
– own assets	1,442,158	1,650,772
– lease assets	-	-
Amortisation of intangible assets	850,084	1,959,009
Amortisation of goodwill and trademarks	152,970	139,479
Profit on disposal of fixed assets	(20,200)	-
Operating lease charges	2,762,417	2,181,876
Research and development	1,312,450	1,026,703
Foreign exchange gains	(341,562)	(1,196,133)
Salaries and wages (note 6)	19,714,438	17,868,282
Bonuses	1,079,908	51,935
Auditors' remuneration	66,000	49,500
Other operating income*	(1,345,932)	(690,121)

* Other operating income comprises commission received, advertising revenue and one off items such as insurance claims settled and R&D rebate.

EBITDA before exceptional items is calculated as follows:-

	Year ended 31 January 2016	Year ended 31 January 2015
	£	£
Operating profit/(loss) before exceptional items	978,868	(4,484,209)
Finance lease charges	-	(5,268)
Depreciation of property, plant and equipment	1,442,158	1,650,772
Amortisation of intangible assets	850,084	1,959,009
Amortisation of goodwill and trademarks	152,970	139,479
EBITDA profit/(loss) before exceptional items	3,424,080	(740,217)

Notes to the financial statements for the year ended 31 January 2016 (continued)

4. Exceptional items

Included within operating profit/(loss) is the following item which Matchesfashion Limited considers to be exceptional:

	Year ended 31 January 2016 £	Year ended 31 January 2015 £
Exceptional (income)/costs items	(991,961)	524,103
Pre-Opening costs	11,877	168,278
Capital raising costs	792,145	-
	(187,939)	692,381

Exceptional items relate to the gain on disposal of Lydden Road property and vacant occupancy costs after consolidating Wimbledon brick and mortar stores. Pre-opening costs relate to cost incurred prior the opening of press office, and the capital raising costs include one-off strategic planning costs, costs for the loan note and capital growth loan.

5. Directors' emoluments

	Year ended 31 January 2016 £	Year ended 31 January 2015 £
Aggregate emoluments	1,095,881	869,125

The amounts in respect of the highest paid director are as follows

	Year ended 31 January 2016 £	Year ended 31 January 2015 £
Highest emoluments	315,437	255,625

As at 31 January 2016 there were four (31 January 2015: four) directors receiving emoluments namely, TW Chapman, RE Chapman, FL Greiner and U Jerome.

Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 January 2016 £	Year ended 31 January 2015 £
Aggregate emoluments	2,165,416	1,684,769

Notes to the financial statements for the year ended 31 January 2016 (continued)**6. Employee information**

The monthly average number of persons (including directors) employed by the company during the year was:

	Year ended 31 January 2016	Year ended 31 January 2015
By activity:	Number	Number
Production	4	4
Selling and distribution	179	168
Administration	243	216
Total	426	388

The aggregate payroll cost incurred in respect of these employees was:

	Year ended 31 January 2016	Year ended 31 January 2015
	£	£
Wages, salaries and bonuses	19,148,518	16,485,633
Social security costs	1,474,686	1,292,385
Other pension costs	171,142	142,199
	20,794,346	17,920,217

7. Finance Cost

	Year ended 31 January 2016	Year ended 31 January 2015
	£	£
Interest payable on overdrafts and bank loans	1,235,091	507,902
Loan note premium	1,625,247	-
Finance lease interest	-	5,268
	2,860,338	513,170

Notes to the financial statements for the year ended 31 January 2016 (continued)

8. Tax on loss on ordinary activities

(a) Tax expense included in profit or loss

	Year ended 31 January 2016	Year ended 31 January 2015
	£	£
Current tax		
UK corporation tax on profits for the year	-	-
Adjustments in respect of prior year	-	202
Total current tax	-	202
Deferred tax		
Origination & reversal of timing differences	(1)	(79,476)
Adjustments in respect of prior year	1	2,604
Total deferred tax	-	(76,872)
Tax on (loss)/profit on ordinary activities	-	(76,670)

(b) Reconciliation of tax charge

Tax assessed for the year is higher (2015: lower) as the standard rate of corporation tax in the UK for the year ended 31 January 2016 of 20.16% (2015: 20%). The differences are explained below:

(Loss)/profit on ordinary activities	(1,693,531)	(5,673,692)
Tax on loss on ordinary activities	(341,444)	(1,134,738)
Effects of:		
Expenses not deductible for tax purposes – fixed assets	(245,783)	62,471
Expenses not deductible for tax purposes	127,042	19,749
Income not taxable for tax purposes	(119,500)	-
Amount credited directly to STRGL or otherwise transferred	(24,407)	-
Other permanent differences	6,499	1,050
Additional deduction for R&D expenditure	(341,845)	-
Chargeable gains/(losses)	59,582	-
Adjustments to tax charge in respect of prior year	-	2,806
Adjust closing deferred tax to average rate of 20.16%	158,460	-
Adjust opening deferred tax to average rate of 20.16%	(4,795)	-
Deferred tax not recognised	726,190	971,993
Rounding	1	(1)
Tax credit for the year	-	(76,670)

(c) Tax rate changes

The standard UK Corporation tax rate was changed from 21% to 20%, effective from 1 April 2015. Deferred tax balances at 31 January 2016 are measured at the effective rate of 20.16%.

Notes to the financial statements for the year ended 31 January 2016 (continued)

9. Property, plant and equipment

	Land & Buildings	Leasehold Improvements	Furniture & Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Total
	£	£	£	£	£	£	£
Cost							
At 1 February 2015	1,804,695	2,319,932	5,081,121	262,631	2,146,995	116,587	11,731,961
Additions	1,060	116,558	443,096	56,368	401,803	-	1,018,885
Disposals	(1,805,755)	-	-	-	-	(93,951)	(1,899,706)
At 31 January 2016	-	2,436,490	5,524,217	318,999	2,548,798	22,636	10,851,140
Accumulated Depreciation							
At 1 February 2015	827,274	1,009,502	3,735,929	120,259	992,424	116,063	6,801,451
Charge for the year	30,094	194,887	677,446	62,724	476,483	524	1,442,158
Disposals	(857,368)	-	-	-	-	(93,951)	(951,319)
At 31 January 2016	-	1,204,389	4,413,375	182,983	1,468,907	22,636	7,292,290
Net book amount at 31 January 2016	-	1,232,101	1,110,842	136,016	1,079,891	-	3,558,850
Net book amount at 31 January 2015	977,421	1,310,430	1,345,192	142,372	1,154,571	524	4,930,510

Notes to the financial statements for the year ended 31 January 2016 (continued)

10. Intangible assets

	Matches Website	Goodwill	Patents & Trademarks	Total
	£	£	£	£
Cost				
At 1 February 2015	4,642,469	1,200,000	194,785	6,037,254
Additions	887,844	-	63,711	951,555
Disposal	(2,600,175)	-	-	(2,600,175)
At 31 January 2016	2,930,138	1,200,000	258,496	4,388,634
Accumulated Depreciation				
At 1 February 2015	2,538,195	560,000	39,550	3,137,745
Charge for the year	850,084	120,000	32,970	1,003,054
Disposal	(2,600,175)	-	-	(2,600,175)
At 31 January 2016	788,104	680,000	72,520	1,540,624
Net book amount at 31 January 2016	2,142,034	520,000	185,976	2,848,010
Net book amount at 31 January 2015	2,104,274	640,000	155,235	2,899,509

Goodwill relates to the acquisition of the Max Mara Partnership. There was no impairment review triggered during the year.

The individual intangible assets, excluding goodwill, which are material to the financial statements are as follows:

	Carrying amount		Remaining amortisation period (years)	
	2016	2015	2016	2015
	£	£		
Patents & Trademarks	185,976	155,235	5	6
2015 Websites	2,142,034	-	4	4

11. Inventories

	31 January 2016 £	31 January 2015 £
Raw materials	236,420	264,727
Finished goods and goods for resale	31,570,087	24,240,270
	31,806,507	24,504,997

The inventory growth of 30% year on year mainly comprises of new spring summer stock £22,995,226 (2015: £14,640,063).

The amount of inventories recognised as an expense during the year is £160,064 (2015: £147,518).

There is no significant difference between the replacement cost of the stock and its carrying amount.

Notes to the financial statements for the year ended 31 January 2016 (continued)**12. Trade and other receivables**

	31 January 2016 £	31 January 2015 £
Trade receivables	705,327	257,128
Other receivables	392,779	357,170
Prepayments and accrued income	1,495,417	804,302
	<u>2,593,523</u>	<u>1,418,600</u>

13. Cash and cash equivalents

	31 January 2016 £	31 January 2015 £
Cash at bank and in hand	2,102,364	1,992,047

Cash at bank and in hand includes cash received from credit card companies within four workings days of the financial year end.

14. Trade and other payables - current

	31 January 2016 £	31 January 2015 £
Trade payables	16,034,893	19,998,122
Taxation and social security	1,744,433	1,994,018
Other payables	2,203,788	2,163,724
Accruals and deferred income	2,205,438	1,789,699
	<u>22,188,552</u>	<u>25,945,563</u>

Notes to the financial statements for the year ended 31 January 2016 (continued)

15. Provisions for liabilities and other charges

	Deferred tax provision	
	31 January 2016	31 January 2015
	£	£
Opening balance	-	76,872
Profit and loss charge	-	(76,872)
Closing balance	-	-
Accelerated capital allowances	180,848	177,105
Tax losses carried forward and other deductions	(180,848)	(177,105)
	-	-
Deferred tax asset not recognised	(1,319,494)	(593,304)
	(1,319,494)	(593,304)

The company has trading losses of £1,693,531 (year ended 31 January 2015: £5,597,022) for which no deferred tax asset has been recognised. The trading losses are available to carry forward and set against future taxable profits.

16. Loans and other borrowings

	31 January 2016	31 January 2015
	£	£
Convertible loan notes	9,625,247	2,000,000
Growth capital loan	6,078,332	-
Loan from director	-	1,089,446
	15,703,579	3,089,446

Convertible loan notes

The £8,000,000 convertible unsecured loan notes were issued on 8 April 2015 to the shareholders and are repayable at a premium of up to 2.55 times the principal amount. The premium varies depending on the redemption date over the next 4 years, with the final redemption being 2019. There is an option for the loan notes to be converted to equity. The effective interest rate of 22.8% has been applied for the financial year ended 31 January 2016.

Growth capital loan

The £6,000,000 growth capital loan were issued on 25 August 2015 for 36 months with interest rate of LIBOR rate plus 10.75% which mature on 31 August 2018.

Loan from director

The director loan was fully repaid during the year.

Notes to the financial statements for the year ended 31 January 2016 (continued)**17. Operating lease commitments**

At 31 January 2016 the company had future minimum lease payments under non-cancellable operating leases for assets expiring as follows:

	31 January 2016 £	31 January 2015 £
Payments due:		
Not later than one year	2,079,809	2,116,273
Later than one year and not later than five years	6,723,234	6,881,453
Later than five years	3,668,892	3,710,182
	12,471,935	12,707,908

18. Related party transactions

During the year the following related party transactions took place within the normal course of business.

As at the reporting date, the loan balance from TW Chapman stands at £nil (31 January 2015: £1,089,446).

A convertible loan note of £1,000,000 was issued to TW Chapman on 8 April 2015.

19. Financial risk management

	31 January 2016 £	31 January 2015 £
Financial assets at fair value through profit and loss	-	-
Financial assets that are debt instruments measured at amortised cost		
- Trade receivables (note 12)	705,327	257,128
- Other receivables (note 12)	392,779	357,170
- Cash and cash equivalents (note 13)	2,102,364	1,992,047
	3,200,470	2,606,345
Financial liabilities at fair value through profit and loss	-	-
Financial liabilities that are debt instruments measured at amortised cost		
- Trade payables (note 14)	16,034,893	19,998,122
- Other payables (note 14)	1,744,433	1,994,018
- Loans and borrowings (note 16)	15,703,579	3,089,446
	33,482,905	25,081,586

Notes to the financial statements for the year ended 31 January 2016 (continued)

20. Called up share capital

	31 January 2016	31 January 2015
Authorised	£	£
1,381,500 (2015: 1,381,500) ordinary/series A shares of £0.05 each and 20,000 (2015: 20,000) redeemable shares of £0.01 each	69,275	69,275
Allotted and fully paid		
891,110 (2015: 891,110) ordinary shares of £0.05 each	44,556	44,556
362,969 (2015: 362,969) series A shares of £0.05 each	18,148	18,148
55,336 (2015: 55,336) C2013 growth shares of £0.05 each	2,767	2,767
20,000 (2015: 20,000) redeemable shares of £0.01 each	200	200
	65,671	65,671

(i) Ordinary shares

They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

(ii) Series A shares

They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

(iii) Redeemable shares

They do not entitle the holder to participate in dividends, but can be redeemed prior to the share in the proceeds of winding up the company.

(iv) C2013 growth shares

They do not entitle the holder to participate in dividends, nor to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

21. Cash (used in)/generated from operations

	2016 £	2015 £
Loss on ordinary share before taxation	(1,693,531)	(5,673,692)
Adjustments for:		
Depreciation	1,442,158	1,650,772
Amortisation	1,003,054	2,098,488
Finance costs	2,860,338	513,170
Gain on disposal of assets	(1,141,965)	-
Changes in working capital:		
(Increase)/Decrease in trade receivables	(1,174,923)	185,423
(Decrease)/increase in trade payables	(3,757,011)	4,710,670
Increase in inventories	(7,301,510)	(1,650,566)
Cash (used in)/generated from operating activities	(9,763,390)	1,834,265

Notes to the financial statements for the year ended 31 January 2016 (continued)**22. Share based payments**

The company has an employee share option scheme. Options are exercisable at a price equal to the estimated fair value of the company's shares on the date of grant. The options are exercisable on flotation or sales of the company. Options are forfeited if the employee leaves the company.

Details of the share options outstanding during the year are as follows:

Year of grant	Exercise price	Number granted	Number forfeited during the year	Number granted not exercised at 31 January 2015	Number exercised during the year	Balance
2013	£25.00	14,940	-	14,940	-	14,940
2014	£44.80	7,950	490	7,460	-	7,460
2016	£44.80	5,600	490	5,110	-	5,110

The company recognised total expenses of £nil in 2016 (2015: nil) respectively, related to equity-settled share-based payment transactions.

23. Contingent liabilities

The company has contingent liability in the form of guarantee for supplier payment to the value of £300,000 (31 January 2015: £300,000) provided by its banker.

24. Financial commitments

At the year end the company do not have any outstanding forward foreign exchange foreign contracts (31 January 2015: nil).

25. Ultimate controlling party

The company is controlled by director Mr TW Chapman by virtue of his shareholding.

26. Events after the reporting year

The company will move Head Quarters in June 2016 to the Shard, London Bridge. There has been no other significant event after the reporting year.

27. Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 January 2015. The date of transition to FRS 102 was 1 February 2014. Set out below are the changes in accounting policies which reconcile loss for the financial year ended 31 January 2015 and the total equity as at 1 February 2014 and 31 January 2015 between UK GAAP as previously reported and FRS 102. The company has also early adopted the Amendments to FRS 102 (issued in July 2015).

Transition exemptions

The company has taken the following transition exemptions in preparing its first financial statements under FRS 102.

- (i) The company has taken advantage of the transition exemption under paragraph 35.10(p) of FRS 102 to continue to recognise the existing lease incentives at the transition date on the same basis as previous UK GAAP. Under previous UK GAAP operating lease incentives, including rent free periods and fit-out contributions, were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent. FRS 102 requires that such incentives to be spread over the lease period.

Notes to the financial statements for the year ended 31 January 2016 (continued)

27. Transition to FRS 102 (continued)

Transition exemptions (continued)

- (ii) The company has taken advantage of the transition exemption under paragraph 35.10(a) of FRS 102 not to apply the requirements of section 19 "Business Combinations and Goodwill" to business combinations that were effected before its FRS 102 transition date (1 February 2014).
- (iii) The company has taken advantage of the transition exemption under paragraph 35.10(n) of FRS 102 to measure the carrying value of development costs at the date of transition (1 February 2014) as the deemed cost at that date.
- (iv) The company has taken advantage of the transition exemption under paragraph 35.10(b) of FRS 102 to continue to value the equity instruments granted before the date of transition to FRS 102 (1 February 2014) using the previous framework.

Reconciliations

In accordance with the requirements of FRS 102 a reconciliation of prior year loss and opening balances is provided below.

Reconciliations of loss for the year

	Notes	31 January 2015 £
Loss for the financial year as previously reported under UK GAAP		(5,475,966)
- Holiday pay accrual	(i)	(114,540)
- Rent free accrual	(ii)	(6,516)
Loss for the financial year as reported under FRS 102		<u>(5,597,022)</u>

Reconciliations of equity

	Notes	1 February 2015 £	31 January 2015 £
Total equity as previously reported under UK GAAP		12,307,676	6,831,710
- Holiday pay accrual	(i)	-	(114,540)
- Rent free accrual	(ii)	-	(6,516)
Total equity as reported under FRS 102		<u>12,307,676</u>	<u>6,710,654</u>

(i) Holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the profit and loss as the employee service is received. Previously holiday pay accruals were not recognised and were charged to the statement of comprehensive income as they were paid. This has resulted in recognition of charge of £114,540 in the year to 31 January 2015 in the statement of comprehensive income with corresponding increase in the liability.

Notes to the financial statements for the year ended 31 January 2016 (continued)**27. Transition to FRS 102 (continued)****Reconciliations of equity (continued)***(ii) Rent free period for operating leases*

Under previous UK GAAP operating lease incentives, including rent free periods and fit-out contributions, were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent. FRS 102 requires that such incentives to be spread over the lease period. The company has taken advantage of the exemption for existing leases at the transition date to continue to recognise these lease incentives on the same basis as previous UK GAAP. Accordingly the FRS 102 accounting policy has been applied to new operating leases entered into since 1 February 2014 and the operating lease charge has increased by £6,516 for the year to 31 January 2015, with a corresponding increase in the accrued lease liability at 31 January 2015.

Statement of cash flows

The statement of cash flows reflects the presentation requirements of FRS 102, which are different to that prepared under FRS 1. In addition the statement of cash flows reconciles to cash and cash equivalents whereas under previous UK GAAP the statement of cash flows reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.