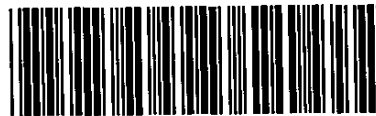


Registered No. 02717838

Matchesfashion Limited
Annual report for the year ended
31 January 2023

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Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

Company Information

Directors N Beighton
D Murray

Company number 02717838

Registered office Level 7, The Shard
32 London Bridge Street
London SE1 9SG

**Independent
auditors** PricewaterhouseCoopers LLP
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Group strategic report for the year ended 31 January 2023

The directors present the group strategic report for the year ended 31 January 2023.

Review of the business

The principal activity of the group (Matchesfashion Limited and its subsidiaries) continued to be that of luxury fashion retailing for men and women. Operating from the UK under the principal brand of Matchesfashion, the group offers a modern edit of over 600 designers to customers in over 170 countries.

The expertly curated Matchesfashion edit remained a key focus during the year and continues to be our point of difference. The business continued to offer a wide selection of established brands, new designers, and exclusives, all picked to inspire customers to explore, experiment and express themselves. The Matchesfashion business model continues to provide access to an extensive range of products from established brands, while also offering inspiring exclusives. Furthermore, we remain committed to supporting smaller brands and emerging designers by elevating their products to our active consumer base.

There were no major changes to the core activities during the year under review, which enabled the business to continue its strategy of delivering a unique and innovative shopping experience to customers. The edit remains a key driver of our success, and the group's ability to adapt to changing customer preferences while maintaining its focus on providing high-quality, carefully curated products has helped to solidify its position as a leader in the luxury fashion industry.

As the luxury fashion industry continues to evolve, protecting brand value and expanding direct-to-consumer offerings remain key priorities for luxury brands. In line with this trend, many luxury brands have been reducing the number of wholesale channels to better manage their distribution. At Matchesfashion, we understand the importance of maintaining these strong relationships with our key partners and are proud, in this context, to continue to have access to the most relevant and in-demand products, thanks to our longstanding partnerships with leading luxury brands. By carefully curating our product offering and maintaining strong relationships with our partners, we can offer our customers a truly *unique and inspiring shopping experience*.

In the year ended 31 January 2022 ("FY21"), we noted a change in our relationship with a leading apparel group, which involved a transition to a concession model. Although this remained the only such arrangement in place during the year ended 31 January 2023 ("FY22"), we may consider adopting similar models in the future with other brands. Nevertheless, at Matchesfashion, we believe that our ability to curate the most appropriate selection of products for our customers is best served by operating on a wholesale basis, which allows us to maintain responsibility for selection however we also recognise that some brands may prefer a concession model that provides greater control over promotions and sell-through rates whilst for Matchesfashion this means less inventory risk. A less promotional environment and better full-price performance are beneficial for both brands and our business, driving commercial activity that benefits for both sides.

In March 2022, following the conflict between Russia and Ukraine and international sanctions imposed in relation to trading in the region, our trade into Russia was suspended. During the year FY22, revenues from Russia on an order demand (being total value, including VAT, of customer orders placed before cancellations and returns) basis decreased by 93% compared to FY21, impacting our overall demand by 3%. Our view is that these sanctions will remain for the medium-term and we are not forecasting this volume to return in the near-term.

The effects of the COVID-19 pandemic reduced during FY22 as the impacts seen in previous years unwound. Global supply chains continued to return to normal and the majority of social distancing measures and curtailment of travel, seen during the height of the pandemic, were removed, with the exception of China where a number of local lockdowns continued. Both physical retail and international travel returned to more normal levels that were seen before the pandemic and the category demand reverted to event and occasion dressing, as opposed to active and leisure wear seen during its height. In the face of this changing shift in retail channel and headwinds from Russia, Matchesfashion continued to deliver a strong increase in order demand from £677.1 million in FY21 to £758.2 million in FY22.

Group strategic report for the year ended 31 January 2023 (continued)**Review of the business (continued)**

The UK's departure from the European Union at the start of 2021 continued to impact the business operations during FY22. Approximately 70% of the goods sold by the business remain of EU origin, and many of the non-EU origin goods are also shipped from Europe to our distribution centre in the UK, leading to financial impacts due to additional EU duty costs borne by the business to remain competitive with EU-based multi-brand online retailers. Throughout the year, the group continued to mitigate the additional duty burden through the utilization of EU approved reliefs. The intake centre in the Netherlands continued to operate to support our inbound flows and the use of Returned Goods Relief ("RGR") was used where possible on outbound customer shipments. Despite these actions, customs inspections and Brexit-related paperwork continues to place pressure on delivery times to customers. Overall, the cost for FY22 of additional duties that were not incurred before Brexit, net of duty relief and other mitigations, and the operational cost of running the dedicated intake centre was £8.5 million (year ended 31 January 2022: £10.5 million).

Duties continue to be a significant cost for our business, in relation to both Brexit and the other countries where our customers are based. We continue to review all areas of cost and seek to implement measures to mitigate the impact of trade and customs regulations.

During August 2022 Paolo De Cesare left the business and Nick Beighton was appointed as CEO. Sean Glithero resigned as a director in April 2022 and David Murray joined the business as CFO in September 2022. Following Nick's appointment, a fuller review of the Executive leadership team resulted in several additional changes across the business, bringing on board a number of individuals with significant e-commerce and fashion experience. During the fourth quarter, and continuing further in 2023, the organisation has continued to engage with employees and refocus around its core purpose, to inspire and engage our customers at every moment of their fashion lives, and its mission, to build the go-to destination for the ultimate modern luxury edit and experiences.

During the year, a parent company (MF Debtco Limited) secured cash financing via the issuance of new loan notes to the group's majority investor. The total of £80 million was raised in two separate tranches, £40 million in April 2022 and £40 million in January 2023, which was cascaded through the group via equity issuances. The amounts raised were used to fund operating cash outflows, service borrowings and repay amounts drawn under the group's asset-backed lending facility. Alongside the financing activities in January 2023, a fourth covenant waiver was obtained in respect of the quarter ended 31 January 2023, prior to the financial covenant being reported and tested, and further waivers were also obtained in respect of the prospective financial covenant testing for the quarters ending April, July and October 2023. Post year end the wider group secured an additional £20 million of funding to support the business through the issuance of further loan notes and at the same time further changes were made to the group's borrowings, details of which are included in the going concern paragraph in the directors' report.

Results and performance

The group results for the year and the financial position at the end of the year are set out on pages 17-19. The group's revenue was £380.1 million (year ended 31 January 2022: £386.6 million), adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, impairment and exceptional items) was a loss of £33.7 million (year ended 31 January 2022: loss of £25.0 million) and the operating loss for the financial year was £67.2 million (year ended 31 January 2021: £37.5 million). Loss for the financial year was £70.9 million (year ended 31 January 2022: £39.8 million). See the below section key performance indicators for commentary on performance.

Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

Group strategic report for the year ended 31 January 2023 (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>FY22</u>	<u>FY21</u>	
Order demand (£ million)	758.2	677.1	Total value, including VAT, of customer orders placed before cancellations and returns
Year on year growth	12.0%	4.9%	Movement in order demand compared to prior year
Revenue (£ million)	380.1	386.6	
Year on year revenue growth	(1.7%)	(1.1%)	Movement in revenue compared to prior year
Gross profit margin (restated**)	33.5%	32.7%	Gross profit on revenue
Adjusted EBITDA* loss (restated**) (£ million)	(33.7)	(25.0)	Earnings before interest, tax, depreciation, amortisation, impairment and exceptional items
Sell-through:			% of stock purchased for the season sold by the end of the financial year
Spring Summer Season	95%	96%	
Autumn Winter Season	85%	83%	
Finished goods for resale (£ million)	89.8	81.7	

The movement in revenue year on year is impacted by the move to concessions with a key group of brands towards the end of FY21. As commission is now recognised in place of the sale to the end customer, this reduces revenue but also reduces costs (as there is no purchase cost of the related stock). Order demand includes the total value of the customer orders and is therefore the comparable metric year on year.

The directors acknowledge that the adjusted EBITDA performance for the year is below expectations and does not represent a sustainable performance. The directors are implementing a number of widescale changes in 2023, which are mentioned within the future outlook section later in this report.

*Adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, impairment and exceptional items) is calculated as follows:

	Year ended 31 January 2023	Restated** Year ended 31 January 2022
	£000	£000
Operating loss	(67,212)	(37,474)
Exceptional items	24,758	1,263
Depreciation of property, plant and equipment	3,157	5,857
Depreciation of right-of-use assets	5,483	4,993
Amortisation of intangible assets	160	337
Adjusted EBITDA	(33,654)	(25,024)

**The comparative figures have been restated, see note 27 for further details.

Principal risks and uncertainties

The principal risks are reviewed regularly by the board and the executive management team. Updates in terms of emerging risks or significant actions undertaken are addressed as and when required at board meetings.

Group strategic report for the year ended 31 January 2023 (continued)**Principal risks and uncertainties (continued)***Global economy*

The global economic factors are weighing heavily on a number of businesses at the moment. This includes the global impact of rising interest rates, increasing commodity prices, shipping costs, fluctuations in foreign exchange rates, general inflation, and higher labour costs. These factors have the potential to affect not only our operations but also the overall market sentiment towards purchasing products. This could either lead to an increase in our cost of sales, distribution costs, and administrative expenses. The group is closely monitoring these economic indicators, factoring them into its projections and is taking necessary steps to mitigate their impact. Although the impact on consumer behaviour remains uncertain, we remain committed to providing our customers with high-quality products and exceptional service despite these challenging circumstances.

Global pandemics

The COVID-19 pandemic presented a significant business risk, but this is no longer deemed a significant business risk; however the group does now have the relevant experience and strategy to respond to this risk in order to protect the health and safety of colleagues and customers and to ensure the business was able to continue to operate throughout the crisis.

Brexit

The consequences of Brexit have increased both the logistical complexity the business faces, as well as impacting operating margins, but new working practices have been implemented and measures continue to be taken to mitigate the costs and reduce the level of duty and taxes payable.

Liquidity and cashflow risk

The group faces liquidity risk from uncertainties in cash inflows and outflows. To minimise this risk the group maintains detailed long and short-term cashflow forecasts. Management reviews these on a frequent basis to ensure the group and company can meet its financial obligations as they fall due. Management also have a number of cash management levers available should they be required. Given the asset-based lending bank loan facility, the group has sufficient resources to meet its business plan and even in severe but plausible downside scenarios does not require external finance to maintain liquidity. Further details of the group's liquidity assessment are included in the going concern disclosure in the directors' report.

Currency risk

The group's cashflows are subject to variations in currency valuations across the world. Management reduces this risk by monitoring exchange rates and balancing the group's exposure to these currencies. Where possible cashflows are self-hedged by matching income currencies with expense currencies. In some cases, this is made possible by the local supply chain the group has established. So far, the group has not made use of financial currency hedging instruments but may do so when needed. Further details on the group's currency exposure are given in note 21.

Technology risk

The group is dependent on its websites to generate the majority of sales. The group continuously monitors website performance and makes developments to ensure it is up to date. The group regularly reviews the threat of cyber-attacks to its technology and implements various strategies to minimise risks.

Social unrest and economic uncertainty caused by Russia's invasion of Ukraine.

At the time of writing, Russia's invasion of Ukraine is continuing and may have potential impacts on global supply chains and has already led to increasing global inflation and specifically an increase in raw material costs. The group has not included any order demand from Russia or Ukraine in its forward-looking forecasts. This is deemed to be the most significant risk caused by Russia's invasion of Ukraine and the economic uncertainty.

Group strategic report for the year ended 31 January 2023 (continued)

Principal risks and uncertainties (continued)

Price risk

The principal area of price risk for the group is stock purchase fluctuations, impacted by both supply and demand fluctuations and currency movements. The group has implemented a number of cost efficiency measures and agrees medium-term price contracts with key suppliers for months at a time to reduce the short-term impact of market price movements.

Business continuity risk

Continuity of supply is key to business continuity, minimising turnover potential and maintaining customer service. The Group has diversified supply chains and maintains adequate stock cover to ensure continuity of supply going forward.

S172(1) reporting

The directors consider, both individually and together, that they have acted in the way they consider, in good faith, to promote the success of the group while considering the interests of key stakeholders. Matchesfashion recognises the importance of maintaining positive relationships with its investors, employees, customers, suppliers, lenders, and the government.

Customers

Matchesfashion places great emphasis on providing an exceptional customer experience. The group strives to understand its customers' needs and preferences, and tailors its offerings accordingly. The group actively seeks customer feedback and uses this to continuously improve its offerings and services. Our customer base is global and diverse and the group seeks out customer feedback through a combination of face-to-face interactions at one of the many events we run, including at our Carlos Place townhouse, as well as online surveys and more detailed pieces of customer research commissioned from independent third parties. The group endeavours to maintain a reputation for high standards for example by ensuring all products are checked by the warehouse on receipt and onward despatch; having service level agreements in place with distributors and tracking delivery times against these; and processing prompt refunds on returns from customers.

Suppliers

Matchesfashion recognises that its suppliers are critical to its success and is committed to building strong and sustainable relationships with them. Matchesfashion engages with its suppliers to identify opportunities for collaboration and improvement. In particular, the fashion brands whose products we retail, are critical to the long-term success of the business and we work with them on responsible retailing as well as sharing data and insight on emerging themes in the industry and consumer demand. Ultimately, we strive for multi-season relationships and recognise the need to be flexible in routes to market and as customer needs change.

Lenders

Matchesfashion recognises the importance of maintaining strong relationships with its lenders, particularly in times of financial difficulty. The group acknowledges that it is currently experiencing financial challenges and is not meeting its debt covenants. The group has proactively engaged with its lenders to provide updates on its performance. The group's lenders are informed on both financial and strategic progress with monthly reporting packs and meet with management regularly.

Matchesfashion recognises the importance of maintaining open and transparent communication with its lenders to build trust and confidence in its ability to address its financial situation. The group is committed to providing regular updates to its lenders and to working collaboratively to find a mutually beneficial solution. Matchesfashion believes that maintaining positive relationships with its lenders is critical to its long-term financial stability and success and is fully committed to doing so.

Government

Matchesfashion recognises the importance of complying with all relevant laws and regulations and works closely with governments to ensure that it meets its obligations. The group is committed to maintaining positive relationships with government agencies and officials, and actively engages with them to understand their expectations and requirements. Matchesfashion also seeks to contribute positively to the communities in which it operates, by supporting local initiatives and causes.

Group strategic report for the year ended 31 January 2023 (continued)

S172(1) reporting (continued)

In conclusion, Matchesfashion recognises that maintaining positive relationships with its key stakeholders is critical to its long-term success. The group is committed to promoting the interests of its stakeholders while also delivering value to its shareholders.

Board decisions

Matchesfashion made several important decisions during the year to position the group for future growth and success.

Change in the Warehouse Management System

One of the key decisions taken during the year was to upgrade the group's warehouse management system. This decision was made to improve efficiency and accuracy in order fulfilment and to better meet customer expectations for fast and reliable delivery. The new system has been successfully implemented and has resulted in significant improvements in warehouse productivity and customer satisfaction.

Changes to the Executive Team

Matchesfashion also made changes to its Executive Team during the year. This decision was made to bring in fresh perspectives and expertise to support the group's growth and transformation agenda. The new Executive Team members have extensive experience in the retail and e-commerce industries and are already making valuable contributions to the group.

Change in Strategy to Focus on Reducing Cost and Complexity

A key focus during the year was to reduce cost and complexity across the business. This decision was made to improve profitability and to ensure that the group remains competitive in a rapidly changing retail landscape. Matchesfashion has undertaken a comprehensive review of its operations and is implementing a range of measures to reduce costs, streamline processes, and increase efficiency.

Decision to Reduce the Amount of Remote Working

Matchesfashion made the decision to reduce the amount of remote working in order to improve collaboration and communication among employees. This decision was made after considering the impact of remote working on employee productivity and wellbeing. The group still operates a hybrid working model that allows employees to work from home on certain days, while also requiring them to come into the office on a more regular basis for meetings and collaboration sessions.

Funding Requirements

Matchesfashion worked with its investors during the year to assess funding requirements. As a result of this, £80 million of loan notes were issued by the group to the majority investors. In addition, the board reviewed the current financing arrangements and renegotiated terms with lenders both in the year and post year end (see note 26 for further details).

In conclusion, Matchesfashion has made several important decisions during the year to improve efficiency, reduce costs, and position the group for future growth and success. These decisions have been taken after careful consideration of the interests of all stakeholders and are aimed at delivering long-term value for shareholders while also promoting the interests of employees, customers, suppliers, and the wider community.

Future outlook

Looking ahead, Matchesfashion has developed a three-year strategy to build the go-to destination for the ultimate modern luxury edit and experiences. This hinges on inspiring and engaging customers at every moment of their fashion lives, offering the right product through the right channel, whether that's rental, re-sale or pre-order.

We aim to broaden our business models to attract the luxury customer at an earlier stage of life, whilst nurturing our highly valued top-tier through exclusive product, private shopping and events. This transformation will be facilitated by significant work across buying, digital marketing, and operations, under-pinned by a detailed cross-functional change plan.

Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

Group strategic report for the year ended 31 January 2023 (continued)

Future outlook (continued)

Matchesfashion will continue to provide the truly personalised and intimate luxury shopping experience it is known for, comprised of a curated edit and exceptional service, for both digital and physical customers. By doing this, Matchesfashion aims to grow revenue and increase the proportion of its sales that are made at full price or with limited promotion to improve margins further.

The new Executive team is focussed on the business transformation required to create a stable base for the business to grow and recognise that this requires a turnaround of the business. This will look to right size the business and drive a sustainable, profitable business with a greater focus, for the benefit of all stakeholders. Across the group's supplier base there is a focus on ensuring the right mix of fashion brands that customers want to shop. The digital marketing strategy will become more focused on delivering customers that have a greater customer life time value, leading to a reduction in the absolute amount of digital marketing activity. The organisational design is also being reviewed to ensure the right structure is in place to operate in this new environment.

The group aims to further leverage data and technology to improve its offering and to create a seamless and integrated customer journey across all touchpoints. In addition, Matchesfashion will continue to use its physical presence to create immersive and experiential spaces that reflect the brand's values and ethos, for the benefit of both our brand partners and customers.

Matchesfashion recognises the challenges facing the retail industry, including evolving customer expectations, increased competition, and changing market dynamics. The group is committed to staying ahead of these trends and to adapting its business model to ensure long-term success. Matchesfashion will continue to invest in innovation and technology, and to explore new business models and partnerships that can drive growth and create value for all stakeholders.

Finally, Matchesfashion is committed to the sustainability agenda and will take a responsible approach to its business operations. The group will work to reduce its environmental impact and to promote diversity and inclusion throughout its organisation. Matchesfashion believes that its commitment to sustainability is not only the right thing to do, but also a key driver of long-term value creation for all stakeholders.

Post year-end, in June 2023, the wider group received additional funding of £20 million from its majority investors and entered into a revised Senior Facilities Agreement and Senior Notes Indenture, both of which had the result of providing additional liquidity to the group (see note 26 for further details). These changes will positively support the future growth of the business.

In conclusion, Matchesfashion is aware of both the challenges and opportunities facing the retail industry in the coming years. The group remains committed to its strategic priorities and will continue to invest in enhancing the customer experience, improving its product offering, increasing operational efficiency, and driving sustainability. Matchesfashion believes that its focus on delivering a truly personalised and intimate luxury shopping experience will enable it to differentiate itself from its competitors and to drive growth and create value for all stakeholders.

For further information with respect to the adoption of the going concern basis and future covenant reporting, please refer to the directors' report.

This group strategic report has been approved by the board.

On behalf of the board of directors



D Murray, Director
23 August 2023

Directors' report for the year ended 31 January 2023

The directors present the group directors' report and the audited financial statements of the company and the group for the year ended 31 January 2023. These financial statements represent the year from 1 February 2022 to 31 January 2023.

Going concern

The directors have reviewed the group's and company's cash requirements, taking in a range of possible scenarios for the going concern period up to 31 August 2024, being 12 months from the date of signing of these financial statements. They have a reasonable expectation that the group and company have adequate resources to continue in operational existence and to meet their liabilities as and when they fall due however the base case which has been modelled as part of the work performed does result in limited headroom at certain points during the year and accordingly the directors have concluded there is a material uncertainty over going concern. Additionally, the group's asset-based lending bank loan facility will expire on 31 August 2024, and it is modelled to be needed to support the group's working capital past this date. Although management has a track record of successfully renegotiating the facility on previous renewal dates, the renegotiation or refinancing of this facility has not yet started at this time which gives rise to an additional material uncertainty over going concern.

Management's going concern assessment has been performed using a thorough scenario planning exercise of cash flow requirements, drawing on board-approved budgets and forecasts, in conjunction with available financing which runs for a period up to 31 August 2024. The exercise considered a modelled base case and a severe but plausible downside ('downside') case for the period from 1 February 2023 to 31 August 2024 using actual results to 31 July 2023 and management forecasts thereafter. The base case uses the FY23 board-approved budget as the starting point and applies a reduction in revenue and associated costs as well as taking the most recent trading performance into consideration. It also models the impact of a management efficiency plan, with a reduction of the cost base and cash spend outside of that directly associated with the reduction in revenue including capex, stock purchases and marketing spend. The downside case takes a further reduction to revenue compared to the base case, and adjusts for the related impact on variable costs, which would represent the lowest revenue performance by the business in the last six years. The downside case includes further mitigating actions wholly within the control of management and receipts from duty drawback claims submitted and received post year end to a value of \$15.2 million (£11.9 million, see note 27 for further details).

For the period to 31 August 2024 the group is forecast to have adequate liquidity in both the base case and the downside case, albeit with significantly reduced headroom at the start of each season when sales receipts are lower and payments for stock are higher. In line with the market, the group has experienced adverse trading in the post year end period to date as compared to the aforementioned base case model and further sensitivities as a result of market trading conditions could erode the remaining headroom under both models. Importantly this would only occur at the liquidity low point at the beginning of each season and is before any additional cash management actions that could be taken, such as adjusting the timing of payments.

The directors also note there is a significant material event falling at the end of the period that they are formally required to assess for the purposes of going concern, this event being the expiry of the group's asset-based lending bank loan facility on 31 August 2024. Given the material nature of this event, the directors have considered it appropriate to reference in this report. At the time of signing these financial statements, the intention is that, as agreed with the group's majority investors, this arrangement will be refinanced in 2024 allowing the group to fulfil its obligations as they fall due as the forecast cash flows of the group show that a facility will be required post 31 August 2024. Given the length of time that now exists until the expiry of the facility, refinancing has not yet commenced. In the absence of management being able to secure a facility by 31 August 2024, the directors will need to find alternative sources of funding.

Directors' report for the year ended 31 January 2023 (continued)**Going concern (continued)**

The directors are cognisant of the track record of the business performance, including the need for investor support, and that the newly established management team, as at the date of signing these financial statements, has not yet had an opportunity to fully demonstrate the results from the transformation plan for the business. The limited headroom, at points in the season, noted on the modelled base case, combined with adverse trading post year end and the required refinancing of the asset-based lending facility in August 2024, have led the directors to conclude that there is a material uncertainty over going concern in relation to liquidity.

The company is a guarantor of borrowings that its immediate parent, MF Bidco Limited, has entered into under a Senior Facilities Agreement and Senior Notes Indenture (together "the Borrowings"). Under the terms of the Borrowings, MF Bidco Limited and the guarantors, (together the "borrowing group") is required to comply with a financial covenant that specifies that the Senior Secured First Lien Leverage Ratio shall not exceed 7.50:1 where the ratio is defined as the ratio of Consolidated Net Indebtedness to Consolidated "Adjusted" EBITDA ("the Covenant"). The Covenant is tested quarterly on a trailing twelve-month period basis.

On 13 June 2023 the terms of the Borrowings were amended as follows:

- The maturity of the Borrowings was extended from 14 October 2024 to 13 April 2026;
- The cash interest due on 31 October 2023 and 30 April 2024 have the option (at the election of the group) to be converted to PIK interest;
- For the remaining bi-annual interest periods after 30 April 2024, the group has option to convert 50% of the cash interest to PIK interest;
- Where the group elects to convert cash interest to PIK interest, the applicable interest rate on the Borrowings will increase by either 0.5% (if 50% or less of the cash interest is converted) or 1% (if more than 50% of cash interest is converted) per annum. This additional interest is also permitted to be treated as PIK at the option of the group; and
- The Covenant was removed from all quarters remaining under the term of the Borrowings (starting from the Covenant to be tested as at 31 January 2023).

At the same time as the above amendments, the group issued loan notes to its investors totalling £20 million, for cash consideration. The group's investors have shown considerable support for the business with the group issuing £57.6 million of loan notes for cash consideration in the year ended 31 January 2022 and a further £80 million issued for cash consideration in the year ended 31 January 2023. The cash implications arising from these changes in June 2023 have been factored into both the base case and downside case prepared by management.

Prior to the further covenant waivers obtained in June 2023, the group had obtained a waiver for the quarters ending 31 January 2023, 30 April 2023, 31 July 2023 and 31 October 2023 in January 2023. The Covenant waiver was obtained prior to the year end for 31 January 2023 and therefore the Borrowings have been presented as non-current for this financial year. A similar Covenant waiver was obtained for each of the previous three financial years. However in the previous financial year the waiver was obtained after the year end and therefore the Borrowings were presented within current liabilities as at 31 January 2022.

In conclusion, while the directors remain positive on the future direction of the transformation plan, they do also note that there is limited headroom in the base case and downside scenarios, trading continues to be uncertain in a difficult market and historically there has been a need for investor support to fund working capital. In addition, the group's asset-based lending facility expires on 31 August 2024 and at the time of signing these financial statements, the outcome of the refinancing of this facility cannot be known. Accordingly, the directors have concluded that there is a material uncertainty which may cast significant doubt over the group's and the company's ability to continue as a going concern. These financial statements do not include any adjustments that would arise if the group and the company were unable to continue as a going concern.

Directors' report for the year ended 31 January 2023 (continued)

Dividends

No dividends were proposed or paid during the year (year ended 31 January 2022: £Nil).

Donations

The group has made charitable donations of £166,000 during the year (year ended 31 January 2022: £77,000). There were no political donations made in either year.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements, unless otherwise noted were:

P De Cesare (resigned 4 August 2022)
S Glithero (resigned 28 April 2022)
H Ainley (resigned 23 September 2022)
N Beighton (appointed 4 August 2022)
D Murray (appointed 6 September 2022)

Qualifying third-party indemnity provision

Qualifying third-party indemnity provisions, as defined by the Companies Act 2006, were in force for the benefit of the directors throughout the year and up to the date of the approval of the financial statements.

Research and development

The group is constantly undertaking development and improvement of its website. During the year the group incurred £2.9 million (year ending 31 January 2022: £3.0 million) of website related research and development costs which have been expensed. The directors believe that this expenditure 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.

Financial risk management policy

See note 21 for details of the group's assessment of financial risk and management policies.

Directors' report for the year ended 31 January 2023 (continued)**Streamlined energy and carbon reporting**

The group has a distribution centre in the UK, in addition to a head office, studio and three retail locations. The company uses third party carriers for the delivery of the majority of both inbound and outbound goods.

The group and company's emissions and energy use in the UK and offshore area are shown below.

	<u>FY22</u>	<u>FY21</u>
Energy consumption used to calculate emissions (in kWh)	3,849,089	3,190,945
Emissions from combustion of gas (in tonnes of carbon dioxide equivalent tCO ₂ e)	312	214
Emissions from purchased electricity (in tonnes of carbon dioxide equivalent tCO ₂ e)	447	454
Total gross tCO ₂ e	<u>759</u>	<u>668</u>
Revenue (£ million)	380.1	386.6
Intensity metric (tCO ₂ e / £100,000 revenue)	0.20	0.17

The data above has been calculated using electricity and gas meter readings taken monthly excluding electricity used from renewable sources. The conversion into tCO₂e uses the current published kWh gross calorific value and kgCO₂e relevant for the financial year.

Directors' duties

The directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the company.

Statement of directors' responsibilities in respect of the financial statements

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 financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 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 UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- 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.

Matchesfashion Limited

Company Registration No. 02717836 (United Kingdom)

Directors' report for the year ended 31 January 2023 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

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

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

On behalf of the board of directors



D Murray, Director
23 August 2023

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 2023 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Statements of Financial Position as at 31 January 2023; the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1(b) to the financial statements concerning the group's and the company's ability to continue as a going concern.

Both management's base case and severe but plausible downside case modelled as part of their assessment over going concern demonstrate minimal headroom that could be eroded if adverse trading conditions continue. Additionally, the repayment of the Asset-Based lending facility on 31 August 2024 is within the going concern period and a refinancing or renewal of this facility is not certain. Accordingly, there is a material uncertainty over going concern.

Management's basis of preparation in note 1(b) to the financial statements sets out the key assumptions in respect of both the base case and severe but plausible downside forecasts. In respect of both the base case and severe but plausible downside case, the models forecast sufficient liquidity for the group to meet its liabilities as they fall due, however, they are sensitive to adverse impact on revenue, specifically in relation to reduction in sales, volatility within sales volumes or an inability to carry out some of the transformation and cost reduction plans, modelled within each case. Additionally, recent trading has highlighted the uncertainty of the market. In neither the base case or downside forecast is there sufficient liquidity at 31 August 2024 to repay the asset-based lending facility and it is anticipated that this will need to be renewed or refinanced in the normal course of business.

Independent auditors' report to the members of Matchesfashion Limited (continued)**Material uncertainty related to going concern (continued)**

We recognise that management has a track record of successfully renegotiating the facility on previous renewal dates and that a sufficient time period remains in order for a renewal to be implemented. However, at time of signing these financial statements the refinancing or renewal cannot be certain.

These conditions, along with the other matters explained in note 1(b) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

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

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

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, except to the extent otherwise explicitly stated in this report, 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 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2023 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 Statement of directors' responsibilities in respect of the financial statements, 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.

Independent auditors' report to the members of Matchesfashion Limited (continued)**Responsibilities of the directors for the financial statements (continued)**

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law and data privacy legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK company tax legislation in various jurisdictions and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management estimates, the posting of inappropriate journals to manipulate revenue and adjusted EBITDA and the misappropriation of cash. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Challenging assumptions and judgements made by management in their significant accounting estimates, including in respect of the impairment review of intangible assets and investments and in respect of provisions, such as inventory, returns and credit note provisions
- Identifying and testing journal entries to address the risk of inappropriate journals referred to above.
- Incorporating an element of unpredictability into our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

Independent auditors' report to the members 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 obtained 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.



Mark Jordan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 August 2023

Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

Consolidated Statement of Comprehensive Income for the year ended 31 January 2023

	Note	Year ended 31 January 2023 £000	Restated* Year ended 31 January 2022 £000
Revenue	2	380,093	386,584
Cost of sales		(252,692)	(260,098)
Gross profit		127,401	126,486
Distribution costs		(84,907)	(79,610)
Administrative expenses		(86,528)	(85,327)
Impairment of financial assets		(24,376)	-
Other operating income		1,198	977
Operating loss	3	(67,212)	(37,474)
Finance costs	7	(3,425)	(2,532)
Loss before income tax		(70,637)	(40,006)
Income tax (charge)/credit	8	(213)	234
Loss for the financial year		(70,850)	(39,772)
Other comprehensive result		-	-
Total comprehensive loss for the financial year		(70,850)	(39,772)

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

The notes on pages 23 to 52 form an integral part of these financial statements.

*The comparative figures have been restated, see note 27 for further details.

Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

Consolidated Statement of Financial Position as at 31 January 2023

		31 January 2023 £000	Restated* 31 January 2022 £000	Restated* 1 February 2021 £000
	Note			
Non-current assets				
Property, plant and equipment	9	5,106	7,679	12,963
Right-of-use asset	10	15,559	15,967	20,871
Intangible assets	11	55	212	528
Trade and other receivables		-	-	750
		<u>20,720</u>	<u>23,858</u>	<u>35,112</u>
Current assets				
Inventories	14	93,040	81,708	77,875
Trade and other receivables	12	31,669	41,712	30,973
Current tax assets		1,173	698	379
Cash and cash equivalents	15	23,139	5,748	6,564
		<u>149,021</u>	<u>129,866</u>	<u>115,791</u>
Total assets		<u>169,741</u>	<u>153,724</u>	<u>150,903</u>
Current liabilities				
Trade and other payables	16	(84,182)	(75,660)	(84,933)
Current tax liabilities		-	-	-
Lease liabilities	10	(6,819)	(4,405)	(5,982)
		<u>(91,001)</u>	<u>(80,065)</u>	<u>(90,915)</u>
Non-current liabilities				
Lease liabilities	10	(12,916)	(16,752)	(21,105)
Provisions	18	(3,329)	(3,562)	(3,366)
		<u>(16,245)</u>	<u>(20,314)</u>	<u>(24,471)</u>
Total liabilities		<u>(107,246)</u>	<u>(100,379)</u>	<u>(115,386)</u>
Net assets		<u>62,495</u>	<u>53,345</u>	<u>35,517</u>
Equity				
Called up share capital	19	69	69	69
Share premium account		197,240	117,240	59,640
Accumulated losses		(134,814)	(63,964)	(24,192)
Total equity		<u>62,495</u>	<u>53,345</u>	<u>35,517</u>

*The comparative figures have been restated, see note 27 for further details.

The notes on pages 23 to 52 form an integral part of these financial statements.

The financial statements on pages 17 to 52 were approved by the board on 23 August 2023 and signed on its behalf by



D Murray
Director

Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

Company Statement of Financial Position as at 31 January 2023

		31 January 2023	Restated* 31 January 2022	Restated* 1 February 2021
	Note	£000	£000	£000
Non-current assets				
Property, plant and equipment	9	5,094	7,651	12,916
Right-of-use asset	10	15,559	15,967	20,871
Intangible assets	11	55	212	528
Trade and other receivables	12	-	-	750
Investments	13	-	23	23
		<u>20,708</u>	<u>23,853</u>	<u>35,088</u>
Current assets				
Inventories	14	90,537	81,216	77,876
Trade and other receivables	12	30,406	41,036	29,121
Current tax assets		1,148	601	217
Cash and cash equivalents	15	22,759	5,346	6,235
		<u>144,850</u>	<u>128,199</u>	<u>113,449</u>
Total assets		<u>165,558</u>	<u>152,052</u>	<u>148,537</u>
Current liabilities				
Trade and other payables	16	(82,992)	(76,856)	(84,803)
Lease liabilities	10	(6,819)	(4,405)	(5,982)
		<u>(89,811)</u>	<u>(81,261)</u>	<u>(90,785)</u>
Non-current liabilities				
Lease liabilities	10	(12,916)	(16,752)	(21,105)
Provisions	18	(3,329)	(3,562)	(3,366)
		<u>(16,245)</u>	<u>(20,314)</u>	<u>(24,471)</u>
Total liabilities		<u>(106,056)</u>	<u>(101,575)</u>	<u>(115,256)</u>
Net assets		<u>59,502</u>	<u>50,477</u>	<u>33,281</u>
Equity				
Called up share capital	19	69	69	69
Share premium account		197,240	117,240	59,640
Accumulated losses		(137,807)	(66,832)	(26,428)
Total equity		<u>59,502</u>	<u>50,477</u>	<u>33,281</u>

*The comparative figures have been restated, see note 27 for further details.

The notes on pages 23 to 52 form an integral part of these financial statements.

The parent company has taken advantage of the exemption under section 408 of the Companies Act 2006 not to present its profit and loss account. The loss for the parent company for the year was £71.0 million (year ended 31 January 2022: £40.4 million).

The financial statements on pages 17 to 52 were approved by the board on 23 August 2023 and signed on its behalf by



D Murray
Director

Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

Consolidated Statement of Changes in Equity for the year ended 31 January 2023

	Called up share capital	Share premium account	Accumulated losses	Total equity
	£000	£000	£000	£000
Balance as at 1 February 2021 (restated*)	69	59,640	(24,192)	35,517
Loss for the financial year (restated*)	-	-	(39,772)	(39,772)
Total comprehensive loss	-	-	(39,772)	(39,772)
Shares issued in the year	-	57,600	-	57,600
Total transactions with owners, recognised directly in equity	-	57,600	-	57,600
Balance as at 31 January 2022 (restated*)	69	117,240	(63,964)	53,345
Balance as at 1 February 2022 (restated*)	69	117,240	(63,964)	53,345
Loss for the financial year	-	-	(70,850)	(70,850)
Total comprehensive loss	-	-	(70,850)	(70,850)
Shares issued in the year	-	80,000	-	80,000
Total transactions with owners, recognised directly in equity	-	80,000	-	80,000
Balance as at 31 January 2023	69	197,240	(134,814)	62,495

*The comparative figures have been restated, see note 27 for further details.

The notes on pages 23 to 52 form an integral part of these financial statements.

Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

Company Statement of Changes in Equity for the year ended 31 January 2023

	Called up share capital	Share premium account	Accumulated losses	Total equity
	£000	£000	£000	£000
Balance as at 1 February 2021 (restated*)	69	59,640	(26,428)	33,281
Loss for the financial year (restated*)	-	-	(40,404)	(40,404)
Total comprehensive loss	-	-	(40,404)	(40,404)
Shares issued in the year	-	57,600	-	57,600
Total transactions with owners, recognised directly in equity	-	57,600	-	57,600
Balance as at 31 January 2022 (restated*)	69	117,240	(66,832)	50,477
Balance as at 1 February 2022 (restated*)	69	117,240	(66,832)	50,477
Loss for the financial year	-	-	(70,975)	(70,975)
Total comprehensive loss	-	-	(70,975)	(70,975)
Shares issued in the year	-	80,000	-	80,000
Total transactions with owners, recognised directly in equity	-	80,000	-	80,000
Balance as at 31 January 2023	69	197,240	(137,807)	59,502

*The comparative figures have been restated, see note 27 for further details.

The notes on pages 23 to 52 form an integral part of these financial statements.

Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

Consolidated Statement of Cash flows for the year ended 31 January 2023

		Year ended 31 January 2023 £000	Restated* Year ended 31 January 2022 £000
	Note		
Cash flows from operating activities			
Cash outflow from operating activities	28	(49,050)	(18,860)
Income tax paid		(140)	(85)
Net cash outflow from operating activities		(49,190)	(18,945)
Cash flow from investing activities			
Purchase of tangible assets	9	(727)	(573)
Purchase of intangible assets	11	(3)	(21)
Net cash outflow from investing activities		(730)	(594)
Cash flow from financing activities			
Interest paid		(3,222)	(2,314)
Principal element of lease payments		(6,373)	(5,929)
Issue of equity share capital		80,000	57,600
Net asset-based lending facility payments		(3,262)	(30,568)
Net cash inflow from financing activities		67,143	18,789
Net increase/(decrease) in cash and cash equivalents during the year		17,223	(750)
Cash and cash equivalents at the beginning of the year		5,748	6,564
Exchange gains/(losses) on cash and cash equivalents		168	(66)
Cash and cash equivalents at the end of the year	15	23,139	5,748

*The comparative figures have been restated, see note 27 for further details.

The notes on pages 23 to 52 form an integral part of these financial statements.

The parent company has taken advantage of the exemption under FRS101 to not present its statement of cash flows.

**Notes to the financial statements for the year ended
31 January 2023****1. Accounting policies****General information**

Matchesfashion Limited is a private limited company limited by shares and registered in England and Wales. The company is domiciled and incorporated in the United Kingdom. The address of its registered office is Level 7, 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.

New standards and interpretations

During the year ended 31 January 2023, an amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest rate benchmark reform – Phase 2' became mandatory. The group has considered the amendments and has concluded that they are either not relevant to the group or they do not have a significant impact on the group's consolidated financial statements.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 January 2023 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations, which include: IFRS 17 'Insurance Contracts'; Amendments to IAS 16 'Proceeds before intended use'; Amendments to IAS 37 'Onerous contracts – costs of fulfilling a contract'; and Narrow scope amendments to IAS 1 and IAS 8, are not expected to have a material impact on the entity in the current or future reporting periods on foreseeable future transactions.

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.

The preparation of financial statements in conformity with applicable accounting standards 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(w).

a) Basis of preparation

The company financial statements of Matchesfashion Limited have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the requirements of the Companies Act 2006.

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to the group reporting under those standards as at 31 January 2023.

These financial statements are prepared on the going concern basis, under the historical cost convention.

b) Going concern

The directors have reviewed the group's and company's cash requirements, taking in a range of possible scenarios for the going concern period up to 31 August 2024, being 12 months from the date of signing of these financial statements. They have a reasonable expectation that the group and company have adequate resources to continue in operational existence and to meet their liabilities as and when they fall due however the base case which has been modelled as part of the work performed does result in limited headroom at certain points during the year and accordingly the directors have concluded there is a material uncertainty over going concern. Additionally, the group's asset-based lending bank loan facility will expire on 31 August 2024, and it is modelled to be needed to support the group's working capital past this date. Although management has a track record of successfully renegotiating the facility on previous renewal dates, the renegotiation or refinancing of this facility has not yet started at this time which gives rise to an additional material uncertainty over going concern.

Notes to the financial statements for the year ended 31 January 2023

1. Accounting policies (continued)

b) Going concern (continued)

Management's going concern assessment has been performed using a thorough scenario planning exercise of cash flow requirements, drawing on board-approved budgets and forecasts, in conjunction with available financing which runs for a period up to 31 August 2024. The exercise considered a modelled base case and a severe but plausible downside ('downside') case for the period from 1 February 2023 to 31 August 2024 using actual results to 31 July 2023 and management forecasts thereafter. The base case uses the FY23 board-approved budget as the starting point and applies a reduction in revenue and associated costs as well as taking the most recent trading performance into consideration. It also models the impact of a management efficiency plan, with a reduction of the cost base and cash spend outside of that directly associated with the reduction in revenue including capex, stock purchases and marketing spend. The downside case takes a further reduction to revenue compared to the base case, and adjusts for the related impact on variable costs, which would represent the lowest revenue performance by the business in the last six years. The downside case includes further mitigating actions wholly within the control of management and receipts from duty drawback claims submitted and received post year end to a value of \$15.2 million (£11.9 million, see note 27 for further details).

For the period to 31 August 2024 the group is forecast to have adequate liquidity in both the base case and the downside case, albeit with significantly reduced headroom at the start of each season when sales receipts are lower and payments for stock are higher. In line with the market, the group has experienced adverse trading in the post year end period to date as compared to the aforementioned base case model and further sensitivities as a result of market trading conditions could erode the remaining headroom under both models. *Importantly this would only occur at the liquidity low point at the beginning of each season and is before any additional cash management actions that could be taken, such as adjusting the timing of payments.*

The directors also note there is a significant material event falling at the end of the period that they are formally required to assess for the purposes of going concern, this event being the expiry of the group's asset-based lending bank loan facility on 31 August 2024. Given the material nature of this event, the directors have considered it appropriate to reference in this report. At the time of signing these financial statements, the intention is that, as agreed with the group's majority investors, this arrangement will be refinanced in 2024 allowing the group to fulfil its obligations as they fall due as the forecast cash flows of the group show that a facility will be required post 31 August 2024. Given the length of time that now exists until the expiry of the facility, refinancing has not yet commenced. In the absence of management being able to secure a facility by 31 August 2024, the directors will need to find alternative sources of funding.

The directors are cognisant of the track record of the business performance, including the need for investor support, and that the newly established management team, as at the date of signing these financial statements, has not yet had an opportunity to fully demonstrate the results from the transformation plan for the business. The limited headroom, at points in the season, noted on the modelled base case, combined with adverse trading post year end and the required refinancing of the asset-based lending facility in August 2024, have led the directors to conclude that there is a material uncertainty over going concern in relation to liquidity.

The company is a guarantor of borrowings that its immediate parent, MF Bidco Limited, has entered into under a Senior Facilities Agreement and Senior Notes Indenture (together "the Borrowings"). Under the terms of the Borrowings, MF Bidco Limited and the guarantors, (together the "borrowing group") is required to comply with a financial covenant that specifies that the Senior Secured First Lien Leverage Ratio shall not exceed 7.50:1 where the ratio is defined as the ratio of Consolidated Net Indebtedness to Consolidated "Adjusted" EBITDA ("the Covenant"). The Covenant is tested quarterly on a trailing twelve-month period basis.

Notes to the financial statements for the year ended 31 January 2023**1. Accounting policies (continued)****b) Going concern (continued)**

On 13 June 2023 the terms of the Borrowings were amended as follows:

- The maturity of the Borrowings was extended from 14 October 2024 to 13 April 2026;
- The cash interest due on 31 October 2023 and 30 April 2024 have the option (at the election of the group) to be converted to PIK interest;
- For the remaining bi-annual interest periods after 30 April 2024, the group has option to convert 50% of the cash interest to PIK interest;
- Where the group elects to convert cash interest to PIK interest, the applicable interest rate on the Borrowings will increase by either 0.5% (if 50% or less of the cash interest is converted) or 1% (if more than 50% of cash interest is converted) per annum. This additional interest is also permitted to be treated as PIK at the option of the group; and
- The Covenant was removed from all quarters remaining under the term of the Borrowings (starting from the Covenant to be tested as at 31 January 2023).

At the same time as the above amendments, the group issued loan notes to its investors totalling £20 million, for cash consideration. The group's investors have shown considerable support for the business with the group issuing £57.6 million of loan notes for cash consideration in the year ended 31 January 2022 and a further £80 million issued for cash consideration in the year ended 31 January 2023. The cash implications arising from these changes in June 2023 have been factored into both the base case and downside case prepared by management.

Prior to the further covenant waivers obtained in June 2023, the group had obtained a waiver for the quarters ending 31 January 2023, 30 April 2023, 31 July 2023 and 31 October 2023 in January 2023. The Covenant waiver was obtained prior to the year end for 31 January 2023 and therefore the Borrowings have been presented as non-current for this financial year. A similar Covenant waiver was obtained for each of the previous three financial years. However in the previous financial year the waiver was obtained after the year end and therefore the Borrowings were presented within current liabilities as at 31 January 2022.

In conclusion, while the directors remain positive on the future direction of the transformation plan, they do also note that there is limited headroom in the base case and downside scenarios, trading continues to be uncertain in a difficult market and historically there has been a need for investor support to fund working capital. In addition, the group's asset-based lending facility expires on 31 August 2024 and at the time of signing these financial statements, the outcome of the refinancing of this facility cannot be known. Accordingly, the directors have concluded that there is a material uncertainty which may cast significant doubt over the group's and the company's ability to continue as a going concern. These financial statements do not include any adjustments that would arise if the group and the company were unable to continue as a going concern.

c) Exemptions for qualifying entities under FRS 101

The company has taken advantage of the following exemptions in its individual financial statements:

- A statement of cash flows for the period (IAS 1.10(d), 111).
- A statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement (IAS 1.10(f), 38A-38D, 40A-40D).
- Comparative period information in respect of the following (IAS 1.38):
 - A reconciliation of shares outstanding at the beginning and end of the period (IAS 1.79(a)(iv));
 - A reconciliation of carrying amount of PPE at the beginning and end of the period (IAS 16.73(e));
- A reconciliation of carrying amount of intangible assets at the beginning and end of the period (IAS 38.118(e));

**Notes to the financial statements for the year ended
31 January 2023 (continued)****1. Accounting policies (continued)****c) Exemptions for qualifying entities under FRS 101**

- Information relating to the entity's objectives, policies and processes for managing capital (IAS 1.134-136).
- Information relating to new IFRS standards which have been issued but which are not yet effective, including an assessment of the possible impact that it will have when it is adopted for the first time (IAS 8.30-31).
- Disclosure of key management personnel remuneration (IAS 24.17).
- Disclosure of related party transactions entered between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- All the disclosure requirements of IFRS 7 Financial Instruments: Disclosures (IFRS 7 - all disclosures).

d) Basis of consolidation

The consolidated statement of comprehensive income and statement of financial position include the financial statements of the group and its subsidiaries undertakings made up to 31 January 2023. Inter-company transactions, balances and unrealised gains or losses on transactions between group companies are eliminated fully on consolidation.

e) Foreign currency*i) Functional and presentation currency*

The group's 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 year 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.

f) Revenue recognition*i. Retail store activities*

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

ii. Online activities

The group sells goods via its websites for delivery to the customer or 'click and collect' at its retail shops. Revenue is recognised when the group has fulfilled its performance obligations in relation to the transaction. For deliveries to the customer this is the point of acceptance of the goods by the customer and for 'click and collect' this is the time of collection. Transactions are settled by credit or payment card.

For the sales of goods via retail and internet channels, excluding those made on a concession basis, revenue is recognised at the amount payable by the customer, net of returns (both completed returns and expected returns), discounts and rebates allowed by the group and value added taxes. Sales made to customers through these channels represent a single performance obligation.

iii. Brand income

The group receives payment from brands for prominently displaying and featuring brands' products in the editorial content carried on its website.

**Notes to the financial statements for the year ended
31 January 2023 (continued)****1. Accounting policies (continued)****f) Revenue recognition (continued)****iv. Returns liability**

A returns liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). The returns liability represents the value expected to be refunded to customers for items sold as at the balance sheet date, in line with the group's returns policy. The right to the returned goods represents the cost of these goods that would be recognised back in stock on return.

v. Concession commission

Where the group acts as the agent in a transaction with the customer, revenue is recognised as the commission receivable by the group on the sale. Revenue is recognised at the point of sale as this is when the group becomes entitled to the commission.

g) 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 year 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.

h) Insurance income

Insurance income is included within other operating income. Where insurance income is linked to a claim that the group has the right to make, the income is recognised when it is entitled to make the claim and it is probable that the claim will result in an inflow of economic benefit to the group.

i) Exceptional items

The group categorises any infrequent or unusual significant items of income and expense as exceptional items. The directors believe that this 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 and profit or loss on disposal of investment.

j) Other operating income

Other operating income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Other operating income includes insurance income, R&D credits and advertising income.

k) Finance costs

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.

**Notes to the financial statements for the year ended
31 January 2023 (continued)****1. Accounting policies (continued)****l) Current and deferred income tax**

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised 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 year 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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

m) 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.

n) 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	Over term of respective lease (long life) or 5 years straight line
Office equipment	5 years straight line
Computer equipment	4 years straight line

Assets under construction are stated at cost and 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.

Notes to the financial statements for the year ended 31 January 2023 (continued)

1. Accounting policies (continued)

n) Property, plant and equipment (continued)

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 statement of comprehensive income.

o) Intangible assets

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

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 year.

p) Leases

The group leases various offices, warehouses, retail stores and equipment. Property contracts are typically made for fixed periods between 5 and 20 years and equipment contracts are typically between 2 and 5 years.

Contracts may contain both lease and non-lease components. The group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment *with similar terms, security and conditions*.

To determine the incremental borrowing rate, the group where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received and makes adjustments specific to the lease, for example term, country, currency and security.

**Notes to the financial statements for the year ended
31 January 2023 (continued)****1. Accounting policies (continued)****p) Leases (continued)**

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Where an existing lease is renewed, consideration is given to whether this constitutes a new lease or a modification of an existing lease. A range of factors are considered such as whether there was a right to renew the lease in the original contract, whether the initial lease ran to termination and the underlying asset to which the original and renewed lease relates to.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases and leases of low-value assets are recognised in the same way as outlined above; the group has not taken the election to recognise these on a straight-line basis as an expense in the income statement.

q) 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 obtainable as a result of the asset's continued use. These cash flows are discounted using a post-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 reserved, 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 years. A reversal of an impairment loss is recognised in the statement of comprehensive income.

r) 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 year in which the related revenue is recognised.

**Notes to the financial statements for the year ended
31 January 2023 (continued)****1. Accounting policies (continued)****r) Inventories (continued)**

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 year 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.

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

t) Dividends

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

u) Provisions and contingent liabilities**(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.

Provisions held by the group relate to dilapidation costs of leased properties. The estimated cost of dilapidations is recognised in leasehold improvements and provisions when the obligation arises and the liability can be reliably estimated. Under the lease agreement, the lessee is obliged to remove assets that it has installed in the leased property. The asset is depreciated in line with the lease term.

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.

**Notes to the financial statements for the year ended
31 January 2023 (continued)****1. Accounting policies (continued)****v) Financial instruments**

Financial assets and liabilities are recognised when the group has become party to the contractual obligations of the instrument and derecognised when they are discharged or when the contractual terms expire.

i) Financial assets

Financial assets comprise cash and cash equivalents and trade and other receivables (including intercompany receivables in the company only financial statements). The group classifies all of its financial assets as assets at amortised cost as they are held within the objective to collect contractual cash flows and these cash flows represent 'solely payments of principal and interest' (the 'SSPI' criterion) as defined within IFRS 9 'Financial Instruments'. Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

Impairment provisions are recognised using an expected credit loss approach. The expected credit loss is the difference between the cash flows that are due to the group in accordance with the contract and the cash flows that the group expects to receive, discounted at the original effective interest rate. In calculating the expected credit loss rates, the group considers historical loss rates for each category of customers and adjusts for forward-looking macroeconomic data. The group uses the simplified expected credit loss model (the lifetime expected loss allowance) for receivables that do not have a significant financing component. Any short term trade receivables are assumed to not have a significant financing component. Due to the nature of the business being primarily cash based, the group does not hold significant trade and other receivables. The receivables held relate mainly to amounts due from the group's suppliers and rental deposits held by landlords. As such, it is considered that any loss allowance in relation to these receivables is immaterial.

ii) Financial liabilities

Financial liabilities comprise borrowings, trade and other payables and lease liabilities. See note 1(q) for the accounting policy relating to lease liabilities. The group classifies all of its financial liabilities as liabilities at amortised cost, they are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument.

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.

w) 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 year in which the estimates are revised and in any future periods affected.

Significant estimate: net realisable value of inventory

The group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends. The recoverability of the cost of inventories is assessed every reporting period, by considering the expected net realisable value of inventory compared to its carrying value. Where the net realisable value is lower than the carrying value, a provision is recorded. When calculating inventory provisions, management considers the nature and condition of the inventory, as well as applying assumptions in respect of anticipated saleability of finished goods and future usage of raw materials. Refer to note 14 for further details of the carrying value of inventory.

Notes to the financial statements for the year ended 31 January 2023 (continued)

1. Accounting policies (continued)

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

Significant judgement: recoverability of intercompany receivables

Intercompany receivables are tested for impairment in line with the company's accounting policy on financial assets. Where receivables are not considered to be recoverable based on the liquid assets of a counterparty, alternative recovery scenarios are assessed.

Significant judgement: sales returns and sales cut-off adjustments

In order to correctly recognise online and store revenue in line with the group's accounting policy, there are two judgemental adjustments that are made. Underlying revenue is recognised by the group's systems once goods have been packed for delivery to customers. However, in line with the group's accounting policy, revenue should only be recognised once goods have been delivered to the customer. Therefore, in the case of online revenue, an adjustment is made to adjust revenue for goods that have been packed but not delivered. This is calculated by looking at the average number of days it takes for delivery in different regions and applying this to the sales packed in the year, that would therefore not expected to be delivered as at the year end date. In order to calculate the sales returns adjustment, actual return rates in the month before year end are used and applied to sales packed that are eligible to be returned as at the year end date.

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 - Group

	Year ended 31 January 2023		Year ended 31 January 2022	
	£000	%	£000	%
Retail stores activities	9,234	2	7,389	2
Online activities	349,307	92	371,925	96
Concession commission	18,682	5	4,358	1
Brand income	2,870	1	2,912	1
Total revenue	380,093	100	386,584	100

Analysis of revenue by geographical market - Group

	Year ended 31 January 2023		Year ended 31 January 2022	
	£000	%	£000	%
United Kingdom	97,279	26	86,134	23
United States of America	77,622	20	70,759	18
Australia	23,044	6	22,631	6
Far East	76,739	20	94,963	25
Europe	60,774	16	71,361	18
Middle East	27,501	7	23,533	6
Rest of World	17,134	5	17,203	4
Total revenue	380,093	100	386,584	100

The above geographical analysis classifies revenue using the market to which the product is delivered to the end customer.

**Notes to the financial statements for the year ended
31 January 2023 (continued)****3. Operating loss**

Operating loss is stated after charging/(crediting):

Group	Year ended 31 January 2023 £000	Year ended 31 January 2022 £000
Depreciation of property, plant and equipment (note 9)	3,157	5,857
Depreciation of right-of-use asset (note 10)	5,483	4,993
Amortisation of intangible assets (included within administrative expenses) (note 11)	160	337
Impairment of financial assets	24,376	-
Research and development	2,856	2,970
Foreign exchange losses	2,176	189
Salaries and wages (note 6)	55,982	53,292
Auditors' remuneration – audit services	353	214
Auditors' remuneration - audit-related assurance services	18	16
Other operating income*	(1,198)	(977)

* Other operating income includes advertising income, insurance claims settled and R&D credits.

4. Exceptional items – Group

The main components of the exceptional charge are as follows:

	Year ended 31 January 2023 £000	Year ended 31 January 2022 £000
New and vacant properties costs	382	-
One-off salary related costs	-	1,263
Impairment of financial assets	24,376	-
	24,758	1,263

Properties costs in the year ended 31 January 2023 relate to the disposal of a property previously held. Impairment of financial assets relates to the write down of intercompany receivables not considered recoverable. The costs in the prior year relate to one-off employee settlement costs. These are considered infrequent in nature and therefore in line with the group's accounting policy are classified as exceptional.

**Notes to the financial statements for the year ended
31 January 2023 (continued)****5. Directors' emoluments - Group**

	Year ended 31 January 2023 £000	Year ended 31 January 2022 £000
The directors' emoluments for the group were as follows:		
Aggregate emoluments	-	246
Company contributions to defined contribution pension schemes	-	10

For the year ended 31 January 2023 there were no directors (year ended 31 January 2022: one director) receiving emoluments and therefore the emoluments shown above are also those for the highest paid director.

Directors' emoluments for the other directors have been borne by other companies under common group ownership. These directors are also directors or officers of at least one other company within the group. These directors' services to the company do not occupy a significant proportion of their time. As such, these directors do not consider that they have received any remuneration for their incidental services to the company for the periods covered by these financial statements.

Key management compensation

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

	Year ended 31 January 2023 £000	Year ended 31 January 2022 £000
Aggregate emoluments	2,066	1,992
Pension contributions	28	27

Matchesfashion Limited

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Notes to the financial statements for the year ended 31 January 2023 (continued)

6. Employee information - Group

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

	Year ended 31 January 2023 Number	Year ended 31 January 2022 Number
By activity:		
Production	24	26
Selling and distribution	48	54
Administration	606	644
Total	<u>678</u>	<u>724</u>

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

Group	Year ended 31 January 2023 £000	Year ended 31 January 2022 £000
Wages and salaries	50,118	47,934
Social security costs	4,514	4,029
Other pension costs	1,350	1,329
	<u>55,982</u>	<u>53,292</u>

7. Finance costs - Group

	Year ended 31 January 2023 £000	Year ended 31 January 2022 £000
Interest payable on overdrafts	1,825	830
Unwind of discount on dilapidation provision	203	218
Interest payable on lease liabilities	1,397	1,484
Finance costs	<u>3,425</u>	<u>2,532</u>

Notes to the financial statements for the year ended 31 January 2023 (continued)

8. Income tax charge/(credit) – Group

(a) Tax charge/(credit) included in statement of comprehensive income

	Year ended 31 January 2023 £000	Year ended 31 January 2022 £000
Current tax		
Overseas corporation tax on loss for the year	213	149
Adjustments in respect of prior year	-	(383)
Total current tax	213	(234)
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustments in respect of prior year	-	-
Total deferred tax	-	-
Tax charge/(credit) on loss	213	(234)

(b) Reconciliation of tax charge/(credit)

Tax assessed for the year is higher (year ended 31 January 2022: higher) than the standard rate of corporation tax in the UK for the year ended 31 January 2023 of 19% (year ended 31 January 2022: 19%). The differences are explained below:

	Year ended 31 January 2023 £000	Restated* Year ended 31 January 2022 £000
Loss before taxation	(70,637)	(40,006)
Tax on loss before taxation at 19% (year ended 31 January 2022: 19%)	(13,421)	(7,601)
Effects of:		
Effect of different tax rate of overseas jurisdiction	3	14
Expenses not deductible/(income not taxable) for tax purposes	4,703	(39)
Group relief	(15)	-
Adjustments to tax in respect of previous periods	-	(383)
Movement in deferred tax not recognised	8,943	7,775
Tax charge/(credit) for the year	213	(234)

(c) Tax rate changes

On 3 March 2021 the Government confirmed that the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. In the Autumn statement in November 2022, the government confirmed that the increase in the corporation tax rate to 25% from 1 April 2023 will go ahead. Deferred taxes at the statement of financial position date have been measured using this enacted tax rate and reflected in these financial statements.

Notes to the financial statements for the year ended 31 January 2023 (continued)

9. Property, plant and equipment

Group

	Leasehold Improvements £000	Furniture and Fittings £000	Office Equipment £000	Computer Equipment £000	Total £000
Cost					
At 1 February 2021	15,663	7,190	1,154	10,034	34,041
Additions	-	8	12	553	573
Disposals	(67)	-	-	(585)	(652)
At 31 January 2022	15,596	7,198	1,166	10,002	33,962
Accumulated depreciation					
At 1 February 2021	8,549	4,710	970	6,849	21,078
Charge for the year	2,760	1,275	119	1,703	5,857
Disposals	(67)	-	-	(585)	(652)
At 31 January 2022	11,242	5,985	1,089	7,967	26,283
Net book amount at 31 January 2022	4,354	1,213	77	2,035	7,679
Net book amount at 31 January 2021	7,114	2,480	184	3,185	12,963
Cost					
At 1 February 2022	15,596	7,198	1,166	10,002	33,962
Additions	-	152	38	537	727
Disposals	(357)	-	-	-	(357)
At 31 January 2023	15,239	7,350	1,204	10,539	34,332
Accumulated depreciation					
At 1 February 2022	11,242	5,985	1,089	7,967	26,283
Charge for the year	924	965	55	1,213	3,157
Disposals	(214)	-	-	-	(214)
At 31 January 2023	11,952	6,950	1,144	9,180	29,226
Net book amount at 31 January 2023	3,287	400	60	1,359	5,106
Net book amount at 31 January 2022	4,354	1,213	77	2,035	7,679

Property, plant and equipment relates to assets held in relation to the group's retail stores, plus corporate assets held.

Notes to the financial statements for the year ended 31 January 2023 (continued)

9. Property, plant and equipment (continued)

Company

	Leasehold Improvements £000	Furniture and Fittings £000	Office Equipment £000	Computer Equipment £000	Total £000
Cost					
At 1 February 2021	15,663	7,189	1,154	9,909	33,915
Additions	-	8	12	547	567
Disposals	(67)	-	-	(585)	(652)
At 31 January 2022	15,596	7,197	1,166	9,871	33,830
Accumulated depreciation					
At 1 February 2021	8,549	4,710	970	6,770	20,999
Charge for the year	2,760	1,275	119	1,678	5,832
Disposals	(67)	-	-	(585)	(652)
At 31 January 2022	11,242	5,985	1,089	7,863	26,179
Net book amount at 31 January 2022	4,354	1,212	77	2,008	7,651
Net book amount at 31 January 2021	7,114	2,479	184	3,139	12,916
Cost					
At 1 February 2022	15,596	7,197	1,166	9,871	33,830
Additions	-	152	38	537	727
Disposals	(357)	-	-	-	(357)
At 31 January 2023	15,239	7,349	1,204	10,408	34,200
Accumulated depreciation					
At 1 February 2022	11,242	5,985	1,089	7,863	26,179
Charge for the year	924	965	55	1,197	3,141
Disposals	(214)	-	-	-	(214)
At 31 January 2023	11,952	6,950	1,144	9,060	29,106
Net book amount at 31 January 2023	3,287	399	60	1,348	5,094
Net book amount at 31 January 2022	4,354	1,212	77	2,008	7,651

Property, plant and equipment relates to assets held in relation to the company's retail stores, plus corporate assets held.

**Notes to the financial statements for the year ended
31 January 2023 (continued)****10. Leases****Group and Company**

The statement of financial position shows the following amounts relating to leases:

	31 January 2023	31 January 2022
	£000	£000
Right-of-use assets		
Buildings	15,531	15,859
Equipment	28	108
	15,559	15,967
Lease liabilities		
Current	6,819	4,405
Non-current	12,916	16,752
	19,735	21,157

There were additions of £6.2 million (year ended 31 January 2022: £Nil) to right-of-use assets in the year.

The statement of comprehensive income shows the following amounts relating to leases:

	Year ended 31 January 2023	Year ended 31 January 2022
	£000	£000
Depreciation charge		
Buildings	5,403	4,863
Equipment	80	130
	5,483	4,993
 Interest expense (included in finance costs)	 1,397	 1,484

The statement of comprehensive income does not include any charges relating to short-term leases, low-value assets or variable lease payments that are not included in the lease liability.

The total cash outflow for leases in the year ended 31 January 2023 was £7.8 million (year ended 31 January 2022: £7.4 million).

Notes to the financial statements for the year ended 31 January 2023 (continued)

11. Intangible assets

Group

	Technology	Patents and Trademarks	Total
	£000	£000	£000
Cost			
At 1 February 2021	1,714	461	2,175
Additions	-	21	21
At 31 January 2022	1,714	482	2,196
Accumulated amortisation			
At 1 February 2021	1,189	458	1,647
Charge for the year	332	5	337
At 31 January 2022	1,521	463	1,984
Net book amount at 31 January 2022	193	19	212
Net book amount at 31 January 2021	525	3	528
	Technology	Patents and Trademarks	Total
	£000	£000	£000
Cost			
At 1 February 2022	1,714	482	2,196
Additions	-	3	3
At 31 January 2023	1,714	485	2,199
Accumulated amortisation			
At 1 February 2022	1,521	463	1,984
Charge for the year	153	7	160
At 31 January 2023	1,674	470	2,144
Net book amount at 31 January 2023	40	15	55
Net book amount at 31 January 2022	193	19	212

Matchesfashion Limited

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Notes to the financial statements for the year ended 31 January 2023 (continued)

11. Intangible assets (continued)

Company

	Website £000	Patents and Trademarks £000	Total £000
Cost			
At 1 February 2021	1,714	461	2,175
Additions	-	21	21
At 31 January 2022	1,714	482	2,196
Accumulated amortisation			
At 1 February 2021	1,189	458	1,647
Charge for the year	332	5	337
At 31 January 2022	1,521	463	1,984
Net book amount at 31 January 2022	193	19	212
Net book amount at 31 January 2021	525	3	528
	Website £000	Patents and Trademarks £000	Total £000
Cost			
At 1 February 2022	1,714	482	2,196
Additions	-	3	3
At 31 January 2023	1,714	485	2,199
Accumulated amortisation			
At 1 February 2022	1,521	463	1,984
Charge for the year	153	7	160
At 31 January 2023	1,674	470	2,144
Net book amount at 31 January 2023	40	15	55
Net book amount at 31 January 2022	193	19	212

Notes to the financial statements for the year ended 31 January 2023 (continued)

12. Trade and other receivables

	Group	Group	Company	Company
	31 January	31 January	31 January	31 January
	2023	2022	2023	2022
	£000	£000	£000	£000
Trade receivables	11,457	13,240	11,457	13,240
Taxation and social security	5,816	3,325	4,602	2,704
Other receivables	11,331	7,004	11,307	6,979
Intercompany receivables	42	15,663	42	15,663
Prepayments and accrued income	3,023	2,480	2,998	2,450
	31,669	41,712	30,406	41,036

Intercompany receivables

Amounts due from other group companies are unsecured, non-interest bearing and repayable on demand.

13. Investments in subsidiaries

Company

	31 January	31 January
	2023	2022
	£000	£000
Balance as at 1 February and 31 January	-	23

The company's subsidiaries are set out in note 25.

Notes to the financial statements for the year ended 31 January 2023 (continued)

14. Inventories

	Group	Restated*	Company	Restated*
	31 January	31 January	31 January	31 January
	2023	2022	2023	2022
	£000	£000	£000	£000
Raw materials	2,382	2,955	2,383	2,955
Finished goods and goods for resale	90,658	78,753	88,154	78,261
	93,040	81,708	90,537	81,216

*The comparative figures have been restated, see note 27 for further details.

An inventory provision of £7.7 million (31 January 2022: £8.8 million) has been recorded, representing 8% (31 January 2022: 10%) of the gross value of inventory. The provision reflects management's best estimate of the net realisable value of inventory, where this is considered to be lower than the cost of the inventory. The key inputs into the provision calculation are sell-through of stock (% of stock purchased for the season sold by the end of the financial year), selling price of aged/faulty stock and the point in a season at which stock starts to be provided for. A reasonably possible change in these assumptions could lead to an increase in the total provision by £4.9 million or a decrease of £2.2 million.

The cost of inventories recognised as an expense and included in cost of sales amounted to £201.3 million (year ended 31 January 2022: £210.4 million). Write-downs of inventories to net realisable value during the year amounted to a net reversal of £1.1 million (year ended 31 January 2022: reversal of £4.2 million). These were recognised as an expense reduction and were included in 'cost of sales' in the statement of profit or loss.

15. Cash and cash equivalents

	Group	Group	Company	Company
	31 January	31 January	31 January	31 January
	2023	2022	2023	2022
	£000	£000	£000	£000
Cash at bank and in hand	2,810	5,748	2,430	5,346
Amount available under asset-based lending facility (note 16)	20,329	-	20,329	-
	23,139	5,748	22,759	5,346

Cash at bank and in hand includes cash received from credit card companies of £1.7 million (31 January 2022: £2.8 million) within four working days of the financial year end.

Notes to the financial statements for the year ended 31 January 2023 (continued)

16. Trade and other payables

	Group 31 January 2023 £000	Group 31 January 2022 £000	Company 31 January 2023 £000	Company 31 January 2022 £000
Trade payables	43,801	35,107	36,782	32,660
Taxation and social security	2,287	3,992	2,436	3,869
Other payables	16,337	12,832	16,342	12,830
Intercompany balance	102	-	5,933	3,935
Amount drawn under asset-based lending facility	-	3,262	-	3,262
Accruals	21,655	20,467	21,499	20,300
	84,182	75,660	82,992	76,856

Asset-based lending

The asset-based lending facility is secured primarily on the group's inventories. The amount that can be drawn at a given point in time fluctuates as it is determined predominantly by reference to the level of inventories held, but also includes adjustment for outstanding balances to key suppliers and slow-moving stock. In the year ended 31 January 2023 interest was payable at a rate of between 2.5% and 3.0% above SONIA, varying based on the percentage drawn as compared to the maximum facility of £50 million. In January 2023 the facility was extended to the earlier of 31 August 2024 or the relocation of the group's main distribution centre outside of England and Wales. In connection with this extension the interest rate payable increased to a rate of between 3.0% and 3.5% above SONIA (Sterling Overnight Index Average). The facility carries a requirement to maintain excess availability of £5 million at all times. All receivables receipts are used to repay the drawn facility which meant that as at 31 January 2023, the facility was in a net receivable position, due to the £40 million shareholder injection being received shortly before the year end and swept against the facility. The balance on the facility has therefore been classified as cash and cash equivalents (see note 15) as at 31 January 2023 as the cash held in the facility is readily available.

Returns liability

Where a customer has a right to return a product within a given period, the group recognises a returns liability within other payables for the amount of consideration received for which the group expects to return to the customer (£7.3 million; 31 January 2022: £7.1 million). The group also recognises a right to the returned goods, within other receivables, measured by reference to the former carrying amount of the goods (£5.1 million; 31 January 2022: £4.7 million).

Intercompany payables

Amounts due to other group companies are unsecured, non-interest bearing and repayable on demand.

Notes to the financial statements for the year ended 31 January 2023 (continued)

17. Deferred tax

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The group has not recognised deferred tax assets relating to gross timing differences of £129.3 million at 31 January 2023 (31 January 2022: £80.4 million) in respect of losses that can be carried forward against future taxable income for the period between one-year and an indefinite period of time.

18. Provisions

Group and company	31 January 2023 £000	31 January 2022 £000
At the beginning of the year	3,562	3,366
Release during the year	(436)	(22)
Release of discount	203	218
At the end of the year	3,329	3,562

Provisions relate to dilapidation provisions held in respect of leasehold properties and are expected to be settled between one and six years after the statement of financial position date.

19. Called up share capital

Group and company

	31 January 2023 Number	31 January 2023 £000	31 January 2022 Number	31 January 2022 £000
Issued and fully paid				
Ordinary shares of £0.01 each	6,929,275	69	6,929,075	69

During the year, on 1 June 2022, the company issued 100 ordinary shares for total consideration of £40 million. On 18 January 2023, the company issued a further 100 ordinary shares for £40 million.

Notes to the financial statements for the year ended 31 January 2023 (continued)

20. Financial instruments

Financial instruments are held at amortised cost. The following table sets out the financial assets and liabilities included in the statement of financial position:

	Group 31 January 2023 £000	Group 31 January 2022 £000	Company 31 January 2023 £000	Company 31 January 2022 £000
Financial assets				
Trade and other receivables	17,736	31,253	17,715	31,229
Cash and cash equivalents	23,139	5,748	22,759	5,346
	40,875	37,001	40,474	36,575
Financial liabilities				
Trade and other payables	85,412	75,422	84,074	76,741
Lease liabilities	19,735	21,157	19,735	21,157
	105,147	96,579	103,809	97,898

21. Financial risk management

Group

The main risks associated with the group's financial assets and liabilities are set out below. The group's financial risks have been identified as liquidity risk, credit risk, interest rate risk and foreign exchange risk.

(a) Liquidity risk

The group finances its operations through a combination of debt and equity. The group manages its liquidity requirements by monitoring the headroom on its existing facilities compared to short term and longer-term cash forecasts. Cash forecasts are reviewed on a regular basis and updated for the latest view of cash inflows and outflows. The asset-based lending facility (as described in note 16) is the key facility that the group has available. The group aims to mitigate liquidity risk by managing cash generated by its operations closely.

The maturity of the group's contractual undiscounted financial liabilities is set out as below. As these contractual amounts are not discounted and represent future cash flows, they will not all agree to other notes shown in these financial statements.

Notes to the financial statements for the year ended 31 January 2023 (continued)

21. Financial risk management (continued)

(a) Liquidity risk (continued)

	Less than 1 year £000	1 to 2 years £000	2 to 5 years £000	5 to 25 years £000	Total £000
31 January 2023					
Trade and other payables	83,810	49	2,076	67	86,002
Lease liabilities	7,250	5,218	9,225	34	21,727
Total	91,060	5,267	11,301	101	107,729
31 January 2022					
Trade and other payables	73,618	-	1,479	1,267	76,364
Lease liabilities	5,509	4,809	11,906	2,537	24,761
Total	79,127	4,809	13,385	3,804	101,125

(b) Credit risk

Credit risk arises from cash and cash equivalents and trade and other receivables. The group has external debtors however given the cash-based nature of the business, trade receivables are not significant. Cash deposits are mainly held with Wells Fargo Bank, NA who has an 'A+' class credit rating and HSBC UK Bank plc who has an 'A-1' class credit rating.

(c) 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's main interest rate risk comes from borrowings which are charged at a floating interest rate. The majority of the group's financial liabilities are either non-interest bearing or liable to interest at a fixed rate.

	Fixed rate £000	Floating rate £000	Non-interest bearing £000	Total £000
31 January 2023				
Trade and other payables	-	-	85,412	85,412
31 January 2022				
Trade and other payables	-	3,262	72,160	75,422

(d) Foreign exchange 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, Hong Kong Dollars and Japanese Yen. The group manages its exposure to movements in foreign exchange by matching payments with income in the same currency where possible. The asset-based lending facility is also denominated in each of these currencies. The group does not make use of forward foreign exchange contracts and therefore at year end do not have any outstanding forward foreign exchange contracts (31 January 2022: £Nil).

Notes to the financial statements for the year ended 31 January 2023 (continued)

21. Financial risk management (continued)

(d) Foreign exchange risk (continued)

For the year ended 31 January 2023, a movement of +/-5% in the exchange rates for the above named currencies would have increased/decreased the loss before tax by £4.8 million.

The group's exposure to foreign currency risk at the end of the reporting period, expressed in local currency units, was as follows:

	USD \$'000	EUR €'000	JPY ¥'000	HKD HKD'000	AUD AUD'000
31 January 2023					
Trade and other receivables	6,637	4,859	59,636	3,036	915
Cash and cash equivalents	3,406	667	72,099	3,520	662
Trade and other payables	(5,701)	(18,588)	(3,466)	(1,116)	(545)
31 January 2022					
Trade and other receivables	1,124	623	-	250	-
Cash and cash equivalents	2,739	6,034	98,680	10,880	2,242
Trade and other payables	(7,747)	(12,657)	(6,398)	(327)	(801)

The aggregate net foreign exchange losses recognised in the income statement were:

	Year ended 31 January 2023 £000	Year ended 31 January 2022 £000
Net foreign exchange loss included in cost of sales	(2,176)	(189)

(e) Capital management

The group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group might issue new shares, refinance existing debt or take on new debt. The group manages capital through the use of long term and short term debt as appropriate.

The group's capital is summarised as follows:

	31 January 2023 £000	Restated* 31 January 2022 £000
Net debt	(3,404)	18,671
Total equity	62,495	53,345

*The comparative figures have been restated, see note 27 for further details.

As at 31 January 2023, the group's net debt was in an overall asset position, this is due to the overall debit position on the asset-based lending facility, see note 16 for further details.

Notes to the financial statements for the year ended 31 January 2023 (continued)

21. Financial risk management (continued)

Net debt

Movements in the group's net debt position are shown as follows:

	Asset-based lending	Leases	Subtotal – liabilities from financing activities	Cash and cash equivalents	Total
	£000	£000	£000	£000	£000
At 1 February 2021	33,830	27,087	60,917	(6,564)	54,353
Cash flows	(30,568)	(7,414)	(37,982)	750	(37,232)
Capitalised interest	-	1,484	1,484	-	1,484
Foreign exchange movement	-	-	-	66	66
At 31 January 2022	3,262	21,157	24,419	(5,748)	18,671
At 1 February 2022	3,262	21,157	24,419	(5,748)	18,671
Cash flows	(3,262)	(7,625)	(10,887)	(17,223)	(28,110)
Capitalised interest	-	1,397	1,397	-	1,397
Foreign exchange movement	-	-	-	(168)	(168)
Disposals/additions	-	4,806	4,806	-	4,806
At 31 January 2023	-	19,735	19,735	(23,139)	(3,404)

22. Related party transactions

There were no related party transactions during the year (year ended 31 January 2022: none)

The company has taken advantage of the exemption under FRS 101 to disclose transactions with wholly owned subsidiaries.

23. Commitments, guarantees, contingent liabilities and contingent assets

As at 31 January 2023, the group had issued bank guarantees up to the value of £3.2 million (31 January 2022: £0.8 million) to third parties.

Since December 2021 the group has successfully been submitting claims to recover import duty incurred on goods sold into the USA and subsequently returned by customers. As at 31 January 2023, there were potential additional claims, relating to returns made prior to this date, that are not recognised in these financial statements because the inflow of economic resources from the claims was not virtually certain as at the balance sheet date. See note 26 for further details of the post balance sheet event relating to these claims.

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Notes to the financial statements for the year ended 31 January 2023 (continued)

24. Ultimate controlling party

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

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.

These financial statements are the smallest group to consolidate the financial statements of the company. The parent undertaking of the largest group to consolidate these financial statements is MF Topco Limited. Copies of the MF Topco Limited consolidated financial statements can be obtained from Level 7, The Shard, 32 London Bridge Street, London, SE1 9SG.

25. Subsidiaries and related undertakings

Name	Address of registered office	Nature of business	Direct holdings
Matchesfashion Inc.	251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808	Luxury clothing retailer	100% ordinary shares
Matchesfashion.com Hong Kong Limited	13/F East Town Building, 41 Lockhart Road, Wan Chai, Hong Kong	Customer service	100% ordinary shares
Matchesfashion GmbH	Schwanthalerstrasse 73, 80336 Munich	Non-trading company	100% ordinary shares
Matchesfashion B.V.	Hoogoorddreff 15, Amsterdam, 1101 BA, Netherlands	Luxury clothing retailer	100% ordinary shares

All the above subsidiaries are included in the consolidation.

26. Post balance sheet events

On 13 June 2023 the terms of the Borrowings were amended as follows:

- The maturity of the Borrowings was extended from 14 October 2024 to 13 April 2026;
- The cash interest due on 31 October 2023 and 30 April 2024 have the option (at the election of the group) to be converted to PIK interest;
- For the remaining bi-annual interest periods after 30 April 2024, the group has the option to convert 50% of the cash interest to PIK interest;
- Where the group elects to convert cash interest to PIK interest, the applicable interest rate on the Borrowings will increase by either 0.5% (if 50% or less of the cash interest is converted) or 1% (if more than 50% of cash interest is converted) per annum. This additional interest is also permitted to be treated as PIK at the option of the group; and
- The Covenant was removed from all quarters remaining under the term of the Borrowings (starting from the Covenant to be tested as at 31 January 2023).

At the same time, the wider group issued loan notes to its investors totalling £20 million, for cash consideration.

Post year end, in July 2023, a claim for \$15.2 million was submitted to US Customs in relation to duty drawback claims for returns made prior to 31 January 2023. As per note 24 these claims have been disclosed as a contingent asset as at 31 January 2023.

Notes to the financial statements for the year ended 31 January 2023 (continued)

27. Prior year restatement

Inventory

During the year, the group identified a historical discrepancy between the stock value in the warehouse management system (WMS) as compared to the general ledger system. This identification was prompted by the automation of part of this reconciliation which had previously been manually completed. Importantly this was not related to the number of underlying units of stock or problems with the WMS, but instead was due predominantly to valuation differences between the two systems. The largest difference was driven by differing foreign exchange rates being used to recognise a receipt into stock in the WMS compared to the related invoice in the general ledger.

This has resulted in a decrease in inventory of £2.9 million as at 31 January 2022 (£1.7 million as at 1 February 2021) and an increase in cost of sales of £1.2 million for the year then ended (year ended 31 January 2021: £1.7 million). The overall tax charge was not impacted but the gross value of carried forward losses increased by £0.6 million as at 31 January 2022 (£0.2 million as at 1 February 2021). There was no impact on the overall cash flow statement in any financial year apart from the classification between loss for the period and movement in inventory.

Contingent liability

In the prior year, the group disclosed contingent liabilities in relation to deferred duty as at 31 January 2022 of £1.7 million (31 January 2021: £0.8 million). A reassessment in the year ended 31 January 2023 has concluded that this duty does not meet the definition of a contingent liability and therefore the disclosure has been removed.

28. Cash flows from operating activities

		Year ended 31 January 2023 £000	Restated* Year ended 31 January 2022 £000
Loss before income tax		(70,637)	(40,006)
Depreciation	9,10	8,640	10,850
Amortisation	11	160	337
Loss on disposal of tangible and right-of-use assets		17	-
Finance costs	7	3,425	2,532
Decrease/(increase) in trade receivables		9,496	(9,989)
Increase in trade payables		11,181	21,249
Increase in inventories		(11,332)	(3,833)
Cash outflow from operating activities		(49,050)	(18,860)

*The comparative figures have been restated, see note 27 for further details.