Registered No. 10965672

MF Debtco Limited
Annual report for the year ended 31 January 2022

Company Information

Directors	N Beighton D Murray
Company number	10965672
Registered office	The Shard 32 London Bridge Street London SE1 9SG
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Contents

Strategic report for the year ended 31 January 2022

The directors present the company's strategic report for the year ended 31 January 2022.

Review of the business
The principal activity of the company continued to be that of providing finance to the Matchesfashion group of companies whose primary business remains retailing, operating from the UK under the principal brand of Matchesfashion. There have been no major changes in year under review.

Results and performance
The company's results for the year and the financial position at the end of the year are set out on pages 7-21.

S172 reporting
The directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the long-term success of the business for its shareholders, employees, customers, suppliers, lenders and the wider community in which the company operates. Wherever practical, the directors consult the wider group's employees and the Matches Employee Community of representatives from across the business has been a helpful forum in doing so since May 2020. Communication with employees include monthly "all-hands" online presentations and structured question and answer forums. Information on our sustainability strategy is outlined on our website within "Our Integrity" section as are reports on Gender Pay Gap and the Modern Slavery Act.

Suppliers, particularly 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. Our customer base is global and diverse and the wider 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 business 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.

The wider group's shareholders and lenders are informed on both financial and strategic progress with monthly reporting packs and meet with management regularly.

Transition to new accounting standards
During the year, the company transitioned to Financial Reporting Standards 101 ("FRS 101") with an effective date of 1 February 2020. There were no changes to the company's financial statements arising from the transition.

Future outlook
The wider group's strategy is to provide a truly personalised and intimate luxury shopping experience, 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 in order to improve margins further and return the wider group to profitability and positive cash generation. It is expected that the continued growth and recovery of the luxury fashion market, aided by the increasing online penetration of luxury sales, will help in this regard.

Strategic report for the year ended 31 January 2022 (continued)

Future outlook (continued)
In April 2022, the business received £40 million of new funding via the issuance of new loan notes by the company and subsequent investment through the group. At the same time a third covenant waiver, this time in respect to the year ending 31 January 2022, was obtained prior to the financial covenant being reported and tested, and further waivers were also obtained in respect of the financial covenant testing for the quarters ending April, July and October 2022. In January 2023, the business received another £40 million of new funding and a fourth covenant waiver, in relation to the quarters falling into the calendar year 2023.

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

This strategic report has been approved by the board.

On behalf of the board of directors

D Murray, Director
26 January 2023

Directors' report for the year ended 31 January 2022

The directors present the directors' report for the year ended 31 January 2022. These financial statements represent the year from 1 February 2021 to 31 January 2022.

Going concern

The directors confirm that having reviewed the company's cash requirements and forecast covenant compliance for the period up to 31 March 2024, they have a reasonable expectation that the company has adequate resources to continue in operational existence and to meet their liabilities as and when they fall due. The directors have accordingly adopted the going concern basis in preparing these financial statements.

In assessing the going concern of the company, the directors have taken in account the going concern of the wider group. Management have performed a thorough scenario planning exercise and have reviewed the consolidated income statement of the group of which the company is a part, net current liabilities and cash flow forecasts in conjunction with current and future financing availability. The exercise considered a base case and a severe but plausible downside case with an assumed average reduction in order demand (being customer orders placed before cancellations and returns) for the period from 1 March 2023 to 31 March 2024 of 9.1%. For the period to 31 March 2024 the group was forecast to have adequate liquidity in the base case, albeit with reduced headroom at the start of each season when sales receipts are lower and payments for stock are higher. In the downside case, lower sales receipts led to inadequate liquidity at points in the seasonal cycle. Once remedial actions, which are wholly within management's control, such as promotional sales, pausing discretionary spend and timing of payments were overlaid, liquidity headroom was achieved in all periods in the downside case.

A subsidiary of the company, MF Bidco Limited, has previously entered into 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") are 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. The group obtained a waiver for the quarter ending 31 January 2022, prior to the Covenant being reported and tested, and further waivers were also obtained in respect of the financial covenant testing for the quarters ending April 2022, July 2022 and October 2022. A similar Covenant waiver was obtained for each of the previous two financial years. As the waivers were obtained after the respective year ends of the financial statements, the term loan has been presented within current liabilities as at 31 January 2020, 2021 and 2022. In addition, in January 2023, a waiver was obtained for the quarters falling into the calendar year 2023.

Based on the base case and downside case financial projections management do not currently expect the business to achieve compliance with the Covenant when tested in respect of the quarter ending 31 January 2024 which is required to be reported upon to the lenders at the end of April 2024. Management have a number of options to address this including, with the support of the group's investors, to renegotiate a waiver with lenders as has been done successfully on the three prior occasions as described above, or for the Covenant breach to be cured through the issuance of new equity as permitted under the terms of the Borrowings. The group's investors have shown considerable past support for the business with the company issuing £45 million of loan notes in the year ending 31 January 2021 and a further £57.6 million of notes for cash consideration in the year ended 31 January 2022. Post year end, in April 2022 and again in January 2023, the company issued a further £40 million in notes (on each occasion).

Directors' report for the year ended 31 January 2022 (continued)

Going concern (continued)
Whilst management are confident a resolution will be found, in the event that one is not found prior to the end of May 2024, which is when the cure period for non-compliance with the first post-waiver Covenant would end, then non-compliance would be an Event of Default under the terms of the Borrowings and lenders constituting the majority would have the right to take positive steps to recover amounts owing to them should the Borrowings remain unpaid. Such an Event of Default would also extend to the asset-based lending bank loan facility of up to £50 million (as at 31 January 2022 £3.3 million was drawn) which would be cross-defaulted should there be an Event of Default under the Borrowings.

The circumstances detailed above in connection with liquidity, financial covenant compliance and required investor support indicates the existence of a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Dividends
No dividends were proposed or paid during the year (year ended 31 January 2021: £Nil).

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:

S Glithero (resigned 28 April 2022)
A Kavan (resigned 11 March 2021)
J Weston (appointed 11 March 2021, resigned 19 October 2021)
P De Cesare (appointed 19 October 2021, resigned 4 August 2022)
H Ainley (appointed 28 April 2022, 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.

Disabled employees
The wider group of which the company is a part 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 wider 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 wider 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.

Directors' report for the year ended 31 January 2022 (continued)

Financial risk management policy
See note 10 for details of the company's assessment of financial risk and management policies.

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

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

	FY21	FY20
Energy consumption used to calculate emissions (in kWh)	3,190,945	3,127,052
Emissions from combustion of gas (in tonnes of carbon dioxide equivalent tCO2e)	214	179
Emissions from purchased electricity (in tonnes of carbon dioxide equivalent tCO2e)	454	476
Total gross tCO2e	668	655
Revenue (£ million)	386.6	390.9
Intensity metric (tCO2e / £100,000 revenue)	0.17	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.

Directors' responsibilities for 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 company financial statements in accordance with EU-adopted international accounting standards.

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 company and of the profit or loss 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 EU-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report for the year ended 31 January 2022 (continued)

Directors' responsibilities for the financial statements (continued)
The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

On behalf of the board of directors

D Murray, Director
26 January 2023

Statement of Comprehensive Income for the year ended 31 January 2022

	Note	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
Administrative expenses		**(173,022)**	(120,578)
Operating loss	2	**(173,022)**	(120,578)
Finance costs	3	**(14,364)**	(5,519)
Loss before income tax		**(187,386)**	(126,097)
Income tax	4	**-**	-
Loss for the financial year		**(187,386)**	(126,097)
Other comprehensive result		**-**	
Total comprehensive loss for the financial year		**(187,386)**	(126,097)

The notes on pages 10 to 21 are an integral part of these financial statements.

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

During the year, the company transitioned to IFRS. See note 16 or further details.

Statement of Financial Position as at 31 January 2022

	Note	31 January 2022 £000	31 January 2021 £000
Non-current assets			
Investment in subsidiaries	5	**200,200**	325,244
		200,200	325,244
Current assets			
Cash and cash equivalents	6	**32**	33
		32	33
Total assets		**200,232**	325,277
Non-current liabilities			
Borrowings	7	**(112,860)**	(50,519)
		(112,860)	(50,519)
Total liabilities		**(112,860)**	(50,519)
Net assets		**87,372**	274,758
Equity			
Called up share capital	8	**-**	-
Share premium account		**717,188**	717,188
Accumulated losses		**(629,816)**	(442,430)
Total equity		**87,372**	274,758

The notes on pages 10 to 21 are an integral part of these financial statements.

During the year, the company transitioned to FRS 101. See note 16 for further details.

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 479A of the Companies Act 2006.

The members have not required the company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements on pages 7 to 21 were approved by the board on 26 January 2023 and signed on its behalf by

D Murray
Director

Statement of Changes in Equity for the year ended 31 January 2022

	Called up share capital	Share premium account	Accumulated losses	Total equity
	£000	£000	£000	£000
Balance as at 1 February 2020	-	717,188	(316,333)	400,855
Loss for the financial year	-	-	(126,097)	(126,097)
Total comprehensive loss	-	-	(126,097)	(126,097)
Balance as at 31 January 2021	-	717,188	(442,430)	274,758
Balance as at 1 February 2021	**-**	**717,188**	**(442,430)**	**274,758**
Loss for the financial year	**-**	**-**	**(187,386)**	**(187,386)**
Total comprehensive loss	**-**	**-**	**(187,386)**	**(187,386)**
Balance as at 31 January 2022	**-**	**717,188**	**(629,816)**	**87,372**

The notes on pages 10 to 21 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 January 2022

1. Accounting policies

General information
MF Debtco Limited is a private limited company limited by shares and registered in England and Wales. The address of its registered office is The Shard, 32 London Bridge Street, London SE1 9SG.

The principal activity and the nature of the company's operations is set out in the strategic report. The principal activity of the company is that of a holding company.

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

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

a) Basis of preparation
These financial statements are prepared on the going concern basis, under the historical cost convention.

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 company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(m).

b) Going concern
The directors confirm that having reviewed the company's cash requirements and forecast covenant compliance for the period up to 31 March 2024, they have a reasonable expectation that the company has adequate resources to continue in operational existence and to meet their liabilities as and when they fall due. The directors have accordingly adopted the going concern basis in preparing these financial statements.

In assessing the going concern of the company, the directors have taken in account the going concern of the wider group. Management have performed a thorough scenario planning exercise and have reviewed the consolidated income statement of the group of which the company is a part, net current liabilities and cash flow forecasts in conjunction with current and future financing availability. The exercise considered a base case and a severe but plausible downside case with an assumed average reduction in order demand (being customer orders placed before cancellations and returns) for the period from 1 March 2023 to 31 March 2024 of 9.1%. For the period to 31 March 2024 the group was forecast to have adequate liquidity in the base case, albeit with reduced headroom at the start of each season when sales receipts are lower and payments for stock are higher. In the downside case, lower sales receipts led to inadequate liquidity at points in the seasonal cycle. Once remedial actions, which are wholly within management's control, such as promotional sales, pausing discretionary spend and timing of payments were overlaid, liquidity headroom was achieved in all periods in the downside case.

Notes to the financial statements for the year ended 31 January 2022 (continued)

1. Accounting policies (continued)

b) Going concern (continued)

A subsidiary of the company, MF Bidco Limited, has previously entered into 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") are 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. The group obtained a waiver for the quarter ending 31 January 2022, prior to the Covenant being reported and tested, and further waivers were also obtained in respect of the financial covenant testing for the quarters ending April 2022, July 2022 and October 2022. A similar Covenant waiver was obtained for each of the previous two financial years. As the waivers were obtained after the respective year ends of the financial statements, the term loan has been presented within current liabilities as at 31 January 2020, 2021 and 2022. In addition, in January 2023, a waiver was obtained for the quarters falling into the calendar year 2023.

Based on the base case and downside case financial projections management do not currently expect the business to achieve compliance with the Covenant when tested in respect of the quarter ending 31 January 2024 which is required to be reported upon to the lenders at the end of April 2024. Management have a number of options to address this including, with the support of the group's investors, to renegotiate a waiver with lenders as has been done successfully on the three prior occasions as described above, or for the Covenant breach to be cured through the issuance of new equity as permitted under the terms of the Borrowings. The group's investors have shown considerable past support for the business with the company issuing £45 million of loan notes in the year ending 31 January 2021 and a further £57.6 million of notes for cash consideration in the year ended 31 January 2022. Post year end, in April 2022 and again in January 2023, the company issued a further £40 million in notes (on each occasion).

Whilst management are confident a resolution will be found, in the event that one is not found prior to the end of May 2024, which is when the cure period for non-compliance with the first post-waiver Covenant would end, then non-compliance would be an Event of Default under the terms of the Borrowings and lenders constituting the majority would have the right to take positive steps to recover amounts owing to them should the Borrowings remain unpaid. Such an Event of Default would also extend to the asset-based lending bank loan facility of up to £50 million (as at 31 January 2022 £3.3 million was drawn) which would be cross-defaulted should there be an Event of Default under the Borrowings.

The circumstances detailed above in connection with liquidity, financial covenant compliance and required investor support indicates the existence of a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Notes to the financial statements for the year ended 31 January 2022 (continued)

1. Accounting policies (continued)

c) Exemptions for qualifying entities under FRS 101

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

- The requirement to present an opening statement of financial position at the date of transition (IFRS 1.21) on first-time adoption.
- 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));
- 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).

This information is included in the consolidated financial statements of MF Intermediate Limited as at 31 January 2022 and these financial statements may be obtained from The Shard, 32 London Bridge Street, London SE1 9SG.

d) Foreign currency

i) Functional and presentation currency

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

ii) Transactions and balances

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

At each 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.

e) Other operating income

Other operating income is recognised on an accrual basis in accordance with the substance of the relevant agreement. This includes management fees charged to its subsidiary.

f) 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 2022 (continued)

1. Accounting policies (continued)

g) 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.

h) 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.

i) Impairment of non-financial assets

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

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

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

Notes to the financial statements for the year ended 31 January 2022 (continued)

1. Accounting policies (continued)

i) Impairment of non-financial assets (continued)
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.

j) 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.

k) 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.

l) Financial instruments
Financial assets and liabilities are recognised when the company 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 company 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 company in accordance with the contract and the cash flows that the company expects to receive, discounted at the original effective interest rate. In calculating the expected credit loss rates, the company considers historical loss rates for each category of customers and adjusts for forward-looking macroeconomic data. The company 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. The company does not hold significant trade and other receivables. As such, it is considered that any loss allowance in relation to these receivables is immaterial.

ii) Financial liabilities
Financial liabilities comprise borrowings and trade and other payables. The company classifies all of it 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.

Notes to the financial statements for the year ended 31 January 2022 (continued)

1. Accounting policies (continued)

m) 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: recoverability of investments

Investments in subsidiaries are not subject to amortisation and are tested annually for impairment. When a review for potential impairment is conducted, the recoverable amount is determined based on the higher of an investment's fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates.

2. Operating loss

Operating loss is stated after charging:

	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
Impairment of investment	**173,019**	120,559

3. Finance costs

	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
Interest payable on loan notes	14,364	5,519
Finance costs	14,364	5,519

Notes to the financial statements for the year ended 31 January 2022 (continued)

4. Income tax

(a) Tax included in statement of comprehensive income

	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
Current tax		
Overseas corporation tax on loss for the year	-	-
Adjustments in respect of prior year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Impact of changes in tax rates	-	-
Adjustments in respect of prior year	-	-
Total deferred tax	-	-
Tax on loss	-	-

(b) Reconciliation of tax

Tax assessed for the year is higher (year ended 31 January 2021: higher) than the standard rate of corporation tax in the UK for the year ended 31 January 2022 of 19% (year ended 31 January 2021: 19%). The differences are explained below:

	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
Loss before taxation	**(187,386)**	(126,097)
Tax on loss before taxation at 19% (year ended 31 January 2021: 19%)	**(35,603)**	(23,958)
Effects of:		
Expenses not deductible for tax purposes	**35,390**	23,958
Movement in deferred tax not recognised	**213**	-
Tax for the year	-	-

(c) Tax rate changes

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). The Government made a number of budget announcements on 3 March 2021. These included confirming that the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021.

Notes to the financial statements for the year ended 31 January 2022 (continued)

5. Investments in subsidiaries

	31 January 2022	31 January 2021
	£000	£000
Balance as at 1 February	**325,244**	400,803
Additions in year	**47,975**	45,000
Impairment	**(173,019)**	(120,559)
Balance as at 31 January	**200,200**	325,244

The company's subsidiaries are set out in note 14.

The company has estimated the recoverable amount of Matchesfashion (the business in which the investment relates) using a value-in-use model by projecting cash flows for the next five years together with a terminal value using a long-term growth rate. The five-year forecasts used in the impairment model are based on board approved budgets and management's past experience and future expectations of performance. The cash flow projections are based on the following key assumptions:

- Demand for the 5-year period ending 31 January 2027 growing at a compound annual rate of 18%
- A pre-tax discount rate of 12.9%
- Long-term growth rate of 2%

The impairment model is most sensitive to changes in the demand growth rate and discount rate. If the compound annual growth rate were to fall by 1%, there would be a corresponding decrease in the estimated recoverable amount by approximately £26.3 million prior to any mitigating cost action and if the discount rate were to increase by 1% there would be a decrease of £25.4 million.

6. Cash and cash equivalents

	31 January 2022	31 January 2021
	£000	£000
Cash at bank and in hand	**32**	33

Notes to the financial statements for the year ended 31 January 2022 (continued)

7. Borrowings

	31 January 2022 £000	31 January 2021 £000
Loan notes	112,860	50,519
	112,860	50,519

The fair value of borrowings is considered to be equal to carrying value.

Loan notes

The initial tranche A loan notes of £35,000,000 were issued on 2 April 2020 and tranche B notes of £10,000,000 were issued on 25 August 2020. The loan notes were listed on the Caymans Islands Stock Exchange under Corporate Debt Securities on 4 August 2020. The debt expires on 30 April 2050 with 15% interest per annum accrued quarterly. The funding is a condition to the effectiveness of a financial covenant waiver agreed between the group and its senior lenders.

8. Called up share capital

	31 January 2022 £	31 January 2021 £
Authorised		
102 (2021: 102) ordinary shares of £1 each	102	102
Allotted and fully paid		
102 (2021: 102) ordinary shares of £1 each	102	102

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

9. Financial instruments

Financial instruments are held at amortised cost. The carrying value of each class of financial asset and financial liability is considered to be equal to fair value. The following table sets out the financial assets and liabilities included in the statement of financial position:

	31 January 2022 £000	31 January 2021 £000
Financial assets		
Cash and cash equivalents	32	33
	32	33
Financial liabilities		
Borrowings	112,860	50,519
	112,860	50,519

Notes to the financial statements for the year ended 31 January 2022 (continued)

10. Financial risk management

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

(a) Liquidity risk

The wider group, of which the company is a part, 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 group has an asset-based lending facility, and this is the key facility that the group has available. The group aims to mitigate liquidity risk by managing cash generated by its operations closely and providing cash to group companies as required.

(b) Credit risk

The company is not exposed to credit risk given the immaterial nature of its debtors and cash balances.

(c) Interest rate risk

The company has interest bearing liabilities however these liabilities are at a fixed rate and therefore the company is not exposed to material interest rate risk.

(d) Foreign exchange risk

The company does not have any assets or liabilities in foreign currencies.

(e) Capital management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to 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 company might issue new shares, refinance existing debt or take on new debt.

The company's capital is summarised as follows:

	31 January 2022 £000	31 January 2021 £000
Net debt	**112,828**	50,476
Total equity	**87,371**	274,758

Notes to the financial statements for the year ended 31 January 2022 (continued)

11. Related party transactions

There were no related party transactions during the year (year ended 31 January 2021: Nil).

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

12. Contingent liabilities

The company does not have any contingent liabilities.

13. Ultimate controlling party

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

The parent undertaking is MF Topco Limited, a company incorporated in Guernsey. MF Debtco Limited financial statements are consolidated within MF Topco Limited enabling MF Debtco Limited to be a qualifying entity to gain reduced FRS 101 disclosures in its own financial statements.

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.

14. Subsidiaries and related undertakings

Name	Address of registered office	Nature of business	Direct holdings
MF Intermediate Limited	The Shard, 32 London Bridge Street, London SE1 9SG	Non-trading company	100% ordinary shares
MF Bidco Limited	The Shard, 32 London Bridge Street, London SE1 9SG	Non-trading company	100% ordinary shares
MF Finco1 Limited	The Shard, 32 London Bridge Street, London SE1 9SG	Non-trading company	100% ordinary shares
Matchesfashion Limited	The Shard, 32 London Bridge Street, London SE1 9SG	Fashion retailer	100% ordinary shares
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

MF Intermediate Limited has guaranteed the liabilities of its subsidiaries, MF Bidco Limited and MF Finco1 Limited and MF Midco Limited has guaranteed the liabilities of this company, in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 31 January 2022. The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

Notes to the financial statements for the year ended 31 January 2022 (continued)

15. Post balance sheet events

In April 2022:

a) the company issued loan notes for cash consideration of £40 million to improve the liquidity position of the group and to fund future growth;
b) the group secured a covenant waiver in respect of the quarter ending 31 January 2022, prior to the financial covenant being reported and tested, and further waivers were also obtained in respect of the financial covenant testing for the quarters ending April, July and October 2022 (see note 1b) and agreed an exit fee payable on both the term loan and senior loan notes; and
c) the wider group extended its ABL facility until the earlier of 5 November 2023 or the relocation of the group's main distribution centre outside the United Kingdom.

In January 2023, the business received another £40 million of new funding and a fourth covenant waiver, in relation to the quarters falling into the calendar year 2023. At the same time, the group further extended its ABL facility to until the earlier of 31 August 2024 or the relocation of the group's main distribution centre outside the United Kingdom.

16. Conversion to IFRS

There was no impact on the company financial statements arising from the transition to FRS 101.

The company has taken advantage of the exemption from the requirement to present an opening statement of financial position at the date of transition on first-time adoption as outlined in note 1(c).