Registered No. 10931900

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

Company Information

Directors	P De Cesare V Narain T Chapman N Hartman T Hall T Mather M Chiquet H Ainley
Company number	10931900
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

MF Midco Limited

Company Registration No. 10931900 (United Kingdom)

Contents

MF Midco Limited

Group strategic report for the year ended 31 January 2022

The directors present the group strategic report for the year ended 31 January 2022.

Review of the business

The principal activity of the group 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 is comprised of established brands, new designers and exclusives that are handpicked to inspire customers to explore, experiment and truly express themselves. The Matchesfashion business model provides access to a wide selection of products from established brands and unlocks inspiring exclusives while also giving smaller brands and emerging designers the certainty and financial security they need. There have been no major changes in the group's core activities in the year under review.

The effects of the novel strain of Coronavirus ("COVID-19") were felt throughout the year with customer demand fluctuating as countries around the world implemented a variety of containment measures from social distancing to full scale lockdowns. Product categories more dependent on external social events such as occasion wear were disproportionately impacted whilst leisure and activewear product lines continued to perform well. As restrictions eased, demand for these categories recovered.

During this period the business prioritised the safety of the Matchesfashion team by closely following government and public health authority guidelines. When necessary, office locations were closed and procedures put in place to ensure our distribution centre and those working in our offices could continue safely throughout the crisis. For those employees able to work from home, financial and technical support was given to improve comfort and productivity.

The UK left the European Union at the start of 2021 ("Brexit") and accordingly this has led to changes in the way that the business operates with its customers and suppliers. Approximately 70% of the goods sold by the business are of EU origin with many of the non-EU origin goods also shipped from Europe to our distribution centre in the UK. Brexit had an immediate and material financial impact in terms of additional EU duty costs borne by the business in order to remain competitive in the market with EU based multi-brand online retailers. During the year the group sought to mitigate the additional duty burden through utilisation of EU approved reliefs, but this took time to implement due to the complexity of paperwork and the need to co-ordinate with our partners to meet customs requirements. Mid-way through the year an intake centre was established in The Netherlands to ease the administrative burden and improve the speed of intake. These mitigating actions, together with a rise in customs inspections, did at times place pressure on delivery times to customers. Overall, the cost in the year to 31 January 2022 ("FY21") of Brexit in terms of additional duties, net of duty relief, and the operational cost of running the dedicated intake centre was £10.5 million. Whilst the business entered the new financial year with new ways of working that is enabling an increasing amount of Brexit related duties to be avoided, Brexit continues to drive a material cost headwind.

Review of the business (continued)
Through 2021 the business worked with a leading luxury apparel group to change the way in which five of the brands they represent trade with the Matchesfashion. Rather than a supply arrangement whereby the business places advance orders for goods, receives them in bulk and then retails to the end customer, Matchesfashion has shifted to a concession model with these five brands. Under this approach the group acts as the agent in a transaction with the end customer, receiving a commission on the sale. The new approach requires a greater level of technical integration and data exchange between the brands and Matchesfashion in order to ensure timely and relevant stock replenishment. It therefore cements further the relationship between the two groups and demonstrates a commitment to working and growing together in the future. The transition to the new model occurred in the fourth quarter of FY21 and led to £20 million of stock being either physically returned to the brands concerned, as it related to older seasons, or changing ownership back to the brands if it was current season stock. Under a concession model Matchesfashion no longer takes title of the stock it acts as agent for and as at 31 January 2022 £12.1 million, including VAT, was receivable from brands for this returned stock, with monies fully remitted in February and March 2022.

The shift to a concession model for some of the leading brands carried by Matchesfashion is part of a strategic shift to reduce promotions and sell more stock at full price, whilst maintaining strong levels of sell-through (being the percentage of a season's purchased stock sold) prior to marking down prices during seasonal sales. The increase in sales at full price was evident in an improvement in gross margin to 34.1% (year ended 31 January 2021: 31.0%) despite the additional Brexit related duties. Sell-through also improved on both the key spring/summer and autumn/winter seasons with year-end inventory levels marginally higher at £84.6 million (as at 31 January 2021: £79.6 million).

Inventory levels would have been higher still but for the return of stock to brands moving to the new concession model as the business bought more autumn/winter product compared to the COVID-19 impacted purchases the year before.

During the year subsidiary companies secured cash financing via the issuance of new loan notes. The £57.6 million raised was cascaded through the group to purchase equity in the company. The amounts raised were used to fund operating cash outflows, service borrowings and repay amounts drawn under the group's asset-backed lending facility. Post year end a subsidiary company issued further loan notes of £40 million which were passed down the group as additional equity.

Ajay Kavan left the business in February 2021 with Maureen Chiquet assuming the role of Executive Chairwoman for an interim period until Paolo De Cesare was appointed as CEO in October 2021. Sean Glithero resigned as a director in April 2022 and a replacement CFO has been hired and is expected to join in autumn 2022.

Results and performance
The group results for the year and the financial position at the end of the year are set out on pages 17-58. The group's revenue in note 2 was £386.6 million (year ended 31 January 2021: £390.9 million), Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) in note 3 was a loss of £25.2 million (year ended 31 January 2021: loss of £19.6 million) and the loss for the financial year was £193.9 million (year ended 31 January 2021: £116.7 million).

Given the adverse but lessening impact of Brexit and the COVID-19 pandemic during the period, we have taken the step of breaking out the H1 and H2 business performances.

Group strategic report for the year ended 31 January 2022 (continued)

Results and performance (continued)

	H1	H2	FY21
Order Demand (£ million)	325.7	351.4	677.1
Year on year growth (%)	(4.4%)	15.3%	4.9%
Revenue (£ million)	188.4	198.2	386.6
Year on year growth (%)	(9.4%)	8.3%	(1.1%)
Margin (including duty and taxes) (%)	32.4%	34.1%	33.2%
Year on year growth (% points)	(0.5% pts)	5.2% pts	2.2% pts

The second half performance was markedly stronger than that of the first half in terms of order demand growth, revenue growth and margin improvement. This was the result of a return to larger, more focused autumn/winter buy that traded well with year-end sell through up 2% to 83% points. Second half margin was stronger year on year due to a growing mix of sales at full price and better than the first half performance due to lower inventory write offs following improved management of faulty stock as well as greater Brexit duty mitigation actions. The second half performance was also positively impacted by the removal of limits on social contact (and associated reopening of the economy) increasing demand for occasion wear.

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:

	FY21	FY20	
Order Demand (£ million)	677.1	645.4	Total value, including VAT, of customer orders placed before cancellations and returns
Year on year growth	4.9%	(8.2%)	Movement in order demand compared to prior year
Revenue (£ million)	386.6	390.9	
Year on year revenue growth	(1.1%)	(9.5%)	Movement in revenue compared to prior year
Margin	33.2%	31.0%	Gross profit on revenue
Sell-through:			% of stock purchased for the season sold by the end of the financial year
Spring Summer Season	96%	93%	
Autumn Winter Season	83%	81%	
Finished goods for resale (£ million)	81.7	77.3	

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.

The COVID-19 pandemic presented a significant business risk; however the group developed a 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. The business also took a number of actions to mitigate the short-term financial impact of this risk.

The consequences of Brexit have increased both the logistical complexity the business faces, as well 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.

Group strategic report for the year ended 31 January 2022 (continued)

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 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 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 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 group transitioned to International Financial Reporting Standards ("IFRS") and the company transitioned to Financial Reporting Standards 101 ("FRS 101") with an effective date of 1 February 2020. The most significant change arising from the transition was the change in accounting policy for operating leases. Details of the impact of the transition are included within note 27.

Future outlook

The 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 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.

Group strategic report for the year ended 31 January 2022 (continued)

Future outlook (continued)

Post year-end, order demand growth has continued, albeit dampened by the group's exit from the Russian market. In April 2022, the business received £40 million of new funding via the issuance of new loan notes by a subsidiary company and subsequent investment in equity into the group. At the same time a third covenant waiver was obtained 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.

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

Paolo De Cesare

P De Cesare, Director
17 June 2022

Directors' report for the year ended 31 January 2022

The directors present the group directors' report and the audited financial statements of the company and the group 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 group's and company's cash requirements and forecast covenant compliance for the period up to 31 July 2023, 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. The directors have accordingly adopted the going concern basis in preparing these financial statements.

Management have performed a thorough scenario planning exercise and have reviewed the consolidated income statement, 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 June 2022 to 31 July 2023 of 9.1%. For the period to 31 July 2023 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 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") 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. 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, July 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.

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 2023 which is required to be reported upon to the lenders at the end of April 2023. 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 for cash consideration in the year ending 31 January 2021 and a further £57.6 million of loan notes for cash consideration in the year ended 31 January 2022. Post year end, in April 2022, the group issued a further £40 million in loan notes to the group's investors.

Whilst management are confident a resolution will be found, in the event that one is not found prior to the end of May 2023, 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.

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

Going concern (continued)

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 group's and company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

Future developments

The group is planning continued growth in both the UK and rest of the world through its e-commerce platform underpinned by investment in stock, marketing and logistics activity. Please refer to the group strategic report in the future outlook.

Dividends

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

Donations

The group has made charitable donations of £77,000 during the year (year ended 31 January 2021: £3,000).

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 (appointed 19 October 2021)
S Glithero (resigned 28 April 2022)
A Kavan (resigned 11 March 2021)
V Narain
T Chapman
N Hartman
T Hall
T Mather
M Chiquet
J Weston (appointed 11 March 2021, resigned 19 October 2021)
H Ainley (appointed 28 April 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 £3.0 million (year ending 31 January 2021: £2.2 million) of website related research and development costs. 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.

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

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 22 for details of the group's assessment of financial risk and management policies.

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

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 group and 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 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 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 group and company will continue in business.

The directors are also 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 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

Paolo De Cesare

P De Cesare, Director
17 June 2022

Independent auditors' report to the members of MF Midco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- MF Midco 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 2022 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;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising 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 2022; 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 1b to the financial statements concerning the group's and the company's ability to continue as a going concern.

Under both management's base case and severe but plausible downside financial projections, the business is currently not expected to achieve compliance with its financial covenants at 31 January 2023, which is required to be reported upon to the lenders at the end of April 2023. Management has a number of options to address this including, to renegotiate a waiver with lenders, or raising equity with the support of the group's investors, or for the covenant breach to be cured by other means as disclosed in note 1b. In the event that a resolution is not found prior to the end of May 2023, there would be a default event under the Senior Facilities Agreement and Senior Note agreement (together "the Borrowings"), and a cross-default event would extend to the asset-based lending bank loan facility, which could result in loans becoming repayable on demand.

These conditions, along with the other matters explained in note 1b 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.

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

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

Material uncertainty related to going concern (continued)

- Agreeing the underlying cash flow projections in the base case to the latest management approved forecasts, assessing how these forecasts are prepared and comparing them to external data sources (such as industry forecasts or industry news articles) and historical data (including margins);
- Evaluating management's base case and severe but plausible downside scenarios, challenging the key assumptions together with assessing the group's available facilities, support from its Private Equity investor and the reasonableness of management's planned mitigating actions.
- Assessing the accuracy of management's forecasts against actuals in prior periods. Additionally, we performed sensitivity analysis on the scenarios modelled;
- Considering the appropriateness of management's disclosures in the financial statements of the impact of the current trading environment on the going concern assessment and the increased uncertainty over its accounting estimates and found these to be adequate;
- Reading the facilities agreements to confirm covenant terms and calculations are appropriately considered in line with the agreements;
- Checking the mathematical accuracy of the spreadsheet model used to support management's base case and severe but plausible downside; and,
- Reading the disclosures presented in note 1b for the covenant waivers and renegotiation of lending.

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.

Our audit approach

Context
The group operates globally with the most significant operations in the UK.

Overview
Audit scope

- We identified one financially significant component: Matchesfashion Limited
- We obtained 95% coverage over the group revenue balance through our audit

Key audit matters

- Material uncertainty related to going concern
- Impairment of goodwill and brand and indefinite life intangibles (group)
- Impairment of investments in subsidiaries (parent)

Materiality

- Overall group materiality: £3,853,000 (2021: £3,900,000) based on 1% of Total Revenue.
- Overall company materiality: £4,230,000 (2021: £3,705,000) based on 1% of Total Assets.
- Performance materiality: £2,889,000 (2021: £2,925,000) (group) and £3,172,000 (2021: £2,778,750) (company).

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

MF Midco Limited

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

Key audit matters (continued)
These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit. The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and brand and customer relationship intangibles (group)	
The group has goodwill of nil (2021: £74m) and brand and customer relationship intangibles of £176m (2021: £238m) as at 31 January 2022. During the year an impairment of £105m (2021: £41m) was booked due to there being insufficient headroom on the value-in-use model. As stated in note 11 to the consolidated financial statements, management has estimated the recoverable amount of the Matchesfashion cash generating unit (CGU) using a value-in-use model by projecting cash flows for the next five years, together with a terminal value using a growth rate into perpetuity. The recoverable amount of the CGU is dependent on certain key assumptions, including the forecast cash flows, short and long term growth rates and the discount rate, all of which are dependent upon management judgement and estimates. Due to the magnitude of the balance, and the level of estimation and judgement inherent within management's impairment model, this has been a focus area for our group audit. The recoverable amount was lower than the carrying value of the Group (Goodwill, other intangibles and PPE) at 31 January 2022 year end. This resulted in an impairment charge in the year. There is a risk that significant changes to assumptions or underperformance of trading could give rise to an additional impairment.	We obtained management's impairment assessment with supporting computations and • Tested that the methodology built into the model produced by management to assess impairment addressed the requirements of the financial reporting framework, and re-performed management's calculations, including testing for mathematical accuracy; • Evaluated the accuracy of prior years' forecasts in light of past performance and actual results achieved to assess the quality and reliability of management's forecasts for the Matchesfashion CGU; • Agreed information, in particular forecast financial information, to budgets and forecasts approved by senior management; • Assessed the growth assumptions to external data on the future outlook in the retail, online and luxury markets; • Used a valuations expert to assess the appropriateness of the discount and long term growth rates used; and, • Challenged management over the reasonableness of the key assumptions inherent in the model and performed sensitivity analysis around these key assumptions, being: o the revenue growth rate for the first five years; o the perpetuity growth rate; o the discount rate. We did not identify any issues with management's key assumptions based on our evaluation of supporting evidence, together with our own sensitivity analysis performed. We also considered the appropriateness of the related disclosures in the financial statements. We found that the disclosures appropriately describe the key judgements and sensitivities included in the directors' assessment.

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of investments in subsidiaries (parent)	
As per IAS 36, investments are required to be assessed for indicators of impairment annually. As shown in note 13, the company holds investments in its subsidiaries with a total carrying amount of £200m as at 31 January 2022 (2021: £325m). An impairment has been recognised as the value in use (VIU) model used to compute the present value of forecast future cash flows did not support the carrying value of investments. Given the size of the balance and the significant judgements and estimates involved to determine whether the carrying value of the investments is appropriate, this has been a key focus area for our company audit. The valuation of these investments is dependent on certain key assumptions including the forecast cash flows, short and longer term growth rates and the discount rate. There is a risk that significant changes to assumptions or underperformance of trading could give rise to additional impairment.	We obtained management's impairment assessment with supporting computations and: • Verified that the inputs to the assessment were mathematically accurate; • Evaluated the appropriateness of key assumptions, as noted in the goodwill and intangible assets impairment section above, ensuring there is appropriate consistency in the key assumptions applied; • Performed sensitivity analysis to evaluate the impact of changes to key assumptions; • Compared the aggregate carrying value of the investment to the value in use of the Matchesfashion CGU and confirmed that the shortfall agrees to the impairment recognised. Based on the work done, we concur with management's assessment.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

For the purposes of scoping the group audit we have assessed the components of the business; and noted only one significant component: Matchesfashion Limited. The audit of this component was undertaken by the UK group team. The components where we performed audit work accounted for approximately 95% of absolute group loss before tax and approximately 95% of revenue. We performed specified audit procedures over balances within MF Intermediate Limited and MF Midco Limited based on their overall size and values of their specific financial statement line items. For the company financial statements, we performed a full scope audit, providing us with 100% coverage.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

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

Materiality (continued)

	Financial statements - group	Financial statements - company
Overall materiality	£3,853,000 (2021: £3,900,000).	£4,230,000 (2021: £3,705,000).
How we determined it	1% of Total Revenue	1% of Total Assets
Rationale for benchmark applied	Despite the volatility in profit before tax from increased costs year on year and Covid 19 implications, the key KPI and resultant focus is on revenue growth. It is therefore considered appropriate to use a benchmark of total revenue.	The parent company does not trade. As a result, we believe the net assets is the most appropriate benchmark to use for the company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was 3661000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £2,889,000 (2021: £2,925,000) for the group financial statements and £3,172,000 (2021: £2,778,750) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above 192,650 (group audit) (2021: 195,000) and 211,500 (company audit) (2021: 215,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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.

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

Reporting on other information (continued)
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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Directors' responsibilities for 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.

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 law, 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 tax legislation 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 EBITDA and the misappropriation of cash. Audit procedures performed by the engagement team included:

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

Auditors' responsibilities for the audit of the financial statements (continued)

- 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 goodwill, intangible assets and investments.
- 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

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.

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.

Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 June 2022

Consolidated Statement of Comprehensive Income for the year ended 31 January 2022

	Note	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
Revenue	2	**386,584**	390,943
Cost of sales		**(258,895)**	(269,739)
Gross profit		**127,689**	121,204
Distribution costs		**(79,610)**	(67,740)
Administrative expenses		**(222,095)**	(160,560)
Other operating income		**977**	2,246
Operating loss	3	**(173,039)**	(104,850)
Finance income	7	**-**	3,387
Finance costs	7	**(43,730)**	(31,862)
Net finance costs		**(43,730)**	(28,475)
Loss before income tax		**(216,769)**	(133,325)
Income tax credit	8	**22,901**	16,625
Loss for the financial year		**(193,868)**	(116,700)
Other comprehensive result		**-**	-
Total comprehensive loss for the financial year		**(193,868)**	(116,700)

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

During the year, the group transitioned to IFRS. See note 28 for further details.

MF Midco Limited

Company Registration No. 10931900 (United Kingdom)

Consolidated Statement of Financial Position as at 31 January 2022

	Note	31 January 2022 £000	31 January 2021 £000	1 February 2020 £000
Non-current assets				
Property, plant and equipment	9	**7,679**	12,963	16,710
Right-of-use asset	10	**15,967**	20,871	26,079
Intangible assets	11	**176,554**	312,281	384,041
Trade and other receivables	12	**-**	750	546
		200,200	346,865	427,376
Current assets				
Inventories	14	**84,619**	79,583	144,151
Trade and other receivables	12	**26,140**	23,271	16,427
Current tax assets		**698**	379	975
Cash and cash equivalents	15	**5,910**	6,839	14,404
		117,367	110,072	175,957
Total assets		**317,567**	456,937	603,333
Current liabilities				
Trade and other payables	16	**(78,449)**	(86,939)	(158,042)
Current tax liabilities		**-**	-	(209)
Borrowings	17	**(118,535)**	(106,620)	(110,007)
Lease liabilities	10	**(4,405)**	(5,982)	(5,804)
		(201,389)	(199,541)	(274,062)
Non-current liabilities				
Borrowings	17	**(301,338)**	(221,864)	(156,019)
Lease liabilities	10	**(16,752)**	(21,105)	(27,087)
Deferred tax liability	18	**(4,130)**	(26,797)	(43,422)
Provisions	19	**(3,562)**	(3,366)	(1,779)
		(325,782)	(273,132)	(228,307)
Total liabilities		**(527,171)**	(472,673)	(502,369)
Net (liabilities)/assets		**(209,604)**	(15,736)	100,964
Equity				
Called up share capital	20	**-**	-	-
Share premium account		**590,877**	590,877	590,877
Accumulated losses		**(800,481)**	(606,613)	(489,913)
Total equity		**(209,604)**	(15,736)	100,964

During the year, the group transitioned to IFRS. See note 28 for further details.

The financial statements on pages 17 to 58 were approved by the board on 17 June 2022 and signed on its behalf by

Paolo De Cesare

P De Cesare
Director

MF Midco Limited

Company Registration No. 10931900 (United Kingdom)

Company Statement of Financial Position as at 31 January 2022

	Note	**31 January 2022 £000**	31 January 2021 £000
Non-current assets			
Investments in subsidiaries	13	**200,200**	325,244
Current assets			
Cash and cash equivalents	15	**31**	180
		31	180
Total assets		**200,231**	325,424
Current liabilities			
Trade and other payables	16	**(120)**	(270)
		(120)	(270)
Non-current liabilities			
Borrowings	17	**(188,479)**	(171,344)
		(188,479)	(171,344)
Total liabilities		**(188,599)**	(171,614)
Net assets		**11,632**	153,810
Equity			
Called up share capital	20	**-**	-
Share premium account		**590,877**	590,877
Accumulated losses		**(579,245)**	(437,067)
Total equity		**11,632**	153,810

During the year, the company transitioned to FRS 101. See note 28 for further details.

The loss for the parent company for the year was £142.2 million (year ended 31 January 2021: £91.2 million).

The financial statements on pages 17 to 58 were approved by the board on 17 June 2022 and signed on its behalf by

Paolo De Cesare

P De Cesare
Director

MF Midco Limited

Company Registration No. 10931900 (United Kingdom)

Consolidated 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	-	590,877	(489,913)	100,964
Loss for the financial year	-	-	(116,700)	(116,700)
Total comprehensive loss	-	-	(116,700)	(116,700)
Balance as at 31 January 2021	-	590,877	(606,613)	(15,736)
Balance as at 1 February 2021	**-**	**590,877**	**(606,613)**	**(15,736)**
Loss for the financial year	**-**	**-**	**(193,868)**	**(193,868)**
Total comprehensive loss	**-**	**-**	**(193,868)**	**(193,868)**
Balance as at 31 January 2022	**-**	**590,877**	**(800,481)**	**(209,604)**

Company 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	-	545,877	(345,857)	200,020
Loss for the financial year	-	-	(91,210)	(91,210)
Total comprehensive loss	-	-	(91,210)	(91,210)
Shares issued in the year	-	45,000	-	45,000
Total transactions with owners, recognised directly in equity	-	45,000	-	45,000
Balance as at 31 January 2021	-	590,877	(437,067)	153,810
Balance as at 1 February 2021	**-**	**590,877**	**(437,067)**	**153,810**
Loss for the financial year	**-**	**-**	**(142,178)**	**(142,178)**
Total comprehensive loss	**-**	**-**	**(142,178)**	**(142,178)**
Balance as at 31 January 2022	**-**	**590,877**	**(579,245)**	**11,632**

Consolidated Statement of Cash Flows for the year ended 31 January 2022

	Note	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
Cash flows from operating activities			
Loss before income tax		**(216,769)**	(133,325)
Depreciation	9,10	**10,850**	12,263
Amortisation	11	**30,970**	31,205
Impairment of intangible assets	11	**104,779**	40,675
Net finance costs	7	**43,730**	28,475
Foreign exchange losses/(gains)		**66**	(170)
Increase in trade receivables		**(2,119)**	(7,048)
Increase/(decrease) in trade payables		**21,464**	(53,412)
(Increase)/decrease in inventories		**(5,036)**	64,568
Cash outflow from operating activities		**(12,065)**	(16,769)
Income tax (paid)/refund		**(85)**	387
Net cash outflow from operating activities		**(12,150)**	(16,382)
Cash flow from investing activities			
Purchase of tangible assets	9	**(573)**	(3,308)
Purchase of intangible assets	11	**(22)**	(120)
Net cash outflow from investing activities		**(595)**	(3,428)
Cash flow from financing activities			
Interest paid		**(9,221)**	(10,543)
Principal element of lease payments		**(5,929)**	(5,805)
Loan notes issued		**57,600**	45,000
Net asset-based lending facility payments		**(30,568)**	(16,577)
Net cash inflow from financing activities		**11,882**	12,075
Net decrease in cash and cash equivalents during the year		**(863)**	(7,735)
Cash and cash equivalents at the beginning of the year		**6,839**	14,404
Exchange (losses)/gains on cash and cash equivalents		**(66)**	170
Cash and cash equivalents at the end of the year	15	**5,910**	6,839

During the year, the group transitioned to IFRS. See note 28 for further details.

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

1. Accounting policies

General information
MF Midco 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 group's operations is set out in the strategic report.

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

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. 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 2022.

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 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(x).

b) Going concern
The directors confirm that having reviewed the group's and company's cash requirements and forecast covenant compliance for the period up to 31 July 2023, 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. The directors have accordingly adopted the going concern basis in preparing these financial statements.

Management have performed a thorough scenario planning exercise and have reviewed the consolidated income statement, 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 June 2022 to 31 July 2023 of 9.1%. For the period to 31 July 2023 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 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") 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. 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, July 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.

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 2023 which is required to be reported upon to the lenders at the end of April 2023. 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 for cash consideration in the year ending 31 January 2021 and a further £57.6 million of loan notes for cash consideration in the year ended 31 January 2022. Post year end, in April 2022, the group issued a further £40 million in loan notes to the group's investors.

Whilst management are confident a resolution will be found, in the event that one is not found prior to the end of May 2023, 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 group's and company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the group and 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).

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 2022. 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.

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

1. Accounting policies (continued)

f) Revenue recognition

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

The group bases the estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

i. Sale of goods – retail

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. Sale of goods – internet based transactions

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 risks and rewards of the inventory is passed to the customer. 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.

iii. Brand income

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

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).

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.

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

1. Accounting policies (continued)

h) Grant income
Grant income is included within other operating income. Where grant income is linked to a claim that the group has the right to make, the grant 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 one-off 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, profit or loss on disposal of investment and significant impairment of assets.

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

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.

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.

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

1. Accounting policies (continued)

m) Business combinations and goodwill

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

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

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

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

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is not amortised but is assessed for impairment at least annually (more frequently when there are indicators of impairment) and any impairment is charged to the income statement.

Intangible assets comprise goodwill, certain acquired separable corporate brand names, acquired customer relationships and technology which include website costs that expected to generate future revenues in excess of the costs of developing those websites. Corporate brand names, customer relationships and technology acquired as part of acquisitions of businesses are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the group.

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

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

Acquired intangibles	
Corporate brand names	15 years straight line
Customer relationship	7 years straight line
Technology	4 years straight line

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

1. Accounting policies (continued)

n) 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.

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

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

Leasehold improvements	Over term of respective lease
Furniture and fittings - long life	Over term of respective lease (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.

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.

p) 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.

1. Accounting policies (continued)

q) 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.

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.

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 recognised these on a straight-line basis as an expense in the income statement.

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

1. Accounting policies (continued)

r) Impairment of non-financial assets

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

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

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

If an impairment loss is subsequently 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.

s) 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. 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.

t) 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.

u) 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.

1. Accounting policies (continued)

v) 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.

w) 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.

1. Accounting policies (continued)

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 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.

x) 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.

Significant estimate: key assumptions used in calculating recoverable amount for goodwill impairment reviews
Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount of the cash generating unit to which the goodwill has been allocated, which is the higher of value in use and the fair value less costs of disposal. An impairment loss on other intangible assets is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). See note 11 for details of the estimates used in the calculation and the related sensitivities.

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. Refer to note 13 for further details of investments.

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

2. Revenue

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

Analysis of revenue by classes of business - Group

	Year ended 31 January 2022		Year ended 31 January 2021	
	£000	**%**	£000	%
Retail stores activities	**7,486**	**2**	5,408	1
Online activities	**376,186**	**97**	383,804	99
Brand income	**2,912**	**1**	1,731	-
Total revenue	**386,584**	**100**	390,943	100

Analysis of revenue by geographical market - Group

	Year ended 31 January 2022		Year ended 31 January 2021	
	£000	**%**	£000	%
United Kingdom	**86,134**	**23**	73,590	19
United States of America	**70,759**	**18**	55,546	14
Australia	**22,631**	**6**	25,073	6
Far East	**94,963**	**25**	126,645	33
Europe	**71,361**	**18**	68,618	18
Middle East	**23,533**	**6**	24,904	6
Rest of world	**17,203**	**4**	16,567	4
Total revenue	**386,584**	**100**	390,943	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 2022 (continued)

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

Operating loss is stated after charging/(crediting):

Group

	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
Depreciation of property, plant and equipment	**5,857**	7,055
Depreciation of right-of-use asset	**4,993**	5,208
Amortisation of intangible assets (included within administrative expenses)	**30,970**	31,205
Impairment of intangible assets	**104,779**	40,675
Research and development	**2,970**	2,201
Foreign exchange losses	**189**	1,216
Salaries and wages including grant income (note 6)	**54,873**	51,298
Auditors' remuneration	**214**	258
Non-audit services	**16**	-
Other operating income*	**(977)**	(2,246)

* Other operating income in the prior year includes £1.6 million of grant income relating to funds received under the Coronavirus Job Retention Scheme. Other operating income also includes advertising income, insurance claims settled and R&D credits.

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

Group

	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
Operating loss	**(173,039)**	(104,850)
Exceptional items	**1,263**	1,061
Depreciation of property, plant and equipment	**5,857**	7,055
Depreciation of right-of-use assets	**4,993**	5,208
Amortisation of intangible assets	**30,970**	31,205
Impairment of intangible assets	**104,779**	40,675
Adjusted EBITDA	**(25,177)**	(19,646)

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

4. Exceptional items – Group

The main components of the exceptional charge are as follows:

	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
Restructuring costs	-	940
New and vacant properties costs	-	121
One-off salary related costs	1,263	-
	1,263	1,061

5. Directors' emoluments

	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
The directors' emoluments for the group were as follows:		
Aggregate emoluments	2,751	1,916
Company contributions to defined contribution pension schemes	10	10
The amounts in respect of the highest paid director for the group are as follows:		
Highest emoluments	1,272	1,497

As at 31 January 2022 there were two (31 January 2021: two) directors receiving emoluments.

Key management compensation

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

	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
Aggregate emoluments	4,193	4,198
Pension contributions	37	-

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

6. Employee information

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

Group	**Year ended 31 January 2022**	Year ended 31 January 2021
By activity:	**Number**	Number
Production	**26**	18
Selling and distribution	**54**	53
Administration	**644**	667
Total	**724**	738

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

Group	**Year ended 31 January 2022**	Year ended 31 January 2021
	£000	£000
Wages and salaries	**49,293**	45,892
Social security costs	**4,216**	4,051
Other pension costs	**1,364**	1,355
	54,873	51,298

Company

The company had no employees during either the current or prior year.

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

7. Net finance costs - Group

	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
Interest receivable from unrealised exchange gain	-	(3,387)
Finance income	-	(3,387)
Interest payable on overdrafts and bank loans	9,605	8,740
Interest payable from unrealised exchange loss	572	-
Unwind of discount on dilapidation provision	218	205
Interest payable on lease liabilities	1,484	1,802
Interest payable on loan notes	14,364	5,519
Interest payable on senior loan notes	353	-
Interest payable on shareholder debt	17,134	15,596
Finance costs	43,730	31,862
Net finance costs	43,730	28,475

8. Income tax credit – Group

(a) Tax credit 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	149	-
Adjustments in respect of prior year	(383)	-
Total current tax	(234)	-
Deferred tax		
Origination and reversal of timing differences	(31,129)	(13,133)
Impact of changes in tax rates	8,462	-
Adjustments in respect of prior year	-	(3,492)
Total deferred tax	(22,667)	(16,625)
Tax credit on loss	(22,901)	(16,625)

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

8. Income tax credit – Group (continued)

(b) Reconciliation of tax credit

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	Year ended 31 January 2021
	£000	£000
Loss before taxation	**(216,769)**	(133,325)
Tax on loss before taxation at 19% (year ended 31 January 2021: 19%)	**(41,186)**	(25,332)
Effects of:		
Effect of different tax rate of overseas jurisdiction	**14**	(108)
Expenses not deductible	**13,938**	13,229
Adjustments to tax in respect of previous periods	**(383)**	(3,492)
Remeasurement of deferred tax for changes in tax rates	**8,462**	-
Movement in deferred tax not recognised	**(3,746)**	(922)
Tax credit for the year	**(22,901)**	(16,625)

(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. Deferred taxes at the statement of financial position date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the financial statements for the year ended 31 January 2022 (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 2020	14,196	6,805	1,133	8,988	31,122
Additions	1,467	770	25	1,046	3,308
Disposals	-	(385)	(4)	-	(389)
At 31 January 2021	15,663	7,190	1,154	10,034	34,041
Accumulated depreciation					
At 1 February 2020	5,011	3,588	794	5,019	14,412
Charge for the year	3,538	1,507	180	1,830	7,055
Disposals	-	(385)	(4)	-	(389)
At 31 January 2021	8,549	4,710	970	6,849	21,078
Net book amount at 31 January 2021	7,114	2,480	184	3,185	12,963
Net book amount at 31 January 2020	9,185	3,217	339	3,969	16,710

	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

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 2022 (continued)

9. Property, plant and equipment (continued)

Company

The company holds no property, plant and equipment at 31 January 2022 (31 January 2021: £Nil).

10. Leases

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

	31 January 2022	31 January 2021
	£000	£000
Right-of-use assets		
Buildings	**15,859**	20,633
Equipment	**108**	238
	15,967	20,871
Lease liabilities		
Current	**4,405**	5,982
Non-current	**16,752**	21,105
	21,157	27,087

There were no additions to right-of-use assets in either financial year.

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

	Year ended 31 January 2022	Year ended 31 January 2021
	£000	£000
Depreciation charge		
Buildings	**4,863**	5,019
Equipment	**130**	189
	4,993	5,208
Interest expense (included in finance costs)	**1,484**	1,802

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 2022 was £7.4 million (year ended 31 January 2021: £7.6 million).

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

11. Intangible assets

Group

	Goodwill	Brands	Customer Relationships	Technology	Total
	£000	£000	£000	£000	£000
Cost					
At 1 February 2020	490,569	233,281	105,600	3,146	832,596
Additions	-	49	-	71	120
Disposals	-	-	-	(626)	(626)
At 31 January 2021	490,569	233,330	105,600	2,591	832,090
Accumulated amortisation					
At 1 February 2020	376,109	35,796	34,571	2,079	448,555
Charge for the year	-	15,506	15,086	613	31,205
Impairment	40,675	-	-	-	40,675
Disposals	-	-	-	(626)	(626)
At 31 January 2021	416,784	51,302	49,657	2,066	519,809
Net book amount at 31 January 2021	73,785	182,028	55,943	525	312,281
Net book amount at 31 January 2019	114,460	197,485	71,029	1,067	384,041

	Goodwill	Brands	Customer Relationships	Technology	Total
	£000	£000	£000	£000	£000
Cost					
At 1 February 2021	490,569	233,330	105,600	2,591	832,090
Additions	-	22	-	-	22
Disposals	-	-	-	-	-
At 31 January 2022	**490,569**	**233,352**	**105,600**	**2,591**	**832,112**
Accumulated amortisation					
At 1 February 2021	416,784	51,302	49,657	2,066	519,809
Charge for the year	-	15,552	15,086	332	30,970
Impairment	73,785	24,887	6,107	-	104,779
At 31 January 2022	**490,569**	**91,741**	**70,850**	**2,398**	**655,558**
Net book amount at 31 January 2022	**-**	**141,611**	**34,750**	**193**	**176,554**
Net book amount at 31 January 2021	73,785	182,028	55,943	525	312,281

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

11. Intangible assets (continued)

The group has estimated the recoverable amount of Matchesfashion, its sole cash generating unit ('CGU'), 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.

Company

The company holds no intangible assets at 31 January 2022 (31 January 2021: £Nil).

12. Trade and other receivables

Group	**31 January 2022**	31 January 2021
	£000	£000
Non-current		
Other receivables	**-**	750
Current		
Trade receivables	**13,240**	1,996
Taxation and social security	**3,325**	-
Other receivables	**7,004**	18,633
Intercompany receivables	**36**	-
Prepayments and accrued income	**2,535**	2,642
	26,140	23,271

Company

The company had no trade and other receivables at 31 January 2022 (31 January 2021: £Nil).

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

13. Investments in subsidiaries

Company

	31 January 2022	31 January 2021
	£000	£000
Balance as at 1 February	325,244	400,855
Impairment	(125,044)	(75,611)
Balance as at 31 January	200,200	325,244

The company's subsidiaries are set out in note 26.

The company has estimated the recoverable amount of Matchesfashion 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. This resulted in an impairment loss of £125.0 million on the investment in the year to 31 January 2022 (year ended 31 January 2021: £75.6 million). For further information on the estimates used in the calculation of the impairment loss, in addition to the related sensitivities, refer to note 11.

14. Inventories

Group

	31 January 2022	31 January 2021
	£000	£000
Raw materials	2,955	2,253
Finished goods and goods for resale	81,664	77,330
	84,619	79,583

An inventory provision of £8.8 million (31 January 2021: £13.0 million) has been recorded, representing 10% (31 January 2021: 16%) 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 year-on-year reduction in inventory provision reflects management action to reduce the levels of both aged and faulty stock through offline sales.

The cost of inventories recognised as an expense and included in cost of sales amounted to £209.2 million (year ended 31 January 2021: £248.4 million).

Company

The company had no inventories at 31 January 2022 (31 January 2021: £Nil).

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

15. Cash and cash equivalents

	Group 31 January 2022	Group 31 January 2021	**Company 31 January 2022**	Company 31 January 2021
	£000	£000	**£000**	£000
Cash at bank and in hand	**5,910**	6,839	**31**	180

Cash at bank and in hand includes cash received from credit card companies of £2.8 million (31 January 2021: £2.3 million) within four working days of the financial year end.

16. Trade and other payables

	Group 31 January 2022 £000	Group 31 January 2021 £000	**Company 31 January 2022 £000**	Company 31 January 2021 £000
Trade payables	**35,107**	26,722	**-**	-
Taxation and social security	**4,063**	1,702	**-**	-
Other payables	**12,832**	10,531	**-**	-
Intercompany payables	**-**	-	**120**	270
Amount drawn under asset-based lending facility	**3,262**	33,830	**-**	-
Accruals	**23,185**	14,154	**-**	-
	78,449	86,939	**120**	270

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 2022 interest was payable at a rate of between 2% and 2.5% above either LIBOR or SONIA, varying based on the percentage drawn as compared to the maximum facility of £65 million. In April 2022 the facility was extended to the earlier of 5 November 2023 or the relocation of the group's main distribution centre outside of the United Kingdom. In connection with this extension the maximum facility was reduced to £50 million, and the interest rate payable increased to a rate of between 2.5% and 3.0% above SONIA. Previous financial covenants were replaced with a requirement to maintain excess availability of £5 million on the facility at all times. All receivables are used to repay the drawn facility.

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 (£7.1 million; 31 January 2021: £6.8 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 (£4.7 million; 31 January 2021: £4.7 million).

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

17. Borrowings

	Group 31 January 2022 £000	Group 31 January 2021 £000	Company 31 January 2022 £000	Company 31 January 2021 £000
Current				
Term loan	**108,783**	106,620	-	-
Senior loan notes	**9,752**	-	-	-
	118,535	106,620	-	-
Non-current				
Shareholder debt	**188,479**	171,344	**188,479**	171,344
Loan notes	**112,859**	50,520	-	-
	301,338	221,864	**188,479**	171,344
Total borrowings	**419,873**	328,484	**188,479**	171,344

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

Term loan

The USD144,705,000 term loan was drawn down on 13 October 2017 and was subsequently converted into USD115,733,000 and EUR25,000,000 term loans from Royal Bank of Canada on 10 November 2017 under MF Bidco Limited as part of the payment to acquire the shares in Matchesfashion Limited. The loan has a term of 7 years, with the final redemption being 14 October 2024. The cash paid interest on the loan is 4.625% above LIBOR for USD loan and 3.75% above EURIBOR on EUR loan. In addition, there is a 3.00% PIK interest on both the USD loan and the EUR loan, which is capitalised semi-annually and added to the outstanding loan amount. In April 2022 an exit fee, payable on termination and repayment of the loan, calculated as 20% of all amounts outstanding at termination, was agreed in connection with the quarter ended 31 January 2022 covenant waiver. The loans are secured by a fixed and floating charge over the assets of MF Intermediate Limited and its subsidiaries in the UK.

Under the term loan, the group is required to comply with the following financial covenant:

a) The Senior Secured First Lien Leverage Ratio shall not exceed 7.50:1

b) This ratio is defined as the ratio of Consolidated Net Indebtedness to Consolidated "Adjusted" EBITDA (as calculated under UK GAAP).

The group obtained a waiver of its financial covenant in respect to the year ending 31 January 2021 in February 2021 before the financial covenant was reported and tested. Subsequently a waiver in respect to the year ending 31 January 2022 was obtained in April 2022, again prior to the financial covenant being reported and tested (see note 1b). Both waivers were obtained after the respective year end of the financial statements and accordingly the term loan has been presented within current liabilities as at 31 January 2021 and 2022. The term loan will be reclassified back to non-current liabilities subsequent to the year end.

Senior loan notes

Senior loan notes with a principal value of £9.6 million were issued on 23 August 2021. The notes carry cash paid interest of 4.625% per annum above SONIA, payable semi-annually, in addition to PIK interest of 3.00% which is also added to the principal value semi-annually. Mirroring the Term Loan arrangement described above a waiver in respect to the year ending 31 January 2022 was obtained in April 2022, again prior to the financial covenant being reported and tested (see note 1b). Similarly, a 20% exit fee was added in April 2022. The loan notes are redeemable on 13 October 2024.

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

17. Borrowings (continued)

Shareholder loan

The shareholder loan of £125,000,000 was issued and listed on the Caymans Islands Stock Exchange under Corporate Debt Securities on 13 October 2017. The loan expires on 13 October 2025 with 10% fixed interest per annum which is capitalised quarterly and added to the outstanding amount due.

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.

Net debt

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

	Asset-based lending	Borrowings	Leases	Subtotal – liabilities from financing activities	Cash and cash equivalents	Total
	£000	£000	£000	£000	£000	£000
At 1 February 2020	50,407	266,026	32,891	**349,324**	(14,404)	**334,920**
Cash flows	(16,577)	45,000	(7,606)	**20,817**	7,735	**28,552**
Capitalised interest	-	20,845	1,802	**22,647**	-	**22,647**
Foreign exchange movement	-	(3,387)	-	**(3,387)**	(170)	**(3,557)**
At 31 January 2021	33,830	328,484	27,087	**389,401**	(6,839)	**382,562**
At 1 February 2021	33,830	328,484	27,087	**389,401**	(6,839)	**382,562**
Cash flows	(30,568)	57,600	(7,414)	**19,618**	863	**20,481**
Capitalised interest	-	33,217	1,484	**34,701**	-	**34,701**
Foreign exchange movement	-	572	-	**572**	66	**638**
At 31 January 2022	**3,262**	**419,873**	**21,157**	**444,292**	**(5,910)**	**438,382**

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

18. Deferred tax liability

Group

	Deferred tax liability £000
At 1 February 2020	43,422
Statement of comprehensive income credit	(16,625)
At 31 January 2021	26,797
At 1 February 2021	**26,797**
Statement of comprehensive income credit	**(22,667)**
At 31 January 2022	**4,130**

The deferred tax liability relates to the following timing differences:

	31 January 2022 £000	31 January 2021 £000
Short term timing differences	**(19,991)**	(10,778)
Recognition of brand value	**44,085**	45,215
Tax losses carried forward	**(19,964)**	(7,640)
	4,130	26,797

Company

The company had no deferred tax liabilities at 31 January 2022 (31 January 2021: £Nil).

19. Provisions

Group

	31 January 2022 £000	31 January 2021 £000
At 1 February	**3,366**	1,779
(Release)/additions during the year	**(22)**	1,382
Release of discount	**218**	205
At 31 January	**3,562**	3,366

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.

Company

The company had no provisions at 31 January 2022 (31 January 2021: £Nil).

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

20. Called up share capital

Group and company

	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.

21. 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:

	Group 31 January 2022 £000	Group 31 January 2021 £000	**Company 31 January 2022 £000**	Company 31 January 2021 £000
Financial assets				
Trade and other receivables	**15,626**	16,683	**-**	-
Cash and cash equivalents	**5,910**	6,839	**31**	180
	21,536	23,522	**31**	180
Financial liabilities				
Trade and other payables	**78,139**	90,737	**120**	270
Borrowings	**419,873**	328,484	**188,479**	171,344
Lease liabilities	**21,157**	27,087	**-**	-
	519,169	446,308	**188,599**	171,614

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

22. 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.

	Less than 1 year £000	1 to 2 years £000	2 to 5 years £000	5 to 25 years £000	Over 25 years £000	Total £000
31 January 2022						
Trade and other payables	**75,480**	**-**	**2,334**	**1,267**	**-**	**79,081**
Borrowings*	**5,666**	**5,825**	**401,663**	**-**	**6,970,511**	**7,383,665**
Lease liabilities	**5,509**	**4,809**	**11,906**	**2,537**	**-**	**24,761**
Total	**86,655**	**10,634**	**415,903**	**3,804**	**6,970,511**	**7,487,507**
31 January 2021						
Trade and other payables	53,564	35,588	49	2,697	-	91,898
Borrowings*	6,744	5,483	393,384	-	3,604,278	4,009,889
Lease liabilities	7,467	5,509	14,144	5,108	-	32,228
Total	67,775	46,580	407,577	7,805	3,604,278	4,134,015

*Includes contractual future interest payments which are therefore not accrued at the end of the financial year

The group's borrowings are due for repayment as follows:

	31 January 2022 £000	31 January 2021 £000
October 2024	**118,535**	106,620
October 2025	**188,479**	171,344
January 2050	**112,859**	50,520
Total	**419,873**	328,484

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

22. Financial risk management (continued)

(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 held with Wells Fargo Bank who has an 'Aa2' class credit rating and HSBC Bank plc who has an 'A1' 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. The exception is the Term Loan which is charged at plus US LIBOR/EURIBOR.

	Fixed rate	Floating rate	Non-interest bearing	Total
	£000	£000	£000	£000
31 January 2022				
Trade and other payables	**-**	**3,262**	**74,877**	**78,139**
Borrowings	**301,338**	**118,535**	**-**	**419,873**
Total	**301,338**	**121,797**	**74,877**	**498,012**
31 January 2021				
Trade and other payables	-	33,830	56,907	90,737
Borrowings	221,864	106,620	-	328,484
Total	221,864	140,450	56,907	419,221

(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 2021: £Nil).

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

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

22. Financial risk management (continued)

(d) Foreign exchange risk (continued)

	USD $'000	EUR €'000	JPY ¥'000	HKD HKD'000	AUD AUD'000
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	**(10,151)**	**(13,105)**	**(6,398)**	**(327)**	**(801)**
Borrowings	**(117,537)**	**(25,390)**	**-**	**-**	**-**
31 January 2021					
Trade and other receivables	366	6,200	-	2,424	32
Cash and cash equivalents	3,139	2,687	52,712	6,347	1,181
Trade and other payables	(2,068)	(10,597)	(2,321)	(807)	(165)
Borrowings	(115,733)	(25,000)	-	-	-

The aggregate net foreign exchange (losses)/gains recognised in the income statement were:

	Year ended 31 January 2022 £000	Year ended 31 January 2021 £000
Net foreign exchange loss included in cost of sales	**(189)**	(1,216)
Exchange (loss)/gains on foreign currency borrowing included in net finance costs	**(572)**	3,387
Total net foreign exchange (losses)/gains recognised in loss before income tax for the year	**(761)**	2,171

(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 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 group might issue new shares, refinance existing debt or take on new debt.

The group's capital is summarised as follows:

	31 January 2022 £000	31 January 2021 £000
Net debt	**438,382**	382,562
Total equity	**(209,604)**	(15,736)

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

23. Related party transactions

Of the £112.9 million of loan notes issued as at 31 January 2022 (as at 31 January 2021: £50.5 million), £8.3 million was held by directors of the group and company (as at 31 January 2021: £nil). Interest of £0.4 million was charged on these loan notes held by directors in the year ended 31 January 2022 (year ended 31 January 2021: £nil) and added to the principal loan value.

In addition, of the £188.5 million of shareholder debt outstanding as at 31 January 2022 (as at 31 January 2021: £171.3 million), £20.6 million was owed to directors of the group and company and their connected parties (as at 31 January 2021: £18.7 million). Interest of £1.9 million was charged on the debt owed to these parties in the year ended 31 January 2022 (year ended 31 January 2021: £1.7 million) and added to the principal loan value.

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

24. Contingent liabilities

The group has contingent liabilities in the form of bank guarantees for supplier and duty payments to the value of £0.8 million (31 January 2021: £0.2 million) provided by its bank. The group has implemented a Customs Warehouse. The contingent liability for deferred duty at 31 January 2022 was £1.7 million (31 January 2021: £0.8 million). The term loans of USD115,733,000 and EUR25,000,000 are guaranteed by MF Midco Limited for the investments in MF Bidco Limited.

25. Ultimate controlling party

The immediate parent undertaking is MF Topco Limited, a company incorporated in Guernsey. MF Midco Limited financial statements are consolidated within MF Topco Limited enabling MF Midco 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.

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

26. Subsidiaries and related undertakings

Name	Address of registered office	Nature of business	Direct holdings
MF Debtco Limited*	The Shard, 32 London Bridge Street, London SE1 9SG	Non-trading company	100% ordinary shares
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

*These subsidiaries have taken the audit exemption under Section 479A of the Companies Act 2006 in respect of the years ended 31 January 2021 and 31 January 2022. The company will guarantee the debts and liabilities of these UK subsidiary undertakings at the balance sheet date in accordance with section 479C of the Companies Act 2006. The company has assessed the probability of loss under the guarantee as remote.

All the above subsidiaries are included in the consolidation.

27. Post balance sheet events

In April 2022:

a) the company's subsidiary, MF Intermediate Limited, issued equity to its immediate parent company, MF Debtco Limited, 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 group extended the ABL facility until the earlier of 5 November 2023 or the relocation of the group's main distribution centre outside the United Kingdom. As outlined in note 16 the terms of the ABL were also amended.

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

28. Conversion to IFRS

Group and company

The key changes resulting from the company and the group's transition to IFRS were as follows:

- the accounting for leases by bringing the liability, and related asset, onto the statement of financial position and replacing the rental expense with depreciation and an interest cost;
- no longer depreciating the goodwill balance and instead performing an annual impairment review;
- the reclassification of discounts previously included as costs into revenue; and
- the splitting of the refund accrual between assets and liabilities.

There was no impact on cash arising from the transition to IFRS. The key difference in the presentation of the consolidated statement of cash flows is that operating lease payments previously shown within loss for the year are now shown within financing activities and split between interest and principal payments.

The group headed by MF Midco Limited transitioned to IFRS after its parent company, MF Topco Limited, and has taken the option allowed under IFRS 1.D19(a) that where a subsidiary transitions to IFRS later than its parent, the subsidiary can use the parent's transition date to measure assets and liabilities at its own transition. Therefore whilst the group, and company's, transition date is 1 February 2020, all assets and liabilities have been measured using a transition date of 1 February 2019.

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

28. Conversion to IFRS (continued)

Consolidated Statement of Financial Position as at 1 February 2020

	As previously stated 1 February 2020 £000	Effect of transition 1 February 2020 £000	Other changes* 31 January 2021 £000	**1 February 2020 £000**
Non-current assets				
Property, plant and equipment	16,710	-	-	**16,710**
Right-of-use asset	-	26,079	-	**26,079**
Intangible assets	384,041	-	-	**384,041**
Trade and other receivables	-	546	-	**546**
	400,751	26,625	-	**427,376**
Current assets				
Inventories	144,151	-	-	**144,151**
Trade and other receivables	14,101	2,326	-	**16,427**
Current tax assets	-	975	-	**975**
Cash and cash equivalents	14,404	-	-	**14,404**
	172,656	3,301	-	**175,957**
Total assets	573,407	29,926	-	**603,333**
Current liabilities				
Trade and other payables	(158,881)	839	-	**(158,042)**
Current tax liabilities	-	(209)	-	**(209)**
Borrowings	(110,007)	-	-	**(110,007)**
Lease liabilities	-	(5,804)	-	**(5,804)**
	(268,888)	(5,174)	-	**(274,062)**
Non-current liabilities				
Borrowings	(156,019)	-	-	**(156,019)**
Lease liabilities	-	(27,087)	-	**(27,087)**
Deferred tax liability	(49,517)	-	6,095	**(43,422)**
Provisions	(1,779)	-	-	**(1,779)**
	(207,315)	(27,087)	6,095	**(228,307)**
Total liabilities	(476,203)	(32,261)	6,095	**(502,369)**
Net liabilities	97,204	(2,335)	6,095	**100,964**
Equity				
Called up share capital	-	-	-	**-**
Share premium account	590,877	-	-	**590,877**
Accumulated losses	(493,673)	(2,335)	6,095	**(489,913)**
	97,204	(2,335)	6,095	**100,964**

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

28. Conversion to IFRS (continued)

Consolidated Statement of Financial Position as at 31 January 2021

	As previously stated 31 January 2021 £000	Effect of transition 31 January 2021 £000	Other changes* 31 January 2021 £000	**31 January 2021 £000**
Non-current assets				
Property, plant and equipment	12,963	-	-	**12,963**
Right-of-use asset	-	20,871	-	**20,871**
Intangible assets	312,281	-	-	**312,281**
Trade and other receivables	-	750	-	**750**
	325,244	21,621	-	**346,865**
Current assets				
Inventories	79,583	-	-	**79,583**
Trade and other receivables	20,756	2,515	-	**23,271**
Current tax assets	-	379	-	**379**
Cash and cash equivalents	6,839	-	-	**6,839**
	107,178	2,894	-	**110,072**
Total assets	432,422	24,515	-	**456,937**
Current liabilities				
Trade and other payables	(87,126)	187	-	**(86,939)**
Current tax liabilities	-	-	-	**-**
Borrowings	(106,620)	-	-	**(106,620)**
Lease liabilities	-	(5,982)	-	**(5,982)**
	(193,746)	(5,795)	-	**(199,541)**
Non-current liabilities				
Borrowings	(221,864)	-	-	**(221,864)**
Lease liabilities	-	(21,105)	-	**(21,105)**
Deferred tax liability	(45,214)	-	18,417	**(26,797)**
Provisions	(5,097)	1,731	-	**(3,366)**
	(272,175)	(19,374)	18,417	**(273,132)**
Total liabilities	(465,921)	(25,169)	18,417	**(472,673)**
Net liabilities	(33,499)	(654)	18,417	**(15,736)**
Equity				
Called up share capital	-	-	-	**-**
Share premium account	590,877	-	-	**590,877**
Accumulated losses	(624,376)	(654)	18,417	**(606,613)**
	(33,499)	(654)	18,417	**(15,736)**

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

28. Conversion to IFRS (continued)

Consolidated Statement of Comprehensive Income for the year ended 31 January 2021

	As previously stated Year ended 31 January 2021 £000	Effect of transition Year ended 31 January 2021 £000	Other changes* Year ended 31 January 2021 £000	**Year ended 31 January 2021 £000**
Revenue	392,054	(1,111)	-	**390,943**
Cost of sales	(269,739)	-	-	**(269,739)**
Gross profit	122,315	(1,111)	-	**121,204**
Distribution costs	(68,851)	1,111	-	**(67,740)**
Administrative expenses	(164,043)	3,483	-	**(160,560)**
Other operating income	2,246	-	-	**2,246**
Operating loss	(108,333)	3,483	-	**(104,850)**
Finance income	3,387	-	-	**3,387**
Finance costs	(30,060)	(1,802)	-	**(31,862)**
Net finance costs	(26,673)	(1,802)	-	**(28,475)**
Loss before income tax	(135,006)	1,681	-	**(133,325)**
Income tax credit	4,303	-	12,322	**16,625**
Loss for the financial year	(130,703)	1,681	12,322	**(116,700)**
Other comprehensive result	-	-	-	-
Total comprehensive loss for the financial year	(130,703)	1,681	12,322	**(116,700)**

*Other change relates to a prior year adjustment to deferred tax. Previously the group had not recognised a deferred tax asset on the statement of financial position for carried forward tax losses. Following a reassessment of the requirements of FRS 102 (the previous accounting standards the group applied), it was highlighted that due to the significant deferred tax liability arising on the acquisition of the Matchesfashion group, the deferred tax asset should be recognised on the statement of financial position and offset against the deferred tax liability.

Company

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).