Registered No. 10965672

MF Debtco Limited
Financial report
For the year ended 31 January 2021

MF Debtco Limited

Company Information

Directors	S Glithero J Weston
Company number	10965672
Registered office	The Shard 32 London Bridge Street London SE1 9SG
Bankers	National Westminster Bank Plc 135 Bishopsgate London EC2M 3UR

MF Debtco Limited

Company Registration No 10965672 (United Kingdom)

Contents

Page

MF Debtco Limited

Strategic report for the year ended 31 January 2021

The directors present the company's strategic report for the year ended 31 January 2021.

Review of the business

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

Results and performance

The company's results for the year and the financial position at the end of the year are set out on pages 6-17.

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 company'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. An important development in 2020 was the launch of the Matches Leadership Behaviours, a collaboration between the board, the management team and employees to codify what it means to work at Matches and culture the business is seeking. These behaviours underpin the Matchesfashion group's training and development programmes, talent mapping and performance appraisal.

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. During the year we also held our inaugural remuneration committee and approved its terms of reference that had equity and transparency as core themes.

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

Future outlook

In February 2021 and October 2021, the business issued further loan notes under the existing loan note agreement for cash consideration of £40 million and £8 million respectively to improve the liquidity position of the group and to fund future growth. Furthermore, in August 2021 the business issued notes of £9.6 million under a new senior note agreement.

Strategic report for the year ended 31 January 2021 (continued)

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

This strategic report has been approved by the board.

On behalf of the board of directors

S Glithero

S Glithero
Director
15 October 2021

The Shard
32 London Bridge Street
London SE1 9SG

Directors' report for the year ended 31 January 2021

The directors present their report and the financial statements of the company for the year ended 31 January 2021. These financial statements represent the year from 1 February 2020 to 31 January 2021.

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 October 2022, 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.

The uncertainty as to the future impact on the group of the COVID-19 pandemic, and resulting uncertainty in the global economy, has been considered as part of the group's and company's adoption of the going concern basis. COVID-19 had a material impact on the operations of our business in 2020 leading to delays in receiving goods from suppliers and changes in the demand pattern of customers. However, the group's distribution centre remained open and operating throughout the UK lockdowns enabling the business to continue to serve its customers across all territories. Whilst there is now greater experience dealing with the impact of the COVID-19 pandemic, it remains an area of uncertainty as do the consequences of Brexit which have impacted the first months of 2021 with delays in receiving and sending goods as well as additional duties and extra operational costs.

Management have performed a thorough scenario planning exercise and have reviewed the consolidated income statement, net current assets 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 sales receipts for the period from 1 November 2021 to 31 January 2022 of 10% and a 9% reduction in customer demand for the year ended 31 January 2023. For the downside case, management also considered the impact on profitability and cash flows, along with remedial actions. For the period to 31 October 2022 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.

Under the terms of the Senior Facilities Agreement ("SFA"), the 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 Leverage to Consolidated "Adjusted" EBITDA ("the Covenant"). The Covenant is tested quarterly on a trailing twelve-month period basis. The group first obtained a waiver of the Covenant in respect of the year ending 31 January 2020 in April 2020 before the Covenant was reported and tested. Subsequently a second waiver in respect to the year ending 31 January 2021 was obtained in February 2021, again prior to the Covenant being reported and tested. The second waiver applies to quarters ending in 2021 such that the compliance requirement for the Covenant resumes in respect of the quarter ending on 31 January 2022. Both covenant 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 2020 and 31 January 2021.

Based on the base case and downside case financial projections management do not currently expect the business to achieve compliance with the Covenant at 31 January 2022 which is required to be reported upon to the lenders at the end of May 2022. 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 it has done successfully on the two 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 SFA. The group's investors have shown considerable past support for the business with the group issuing £45 million of loan notes in the year ending 31 January 2021, a further £40 million in February 2021 and £8 million in October 2021. In addition, in August 2021, the group issued £9.6m of new senior notes to investors.

Going concern (continued)
The group's investors have further indicated that they will continue to support the business, albeit no legally binding commitments are in place. If agreement could not be reached with the existing lenders the option would remain for the loan to be refinanced through borrowing with another financial institution.

Whilst management are confident a resolution will be found, in the event that one is not found prior to the end of May 2022, when the first post waiver Covenant would be reported on, then non-compliance would be a default event under the SFA and lenders constituting the majority would have the right to take positive steps to recover amounts owing to them should the loan remain unpaid. Such a default event would also extend to the asset-based lending bank loan facility of up to £65 million (as at 31 January 2021 £33.8 million was drawn) which would be cross-defaulted should there be a default event under the SFA.

The circumstances detailed above in connection with liquidity, covenant compliance, refinancing 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.

Dividends
No dividends were proposed or paid during the year.

Directors
The directors of the company who were in office during the year and up to the date of signing the financial statements were:
G Cipparrone (resigned 11 June 2020)
V Narain (resigned 11 June 2020)
A Kavan (appointed 29 May 2020, resigned 11 March 2021)
S Glithero (appointed 15 January 2021)
J Weston (appointed 11 March 2021)

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.

Financial risk management policy
The company's financial assets and liabilities, such as cash, trade creditors and trade debtors, arise directly from the company's operating activities. The main risks associated with the company's financial assets and liabilities are set out below.

Interest rate risk
The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances which earn interest. The company regularly reviews its current cashflow position to ensure certainty of future interest cash flows.

Credit risk
The company has external debtors; however, the company undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default.

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

Foreign currency risk
The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to movements between Sterling, US Dollars and Euros.

Directors' report for the year ended 31 January 2021 (continued)

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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

On behalf of the board of directors

S Glithero
Director
15 October 2021

The Shard
32 London Bridge Street
London SE1 9SG

MF Debtco Limited

Company Registration No. 10965672 (United Kingdom)

Statement of Comprehensive Income for the year ended 31 January 2021

	Note	Year ended 31 January 2021 £000	Year ended 31 January 2020 £000
Operating income		-	-
Administrative expenses		**(120,578)**	(316,333)
Operating loss	2	**(120,578)**	(316,333)
Finance costs	3	**(5,519)**	-
Loss before taxation		**(126,097)**	(316,333)
Tax on loss	4	-	-
Loss for the financial year		**(126,097)**	(316,333)

MF Debtco Limited

Company Registration No. 10965672 (United Kingdom)

Statement of Financial Position as at 31 January 2021

	Note	31 January 2021 £000	31 January 2020 £000
Fixed assets			
Investments	5	**325,244**	400,803
Current assets			
Cash and cash equivalents	6	**33**	52
Total assets		**325,277**	400,855
Creditors – amounts falling due after more than one year			
Loan notes	7	**(50,519)**	-
Net assets		**274,758**	400,855
Capital and reserves			
Called up share capital	8	**-**	-
Share premium account		**717,188**	717,188
Retained losses		**(442,430)**	(316,333)
Total equity		**274,758**	400,855

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

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

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

The financial statements on pages 6 to 17 were approved by the board on 15 October 2021 and signed on its behalf by.

S Glithero

S Glithero
Director

Notes to the financial statements for the year ended 31 January 2021

1. Accounting policies

General information

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

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

Statement of compliance

The financial statements of MF Debtco Limited have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified, when applicable, by the revaluation of certain financial assets and liabilities measured at fair value through statement of comprehensive income. The financial statements have been prepared under FRS 102.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company' 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(o).

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 October 2022, 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.

The uncertainty as to the future impact on the group of the COVID-19 pandemic, and resulting uncertainty in the global economy, has been considered as part of the group's and company's adoption of the going concern basis. COVID-19 had a material impact on the operations of our business in 2020 leading to delays in receiving goods from suppliers and changes in the demand pattern of customers. However, the group's distribution centre remained open and operating throughout the UK lockdowns enabling the business to continue to serve its customers across all territories. Whilst there is now greater experience dealing with the impact of the COVID-19 pandemic, it remains an area of uncertainty as do the consequences of Brexit which have impacted the first months of 2021 with delays in receiving and sending goods as well as additional duties and extra operational costs.

Notes to the financial statements for the year ended 31 January 2021 (continued)

1. Accounting policies (continued)

b) Going concern (continued)

Management have performed a thorough scenario planning exercise and have reviewed the consolidated income statement, net current assets 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 sales receipts for the period from 1 November 2021 to 31 January 2022 of 10% and a 9% reduction in customer demand for the year ended 31 January 2023. For the downside case, management also considered the impact on profitability and cash flows, along with remedial actions. For the period to 31 October 2022 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.

Under the terms of the Senior Facilities Agreement ("SFA"), the 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 Leverage to Consolidated "Adjusted" EBITDA ("the Covenant"). The Covenant is tested quarterly on a trailing twelve-month period basis. The group first obtained a waiver of the Covenant in respect of the year ending 31 January 2020 in April 2020 before the Covenant was reported and tested. Subsequently a second waiver in respect to the year ending 31 January 2021 was obtained in February 2021, again prior to the Covenant being reported and tested. The second waiver applies to quarters ending in 2021 such that the compliance requirement for the Covenant resumes in respect of the quarter ending on 31 January 2022. Both covenant 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 2020 and 31 January 2021.

Based on the base case and downside case financial projections management do not currently expect the business to achieve compliance with the Covenant at 31 January 2022 which is required to be reported upon to the lenders at the end of May 2022. 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 it has done successfully on the two 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 SFA. The group's investors have shown considerable past support for the business with the group issuing £45 million of loan notes in the year ending 31 January 2021, a further £40 million in February 2021 and £8 million in October 2021. In addition, in August 2021, the group issued £9.6m of new senior notes to investors. The group's investors have further indicated that they will continue to support the business, albeit no legally binding commitments are in place. If agreement could not be reached with the existing lenders the option would remain for the loan to be refinanced through borrowing with another financial institution.

Whilst management are confident a resolution will be found, in the event that one is not found prior to the end of May 2022, when the first post waiver Covenant would be reported on, then non-compliance would be a default event under the SFA and lenders constituting the majority would have the right to take positive steps to recover amounts owing to them should the loan remain unpaid. Such a default event would also extend to the asset-based lending bank loan facility of up to £65 million (as at 31 January 2021 £33.8 million was drawn) which would be cross-defaulted should there be a default event under the SFA.

The circumstances detailed above in connection with liquidity, covenant compliance, refinancing 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 2021 (continued)

1. Accounting policies (continued)

c) Financial reporting standard 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of MF Midco Limited as at 31 January 2021 and these financial statements may be obtained from The Shard, 32 London Bridge Street, London SE1 9SG.

d) Related party disclosure exemptions

The company has taken advantage of the exemption FRS 102 section 33.1A not to disclose transactions with company entities on the grounds that it is a wholly-owned subsidiary undertaking whose results are included in publicly available consolidated financial statements.

e) Operating income

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

f) Finance Costs

Costs associated with raising loan finance and equity shares are recorded against the loan principal. 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.

g) 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.

h) 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.

Notes to the financial statements for the year ended 31 January 2021 (continued)

1. Accounting policies (continued)

i) Cash and cash equivalents

Cash and cash equivalents include 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.

j) Financial instruments

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

i) Financial assets

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

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

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

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

ii) Financial liabilities

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

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

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

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires. The company does not hold or issue derivative financial instruments.

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements for the year ended 31 January 2021 (continued)

1. Accounting policies (continued)

k) Foreign currency

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

l) 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.

m) Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company became aware of the obligation and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the statement of financial position.

n) Current and deferred income tax

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. 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.

Current tax is the amount of income tax payable in respect of the taxable profit for the year. 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.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Net deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the financial statements for the year ended 31 January 2021 (continued)

1. Accounting policies (continued)

n) Current and deferred income tax (continued)
Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

o) 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 years affected.

2. Operating loss

	Year ended 31 January 2021 £000	Year ended 31 January 2020 £000
Operating loss is stated after charging:		
Impairment of investment	**120,559**	316,333

3. Finance costs

	Year ended 31 January 2021 £000	Year ended 31 January 2020 £000
Interest payable on loan notes	**5,519**	-

Notes to the financial statements for the year ended 31 January 2021 (continued)

4. Tax on loss

	Year ended 31 January 2021 £000	Year ended 31 January 2020 £000
(a) Tax expense included in statement of comprehensive income		
Current tax		
UK corporation tax on profits for the year	-	-
Total current tax	-	-
Deferred tax		
Origination & reversal of timing differences	-	-
Total deferred tax	-	-
Tax on loss	-	-

(b) Reconciliation of tax charge

Tax assessed for the year is same (2020: same) as the standard rate of corporation tax in the UK for the year ended 31 January 2021 of 19% (year ended 31 January 2020: 19%). The differences are explained below:

Loss before taxation	**(126,97)**	(316,333)
Tax on loss at 19% (2020: 19%)	**(23,958)**	(60,103)
Effects of:		
Expenses not deductible for tax purposes	**23,958**	60,103
Tax charge for the year	-	-

(c) Tax rate changes

In the Spring Budget 2021, the Government announced that the UK corporation tax rate would remain at 19% for the financial year beginning 1 April 2022. It was also announced that legislation will be introduced in the Finance Bill 2021 to set the main rate of corporation tax at 25% for the financial year beginning 1 April 2023. These rates were announced after the balance sheet date and as such the deferred tax asset not recognised is calculated at the prevailing corporate tax rate of 19%. In the future, where the rate is enacted or substantively enacted at the balance sheet date, the deferred tax asset will be recognised at the higher corporation tax rate of 25%.

Notes to the financial statements for the year ended 31 January 2021 (continued)

5. Investments

	31 January 2021	31 January 2020
	£000	£000
Balance as at 1 February	**400,803**	717,136
Additional during the year	**45,000**	-
Impairment	**(120,559)**	(316,333)
Balance as at 31 January	**325,244**	400,803

The increase in value of the investments of £45,000,000 is for the purchase consideration of the share capital in MF Intermediate Limited.

The company has estimated the recoverable amount of investments using a value-in-use model by projecting cash flows of the underlying investments 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 2026 growing at a compound annual rate of 20%
- 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. If the compound annual growth rate were to fall by 1%, there would be a corresponding decrease in the estimated recoverable amount by approximately £68 million prior to any mitigating cost actions. This resulted in an impairment to the investment in the year to 31 January 2021 of £120,559,000 (31 January 2020: an impairment loss of £316,333,000).

6. Cash and cash equivalents

	31 January 2021	31 January 2020
	£000	£000
Cash at bank and in hand	**33**	52

Notes to the financial statements for the year ended 31 January 2021 (continued)

7. Loan notes

	31 January 2021	31 January 2020
	£000	£000
Loan notes	**50,519**	-

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

8. Called up share capital

	31 January 2021	31 January 2020
	£	£
Authorised		
102 (2020: 102) ordinary shares of £1 each	**102**	102
Issued and fully paid		
102 (2020: 102) ordinary shares of £1 each	**102**	102

The Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights.

9. Contingent liabilities

The company does not have any contingent liabilities.

10. Financial commitments

At the year end the company does not have any outstanding forward foreign exchange contracts.

11. Ultimate controlling party

The immediate parent undertaking is MF Midco Limited, a company incorporated in United Kingdom.

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

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

Notes to the financial statements for the year ended 31 January 2021 (continued)

12. Subsidiaries and related undertakings

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

MF Midco Limited has guaranteed the liabilities of its subsidiaries, MF Debtco Limited in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the period ended 31 January 2020. The director acknowledges his responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

13. Post balance sheet events

In February 2021 and October 2021, the company issued loan notes for cash consideration of £40 million and £8 million respectively to improve the liquidity position of the group and to fund future growth.