

Registered No. 02717838

**Matchesfashion Limited**  
**Consolidated financial report**  
**for the year ended 31 January 2019**

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# Matchesfashion Limited

Company Registration No 02717838 (United Kingdom)

## Company Information

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

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## Group strategic report for the year ended 31 January 2019

The directors present the group strategic report for the year ended 31 January 2019.

### Review of the business

The principal activity of the group continued to be that of ecommerce retailing, operating from the UK and USA under the principal brand of Matchesfashion.com. There have been no major changes in the group's core activities in the year under review.

The Directors of the group are pleased with the results of the group. The group continued to scale and grow its Revenue whilst making significant investments in its' operations, technology and infrastructure.

During the year, the group has significantly expanded their physical presence with the following additional locations:

In August 2018 the Business relocated into its new distribution centre to facilitate the growth of the business, increasing capacity by 112%.

In September 2018, the group launched a new Concept space at 5 Carlos Place Mayfair an evolution of three key areas: the global series of 'In Residence' events; the retail store; and the private shopping townhouse. There is a broadcasting hub in the space where the group delivers podcasts and live streaming.

In April 2018 the group opened a new state of the art photographic and creative studio at Here East Queen Elizabeth Olympic Park in Stratford.

In April 2018, the group also moved its Hong Kong office to a new larger space to support the growth of the Far East market.

### Results and performance

The results for the year and the group's financial position at the end of the year are set out on pages 10-33. The group's Revenue in note 2 was £372m (year ended 31 January 2018: £293m) and EBITDA (earnings before interest, tax, depreciation and amortisation) in note 3 was £14.7m (year ended 31 January 2018: £26.0m).

The group continues to invest in ecommerce and logistics which has delivered impressive sales growth both in the UK and internationally. Whilst the group continued to grow profitably, 2018 was a year of strategic investment in international markets, infrastructure and significant physical footprint expansion to support future growth.

### Key performance indicators (KPIs)

Management drives business performance through the setting of clearly defined and measured key performance indicators (KPIs), taking appropriate action where required to enhance the financial results of the business.

The key financial performance indicators that are used to monitor and manage the business are primarily:

	<u>Current year</u>	<u>Prior year</u>	
Year on year turnover growth	27.0%	43.7%	Increase of turnover compared to prior year
Margin	39.5%	42.7%	Gross profit on turnover
Stock turn	2.02	2.00	Cost of sales over closing stock
Net assets	£35.3m	£34.5m	

## Group strategic report for the year ended 31 January 2019 (continued)

### Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal control. All policies are subject to Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is high priority for the company.

The principal risks are reviewed regularly by the Board and monthly by an Executive management committee focused on capacity and effectiveness of the organisation. Updates in terms of emerging risks or significant actions undertaken are addressed as and when required at Board meetings. Management also reviews strategic, operational, and financial and compliance risks in regular focused forums during the year.

### Future outlook

In the coming year, the group will continue to partner with Eco Age to further develop its comprehensive sustainability program with the aim of placing sustainable and ethical practices at the heart of what it does.

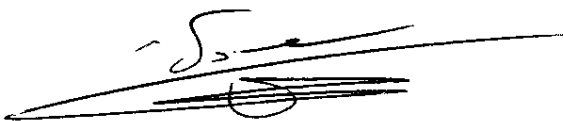
The group launched its third language site in Japanese with full translation across the mobile apps, The Style Report and the native-speaking MyStylist team which will further support the business in realising its full international opportunity for growth.

The group continues to increase its' scalability with further enhancement of the new distribution centre, increasing capacity by 20%.

The group is opening a New York office in early Q2 to support and drive the growth of the USA market.

This group strategic report has been approved by the board.

On behalf of the board of Directors



**U Jerome**  
**Director**  
29 May 2019

The Shard  
32 London Bridge Street  
London SE1 9SG

## Directors' report for the year ended 31 January 2019

The directors present the group strategic report and the audited financial statements of the company and the group for the year ended 31 January 2019. These financial statements represent the year from 1 February 2018 to 31 January 2019.

### Future developments

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

### Dividends

No dividends were proposed or paid during the year (year ended 31 January 2018: nil).

### Donations

The group has no charitable donation during the year (year ended 31 January 2018: £35,720).

### Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:-

TW Chapman  
FL Greiner  
U Jerome  
N Hartman

### Financial risk management policy

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

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

### Interest rate risk

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

### Credit risk

The group has external debtors; however, the group undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default. Cash deposits are held with Wells Fargo Bank who has an 'A2' class credit rating and HSBC Bank plc who has an 'AA-' class credit rating.

### Liquidity risk

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

## Directors' report for the year ended 31 January 2019 (continued)

### Financial risk management policy (continued)

#### Foreign currency risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to movements between Sterling, US Dollars, Euros, Australian Dollars and Hong Kong Dollars.

#### Research and Development

The group is currently undertaking research and development into its website. During the year the group has capitalised £569,527 (year ending 31 January 2018: £1,055,509) of website related expenses. The directors believe that this development will lead to future profits for the group.

#### Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees whenever appropriate.

#### Employee involvement

During the year, the policy of providing employees with information about the group has been continued through internal media in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its growth.

#### Statement of directors' responsibilities

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

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

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

## Directors' report for the year ended 31 January 2019 (continued)

### Statement of directors' responsibilities (continued)

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

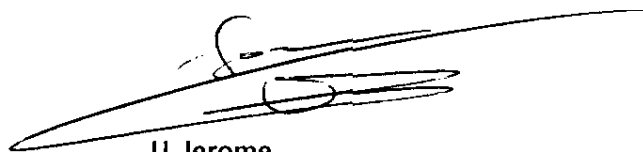
The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of disclosure of information to auditors

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

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

On behalf of the board of Directors



**U Jerome**  
**Director**  
29 May 2019

The Shard  
32 London Bridge Street  
London SE1 9SG



## Independent auditors' report to the members of Matchesfashion Limited

### Report on the audit of the financial statements

#### Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 January 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Report (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 January 2019; the consolidated and company statements of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

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

#### Independence

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

#### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

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

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

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

**Group Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Group Strategic Report and Directors' Report for the year ended 31 January 2019 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 Group Strategic Report and Directors' Report.

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

As explained more fully in the Statement of directors' responsibilities set out on page 4-5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

### Responsibilities for the financial statements and the audit (continued)

#### 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.

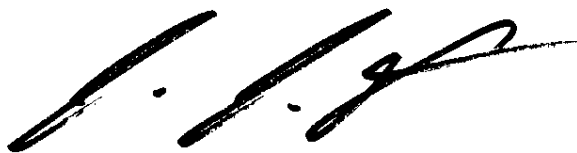
#### Other required reporting

##### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Craig Skelton (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
29 May 2019

# **Consolidated Statement of Comprehensive Income for the year ended 31 January 2019**

		Year ended 31 January 2019	Year ended 31 January 2018
	Note	£	£
<b>Revenue</b>	2	<b>371,784,425</b>	292,791,462
Cost of sales		<b>(225,002,539)</b>	(167,766,328)
<b>Gross profit</b>		<b>146,781,886</b>	125,025,134
Distribution costs		<b>(62,287,611)</b>	(43,271,843)
Administrative expenses		<b>(77,390,754)</b>	(60,707,028)
Exceptional items	4	<b>(7,773,743)</b>	-
Other operating income		<b>3,132,434</b>	1,839,801
<b>Operating profit</b>		<b>2,462,212</b>	22,886,064
Finance costs	7	<b>(636,870)</b>	(3,299,434)
<b>Profit before taxation</b>		<b>1,825,342</b>	19,586,630
Tax on profit	8	<b>(1,019,946)</b>	(636,450)
<b>Profit for the financial year</b>		<b>805,396</b>	18,950,180

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

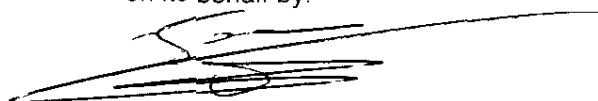
The company has elected to take exemption under section 408 of the Companies Act 2006 not to present the parent company profit and loss account.

The profit for the parent company for the year was £359,775 (2018: £18,555,886).

# **Consolidated Statement of Financial Position as at 31 January 2019**

	Note	31 January 2019 £	31 January 2018 £
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible assets	9	<b>1,595,811</b>	2,117,579
Property, plant and equipment	10	<b>16,016,094</b>	7,465,016
		<b>17,611,905</b>	9,582,595
<b>Current assets</b>			
Inventories	11	<b>111,554,294</b>	84,240,942
Trade and other receivables	12	<b>13,269,753</b>	8,300,383
Cash and cash equivalents	13	<b>10,024,300</b>	5,447,079
Deferred tax assets	15	-	311,247
		<b>134,848,347</b>	98,299,651
<b>Current liabilities</b>	14	<b>(117,123,824)</b>	(73,351,214)
<b>Net current assets</b>		<b>17,724,523</b>	24,948,437
<b>Net assets</b>		<b>35,336,428</b>	34,531,032
<b>Equity</b>			
Called up share capital	18	<b>69,286</b>	69,286
Share premium account		<b>14,639,702</b>	14,639,702
Retained earnings		<b>20,627,440</b>	19,822,044
<b>Total equity</b>		<b>35,336,428</b>	34,531,032

The financial statements on pages 10 to 33 were approved by the board on 29 May 2019 and signed on its behalf by.



U Jerome  
Director  
Registered No. 2717838


# Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

## Company Statement of Financial Position as at 31 January 2019

	Note	31 January 2019 £	31 January 2018 £
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible assets	9	1,595,811	2,117,579
Property, plant and equipment	10	15,710,395	7,416,463
		<b>17,306,206</b>	9,534,042
<b>Current assets</b>			
Inventories	11	111,554,294	84,240,942
Trade and other receivables	12	13,036,835	8,084,942
Cash and cash equivalents	13	9,976,726	5,337,359
Deferred tax assets	15	-	311,247
		<b>134,567,855</b>	97,974,490
<b>Current liabilities</b>	14	(117,113,148)	(73,107,394)
<b>Net current assets</b>		<b>17,454,707</b>	24,867,096
<b>Net assets</b>		<b>34,760,913</b>	34,401,138
<b>Equity</b>			
Called up share capital	18	69,286	69,286
Share premium account		14,639,702	14,639,702
Retained earnings		20,051,925	19,692,150
<b>Total equity</b>		<b>34,760,913</b>	34,401,138

The financial statements on pages 10 to 33 were approved by the board on 29 May 2019 and signed on its behalf by.

  
U Jerome  
Director  
Registered No. 2717838

# Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

## Consolidated Statement of Changes in Equity for the year ended 31 January 2019

	Called up share capital	Share Premium account	Accumulated losses/(Retained earnings)	Total equity
	£	£	£	£
<b>Balance as at 1 February 2017</b>	68,259	13,987,096	871,864	14,927,219
Profit for the financial year	-	-	18,950,180	18,950,180
Shares issued in the year	1,027	652,606	-	653,633
Total comprehensive income for the year	1,027	652,606	18,950,180	19,603,813
Dividends	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-
<b>Balance as at 31 January 2018</b>	69,286	14,639,702	19,822,044	34,531,032
<b>Balance as at 1 February 2018</b>	<b>69,286</b>	<b>14,639,702</b>	<b>19,822,044</b>	<b>34,531,032</b>
Profit for the financial year	-	-	805,396	805,396
Shares issued in the year	-	-	-	-
Total comprehensive income for the year	-	-	805,396	805,396
Dividends	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-
<b>Balance as at 31 January 2019</b>	<b>69,286</b>	<b>14,639,702</b>	<b>20,627,440</b>	<b>35,336,428</b>

# Matchesfashion Limited

Company Registration No 02717838 (United Kingdom)

## Company Statement of Changes in Equity for the year ended 31 January 2019

	Called up share capital	Share Premium account	Accumulated losses/(Retained earnings)	Total equity
	£	£	£	£
<b>Balance as at 1 February 2017</b>	68,259	13,987,096	1,136,264	15,191,619
Profit for the financial year	-	-	18,555,886	18,555,886
Shares issued in the year	1,027	652,606	-	653,633
Total comprehensive income for the year	1,027	652,606	18,555,886	19,209,519
Dividends	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-
<b>Balance as at 31 January 2018</b>	69,286	14,639,702	19,692,150	34,401,138
<b>Balance as at 1 February 2018</b>	<b>69,286</b>	<b>14,639,702</b>	<b>19,692,150</b>	<b>34,401,138</b>
<b>Profit for the financial year</b>	-	-	<b>359,775</b>	<b>359,775</b>
<b>Shares issued in the year</b>	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	<b>359,775</b>	<b>359,775</b>
<b>Dividends</b>	-	-	-	-
<b>Total transactions with owners, recognised directly in equity</b>	-	-	-	-
<b>Balance as at 31 January 2019</b>	<b>69,286</b>	<b>14,639,702</b>	<b>20,051,925</b>	<b>34,760,913</b>



**Consolidated Statement of Cash Flows  
for the year ended 31 January 2019**

	Note	Year ended 31 January 2019 £	Year ended 31 January 2018 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	19	<b>18,928,400</b>	23,819,347
Income tax paid		<b>(1,184,926)</b>	(2,482,631)
<b>Net cash generated from operating activities</b>		<b>17,743,474</b>	21,336,716
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	<b>(11,917,038)</b>	(3,944,288)
Purchase of intangible assets	9	<b>(612,345)</b>	(1,090,492)
<b>Net cash used in investing activities</b>		<b>(12,529,383)</b>	(5,034,780)
<b>Cash flows from financing activities</b>			
Interest paid	7	<b>(636,870)</b>	(854,315)
Loan note premium		-	(2,273,424)
Equity raised		-	653,633
Loan drawdown		-	-
Repayment of loan		-	(12,347,987)
Repayment of convertible loan notes		-	(2,400,000)
<b>Net cash used in financing activities</b>		<b>(636,870)</b>	(17,222,093)
<b>Net (decrease)/increase in cash and cash equivalents during the year</b>		<b>4,577,221</b>	(920,157)
Cash and cash equivalents at the beginning of the year		<b>5,447,079</b>	6,367,236
Exchange gains on cash and cash equivalents		-	-
<b>Cash and cash equivalents at the end of the year</b>	13	<b>10,024,300</b>	5,447,079

## **Notes to the financial statements for the year ended 31 January 2019**

### **1. Accounting policies**

#### **General information**

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

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

#### **Statement of compliance**

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

#### **Summary of significant accounting policies**

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

##### **a) Basic of preparation**

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(u).

##### **b) Going concern**

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

##### **c) Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the group and its subsidiaries undertakings made up to 31 January 2019. Inter-company transactions, balances and unrealised gains or losses on transactions between group companies are eliminated fully on consolidation.

##### **d) Foreign Currency**

###### *i) Functional and presentation currency*

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

###### *ii) Transactions and balances*

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

## **Notes to the financial statements for the year ended 31 January 2019 (continued)**

### **1. Accounting policies (continued)**

#### **d) Foreign Currency (continued)**

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

#### **e) Revenue recognition**

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

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

The total revenue of the group for the year has been derived from its principal activity which were undertaken in the United Kingdom and the United State of America.

All returns within 28 days have been provided in the sales return provision.

#### **f) Employee benefits**

The group provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

##### *i) Short term benefits*

Short term benefits including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### *ii) Defined contribution pension plans*

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the group in independently administered funds. The contribution charge for this financial year is £722,426 (year ended 31 January 2018: 298,192).

##### *iii) Share based payments*

The group provides an equity-settled share-based payment scheme to certain employees.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting year, excluding the impact of any non-market vesting conditions.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when options are exercised. No expense is recognised for awards that are not expected to ultimately vest.

**Notes to the financial statements for the year ended 31 January 2019 (continued)****1. Accounting policies (continued)****g) Exceptional items**

The group has adopted an accounting policy and statement of comprehensive income format that seeks to highlight significant items of income and expense for the year. The Directors believe that this presentation provide a more helpful analysis as it highlights one-off items. Such items may include significant restructuring costs, profits or losses on disposal or termination of operations, litigation costs and settlements, profit or loss on disposal of investment, significant impairment of assets and dual site decollation costs.

**h) Other operating income**

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

**i) Finance Cost**

Costs associated with raising loan finance and equity shares are recorded against the loan principal and share premium account respectively. Loan finance costs are amortised to the statement of comprehensive income over the life of the relevant loan at a constant rate of return on the carrying amount.

**j) Current and deferred income tax**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

*i) Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*ii) Deferred taxation*

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

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

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

**k) Business combinations and goodwill**

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

**Notes to the financial statements for the year ended 31 January 2019 (continued)****1. Accounting policies (continued)****k) Business combinations and goodwill (continued)**

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

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

**l) Investments in subsidiaries**

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

**m) Property, plant and equipment**

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

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

Leasehold improvements	Over term of respective lease
Furniture and fittings - long life	Over term of respective lease
Furniture and fittings - short life	5 years straight line
Office equipment	5 years straight line
Computer equipment	4 years straight line
Motor vehicles	3 years straight line

Assets in the course of construction are stated at cost. Assets under construction are not depreciated. Repairs, maintenance and minor inspection costs are expensed as incurred.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

**n) Intangible assets**

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

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

**Notes to the financial statements for the year ended 31 January 2019 (continued)****1. Accounting policies (continued)****n) Intangible assets (continued)**

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

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

**Acquired intangibles**

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

**Patents and trademarks**

The cost of patents and trademarks are capitalised as they have been purchased separately from a business. They are amortised over ten years which is the economic benefits of the legal rights. Amortisation is charged to administrative expenses in the statement of comprehensive income.

Development costs that are directly attributable to the design and testing of certain major new product projects are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product projects so that it will be available for use;
- management intends to complete the product projects and use or sell it;
- there is an ability to use or sell the product projects;
- it can be demonstrated how the product projects will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product projects are available; and
- the expenditure attributable to the product projects during its development can be reliably measured.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

**o) Leasing and hire purchase commitments**

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

**i) Finance Lease**

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

**Notes to the financial statements for the year ended 31 January 2019 (continued)****1. Accounting policies (continued)****o) Leasing and hire purchase commitments (continued)****i) Finance Lease (continued)**

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

**ii) Operating Lease**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

**iii) Lease incentives**

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

The group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 February 2014) and continues to credit such lease incentives to the statement of comprehensive income over the period to the first review date on which the rent is adjusted to market rates.

**p) Impairment of non-financial assets**

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

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

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

If an impairment loss is subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

**q) Inventories**

Inventories are stated at the lower of cost and estimated selling price less cost to complete and sell.

Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present

**Notes to the financial statements for the year ended 31 January 2019 (continued)****1. Accounting policies (continued)****q) Inventories (continued)**

location and condition. Inventories consist of raw materials relating to our own label Raey and finished goods relating to other brands. Provision is made for slow moving and defective inventories.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

**r) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities. Cash at bank and in hand includes cash received from credit card companies within four working days of the financial year end.

**s) Provisions and contingencies***(i) Provisions*

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

Onerous contract provisions are made for the future net costs of leasehold properties which are vacant, loss making or sub-let below passing rent. Provisions are based on discounted future net cash outflows. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

*(ii) Contingencies*

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

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

**t) Financial instruments**

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

*i) Financial assets*

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



**Notes to the financial statements for the year ended 31 January 2019 (continued)****1. Accounting policies (continued)****t) Financial instruments (continued)**

Such assets are subsequently carried at amortised cost using the effective interest method.

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

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

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

**ii) Financial liabilities**

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

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

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

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The group does not hold or issue derivative financial instruments.

**iii) Offsetting**

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

**u) Critical accounting judgements and key source of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

## Notes to the financial statements for the year ended 31 January 2019 (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

	<b>Year ended 31 January 2019</b>		<b>Year ended 31 January 2018</b>	
	<b>£</b>	<b>%</b>	<b>£</b>	<b>%</b>
Retail stores activities	<b>16,681,838</b>	<b>4</b>	15,300,867	5
Online activities	<b>355,102,587</b>	<b>96</b>	277,490,595	95
Total revenue	<b>371,784,425</b>	<b>100</b>	292,791,462	100

#### Analysis of revenue by geographical market

	<b>Year ended 31 January 2019</b>		<b>Year ended 31 January 2018</b>	
	<b>£</b>	<b>%</b>	<b>£</b>	<b>%</b>
United Kingdom	<b>76,605,859</b>	<b>21</b>	64,979,409	22
Rest of world	<b>295,178,566</b>	<b>79</b>	227,812,053	78
Total revenue	<b>371,784,425</b>	<b>100</b>	292,791,462	100

## Notes to the financial statements for the year ended 31 January 2019 (continued)

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

Operating profit is stated after charging/(crediting):

	Year ended 31 January 2019	Year ended 31 January 2018
	£	£
Depreciation of property, plant and equipment		
– own assets	3,268,258	2,097,369
– lease assets	97,702	63,606
Amortisation of intangible assets	1,068,135	916,959
Amortisation of goodwill and trademarks	65,978	51,904
Operating lease charges	6,030,006	4,836,180
Research and development	2,587,090	2,369,867
Foreign exchange losses	422,525	1,477,772
Salaries and wages (note 6)	42,563,190	34,151,325
Auditors' remuneration	84,000	80,000
Other operating income*	(3,132,434)	(1,839,801)

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

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

	Year ended 31 January 2019	Year ended 31 January 2018
	£	£
<b>Operating profit</b>	<b>2,462,212</b>	<b>22,886,064</b>
Exceptional items	7,773,743	-
Depreciation of property, plant and equipment	3,365,960	2,160,975
Amortisation of intangible assets	1,068,135	916,959
Amortisation of goodwill and trademarks	65,978	51,904
<b>EBITDA</b>	<b>14,736,028</b>	<b>26,015,902</b>

# Notes to the financial statements for the year ended 31 January 2019 (continued)

## 4. Exceptional items

During the year to 31 January 2019, exceptional costs of £7.8m were included within operating profit. £2.3m relates to the reorganisation of the distribution centre following the leasing of a new distribution centre to meet the increasing capacity needs of the business. £1.1m relates to the relocation of the private shopping store at Welbeck Street to the private shopping / new digital hub at Carlos Place, costs to surrender vacant properties, pre-opening cost for new photo studio and Hong Kong office. £4.4m relates to the Voluntary Disclosure Agreement in USA to minimise the sales tax nexus risk prior to registering for sales tax.

The main components of the exceptional charge are as follows:

	Year ended 31 January 2019 £	Year ended 31 January 2018 £
Relocation of distribution centre costs	2,258,764	-
New and vacant properties costs	1,070,078	-
Voluntary Disclosure of US sales tax	4,444,901	-
	<b>7,773,743</b>	<b>-</b>

## 5. Directors' emoluments

	Year ended 31 January 2019 £	Year ended 31 January 2018 £
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The directors' emoluments for the group were as follow:

<b>Aggregate emoluments</b>	-	773,897
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The amounts in respect of the highest paid director for the group are as follows

<b>Highest emoluments</b>	-	232,402
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As at 31 January 2019 there were no (31 January 2018: two) director receiving emoluments.

## Key management compensation

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

	Year ended 31 January 2019 £	Year ended 31 January 2018 £
<b>Aggregate emoluments</b>	<b>1,050,425</b>	<b>1,795,574</b>

**Notes to the financial statements for the year ended 31 January 2019 (continued)****6. Employee information**

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

	<b>Year ended 31 January 2019</b>	<b>Year ended 31 January 2018</b>
By activity:	<b>Number</b>	<b>Number</b>
Production	<b>12</b>	9
Selling and distribution	<b>129</b>	143
Administration	<b>541</b>	422
<b>Total</b>	<b>682</b>	<b>574</b>

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

	<b>Year ended 31 January 2019</b>	<b>Year ended 31 January 2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>38,806,711</b>	31,467,748
Social security costs	<b>3,034,053</b>	2,385,385
Other pension costs	<b>722,426</b>	298,192
	<b>42,563,190</b>	<b>34,151,325</b>

**7. Finance costs**

	<b>Year ended 31 January 2019</b>	<b>Year ended 31 January 2018</b>
	<b>£</b>	<b>£</b>
Interest payable on overdrafts and bank loans	<b>636,870</b>	854,315
Loan note premium	-	2,445,119
	<b>636,870</b>	<b>3,299,434</b>

## Notes to the financial statements for the year ended 31 January 2019 (continued)

### 8. Tax on profit - Group

	Year ended 31 January 2019	Year ended 31 January 2018
	£	£
(a) Tax expense included in profit or loss		
<b>Current tax</b>		
UK corporation tax on profits for the year	-	892,512
Overseas corporation tax on profit for the year	105,176	18,644
Adjustments in respect of prior year	603,523	141,071
<b>Total current tax</b>	<b>708,699</b>	<b>1,052,227</b>
<b>Deferred tax</b>		
Origination & reversal of timing differences	406,902	(239,873)
Adjustments in respect of prior year	(95,655)	(175,904)
<b>Total deferred tax</b>	<b>311,247</b>	<b>(415,777)</b>
<b>Tax on profit on ordinary activities</b>	<b>1,019,946</b>	<b>636,450</b>

#### (b) Reconciliation of tax charge

Tax assessed for the year is higher (2018: lower) than the standard rate of corporation tax in the UK for the year ended 31 January 2019 of 19% (2018: 19.16%). The differences are explained below:

<b>Profit before taxation</b>	<b>1,825,342</b>	19,586,630
Tax on profit at 19% (2018: 19.16%)	<b>346,815</b>	3,753,120
Effects of:		
Effect of different tax rate of overseas jurisdiction	(7,963)	(10,992)
Expenses not deductible for tax purposes – fixed assets	134,916	67,869
Expenses not deductible for tax purposes	86,915	53,918
Income not taxable for tax purposes	(108,891)	(2,192,772)
Group relief claimed	(377,606)	(436,341)
Adjustments to tax charge in respect of prior year	603,523	141,071
Adjustments to tax charge in respect of prior year – deferred tax	(95,655)	(175,904)
Additional credit/(deduction) for R&D expenditure	58,986	(590,337)
Adjust closing deferred tax to average rate of 19%	44,530	39,577
Adjust opening deferred tax to average rate of 19%	(47,871)	(9,076)
Tax effect of exchange differences	-	(585)
Deferred tax not recognised/(recognised)	382,247	(3,098)
<b>Tax charge for the year</b>	<b>1,019,946</b>	<b>636,450</b>

#### (c) Tax rate changes

The standard UK Corporation tax rate is 19% with effective from 1 April 2017. The corporation tax rate will be further reducing to 17% by 2020. Deferred tax balances at 31 January 2019 are measured at the effective rate of 17%.

## Notes to the financial statements for the year ended 31 January 2019 (continued)

### 9. Intangible assets

#### Group

	<b>Matches Website</b>	<b>Patents and Trademarks</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 February 2018	4,332,874	332,096	4,664,970
Additions	569,527	42,818	612,345
Disposal	-	-	-
<b>At 31 January 2019</b>	<b>4,902,401</b>	<b>374,914</b>	<b>5,277,315</b>
<b>Accumulated Amortisation</b>			
At 1 February 2018	2,381,323	166,068	2,547,391
Charge for the year	1,068,135	65,978	1,134,113
Disposal	-	-	-
<b>At 31 January 2019</b>	<b>3,449,458</b>	<b>232,046</b>	<b>3,681,504</b>
<b>Net book amount at 31 January 2019</b>	<b>1,452,943</b>	<b>142,868</b>	<b>1,595,811</b>
Net book amount at 31 January 2018	1,951,551	166,028	2,117,579

#### Company

	<b>Matches Website</b>	<b>Patents and Trademarks</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 February 2018	4,332,874	332,096	4,664,970
Additions	569,527	42,818	612,345
Disposal	-	-	-
<b>At 31 January 2019</b>	<b>4,902,401</b>	<b>374,914</b>	<b>5,277,315</b>
<b>Accumulated Amortisation</b>			
At 1 February 2018	2,381,323	166,068	2,547,391
Charge for the year	1,068,135	65,978	1,134,113
Disposal	-	-	-
<b>At 31 January 2019</b>	<b>3,449,458</b>	<b>232,046</b>	<b>3,681,504</b>
<b>Net book amount at 31 January 2019</b>	<b>1,452,943</b>	<b>142,868</b>	<b>1,595,811</b>
Net book amount at 31 January 2018	1,951,551	166,028	2,117,579

## Notes to the financial statements for the year ended 31 January 2019 (continued)

### 10. Property, plant and equipment

Group	Leasehold Improvements	Furniture and Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 February 2018	4,203,199	4,677,595	837,092	4,513,999	24,700	14,256,585
Additions	6,648,446	2,577,138	195,733	2,495,721	-	11,917,038
Disposals	(274,943)	(1,289,926)	(33,327)	-	-	(1,598,196)
<b>At 31 January 2019</b>	<b>10,576,702</b>	<b>5,964,807</b>	<b>999,498</b>	<b>7,009,720</b>	<b>24,700</b>	<b>24,575,427</b>
<b>Accumulated depreciation</b>						
At 1 February 2018	1,316,772	2,963,812	363,603	2,127,419	19,963	6,791,569
Charge for the year	958,645	955,480	218,724	1,230,119	2,992	3,365,960
Disposals	(274,943)	(1,289,926)	(33,327)	-	-	(1,598,196)
<b>At 31 January 2019</b>	<b>2,000,474</b>	<b>2,629,366</b>	<b>549,000</b>	<b>3,357,538</b>	<b>22,955</b>	<b>8,559,333</b>
<b>Net book amount at 31 January 2019</b>	<b>8,576,228</b>	<b>3,335,441</b>	<b>450,498</b>	<b>3,652,182</b>	<b>1,745</b>	<b>16,016,094</b>
Net book amount at 31 January 2018	2,886,427	1,713,783	473,489	2,386,580	4,737	7,465,016

Company	Leasehold Improvements	Furniture and Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 February 2018	4,203,199	4,614,734	836,881	4,488,786	24,700	14,168,300
Additions	6,648,446	2,187,373	195,733	2,452,332	-	11,483,884
Disposals	(274,943)	(1,227,065)	(33,327)	-	-	(1,535,335)
<b>At 31 January 2019</b>	<b>10,576,702</b>	<b>5,575,042</b>	<b>999,287</b>	<b>6,941,118</b>	<b>24,700</b>	<b>24,116,849</b>
<b>Accumulated depreciation</b>						
At 1 February 2018	1,316,772	2,929,735	363,537	2,121,830	19,963	6,751,837
Charge for the year	958,645	793,776	218,671	1,215,868	2,992	3,189,952
Disposals	(274,943)	(1,227,065)	(33,327)	-	-	(1,535,335)
<b>At 31 January 2019</b>	<b>2,000,474</b>	<b>2,496,446</b>	<b>548,881</b>	<b>3,337,698</b>	<b>22,955</b>	<b>8,406,454</b>
<b>Net book amount at 31 January 2019</b>	<b>8,576,228</b>	<b>3,078,596</b>	<b>450,406</b>	<b>3,603,420</b>	<b>1,745</b>	<b>15,710,395</b>
Net book amount at 31 January 2018	2,886,427	1,684,999	473,344	2,366,956	4,737	7,416,463



## Notes to the financial statements for the year ended 31 January 2019 (continued)

### 11. Inventories

	<b>Group</b> <b>31 January</b> <b>2019</b> £	Group 31 January 2018 £	<b>Company</b> <b>31 January</b> <b>2019</b> £	Company 31 January 2018 £
Raw materials	<b>931,929</b>	525,595	<b>931,929</b>	525,595
Finished goods and goods for resale	<b>110,622,365</b>	83,715,347	<b>110,622,365</b>	83,715,347
	<b>111,554,294</b>	84,240,942	<b>111,554,294</b>	84,240,942

The inventory growth of 32% year on year mainly comprises of new spring summer stock £75,521,724 (2018: £62,609,668).

The amount of inventories recognised as an expense during the year is £377,251 (2018: £387,155).

There is no significant difference between the replacement cost of the stock and its carrying amount.

### 12. Trade and other receivables

	<b>Group</b> <b>31 January</b> <b>2019</b> £	Group 31 January 2018 £	<b>Company</b> <b>31 January</b> <b>2019</b> £	Company 31 January 2018 £
Trade debtors	<b>1,380,762</b>	964,199	<b>1,380,762</b>	964,199
Other debtors due within one year	<b>5,284,165</b>	2,165,897	<b>5,284,165</b>	2,149,543
Other debtors due after more than one year	<b>558,478</b>	1,882,939	<b>341,727</b>	1,698,996
Corporation tax	<b>1,148,965</b>	567,562	<b>1,148,965</b>	567,562
Prepayments and accrued income	<b>4,897,383</b>	2,719,786	<b>4,881,216</b>	2,704,642
	<b>13,269,753</b>	8,300,383	<b>13,036,835</b>	8,084,942

### 13. Cash and cash equivalents

	<b>Group</b> <b>31 January</b> <b>2019</b> £	Group 31 January 2018 £	<b>Company</b> <b>31 January</b> <b>2019</b> £	Company 31 January 2018 £
Cash at bank and in hand	<b>10,024,300</b>	5,447,079	<b>9,976,726</b>	5,337,359

Cash at bank and in hand includes cash received from credit card companies of £2,880,988 (2018: £2,454,661) within four workings days of the financial year end.

# **Notes to the financial statements for the year ended 31 January 2019 (continued)**

## **14. Current liabilities**

	<b>Group</b> <b>31 January</b> <b>2019</b> £	<b>Group</b> <b>31 January</b> <b>2018</b> £	<b>Company</b> <b>31 January</b> <b>2019</b> £	<b>Company</b> <b>31 January</b> <b>2018</b> £
Trade payables	57,867,359	44,512,613	57,879,688	44,503,963
Other taxation and social security	3,249,628	1,680,660	3,200,599	1,680,660
Corporation tax	123,819	18,644	-	-
Other payables	4,850,670	6,135,151	4,850,670	6,135,151
Inter-company balance	5,182,089	12,657,817	5,335,894	12,442,840
Accruals and deferred income	17,242,410	8,346,329	17,238,448	8,344,780
Asset-based lending	28,607,849	-	28,607,849	-
	<b>117,123,824</b>	<b>73,351,214</b>	<b>117,113,148</b>	<b>73,107,394</b>

Asset-based lending is a bank loan based on the company's assets (receivables and inventories) to determine the credit limit.

## **15. Provisions for liabilities**

### **Deferred tax provision**

	<b>Group</b> <b>31 January</b> <b>2019</b> £	<b>Group</b> <b>31 January</b> <b>2018</b> £	<b>Company</b> <b>31 January</b> <b>2019</b> £	<b>Company</b> <b>31 January</b> <b>2018</b> £
Opening balance	(311,247)	104,530	(311,247)	104,530
Profit and loss charge/(credit)	311,247	(415,777)	311,247	(415,777)
Closing balance	-	(311,247)	-	(311,247)
Accelerated capital allowances	(93,002)	(5,161)	(93,002)	(5,161)
Short term timing differences	93,002	(306,086)	93,002	(306,086)
Provision for deferred tax	-	(311,247)	-	(311,247)

## **16. Operating lease commitments**

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

	<b>Group</b> <b>31 January</b> <b>2019</b> £	<b>Group</b> <b>31 January</b> <b>2018</b> £	<b>Company</b> <b>31 January</b> <b>2019</b> £	<b>Company</b> <b>31 January</b> <b>2018</b> £
Payments due:				
Not later than one year	6,400,427	4,268,397	6,124,427	3,954,067
Later than one year and not later than five years	27,495,155	25,892,301	27,236,547	25,342,697
Later than five years	15,476,406	15,908,871	15,476,406	15,908,871
	<b>49,371,988</b>	<b>46,069,569</b>	<b>48,837,380</b>	<b>45,205,635</b>

# **Notes to the financial statements for the year ended 31 January 2019 (continued)**

## **17. Related party transactions**

The company repaid £Nil (2018: £584,178) to TW Chapman which includes a premium of £Nil (2018: £284,178).

## **18. Called up share capital Group and company**

	<b>31 January 2019 £</b>	<b>31 January 2018 £</b>
<b>Allotted and fully paid</b>		
6,928,575 (2018: Nil) ordinary shares of £0.01 each	<b>69,286</b>	-
Nil (2018: 891,110) ordinary shares of £0.05 each	-	44,556
Nil (2018: 362,969) series A shares of £0.05 each	-	18,148
Nil (2018: 20,530) B ordinary shares of £0.05 each	-	1,027
Nil (2018: 55,336) C2013 growth shares of £0.05 each	-	2,767
Nil (2018: 10,354) D2016 growth shares of £0.25 each	-	2,588
Nil (2018: 20,000) redeemable shares of £0.01 each	-	200
	<b>69,286</b>	<b>69,286</b>

**(i) Ordinary shares**

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

**(ii) Series A shares**

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

**(iii) Redeemable shares**

They do not entitle the holder to participate in dividends, but can be redeemed prior to the share in the proceeds of winding up the company.

**(iv) C2013 growth shares**

They do not entitle the holder to participate in dividends, nor to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

**(v) D2016 growth shares**

They do not entitle the holder to participate in dividends, nor to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

**(vi) B ordinary shares**

They do not entitle the holder to participate in dividends, nor to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

**Notes to the financial statements for the year ended 31 January 2019 (continued)****19. Cash generated from operations**

<b>Group</b>	<b>Year ended 31 January 2019 £</b>	<b>Year ended 31 January 2018 £</b>
Profit before taxation	<b>1,825,342</b>	19,586,630
Adjustments for:		
Depreciation	<b>3,365,960</b>	2,160,975
Amortisation	<b>1,134,113</b>	968,863
Finance costs	<b>636,870</b>	3,299,434
Changes in working capital:		
Increase in trade receivables	<b>(4,387,967)</b>	(1,445,348)
Increase in trade payables	<b>43,667,434</b>	37,160,211
Increase in inventories	<b>(27,313,352)</b>	(37,911,418)
Cash generated from operating activities	<b>18,928,400</b>	23,819,347

**20. Contingent liabilities**

The group has contingent liabilities in the form of guarantees for supplier payments to the value of £165,600 (31 January 2018: £265,600) provided by its banker. The group implemented a Customs Warehouse during the year. The contingent liability for deferred duty at 31 January 2019 was £738,031 (31 January 2018: £299,859).

**21. Financial commitments**

At the year end the group do not have any outstanding forward foreign exchange foreign contracts (31 January 2018: nil).

**22. Ultimate parent undertaking and controlling party**

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

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

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

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

**23. Subsidiaries and related undertakings**

<b>Name</b>	<b>Address of registered office</b>	<b>Nature of business</b>	<b>Interest</b>
Matchesfashion.com Hong Kong Limited	13/F East Town Building, 41 Lockhart Road, Wan Chai, Hong Kong	Customer service	100% ordinary shares
Matchesfashion Inc.	251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808	Luxury Clothing Retailer	100% ordinary shares