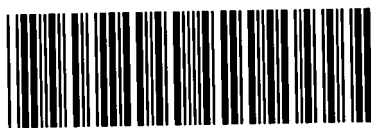


Registered No. 02717838

Matchesfashion Limited
Consolidated financial report
for the year ended 31 January 2018

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COMPANIES HOUSE

Company Information

| | |
|-----------------------------|---|
| Directors | TW Chapman RE Chapman (resigned 13 October 2017) FL Greiner AP Davison (resigned 13 October 2017) S Brooks (resigned 13 October 2017) U Jerome N Hartman (appointed 14 November 2017) |
| Company secretary | RE Chapman (resigned 13 October 2017) |
| Company number | 2717838 |
| Registered office | The Shard 32 London Bridge Street London SE1 9SG |
| Independent auditors | PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH |
| Bankers | Wells Fargo Capital Finance 5th Floor, No. 1 Bread Street London EC4M 9BE HSBC Bank Plc West End CBC 70 Pall Mall London SW1Y 5EY |
| Lawyers | White and Black Legal LLP Chalford Park Oxford Road Old Chalford Oxfordshire OX7 5QR Thrings LLP 6 Drakes Meadow Penny Lane Swindon SN3 3LL |

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Strategic report for the year ended 31 January 2018

The directors present the group strategic report for the year ended 31 January 2018.

Review of the business

The principal activity of the group 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 group's core activities in the year under review.

The Directors of the group are pleased with the results of the group. In 2017, Funds advised by Apax Partners acquired a majority stake in the group, with the intention of supporting the business to drive forward its international growth with agility and scale.

In February the company launched the French language site, the first localised non-English language website for MATCHESFASHION.COM, with a dedicated stylist team, French Print edition of the MATCHESFASHION.COM quarterly magazine The Style Report and next day delivery.

This was followed in the third quarter by a fully optimised Korean website with full translation across the mobile apps, the print magazine The Style Report and the native-speaking MyStylist team.

The company continued its innovation with the launch of The Style Daily which was created and built internally by the company's Tech innovation team. This publishes daily exclusive content on the app with the ability for the reader to shop directly from the story without leaving the page and curate their own editorial content. The company also launched The Style Social, a fully shoppable social hub that lives on site, and can be viewed across all platforms showcasing an edit of the best user generated content and its own social posts.

In 2017 the company celebrated its 30th anniversary with a global series of In Residence events showcasing the best established and emerging designers and curating a series of panel discussions and lifestyle workshops with designers and innovators. Everything was shared using live streaming, social to connect our digital customers.

In the first half of 2017, the company opened a London based Retail store dedicated to it's in house brand Raey.

To support the growth of the business we also took an additional 13,000 square feet expanding into the 11th floor of The Shard.

Results and performance

The results for the year and the group's financial position at the end of the year are set out on pages 10-37. The group's Revenue on note 2 was £293m (year ended 31 January 2017: £204m) and EBITDA (earnings before interest, tax, depreciation and amortisation) on note 3 was £26.0m (year ended 31 January 2017: £19.4m).

The group continues to invest in ecommerce and logistics which has delivered impressive sales growth both in the UK and internationally.

Strategic report for the year ended 31 January 2018 (continued)**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 | 43.7% | 60.6% | Increase of turnover compared to prior year |
| Margin | 42.7% | 44.0% | Gross profit on turnover |
| Stock turn | 2.00 | 2.47 | Cost of sales over closing stock |
| Net assets | £34.5m | £14.9m | |

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.

Future outlook

In the coming year, the company will Partner with Eco Age to develop a comprehensive sustainability programme with the aim of placing sustainable and ethical practices at the heart of what it does.

The company will significantly expand their physical presence with the following additional locations:

A new state of the art photographic and creative studio at Here East Queen Elizabeth Olympic Park in Stratford, which opened in the first quarter of 2018.

A new Concept space in 5 Carlos Place Mayfair which will be an evolution of three key areas, the global series of 'In Residence' events, the retail store, and the private shopping townhouse. The company is also launching a broadcasting hub in the space where it can start to offer podcasts and live streaming.

The new distribution centre which will have the potential to scale with the business.

The new office in Hong Kong to support the growth of the Far East market.

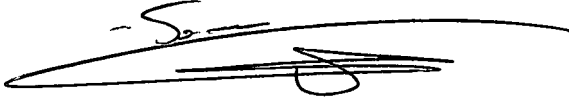
Matchesfashion Limited

Company Registration No. 02717838 (England&Wales)

Strategic report for the year ended 31 January 2018 (continued)

This strategic report has been approved by the board.

On behalf of the board of Directors

A handwritten signature in black ink, appearing to be 'U Jerome', written over a horizontal line.

U Jerome
Director
16 May 2018

The Shard
32 London Bridge Street
London SE1 9SG

Directors' report for the year ended 31 January 2018

The directors present their report and the audited financial statements of the company and the group for the year ended 31 January 2018. These financial statements represent the year from 1 February 2017 to 31 January 2018.

Future developments

The group 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 2017: nil).

Donations

The group has made charitable donation of £35,720 during the year (year ended 31 January 2017: £117,697).

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

FL Greiner

U Jerome

N Hartman (appointed 14 November 2017)

Financial risk management policy

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

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

Interest rate risk

The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances which earn interest. The group 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 group's operations change in size or nature.

Credit risk

The group has external debtors; however, the group 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 'A-' class credit rating and HSBC Bank plc who has an 'AA-' class credit rating.

Liquidity risk

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

Directors' report for the year ended 31 January 2018 (continued)

Financial risk management policy (continued)

Foreign currency risk

The group 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 and may enter into forward contracts to hedge the risk on purchases and sales receipts.

Research and Development

The group is currently undertaking research and development into its website. During the year the group has capitalised £1,055,509 (year ending 31 January 2017: £384,527) of website related expenses. The directors believe that this development will lead to future profits for the group.

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 handicapped or disabled person. Where existing employees become disabled, it is the group'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 group has been continued through internal media in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

The group 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 group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its growth.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company 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). 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 company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

Directors' report for the year ended 31 January 2018 (continued)

Statement of directors' responsibilities (continued)

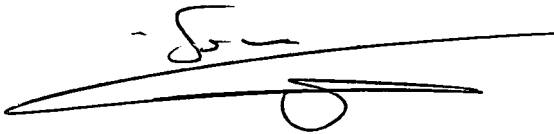
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

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

On behalf of the board of Directors



U Jerome
Director
16 May 2018

The Shard
32 London Bridge Street
London SE1 9SG

Independent auditors' report to the members of Matchesfashion Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 January 2018 and of the group's profit and cash flows for the year then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Report (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 January 2018; the consolidated and company statements of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there

Independent auditors' report to the directors of Matchesfashion Limited (continued)**Report on the audit of the financial statements (continued)****Reporting on other information (continued)**

is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 January 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit**Responsibilities of the directors for the financial statements**

As explained more fully in the Directors' Responsibilities Statement set out on page 5-6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

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

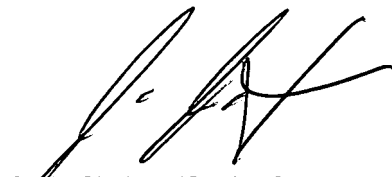
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Craig Skelton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP, London
Chartered Accountants and Statutory Auditors
16 May 2018

Consolidated Statement of Comprehensive Income **for the year ended 31 January 2018**

| | | Year ended 31 January 2018 | Year ended 31 January 2017 |
|--------------------------------------|------|-------------------------------|-------------------------------|
| | Note | £ | £ |
| Revenue | 2 | 292,791,462 | 203,741,861 |
| Cost of sales | | (167,766,328) | (114,012,183) |
| Gross profit | | 125,025,134 | 89,729,678 |
| Distribution costs | | (43,271,843) | (28,047,566) |
| Administrative expenses | | (60,707,028) | (48,591,779) |
| Other operating income | | 1,839,801 | 2,825,072 |
| Operating profit | | 22,886,064 | 15,915,405 |
| Finance costs | 6 | (3,299,434) | (5,021,881) |
| Profit before taxation | | 19,586,630 | 10,893,524 |
| Tax on profit | 7 | (636,450) | (986,016) |
| Profit for the financial year | | 18,950,180 | 9,907,508 |

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

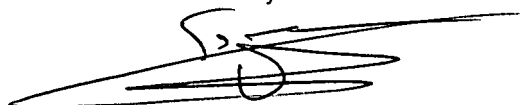
The company has elected to take exemption under section 408 of the Companies Act 2006 not to present the parent company profit and loss account.

The profit for the parent company for the year was £18,555,886 (2017: £10,171,908).

Consolidated Statement of Financial Position as at 31 January 2018

| | Note | 31 January 2018 £ | 31 January 2017 £ |
|-------------------------------------|------|-----------------------------|----------------------------|
| Assets | | | |
| Fixed assets | | | |
| Intangible assets | 8 | 2,117,579 | 1,995,950 |
| Property, plant and equipment | 9 | <u>7,465,016</u> | <u>5,681,703</u> |
| | | 9,582,595 | 7,677,653 |
| Current assets | | | |
| Inventories | 10 | 84,240,942 | 46,329,524 |
| Trade and other receivables | 11 | 8,300,383 | 6,287,473 |
| Cash and cash equivalents | 12 | 5,447,079 | 6,367,236 |
| Deferred tax assets | 14 | <u>311,247</u> | <u>-</u> |
| | | 98,299,651 | 58,984,233 |
| Total assets | | <u>107,882,246</u> | <u>66,661,886</u> |
| Equity and liabilities | | | |
| Called up share capital | 19 | (69,286) | (68,259) |
| Share premium account | | (14,639,702) | (13,987,096) |
| Retained earnings | | <u>(19,822,044)</u> | <u>(871,864)</u> |
| Total equity | | <u>(34,531,032)</u> | <u>(14,927,219)</u> |
| Non-current liabilities | | | |
| Loans and borrowings | 15 | - | (14,576,292) |
| Deferred tax liabilities | 14 | <u>-</u> | <u>(104,530)</u> |
| | | <u>-</u> | <u>(14,680,822)</u> |
| Current liabilities | | | |
| Trade and other payables | 13 | <u>(73,351,214)</u> | <u>(37,053,845)</u> |
| | | <u>(73,351,214)</u> | <u>(37,053,845)</u> |
| Total liabilities | | <u>(73,351,214)</u> | <u>(51,734,667)</u> |
| Total equity and liabilities | | <u>(107,882,246)</u> | <u>(66,661,886)</u> |

The financial statements on pages 10 to 37 were approved by the board on 16 May 2018 and signed on its behalf by.

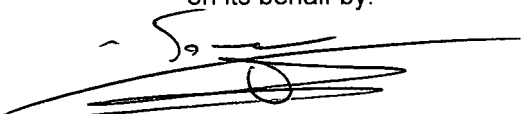


U Jerome
Director
Registered No. 2717838

**Company Statement of Financial Position
as at 31 January 2018**

| | Note | 31 January 2018 £ | 31 January 2017 £ |
|-------------------------------------|------|-------------------------|-------------------------|
| Assets | | | |
| Fixed assets | | | |
| Intangible assets | 8 | 2,117,579 | 1,995,950 |
| Property, plant and equipment | 9 | 7,416,463 | 5,619,704 |
| | | <u>9,534,042</u> | <u>7,615,654</u> |
| Current assets | | | |
| Inventories | 10 | 84,240,942 | 46,329,524 |
| Trade and other receivables | 11 | 8,084,942 | 6,624,529 |
| Cash and cash equivalents | 12 | 5,337,359 | 6,343,679 |
| Deferred tax assets | 14 | 311,247 | |
| | | <u>97,974,490</u> | <u>59,297,732</u> |
| Total assets | | <u>107,508,532</u> | <u>66,913,386</u> |
| Equity and liabilities | | | |
| Called up share capital | 19 | (69,286) | (68,259) |
| Share premium account | | (14,639,702) | (13,987,096) |
| Retained earnings | | (19,692,150) | (1,136,264) |
| Total equity | | <u>(34,401,138)</u> | <u>(15,191,619)</u> |
| Non-current liabilities | | | |
| Loans and borrowings | 15 | - | (14,576,292) |
| Deferred tax liabilities | 14 | - | (104,530) |
| | | <u>-</u> | <u>(14,680,822)</u> |
| Current liabilities | | | |
| Trade and other payables | 13 | (73,107,394) | (37,040,945) |
| | | <u>(73,107,394)</u> | <u>(37,040,945)</u> |
| Total liabilities | | <u>(73,107,394)</u> | <u>(51,721,767)</u> |
| Total equity and liabilities | | <u>(107,508,532)</u> | <u>(66,913,386)</u> |

The financial statements on pages 10 to 37 were approved by the board on 16 May 2018 and signed on its behalf by.


 U Jerome
 Director
 Registered No. 2717838

Consolidated Statement of Changes in Equity **for the year ended 31 January 2018**

| | Called up share capital | Share Premium account | Accumulated losses/(Retained earnings) | Total equity |
|--|------------------------------------|--------------------------------------|---|---------------------|
| | £ | £ | £ | £ |
| Balance as at 1 February 2016 | (65,671) | (13,987,096) | 9,035,644 | (5,017,123) |
| Profit for the financial year | - | - | (9,907,508) | (9,907,508) |
| Other comprehensive income for the year | (2,588) | - | - | (2,588) |
| Total comprehensive income for the year | (2,588) | - | (9,907,508) | (9,910,096) |
| Dividends | - | - | - | - |
| Total transactions with owners, recognised directly in equity | - | - | - | - |
| Balance as at 31 January 2017 | (68,259) | (13,987,096) | (871,864) | (14,927,219) |
| Balance as at 1 February 2017 | (68,259) | (13,987,096) | (871,864) | (14,927,219) |
| Profit for the financial year | - | - | (18,950,180) | (18,950,180) |
| Shares issued in the year | (1,027) | (652,606) | - | (653,633) |
| Total comprehensive income for the year | (1,027) | (652,606) | (18,950,180) | (19,603,813) |
| Dividends | - | - | - | - |
| Total transactions with owners, recognised directly in equity | - | - | - | - |
| Balance as at 31 January 2018 | (69,286) | (14,639,702) | (19,822,044) | (34,531,032) |

**Company Statement of Changes in Equity
for the year ended 31 January 2018**

| | Called up share capital | Share Premium account | Accumulated losses/(Retained earnings) | Total equity |
|--|------------------------------------|--------------------------------------|---|---------------------|
| | £ | £ | £ | £ |
| Balance as at 1 February 2016 | (65,671) | (13,987,096) | 9,035,644 | (5,017,123) |
| Profit for the financial year | - | - | (10,171,908) | (10,171,908) |
| Other comprehensive income for the year | (2,588) | - | - | (2,588) |
| Total comprehensive income for the year | (2,588) | - | (10,171,908) | (10,174,496) |
| Dividends | - | - | - | - |
| Total transactions with owners, recognised directly in equity | - | - | - | - |
| Balance as at 31 January 2017 | (68,259) | (13,987,096) | (1,136,264) | (15,191,619) |
| Balance as at 1 February 2017 | (68,259) | (13,987,096) | (1,136,264) | (15,191,619) |
| Profit for the financial year | - | - | (18,555,886) | (18,555,886) |
| Shares issued in the year | (1,027) | (652,606) | - | (653,633) |
| Total comprehensive income for the year | (1,027) | (652,606) | (18,555,886) | (19,209,519) |
| Dividends | - | - | - | - |
| Total transactions with owners, recognised directly in equity | - | - | - | - |
| Balance as at 31 January 2018 | (69,286) | (14,639,702) | (19,692,150) | (34,401,138) |

Consolidated Statement of Cash Flows **for the year ended 31 January 2018**

| | Note | Year ended 31 January 2018 £ | Year ended 31 January 2017 £ |
|---|------|---------------------------------------|---------------------------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 20 | 23,819,347 | 15,207,909 |
| Income tax paid | | (2,482,631) | - |
| Net cash generated from operating activities | | 21,336,716 | 15,207,909 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (3,944,288) | (4,373,313) |
| Purchase of intangible assets | | (1,090,492) | (423,144) |
| Net cash used in investing activities | | (5,034,780) | (4,796,457) |
| Cash flows from financing activities | | | |
| Interest paid | | (854,315) | (1,248,695) |
| Loan note premium | | (2,273,424) | (4,161,584) |
| Equity raised | | 653,633 | 2,588 |
| Loan drawdown | | - | 4,861,111 |
| Repayment of loan | | (12,347,987) | - |
| Repayment of convertible loan notes | | (2,400,000) | (5,600,000) |
| Net cash used in financing activities | | (17,222,093) | (6,146,580) |
| Net (decrease)/increase in cash and cash equivalents during the year | | (920,157) | 4,264,872 |
| Cash and cash equivalents at the beginning of the year | | 6,367,236 | 2,102,364 |
| Exchange gains on cash and cash equivalents | | - | - |
| Cash and cash equivalents at the end of the year | 12 | 5,447,079 | 6,367,236 |

Notes to the financial statements for the year ended 31 January 2018

1. Accounting policies

General information

Matchesfashion Limited is a private limited company limited by shares. The address of its registered office The Shard, 32 London Bridge Street, London SE1 9SG.

The principal activity and the nature of the group's operations is set out in the strategic report.

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.

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. The financial statements have been prepared under FRS 102.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group'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 group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the group's products; and (b) the availability of bank finance for the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its financial statements.

c) Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the group and its subsidiaries undertakings made up to 31 January 2018. Inter-company transactions, balances and unrealised gains or losses on transactions between group companies are eliminated fully on consolidation.

d) Foreign Currency

i) Functional and presentation currency

The group'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.

Notes to the financial statements for the year ended 31 January 2018 (continued)**1. Accounting policies (continued)****d) Foreign Currency (continued)**

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.

e) 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 group 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 group's sales channels have been met.

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

f) Employee benefits

The group 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 group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the group in independently administered funds. The contribution charge for this financial year is £298,192 (year ended 31 January 2017: 212,159).

iii) Share based payments

The group 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.

Notes to the financial statements for the year ended 31 January 2018 (continued)

1. Accounting policies (continued)

g) Exceptional items

The group 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 provides 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, dual site decollation costs and unforeseen gains/losses arising on derivative instruments.

h) Other operating income

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

i) 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.

j) 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.

k) Business combinations and goodwill

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.

Notes to the financial statements for the year ended 31 January 2018 (continued)

1. Accounting policies (continued)

k) Business combinations and goodwill (continued)

Goodwill recognized 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 is amortised over its expected useful life which is estimated to be fifteen years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

l) Investments in subsidiaries

Investments are held as non-current assets at cost less any provision for impairment. Where the recoverable amount of the investment is less than the carrying amount, impairment is recognised.

m) 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.

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

| | |
|-------------------------------------|-------------------------------|
| Leasehold improvements | Over term of respective lease |
| Furniture and fittings - long life | Over term of respective lease |
| Furniture and fittings - short life | 5 years straight line |
| 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.

n) Intangible assets

Intangible assets comprise goodwill, certain acquired separable corporate brand names, acquired customer relationships and technology which include website costs that expected to generate future revenues in excess of the costs of developing those websites.

Corporate brand names, customer relationships and technology acquired as part of acquisitions of businesses are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the group.

Notes to the financial statements for the year ended 31 January 2018 (continued)**1. Accounting policies (continued)****n) Intangible assets (continued)**

Certain corporate brands of the group are considered to have an indefinite economic life because of the institutional nature of the corporate brand names, their proven ability to maintain market leadership and profitable operations over long periods of time and the group's commitment to develop and enhance their value. The carrying value of these intangible assets is reviewed at least annually for impairment and adjusted to the recoverable amount if required.

Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

Acquired intangibles

| | |
|-----------------------|------------------------|
| Corporate Brand names | 15 years straight line |
| Customer relationship | 7 years straight line |
| Technology | 4 years straight line |

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.

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.

o) 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.

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.

Notes to the financial statements for the year ended 31 January 2018 (continued)

1. Accounting policies (continued)

o) Leasing and hire purchase commitments (continued)

i) Finance Lease (continued)

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.

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

q) 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

Notes to the financial statements for the year ended 31 January 2018 (continued)

1. Accounting policies (continued)

q) Inventories (continued)

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.

r) Cash and cash equivalents

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

s) Provisions and contingencies

(i) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations 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 group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

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

t) Financial instruments

The group 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.

Notes to the financial statements for the year ended 31 January 2018 (continued)**1. Accounting policies (continued)****t) Financial instruments (continued)**

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 group 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.

u) 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.

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.

Notes to the financial statements for the year ended 31 January 2018 (continued)

2. Revenue

The group's store activities relate solely to the retailing of fashion goods in the United Kingdom. The group'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 2018 | | Year ended 31 January 2017 | |
|--------------------------|---------------------------------------|------------|---------------------------------------|----------|
| | £ | % | £ | % |
| Retail stores activities | 15,300,867 | 5 | 19,244,327 | 9 |
| Online activities | 277,490,595 | 95 | 184,497,534 | 91 |
| Total revenue | 292,791,462 | 100 | 203,741,861 | 100 |

Analysis of revenue by geographical market

| | Year ended 31 January 2018 | | Year ended 31 January 2017 | |
|----------------------|---------------------------------------|------------|---------------------------------------|----------|
| | £ | % | £ | % |
| United Kingdom | 64,979,409 | 22 | 55,729,083 | 27 |
| Rest of world | 227,812,053 | 78 | 148,012,778 | 73 |
| Total revenue | 292,791,462 | 100 | 203,741,861 | 100 |

Notes to the financial statements for the year ended 31 January 2018 (continued)

3. Operating profit and EBITDA (earnings before interest, tax, depreciation and amortisation)

Operating profit is stated after charging/(crediting):

| | Year ended 31 January 2018 | Year ended 31 January 2017 |
|---|----------------------------------|----------------------------------|
| | £ | £ |
| Depreciation of property, plant and equipment | | |
| – own assets | 2,097,369 | 2,220,950 |
| – lease assets | 63,606 | 29,510 |
| Amortisation of intangible assets | 916,959 | 713,560 |
| Amortisation of goodwill and trademarks | 51,904 | 561,644 |
| Operating lease charges | 4,836,180 | 4,380,620 |
| Research and development | 2,369,867 | 1,614,828 |
| Foreign exchange losses | 1,477,772 | 4,494,363 |
| Salaries and wages (note 5) | 34,151,325 | 27,509,870 |
| Auditors' remuneration | 80,000 | 55,000 |
| Other operating income* | (1,839,801) | (2,825,072) |

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

EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as follows:-

| | Year ended 31 January 2018 | Year ended 31 January 2017 |
|---|----------------------------------|----------------------------------|
| | £ | £ |
| Operating profit | 22,886,064 | 15,915,405 |
| Depreciation of property, plant and equipment | 2,160,975 | 2,250,460 |
| Amortisation of intangible assets | 916,959 | 713,560 |
| Amortisation of goodwill and trademarks | 51,904 | 561,644 |
| EBITDA | 26,015,902 | 19,441,069 |

Notes to the financial statements for the year ended 31 January 2018 (continued)**4. Directors' emoluments**

| | Year ended 31 January 2018 £ | Year ended 31 January 2017 £ |
|-----------------------------|---|---|
| Aggregate emoluments | 773,897 | 1,584,646 |

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

| | | |
|---------------------------|----------------|----------------|
| Highest emoluments | 232,402 | 520,819 |
|---------------------------|----------------|----------------|

As at 31 January 2018 there were two (31 January 2017: four) directors receiving emoluments namely, 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 2018 £ | Year ended 31 January 2017 £ |
|-----------------------------|---|---|
| Aggregate emoluments | 1,795,574 | 3,023,844 |

Notes to the financial statements for the year ended 31 January 2018 (continued)**5. Employee information**

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

| | Year ended 31 January 2018 | Year ended 31 January 2017 |
|--------------------------|---|---|
| By activity: | Number | Number |
| Production | 9 | 10 |
| Selling and distribution | 143 | 178 |
| Administration | 422 | 339 |
| Total | 574 | 527 |

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

| | Year ended 31 January 2018 | Year ended 31 January 2017 |
|-----------------------------|---|---|
| | £ | £ |
| Wages, salaries and bonuses | 31,467,748 | 25,421,360 |
| Social security costs | 2,385,385 | 1,876,351 |
| Other pension costs | 298,192 | 212,159 |
| | 34,151,325 | 27,509,870 |

6. Finance Cost

| | Year ended 31 January 2018 | Year ended 31 January 2017 |
|---|---|---|
| | £ | £ |
| Interest payable on overdrafts and bank loans | 854,315 | 1,248,695 |
| Loan note premium | 2,445,119 | 3,773,186 |
| | 3,299,434 | 5,021,881 |

Notes to the financial statements for the year ended 31 January 2018 (continued)

7. Tax on profit on ordinary activities - Company

(a) Tax expense included in profit or loss

| | Year ended 31 January 2018 | Year ended 31 January 2017 |
|--|----------------------------------|----------------------------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax on profits for the year | 892,511 | 881,486 |
| Adjustments in respect of prior year | 141,071 | - |
| Total current tax | 1,033,582 | 881,486 |
| Deferred tax | | |
| Origination & reversal of timing differences | (239,873) | 104,531 |
| Adjustments in respect of prior year | (175,904) | (1) |
| Total deferred tax | (415,777) | 104,530 |
| Tax on profit on ordinary activities | 617,805 | 986,016 |

(b) Reconciliation of tax charge

Tax assessed for the year is lower (2017: higher) as the standard rate of corporation tax in the UK for the year ended 31 January 2018 of 19.16% (2017: 20%). The differences are explained below:

| | | |
|---|-------------------|-------------------|
| Profit on ordinary activities | 19,173,691 | 11,157,924 |
| Tax on profit on ordinary activities at 19.16% (2017: 20%) | 3,673,995 | 2,231,585 |
| Effects of: | | |
| Expenses not deductible for tax purposes – fixed assets | 67,869 | 176,013 |
| Expenses not deductible for tax purposes | 53,918 | 71,005 |
| Income not taxable for tax purposes | (2,146,967) | (111,333) |
| Group relief claimed | (436,341) | - |
| Adjustments to tax charge in respect of prior year | 141,071 | - |
| Adjustments to tax charge in respect of prior year – deferred tax | (175,904) | - |
| Additional deduction for R&D expenditure | (590,337) | (555,734) |
| Adjust closing deferred tax to average rate of 19.16% | 39,577 | (18,446) |
| Adjust opening deferred tax to average rate of 19.16% | (9,076) | (80,707) |
| Deferred tax (recognised)/not recognised | - | (726,367) |
| Tax charge for the year | 617,805 | 986,016 |

(c) Tax rate changes

The standard UK Corporation tax rate changed from 20% to 19%, effective from 1 April 2017. The corporation tax rate will be further reducing to 17% by 2020. Deferred tax balances at 31 January 2018 are measured at the effective rate of 17%.

Notes to the financial statements for the year ended 31 January 2018 (continued)

8. Intangible assets

Group

| | Matches Website | Goodwill | Patents and Trademarks | Total |
|---|----------------------------|-----------------|-----------------------------------|------------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 February 2017 | 3,277,365 | 1,200,000 | 297,113 | 4,774,478 |
| Additions | 1,055,509 | - | 34,983 | 1,090,492 |
| Disposal | - | (1,200,000) | - | (1,200,000) |
| At 31 January 2018 | 4,332,874 | - | 332,096 | 4,664,970 |
| Accumulated Amortisation | | | | |
| At 1 February 2017 | 1,464,364 | 1,200,000 | 114,164 | 2,778,528 |
| Charge for the year | 916,959 | - | 51,904 | 968,863 |
| Disposal | - | (1,200,000) | - | (1,200,000) |
| At 31 January 2018 | 2,381,323 | - | 166,068 | 2,547,391 |
| Net book amount at 31 January 2018 | 1,951,551 | - | 166,028 | 2,117,579 |
| Net book amount at 31 January 2017 | 1,813,001 | - | 182,949 | 1,995,950 |

Company

| | Matches Website | Goodwill | Patents and Trademarks | Total |
|---|----------------------------|-----------------|-----------------------------------|------------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 February 2017 | 3,277,365 | 1,200,000 | 297,113 | 4,774,478 |
| Additions | 1,055,509 | - | 34,983 | 1,090,492 |
| Disposal | - | (1,200,000) | - | (1,200,000) |
| At 31 January 2018 | 4,332,874 | - | 332,096 | 4,664,970 |
| Accumulated Amortisation | | | | |
| At 1 February 2017 | 1,464,364 | 1,200,000 | 114,164 | 2,778,528 |
| Charge for the year | 916,959 | - | 51,904 | 968,863 |
| Disposal | - | (1,200,000) | - | (1,200,000) |
| At 31 January 2018 | 2,381,323 | - | 166,068 | 2,547,391 |
| Net book amount at 31 January 2018 | 1,951,551 | - | 166,028 | 2,117,579 |
| Net book amount at 31 January 2017 | 1,813,001 | - | 182,949 | 1,995,950 |

Notes to the financial statements for the year ended 31 January 2018 (continued)

9. Property, plant and equipment

Group

| | Leasehold Improvements £ | Furniture and Fittings £ | Office Equipment £ | Computer Equipment £ | Motor Vehicles £ | Total £ |
|---|--------------------------------|--------------------------------|--------------------------|----------------------------|------------------------|-------------------|
| Cost | | | | | | |
| At 1 February 2017 | 3,578,124 | 3,214,265 | 656,469 | 3,748,765 | 24,700 | 11,222,323 |
| Additions | 749,684 | 1,520,601 | 180,623 | 1,493,380 | - | 3,944,288 |
| Disposals | (124,609) | (57,271) | - | (728,146) | - | (910,026) |
| At 31 January 2018 | 4,203,199 | 4,677,595 | 837,092 | 4,513,999 | 24,700 | 14,256,585 |
| Accumulated depreciation | | | | | | |
| At 1 February 2017 | 1,125,617 | 2,162,843 | 181,853 | 2,053,336 | 16,971 | 5,540,620 |
| Charge for the year | 315,764 | 858,240 | 181,750 | 802,229 | 2,992 | 2,160,975 |
| Disposals | (124,609) | (57,271) | - | (728,146) | - | (910,026) |
| At 31 January 2018 | 1,316,772 | 2,963,812 | 363,603 | 2,127,419 | 19,963 | 6,791,569 |
| Net book amount at 31 January 2018 | 2,886,427 | 1,713,783 | 473,489 | 2,386,580 | 4,737 | 7,465,016 |
| Net book amount at 31 January 2017 | 2,452,507 | 1,051,422 | 474,616 | 1,695,429 | 7,729 | 5,681,703 |

Notes to the financial statements for the year ended 31 January 2018 (continued)

9. Property, plant and equipment (continued)

Company

| | Leasehold Improvements | Furniture and Fittings | Office Equipment | Computer Equipment | Motor Vehicles | Total |
|---|---------------------------|---------------------------|---------------------|-----------------------|-------------------|-------------------|
| | £ | £ | £ | £ | £ | £ |
| Cost | | | | | | |
| At 1 February 2017 | 3,578,124 | 3,158,664 | 656,258 | 3,735,146 | 24,700 | 11,152,892 |
| Additions | 749,684 | 1,513,341 | 180,623 | 1,481,786 | - | 3,925,434 |
| Disposals | (124,609) | (57,271) | - | (728,146) | - | (910,026) |
| At 31 January 2018 | 4,203,199 | 4,614,734 | 836,881 | 4,488,786 | 24,700 | 14,168,300 |
| Accumulated depreciation | | | | | | |
| At 1 February 2017 | 1,125,617 | 2,157,126 | 181,840 | 2,051,634 | 16,971 | 5,533,188 |
| Charge for the year | 315,764 | 829,880 | 181,697 | 798,342 | 2,992 | 2,128,675 |
| Disposals | (124,609) | (57,271) | - | (728,146) | - | (910,026) |
| At 31 January 2018 | 1,316,772 | 2,929,735 | 363,537 | 2,121,830 | 19,963 | 6,751,837 |
| Net book amount at 31 January 2018 | 2,886,427 | 1,684,999 | 473,344 | 2,366,956 | 4,737 | 7,416,463 |
| Net book amount at 31 January 2017 | 2,452,507 | 1,001,538 | 474,418 | 1,683,512 | 7,729 | 5,619,704 |

10. Inventories

| | Group 31 January 2018 £ | Group 31 January 2017 £ | Company 31 January 2018 £ | Company 31 January 2017 £ |
|-------------------------------------|----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Raw materials | 525,595 | 257,883 | 525,595 | 257,883 |
| Finished goods and goods for resale | 83,715,347 | 46,071,641 | 83,715,347 | 46,071,641 |
| | 84,240,942 | 46,329,524 | 84,240,942 | 46,329,524 |

The inventory growth of 82% year on year mainly comprises of new spring summer stock £62,609,668 (2017: £33,413,077).

The amount of inventories recognised as an expense during the year is £387,155 (2017: £344,944).

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 2018 (continued)

11. Trade and other receivables

| | Group | Group | Company | Company |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31 January | 31 January | 31 January | 31 January |
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Trade receivables | 964,199 | 1,729,528 | 964,199 | 1,729,528 |
| Other receivables | 4,048,836 | 1,240,591 | 3,848,539 | 1,224,236 |
| Corporation tax | 567,562 | - | 567,562 | - |
| Inter-company balance | - | - | - | 356,466 |
| Prepayments and accrued income | 2,719,786 | 3,317,354 | 2,704,642 | 3,314,299 |
| | 8,300,383 | 6,287,473 | 8,084,942 | 6,624,529 |

12. Cash and cash equivalents

| | Group | Group | Company | Company |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31 January | 31 January | 31 January | 31 January |
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Cash at bank and in hand | 5,447,079 | 6,367,236 | 5,337,359 | 6,343,679 |

Cash at bank and in hand includes cash received from credit card companies of £2,454,661 (2017: £1,638,209) within four workings days of the financial year end.

13. Trade and other payables

| | Group | Group | Company | Company |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31 January | 31 January | 31 January | 31 January |
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Trade payables | 44,512,613 | 24,640,412 | 44,503,963 | 24,628,540 |
| Other taxation and social security | 1,680,660 | 1,135,668 | 1,680,660 | 1,135,668 |
| Corporation tax | 18,644 | 881,486 | - | 881,486 |
| Other payables | 6,135,151 | 3,715,794 | 6,135,151 | 3,715,794 |
| Inter-company balance | 12,657,817 | - | 12,442,840 | - |
| Accruals and deferred income | 8,346,329 | 6,680,485 | 8,344,780 | 6,679,457 |
| | 73,351,214 | 37,053,845 | 73,107,394 | 37,040,945 |

Notes to the financial statements for the year ended 31 January 2018 (continued)

14. Provisions for liabilities

Deferred tax provision

| | Group | Group | Company | Company |
|--|-------------------|-------------------|-------------------|-------------------|
| | 31 January | 31 January | 31 January | 31 January |
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Opening balance | 104,530 | - | 104,530 | - |
| Profit and loss charge | (415,777) | 104,530 | (415,777) | 104,530 |
| Closing balance | (311,247) | 104,530 | (311,247) | 104,530 |
| Accelerated capital allowances | (5,161) | 107,684 | (5,161) | 107,684 |
| Short term timing differences | (306,086) | (3,154) | (306,086) | (3,154) |
| Provision for deferred tax | (311,247) | 104,530 | (311,247) | 104,530 |
| Deferred tax brought forward | - | (1,319,494) | - | (1,319,494) |
| Deferred tax asset adjusted for prior year | - | 593,127 | - | 593,127 |
| Deferred tax realised | - | 726,367 | - | 726,367 |
| | - | - | - | - |

15. Loans and other borrowings

| | Group | Group | Company | Company |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31 January | 31 January | 31 January | 31 January |
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Convertible loan notes | - | 3,457,665 | - | 3,457,665 |
| Growth capital loan | - | 6,257,516 | - | 6,257,516 |
| Cash flow loan | - | 4,861,111 | - | 4,861,111 |
| | - | 14,576,292 | - | 14,576,292 |

Convertible loan notes

The £8,000,000 convertible unsecured loan notes were issued on 8 April 2015 to the shareholders. 70% of the loan notes was repaid in December 2016 at a premium of 1.74 times the principal amount and 30% of the loan notes was repaid in July 2017 at a premium of 1.95 times the principal amount.

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. During the year, the growth capital loan was fully repaid.

Cash flow Loan

The £5,000,000 cash flow loan were issued on 16 December 2016 for 36 months with interest rate of 30 days LIBOR rate plus 3.50% which mature on 31 December 2019. During the year, the cash flow loan was fully repaid.

Notes to the financial statements for the year ended 31 January 2018 (continued)

16. Operating lease commitments

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

| | Group | Group | Company | Company |
|---|-------------------|-------------------|-------------------|-------------------|
| | 31 January | 31 January | 31 January | 31 January |
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Payments due: | | | | |
| Not later than one year | 4,268,397 | 3,065,440 | 3,954,067 | 3,003,757 |
| Later than one year and not later than five years | 25,892,301 | 10,601,160 | 25,342,697 | 10,570,572 |
| Later than five years | 15,908,871 | 8,826,145 | 15,908,871 | 8,826,145 |
| | 46,069,569 | 22,492,745 | 45,205,635 | 22,400,474 |

17. Related party transactions

During the year balance of the convertible loan note was repaid. The company repaid £584,178 (2017: £1,220,198) to TW Chapman which includes a premium of £284,178 (2017: £520,198).

18. Financial risk management

| | Group | Group | Company | Company |
|---|-------------------|-------------------|-------------------|-------------------|
| | 31 January | 31 January | 31 January | 31 January |
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Financial assets at fair value through profit and loss | - | - | - | - |
| Financial assets that are debt instruments measured at amortised cost | | | | |
| - Trade receivables (note 11) | 964,199 | 1,729,528 | 964,199 | 1,729,528 |
| - Other receivables (note 11) | 4,616,398 | 1,240,591 | 4,416,101 | 1,224,236 |
| - Cash and cash equivalents (note 12) | 5,447,079 | 6,367,236 | 5,337,359 | 6,343,679 |
| | 11,027,676 | 9,337,355 | 10,717,659 | 9,297,443 |
| Financial liabilities at fair value through profit and loss | - | - | - | - |
| Financial liabilities that are debt instruments measured at amortised cost | | | | |
| - Trade payables (note 13) | 44,512,613 | 24,640,412 | 44,503,963 | 24,628,540 |
| - Other payables (note 13) | 6,135,151 | 3,715,794 | 6,135,151 | 3,715,794 |
| - Loans and borrowings (note 15) | - | 14,576,292 | - | 14,576,292 |
| | 50,647,764 | 42,932,498 | 50,639,114 | 42,920,626 |

Notes to the financial statements for the year ended 31 January 2018 (continued)

19. Called up share capital Group and company

| | 31 January 2018 | 31 January 2017 |
|--|--------------------|--------------------|
| Authorised | £ | £ |
| 1,381,500 (2017: 1,381,500) ordinary/series A shares of £0.05 each and 20,000 (2017: 20,000) redeemable shares of £0.01 each | 69,275 | 69,275 |
| Allotted and fully paid | | |
| 891,110 (2017: 891,110) ordinary shares of £0.05 each | 44,556 | 44,556 |
| 362,969 (2017: 362,969) series A shares of £0.05 each | 18,148 | 18,148 |
| 20,530 (2017: Nil) B ordinary shares of £0.05 each | 1,027 | - |
| 55,336 (2017: 55,336) C2013 growth shares of £0.05 each | 2,767 | 2,767 |
| 10,354 (2017: 10,354) D2016 growth shares of £0.25 each | 2,588 | 2,588 |
| 20,000 (2017: 20,000) redeemable shares of £0.01 each | 200 | 200 |
| | 69,286 | 68,259 |

(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.

(v) D2016 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.

(vi) B ordinary 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.

Notes to the financial statements for the year ended 31 January 2018 (continued)

20. Cash generated from operations

| | Group Year ended 31 January 2018 £ | Group Year ended 31 January 2017 £ |
|--|--|--|
| Profit before taxation | 19,586,630 | 10,893,524 |
| Adjustments for: | | |
| Depreciation | 2,160,975 | 2,250,460 |
| Amortisation | 968,863 | 1,275,204 |
| Finance costs | 3,299,434 | 5,021,881 |
| Changes in working capital: | | |
| Increase in trade receivables | (1,445,348) | (3,693,950) |
| Increase in trade payables | 37,160,211 | 13,983,807 |
| Increase in inventories | (37,911,418) | (14,523,017) |
| Cash generated from operating activities | 23,819,347 | 15,207,909 |

21. 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 were exercised during the year. 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 2017 | Number exercised during the year | Balance |
|---------------|----------------|----------------|----------------------------------|---|----------------------------------|---------|
| 2012 | £25.00 | 13,440 | - | 13,440 | 13,440 | - |
| 2013 | £44.80 | 3,490 | 900 | 2,590 | 2,590 | - |
| 2015 | £44.80 | 5,100 | 600 | 4,500 | 4,500 | - |

The company recognised total expenses of £nil in 2018 (2017: nil) respectively, related to equity-settled share-based payment transactions.

22. Contingent liabilities

The group has contingent liabilities in the form of guarantees for supplier payments to the value of £265,600 (31 January 2017: £300,000) provided by its banker. The group implemented a Customs Warehouse during the year. The contingent liability for deferred duty at 31 January 2018 was £299,859 (31 January 2017: nil).

23. Financial commitments

At the year end the group do not have any outstanding forward foreign exchange foreign contracts (31 January 2017: nil).

Notes to the financial statements for the year ended 31 January 2018 (continued)**24. Ultimate parent undertaking and controlling party**

The immediate parent undertaking is MF Bidco Limited, a company incorporated in England and Wales.

The parent undertaking is MF Topco Limited, a company incorporated in Guernsey.

The ultimate parent undertaking is MF Topholdings Sarl, a company incorporated in Luxembourg.

MF Topholdings Sarl is also the ultimate controlling party over the company by virtue of his controlling interest in the shareholding of the company.

25. Subsidiaries and related undertakings

| Name | Address of registered office | Nature of business | Interest |
|---|--|---------------------------|----------------------|
| Matchesfashion.com Hong Kong Limited | 13/F East Town Building, 64 Jaffe Road, Wan Chai, Hong Kong | Customer service | 100% ordinary shares |