

Company Registration No. SC242849 (Scotland)

**M8 GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 29 SEPTEMBER 2019**

# M8 GROUP LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr R S Torrens Mr O Jimoh-Akindele
<b>Company number</b>	SC242849
<b>Registered office</b>	5 Kingsthome Park Houstoun Industrial Estate Livingston West Lothian EH54 5DB
<b>Auditor</b>	Azets Audit Services Titanium 1 King's Inch Place Renfrew PA4 8WF

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# M8 GROUP LIMITED

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# **M8 GROUP LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 29 SEPTEMBER 2019**

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The directors present the strategic report for the year ended 29 September 2019.

#### **Fair review of the business**

The results show an operating loss for the year as measured by EBITDA (Earnings before interest, tax, depreciation and amortisation) before dilapidations provisions of £(3)k compared with an EBITDA profit of 158k in 2018.

The loss before tax for the year was £(654)k (2018: £(163)k) on turnover of £18.4m.

#### **Principal risks and uncertainties**

As for many businesses of our size, the business environment in which the group operates continues to be challenging. The key risks to the business centre around:

- Liquidity and cash flow
- IT system integrity
- Competition
- Product sourcing and availability
- Foreign exchange movements

The directors continue to focus on the mitigation of these risks in order to develop the business.

#### **Risks and uncertainties - Global pandemic**

Following the global outbreak of the COVID-19 virus subsequent to the year end, the Group is exposed to the following risks:

- The continued supply of goods for resale;
- Interruption to operations due to an absence of staff for a period due to either contracting the virus or measures taken to contain an outbreak at our warehouse;
- A fall in revenue and decreased cash flow due to lower general economic activity throughout the UK.

The COVID-19 pandemic and subsequent lockdown towards the end of March 2020 presented unprecedented challenges and demands on the business. We remained operational during this time and the Group is following government guidance concerning all aspects of the pandemic to ensure best practice precautions are applied and risk to staff is mitigated.

The Group continues to monitor its stock levels and staff health and is in constant communication with suppliers, customers and staff as events transpire and Government advice develops.

#### **Outlook**

Whilst there remains risk due to the knock-on effects of the spread of COVID-19, we are confident that the streamlining of the group's trading operations into one trading entity together with overhead cost reductions already achieved mean that the group is well positioned to trade through the global pandemic.

## **M8 GROUP LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 29 SEPTEMBER 2019***

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#### **Financial instruments**

Our financial risk management objectives are to ensure sufficient working capital and cash flow for the Group and to ensure there is sufficient support for the Group's turnaround and growth strategy. This is achieved through careful management of our cash resources, supported by shareholder loan finance.

No material treasury transactions or derivatives are entered into.

#### **Research and development**

The Group continues to invest in research and development and is implementing improvements to both its backend and customer-facing IT systems

On behalf of the board

Mr R S Torrens

**Director**

29 September 2020

# **M8 GROUP LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 29 SEPTEMBER 2019**

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The directors present their annual report and financial statements for the year ended 29 September 2019.

### **Principal activities**

The principal activity of the company and group continued to be that of retail activities.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr K Hague	(Resigned 2 July 2020)
Mr J B McFarlane	(Resigned 2 July 2020)
Mr R S Torrens	
Mr O Jimoh-Akindede	

### **Results and dividends**

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

### **Auditor**

The auditor, Azets Audit Services (formerly trading as Campbell Dallas Audit Services), is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

**M8 GROUP LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 29 SEPTEMBER 2019***

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On behalf of the board

Mr R S Torrens  
**Director**

29 September 2020

# M8 GROUP LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF M8 GROUP LIMITED

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### Opinion

We have audited the financial statements of M8 Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 29 September 2019 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 29 September 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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 group's or the parent 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.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.



# **M8 GROUP LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF M8 GROUP LIMITED**

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#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's 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 auditor's 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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **M8 GROUP LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF M8 GROUP LIMITED**

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##### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Fraser Campbell (Senior Statutory Auditor)**  
**for and on behalf of Azets Audit Services**

29 September 2020

**Chartered Accountants**  
**Statutory Auditor**

Titanium 1  
King's Inch Place  
Renfrew  
PA4 8WF

## M8 GROUP LIMITED

### GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 29 SEPTEMBER 2019

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	Notes	2019 £	2018 £
<b>Turnover</b>	<b>3</b>	18,382,169	20,872,936
Cost of sales		(12,889,898)	(14,865,642)
<b>Gross profit</b>		<u>5,492,271</u>	<u>6,007,294</u>
Distribution costs		(2,004,365)	(2,186,755)
Administrative expenses		(4,049,828)	(3,923,293)
Other operating income		131	2,708
<b>Operating loss</b>	<b>4</b>	<u>(561,791)</u>	<u>(100,046)</u>
Interest payable and similar expenses	<b>8</b>	(92,372)	(61,914)
<b>Loss before taxation</b>		<u>(654,163)</u>	<u>(161,960)</u>
Tax on loss	<b>9</b>	20,377	(622)
<b>Loss for the financial year</b>		<u><u>(633,786)</u></u>	<u><u>(162,582)</u></u>

Loss for the financial year is all attributable to the owners of the parent company.

## **M8 GROUP LIMITED**

### **GROUP STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 29 SEPTEMBER 2019**

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	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Loss for the year</b>	(633,786)	(162,582)
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the year</b>	<u>(633,786)</u>	<u>(162,582)</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

# M8 GROUP LIMITED

## GROUP BALANCE SHEET

AS AT 29 SEPTEMBER 2019

		2019		2018	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Goodwill	10		167,057		217,174
Other intangible assets	10		345,737		386,998
			<u>512,794</u>		<u>604,172</u>
Total intangible assets			512,794		604,172
Tangible assets	11		113,608		104,857
			<u>626,402</u>		<u>709,029</u>
<b>Current assets</b>					
Stocks	15	2,052,452		2,158,926	
Debtors	16	321,674		581,002	
Cash at bank and in hand		1,212,432		1,301,518	
		<u>3,586,558</u>		<u>4,041,446</u>	
<b>Creditors: amounts falling due within one year</b>	17	(4,179,318)		(4,388,299)	
<b>Net current liabilities</b>			<u>(592,760)</u>		<u>(346,853)</u>
<b>Total assets less current liabilities</b>			33,642		362,176
<b>Creditors: amounts falling due after more than one year</b>	18		(9,705)		-
<b>Provisions for liabilities</b>	21		(299,209)		(3,662)
<b>Net (liabilities)/assets</b>			<u>(275,272)</u>		<u>358,514</u>
<b>Capital and reserves</b>					
Called up share capital	24		1,133,574		1,133,574
Share premium account			1,494,751		1,494,751
Profit and loss reserves			(2,903,597)		(2,269,811)
<b>Total equity</b>			<u>(275,272)</u>		<u>358,514</u>

The financial statements were approved by the board of directors and authorised for issue on 29 September 2020 and are signed on its behalf by:

Mr R S Torrens  
Director

# M8 GROUP LIMITED

## COMPANY BALANCE SHEET

AS AT 29 SEPTEMBER 2019

		2019		2018	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	10		345,737		386,998
Tangible assets	11		60,760		51,048
Investments	12		10,000		10,000
			<u>416,497</u>		<u>448,046</u>
<b>Current assets</b>					
Debtors	16	1,422,448		1,752,997	
<b>Creditors: amounts falling due within one year</b>	17	<u>(4,162,719)</u>		<u>(5,626,177)</u>	
<b>Net current liabilities</b>			<u>(2,740,271)</u>		<u>(3,873,180)</u>
<b>Total assets less current liabilities</b>			<u>(2,323,774)</u>		<u>(3,425,134)</u>
<b>Creditors: amounts falling due after more than one year</b>	18		(9,705)		-
<b>Net liabilities</b>			<u>(2,333,479)</u>		<u>(3,425,134)</u>
<b>Capital and reserves</b>					
Called up share capital	24		1,133,574		1,133,574
Share premium account			1,441,027		1,441,027
Profit and loss reserves			<u>(4,908,080)</u>		<u>(5,999,735)</u>
<b>Total equity</b>			<u>(2,333,479)</u>		<u>(3,425,134)</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,091,655 (2018 - £958,037 profit).

The financial statements were approved by the board of directors and authorised for issue on 29 September 2020 and are signed on its behalf by:

Mr R S Torrens  
Director

Company Registration No. SC242849

## M8 GROUP LIMITED

### GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 SEPTEMBER 2019

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	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
<b>Balance at 1 October 2017</b>	1,133,574	1,494,751	(2,107,229)	521,096
<b>Year ended 29 September 2018:</b>				
Loss and total comprehensive income for the year	-	-	(162,582)	(162,582)
<b>Balance at 29 September 2018</b>	1,133,574	1,494,751	(2,269,811)	358,514
<b>Year ended 29 September 2019:</b>				
Loss and total comprehensive income for the year	-	-	(633,786)	(633,786)
<b>Balance at 29 September 2019</b>	1,133,574	1,494,751	(2,903,597)	(275,272)

## M8 GROUP LIMITED

### COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 SEPTEMBER 2019

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	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
<b>Balance at 1 October 2017</b>	1,133,574	1,441,027	(6,957,772)	(4,383,171)
<b>Year ended 29 September 2018:</b>				
Profit and total comprehensive income for the year	-	-	958,037	958,037
<b>Balance at 29 September 2018</b>	1,133,574	1,441,027	(5,999,735)	(3,425,134)
<b>Year ended 29 September 2019:</b>				
Profit and total comprehensive income for the year	-	-	1,091,655	1,091,655
<b>Balance at 29 September 2019</b>	1,133,574	1,441,027	(4,908,080)	(2,333,479)



## M8 GROUP LIMITED

### GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 29 SEPTEMBER 2019

	Notes	2019		2018	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from/(absorbed by) operations	29		156,505		(148,890)
Interest paid			(92,372)		(61,914)
Income taxes refunded			19,711		101,821
			<u>          </u>		<u>          </u>
<b>Net cash inflow/(outflow) from operating activities</b>			83,844		(108,983)
<b>Investing activities</b>					
Purchase of intangible assets		(140,839)		(156,535)	
Purchase of tangible fixed assets		(26,298)		(35,294)	
		<u>          </u>		<u>          </u>	
<b>Net cash used in investing activities</b>			(167,137)		(191,829)
<b>Financing activities</b>					
Receipt of other loans		2,375,000		-	
Receipt/(repayment) of other loans		(1,436,025)		161,025	
Receipt/(repayment) of bank debt		(161,391)		106,409	
Payment of finance leases obligations		(1,386)		-	
		<u>          </u>		<u>          </u>	
<b>Net cash generated from financing activities</b>			776,198		267,434
			<u>          </u>		<u>          </u>
<b>Net increase/(decrease) in cash and cash equivalents</b>			692,905		(33,378)
Cash and cash equivalents at beginning of year			15,775		49,153
			<u>          </u>		<u>          </u>
<b>Cash and cash equivalents at end of year</b>			708,680		15,775
			<u>          </u>		<u>          </u>
<b>Relating to:</b>					
Cash at bank and in hand			1,212,432		1,301,518
Bank overdrafts included in creditors payable within one year			(503,752)		(1,285,743)
			<u>          </u>		<u>          </u>

# M8 GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 SEPTEMBER 2019

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### 1 Accounting policies

#### Company information

M8 Group Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is 5 Kingsthorpe Park, Houstoun Industrial Estate, Livingston, West Lothian, EH54 5DB.

The group consists of M8 Group Limited and all of its subsidiaries.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### 1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of M8 Group Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 29 September 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

# M8 GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.3 Going concern

The directors are required to prepare the statutory financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business. In satisfaction of this responsibility the directors have considered the group's ability to meet its liabilities as they fall due.

The group meets its day to day working capital requirements through existing shareholder loans. Management information tools including budgets and cash flow forecasts are used to monitor and manage current and future liquidity.

The group also pays special attention to the recent COVID-19 outbreak and the associated impact on the business, which is detailed within Risks and Uncertainties in the Strategic Report. These risks include:

- The continued supply of goods for resale;
- Interruption to operations due to an absence of staff for a period due to either contracting the virus or measures taken to contain an outbreak at our warehouse;
- A fall in revenue and decreased cash flow due to lower general economic activity throughout the UK.

The COVID-19 pandemic and subsequent lockdown towards the end of March 2020 presented unprecedented challenges and demands on the business. We remained operational during this time and despite these risks, the group's operations have not been adversely affected by the COVID-19 pandemic. However, the group acknowledges this could change suddenly depending on how the situation evolves and whether there are interruptions to business or supply as detailed above.

The current and future financial position of the group, its cash flows and liquidity position have been reviewed by the directors. Despite having net liabilities, the group has obtained assurances that its shareholders will continue to provide such financial support as necessary to assist the business and to facilitate the development and growth of the group to meet its long term objectives. Specifically, we have received confirmation that they will not demand repayment of loans or interest until such time that the group has the ability and funds available to repay it.

The directors have satisfied themselves as to the validity of these assurances and that the shareholders have the means and authority to provide such funding if it is required.

As a result, the directors are confident that the existing funding facilities and support from our shareholders will provide sufficient headroom to meet the forecast cash requirements having considered any additional requirements that would be contingent on a downturn in activity over the same period (specifically in relation to the COVID-19 pandemic).

As such, the directors consider that it is appropriate to prepare the financial statements on the going concern basis.

#### 1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# M8 GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life:

	Date of acquisition	Estimated useful life
M8 Group Ltd	2007	5 years
Greenfingers Trading Ltd	2002	5 years
Petplanet.co.uk Ltd	2003	20 years

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

#### 1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Website development	over 3 years
Development costs	over their estimated useful life

#### 1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	25% straight line on cost
Fixtures and fittings	25% straight line on cost
Website development	33% straight line on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

## **M8 GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 29 SEPTEMBER 2019**

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**1 Accounting policies (Continued)**

**1.8 Fixed asset investments**

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

**1.9 Impairment of fixed assets**

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**1.10 Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

# M8 GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

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.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 profit or loss.

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 profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

# M8 GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

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### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

### 1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

### 1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

## **M8 GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 29 SEPTEMBER 2019**

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#### **1 Accounting policies**

**(Continued)**

##### **1.15 Provisions**

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

##### **1.16 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### **1.17 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

##### **1.18 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.



# M8 GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

### 1 Accounting policies

(Continued)

#### 1.19 Research and development

The directors consider that development costs should be capitalised and not written off to expenses as incurred where the recognition criteria for capitalisation are met. The directors believe that this provides more relevant information in respect of the Group's activities to its stakeholders.

The Group expenses all research costs as incurred. Expenditure on software or website development is capitalised if the project is technically and commercially feasible, the Group has the sufficient resources and the intention to complete the project and where this leads to the creation of an asset that will deliver benefits to the Group at least equivalent to the amount capitalised.

The development expenditure capitalised includes the cost of materials and direct labour. Overheads are written off to the profit and loss account as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised development expenditure is charged to the profit and loss account on a straight-line basis over the 3 years.

Expenditure to maintain or operate websites or software once these have been developed are expensed as incurred.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

### 3 Turnover and other revenue

	2019	2018
	£	£
<b>Turnover analysed by class of business</b>		
Pet supplies	12,724,757	14,181,587
Garden supplies	5,657,412	6,691,349
	<u>18,382,169</u>	<u>20,872,936</u>

### 4 Operating loss

	2019	2018
	£	£
Operating loss for the year is stated after charging:		
Depreciation of owned tangible fixed assets	31,411	35,157
Amortisation of intangible assets	232,217	223,101
Cost of stocks recognised as an expense	12,572,915	14,563,038
Operating lease charges	551,788	360,370
	<u>13,458,331</u>	<u>15,281,666</u>

## M8 GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

#### 5 Auditor's remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	18,700	17,800
	<u>18,700</u>	<u>17,800</u>

#### 6 Employees

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

	2019	2018
	Number	Number
Warehouse	41	43
Administration	36	36
	<u>77</u>	<u>79</u>

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	1,363,739	1,409,526
Social security costs	104,077	104,301
Pension costs	32,099	29,878
	<u>1,499,915</u>	<u>1,543,705</u>

#### 7 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	150,000	150,000
Company pension contributions to defined contribution schemes	4,125	3,125
	<u>154,125</u>	<u>153,125</u>

As total directors' remuneration was less than £200,000 in the current year, no disclosure is provided for that year.

## M8 GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

8 Interest payable and similar expenses	2019	2018
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	79,775	47,068
Other interest on financial liabilities	9,748	14,478
	<u>89,523</u>	<u>61,546</u>
<b>Other finance costs:</b>		
Other interest	2,849	368
	<u>92,372</u>	<u>61,914</u>

9 Taxation	2019	2018
	£	£
<b>Current tax</b>		
Adjustments in respect of prior periods	(19,711)	-
	<u>(19,711)</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(666)	392
Adjustment in respect of prior periods	-	230
	<u>(666)</u>	<u>622</u>
Total deferred tax	(666)	622
	<u>(666)</u>	<u>622</u>
Total tax (credit)/charge	(20,377)	622
	<u>(20,377)</u>	<u>622</u>

The actual (credit)/charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Loss before taxation	(654,163)	(161,960)
	<u>(654,163)</u>	<u>(161,960)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(124,291)	(30,772)
Tax effect of expenses that are not deductible in determining taxable profit	406	70
Adjustments in respect of prior years	(19,711)	-
Permanent capital allowances in excess of depreciation	9,522	9,522
Deferred tax adjustments in respect of prior years	-	230
Adjust deferred tax to average rate	8,794	2,227
Deferred tax not recognised	104,903	19,345
	<u>(20,377)</u>	<u>622</u>
Taxation (credit)/charge	(20,377)	622
	<u>(20,377)</u>	<u>622</u>

## M8 GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

#### 9 Taxation (Continued)

The Group has an unrecognised deferred tax asset of £336,814 (2018: £245,246) in respect of carried forward tax losses. No asset has been recognised in line with FRS 102 accounting considerations.

#### 10 Intangible fixed assets

Group	Goodwill	Website development	Development costs	Total
	£	£	£	£
<b>Cost</b>				
At 30 September 2018	1,069,095	621,689	113,561	1,804,345
Additions	-	140,839	-	140,839
At 29 September 2019	1,069,095	762,528	113,561	1,945,184
<b>Amortisation and impairment</b>				
At 30 September 2018	851,921	234,691	113,561	1,200,173
Amortisation charged for the year	50,117	182,100	-	232,217
At 29 September 2019	902,038	416,791	113,561	1,432,390
<b>Carrying amount</b>				
At 29 September 2019	167,057	345,737	-	512,794
At 29 September 2018	217,174	386,998	-	604,172
<b>Company</b>				
	Goodwill	Website development	Development costs	Total
	£	£	£	£
<b>Cost</b>				
At 30 September 2018	11,750	621,689	113,561	747,000
Additions	-	140,839	-	140,839
At 29 September 2019	11,750	762,528	113,561	887,839
<b>Amortisation and impairment</b>				
At 30 September 2018	11,750	234,691	113,561	360,002
Amortisation charged for the year	-	182,100	-	182,100
At 29 September 2019	11,750	416,791	113,561	542,102
<b>Carrying amount</b>				
At 29 September 2019	-	345,737	-	345,737
At 29 September 2018	-	386,998	-	386,998

## M8 GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

#### 11 Tangible fixed assets

Group	Plant and equipment £	Fixtures and fittings £	Website development £	Total £
<b>Cost</b>				
At 30 September 2018	712,537	23,845	320,087	1,056,469
Additions	30,936	9,226	-	40,162
	<u>743,473</u>	<u>33,071</u>	<u>320,087</u>	<u>1,096,631</u>
At 29 September 2019	743,473	33,071	320,087	1,096,631
<b>Depreciation and impairment</b>				
At 30 September 2018	608,665	22,860	320,087	951,612
Depreciation charged in the year	27,798	3,613	-	31,411
	<u>636,463</u>	<u>26,473</u>	<u>320,087</u>	<u>983,023</u>
At 29 September 2019	636,463	26,473	320,087	983,023
<b>Carrying amount</b>				
At 29 September 2019	107,010	6,598	-	113,608
	<u>103,872</u>	<u>985</u>	<u>-</u>	<u>104,857</u>
At 29 September 2018	103,872	985	-	104,857
	<u>103,872</u>	<u>985</u>	<u>-</u>	<u>104,857</u>
<b>Company</b>		Plant and equipment £	Website development £	Total £
<b>Cost</b>				
At 30 September 2018		413,450	320,087	733,537
Additions		20,113	-	20,113
		<u>433,563</u>	<u>320,087</u>	<u>753,650</u>
At 29 September 2019		433,563	320,087	753,650
<b>Depreciation and impairment</b>				
At 30 September 2018		362,402	320,087	682,489
Depreciation charged in the year		10,401	-	10,401
		<u>372,803</u>	<u>320,087</u>	<u>692,890</u>
At 29 September 2019		372,803	320,087	692,890
<b>Carrying amount</b>				
At 29 September 2019		60,760	-	60,760
		<u>51,048</u>	<u>-</u>	<u>51,048</u>
At 29 September 2018		51,048	-	51,048
		<u>51,048</u>	<u>-</u>	<u>51,048</u>

## M8 GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

#### 11 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2019 £	2018 £	Company 2019 £	2018 £
Plant and equipment	13,864	-	13,864	-
	<u>13,864</u>	<u>-</u>	<u>13,864</u>	<u>-</u>
Depreciation charge for the year in respect of leased assets	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 12 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	13	-	-	10,000	10,000
		<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>

#### Movements in fixed asset investments

Company	Shares in group undertakings £
<b>Cost or valuation</b>	
At 30 September 2018 and 29 September 2019	10,000
<b>Carrying amount</b>	
At 29 September 2019	10,000
	<u>10,000</u>
At 29 September 2018	10,000
	<u>10,000</u>

#### 13 Subsidiaries

Details of the company's subsidiaries at 29 September 2019 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Ecological Trading Limited	(See Below)	Ordinary	100.00
Greenfingers Trading Limited	(See Below)	Ordinary	100.00
Petplanet.co.uk Limited	(See Below)	Ordinary	100.00

The registered office of all of the above listed subsidiaries is 5 Kingsthorpe Park, Houston Industrial Estate, Livingston, West Lothian, EH54 5DB

## M8 GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

#### 14 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	164,434	436,986	1,387,864	1,720,346
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	3,151,631	3,944,626	3,384,561	5,569,715

#### 15 Stocks

	Group 2019 £	2018 £	Company 2019 £	2018 £
Finished goods and goods for resale	2,052,452	2,158,926	-	-

#### 16 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
<b>Amounts falling due within one year:</b>				
Trade debtors	85,577	297,555	158	-
Amounts owed by group undertakings	-	-	1,387,706	1,720,346
Other debtors	78,857	139,431	-	-
Prepayments and accrued income	157,240	144,016	34,584	32,651
	321,674	581,002	1,422,448	1,752,997

#### 17 Creditors: amounts falling due within one year

	Group 2019 £	2018 £	Company 2019 £	2018 £
<b>Notes</b>				
Bank loans and overdrafts	19 536,166	1,479,548	503,752	1,285,743
Obligations under finance leases	20 2,773	-	2,773	-
Other borrowings	19 1,100,000	161,025	1,100,000	161,025
Trade creditors	1,467,634	2,005,047	179,290	89,895
Amounts owed to group undertakings	-	-	1,564,169	3,711,511
Other taxation and social security	898,646	221,945	742,931	309,268
Other creditors	35,353	77,061	24,872	12,273
Accruals and deferred income	138,746	443,673	44,932	56,462
	4,179,318	4,388,299	4,162,719	5,626,177

## M8 GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

#### 18 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Obligations under finance leases	20	9,705	-	9,705	-

#### 19 Loans and overdrafts

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	32,414	193,805	-	-
Bank overdrafts	503,752	1,285,743	503,752	1,285,743
Other loans	1,100,000	161,025	1,100,000	161,025
	<u>1,636,166</u>	<u>1,640,573</u>	<u>1,603,752</u>	<u>1,446,768</u>
Payable within one year	<u>1,636,166</u>	<u>1,640,573</u>	<u>1,603,752</u>	<u>1,446,768</u>

Bank loans and overdraft is represented by the group's trade finance facilities. These are secured by an unlimited multilateral guarantee between M8 Group Limited, Greenfingers Trading Ltd, Petplanet.co.uk Ltd and Ecological Trading Limited.

This is further secured by floating charge, general letter of pledge and personal guarantees provided by some of the directors to a limit of £300,000.

These securities were released on 20 November 2019.

The other loans balance comprises amounts introduced by some shareholders of the company in the form of debt. These balances have implicit interest rates of 7.5% and are payable by the company on demand. The loan is secured by a floating charge and cross guarantee between the borrowers, Petplanet.co.uk Ltd and Greenfingers Trading Ltd.

#### 20 Finance lease obligations

	Group 2019 £	2018 £	Company 2019 £	2018 £
Future minimum lease payments due under finance leases:				
Within one year	2,773	-	2,773	-
In two to five years	9,705	-	9,705	-
	<u>12,478</u>	<u>-</u>	<u>12,478</u>	<u>-</u>



## M8 GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

#### 20 Finance lease obligations (Continued)

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

#### 21 Provisions for liabilities

		Group 2019	2018	Company 2019	2018
	Notes	£	£	£	£
Dilapidations provision		296,213	-	-	-
Deferred tax liabilities	22	2,996	3,662	-	-
		<u>299,209</u>	<u>3,662</u>	<u>-</u>	<u>-</u>

Movements on provisions apart from deferred tax liabilities:

Group	Dilapidations provision £
Additional provisions in the year	<u>296,213</u>

Following the exercise of a break option on a premises lease during the year as part of a cost-restructuring exercise, the group agreed a settlement with the landlord in respect of dilapidations on one of its premises in the sum of £135,810 subsequent to the year end. Consequently this has been provided for in the financial statements and is expected to be settled in the next 12 months.

The group has provided for a further £160,403 in respect of the estimated dilapidations cost on another premises occupied by a group entity.

## M8 GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

#### 22 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities	Liabilities
	2019	2018
	£	£
Deferred tax	2,996	3,662
	<u>2,996</u>	<u>3,662</u>
	<b>Group</b>	<b>Company</b>
	<b>2019</b>	<b>2019</b>
	£	£
Movements in the year:		
Liability at 30 September 2018	3,662	-
Credit to profit or loss	(666)	-
	<u>2,996</u>	<u>-</u>
Liability at 29 September 2019	2,996	-
	<u>2,996</u>	<u>-</u>

#### 23 Retirement benefit schemes

Defined contribution schemes	2019	2018
	£	£
Charge to profit or loss in respect of defined contribution schemes	32,099	29,878
	<u>32,099</u>	<u>29,878</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

#### 24 Share capital

Ordinary share capital Issued and fully paid	Group and company	
	2019	2018
	£	£
151,324 Ordinary shares of 10p each	15,132	15,132
11,184,422 Preference shares of 10p each	1,118,442	1,118,442
	<u>1,133,574</u>	<u>1,133,574</u>

The ordinary shares have one vote per share and are entitled to dividends. Ordinary shares have entitlement to any capital distribution following payment to the holders of preference shares. Ordinary shares are not redeemable.

The preference shares do not have voting rights and are not entitled to receive dividends. Preference shares have entitlement to receive a sum equal to the nominal amount of each preference share and may be redeemed by the company upon giving four weeks written notice.

## M8 GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

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#### 25 Operating lease commitments

##### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Within one year	192,917	359,417	-	-
Between two and five years	105,417	215,000	-	-
	<u>298,334</u>	<u>574,417</u>	<u>-</u>	<u>-</u>

#### 26 Events after the reporting date

As a result of a strategic decision to streamline the group's operations and consolidate group trade into one trading entity, the Group subsidiary company Greenfingers Trading Limited was placed into liquidation on 4 August 2020.

Disclosure with regards to the impact of the COVID-19 pandemic can be seen in note 1.3 to these financial statements.

#### 27 Related party transactions

##### Transactions with related parties

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

During the year interest amounting to £5,355 was charged to the profit and loss account (2018: £13,846) in relation to shareholder loans with Christian Dosch. Interest is charged at a rate of 7%. Christian Dosch made loan advances of £200,000 and received repayments of £213,846. The amount outstanding on the loan at 30 September 2019 was £nil (2018: £13,846).

During the year interest amounting to £31,540 was charged to the profit and loss account (2018: £10,399) in relation to shareholder loans with J B McFarlane. Interest is charged at a rate of 7%. J B McFarlane made loan advances of £1,150,000 and received repayments of £610,399. The amount outstanding on the loan at 30 September 2019 was £550,000 (2018: £10,399).

During the year Jane Duncan, a preference shareholder and spouse of a company shareholder made a further loan advance of £1,025,000 and received repayments of £611,780. During the year, interest amounting to £30,287 (2018: £10,399) was charged to the profit and loss account. Interest is charged at a rate of 7%. The amount outstanding on the loan at 30 September 2019 was £550,000 (2018: £136,780).

#### 28 Controlling party

Following the completion of a management buy out subsequent to the year end, the group is under the control of Mr R S Torrens and Mr O Jimoh-Akindede.

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## M8 GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2019

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29 Cash generated from/(absorbed by) group operations	2019	2018
	£	£
Loss for the year after tax	(633,786)	(162,582)
<b>Adjustments for:</b>		
Taxation (credited)/charged	(20,377)	622
Finance costs	92,372	61,914
Amortisation and impairment of intangible assets	232,217	223,101
Depreciation and impairment of tangible fixed assets	31,411	35,157
Increase in provisions	296,213	-
<b>Movements in working capital:</b>		
Decrease/(increase) in stocks	106,474	(216,052)
Decrease/(increase) in debtors	259,328	(215,604)
(Decrease)/increase in creditors	(207,347)	124,554
<b>Cash generated from/(absorbed by) operations</b>	<u>156,505</u>	<u>(148,890)</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.