

Company Registration No. SC242849 (Scotland)

M8 GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2018

M8 GROUP LIMITED

COMPANY INFORMATION

Directors	Mr K Hague Mr J B McFarlane Mr R S Torrens Mr O Jimoh-Akindede
Secretary	Mr K Hague
Company number	SC242849
Registered office	5 Kingsthome Park Houstoun Industrial Estate Livingston West Lothian EH54 5DB
Auditor	Campbell Dallas Audit Services Titanium 1 King's Inch Place Renfrew PA4 8WF

M8 GROUP LIMITED

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M8 GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 29 SEPTEMBER 2018

The directors present the strategic report for the year ended 29 September 2018.

Fair review of the business

The results show a loss before tax for the year of £(162)k (2017: profit of £95k) on turnover of £20.9m (2017: £21.6m). Our balance sheet remains healthy, with net assets of £358k (2017: £521k).

Operation profitability as measured by EBITDA (Earnings before interest, tax, depreciation and amortisation) was £158k (2017: £397k).

Our markets remain highly competitively intense, in particular in the online pet retail space where a few major competitors appear willing to lose money while they battle for market share. By contrast, we continue to prioritise maintaining a positive EBITDA ahead of revenue growth.

The Directors take the view that in the current competitive and macro-economic environment it remains appropriate for us to continue with this relatively conservative strategy.

Principal risks and uncertainties

As for many businesses of our size, the business environment in which the company 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 and grow the business.

Most of our goods are sourced either from the UK or the Far East, although some of our biggest pet food brands are manufactured in the EU. We are dealing with uncertainty around the timing and nature of Brexit by bringing forward some Far East stock deliveries (to avoid any potential disruption at ports) and by maintaining ongoing dialogue with those suppliers who manufacture in the EU to make sure we are doing all we can to ensure continuity of supply.

Other information and explanations

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, and by utilising our import finance facility. This is further supported by short term shareholder loan finance where necessary. 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 back-end and customer-facing IT systems.

On behalf of the board

Mr K Hague
Director
27 September 2019

M8 GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 29 SEPTEMBER 2018

The directors present their annual report and financial statements for the year ended 29 September 2018.

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
Mr J B McFarlane
Mr R S Torrens
Mr O Jimoh-Akindede

Results and dividends

The results for the year are set out on page 7.

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

Auditor

The auditor, 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 2018

On behalf of the board

Mr K Hague
Director

Mr R S Torrens
Director

27 September 2019

M8 GROUP LIMITED

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

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 2018 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, the company 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 2018 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

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

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 Campbell Dallas Audit Services

27 September 2019

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 2018

	Notes	2018 £	2017 £
Turnover	3	20,872,936	21,574,116
Cost of sales		(14,865,642)	(15,099,722)
Gross profit		6,007,294	6,474,394
Distribution costs		(2,186,755)	(2,248,949)
Administrative expenses		(3,923,293)	(4,054,780)
Other operating income		2,708	-
Operating (loss)/profit	4	(100,046)	170,665
Interest payable and similar expenses	8	(61,914)	(75,398)
(Loss)/profit before taxation		(161,960)	95,267
Tax on (loss)/profit	9	(622)	73,818
(Loss)/profit for the financial year		(162,582)	169,085

(Loss)/profit 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 2018

	2018	2017
	£	£
(Loss)/profit for the year	(162,582)	169,085
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(162,582)</u>	<u>169,085</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 2018

		2018		2017	
	Notes	£	£	£	£
Fixed assets					
Goodwill	10		217,174		267,291
Other intangible assets	10		386,998		-
Total intangible assets			604,172		267,291
Tangible assets	11		104,857		508,167
			709,029		775,458
Current assets					
Stocks	15	2,158,926		1,942,874	
Debtors	16	581,002		544,546	
Cash at bank and in hand		1,301,518		724,750	
		4,041,446		3,212,170	
Creditors: amounts falling due within one year	17	(4,388,299)		(3,463,492)	
Net current liabilities			(346,853)		(251,322)
Total assets less current liabilities			362,176		524,136
Provisions for liabilities	19		(3,662)		(3,040)
Net assets			358,514		521,096
Capital and reserves					
Called up share capital	21		1,133,574		1,133,574
Share premium account			1,494,751		1,494,751
Profit and loss reserves			(2,269,811)		(2,107,229)
Total equity			358,514		521,096

The financial statements were approved by the board of directors and authorised for issue on 27 September 2019 and are signed on its behalf by:

Mr K Hague
Director

Mr R S Torrens
Director

M8 GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 29 SEPTEMBER 2018

		2018		2017	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	10		386,998		-
Tangible assets	11		51,048		456,298
Investments	12		10,000		10,000
			<u>448,046</u>		<u>466,298</u>
Current assets					
Debtors	16	1,752,997		145,679	
Creditors: amounts falling due within one year	17	<u>(5,626,177)</u>		<u>(4,995,148)</u>	
Net current liabilities			<u>(3,873,180)</u>		<u>(4,849,469)</u>
Total assets less current liabilities			<u>(3,425,134)</u>		<u>(4,383,171)</u>
Capital and reserves					
Called up share capital	21		1,133,574		1,133,574
Share premium account			1,441,027		1,441,027
Profit and loss reserves			<u>(5,999,735)</u>		<u>(6,957,772)</u>
Total equity			<u>(3,425,134)</u>		<u>(4,383,171)</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 £958,037 (2017 - £783,959 loss).

The financial statements were approved by the board of directors and authorised for issue on 27 September 2019 and are signed on its behalf by:

Mr K Hague
Director

Mr R S Torrens
Director

Company Registration No. SC242849

M8 GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 SEPTEMBER 2018

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 October 2016	1,133,574	1,494,751	(2,276,314)	352,011
Year ended 30 September 2017:				
Profit and total comprehensive income for the year	-	-	169,085	169,085
Balance at 30 September 2017	1,133,574	1,494,751	(2,107,229)	521,096
Year ended 29 September 2018:				
Loss and total comprehensive income for the year	-	-	(162,582)	(162,582)
Balance at 29 September 2018	1,133,574	1,494,751	(2,269,811)	358,514

M8 GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 SEPTEMBER 2018

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 October 2016	1,133,574	1,441,027	(6,173,813)	(3,599,212)
Year ended 30 September 2017:				
Loss and total comprehensive income for the year	-	-	(783,959)	(783,959)
Balance at 30 September 2017	1,133,574	1,441,027	(6,957,772)	(4,383,171)
Year ended 29 September 2018:				
Profit and total comprehensive income for the year	-	-	958,037	958,037
Balance at 29 September 2018	1,133,574	1,441,027	(5,999,735)	(3,425,134)

M8 GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 29 SEPTEMBER 2018

	Notes	2018		2017	
		£	£	£	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	24		(148,890)		686,938
Interest paid			(61,914)		(75,398)
Income taxes refunded/(paid)			101,821		-
			<u> </u>		<u> </u>
Net cash (outflow)/inflow from operating activities			(108,983)		611,540
Investing activities					
Purchase of intangible assets		(156,535)		-	
Purchase of tangible fixed assets		(35,294)		(242,042)	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(191,829)		(242,042)
Financing activities					
Receipt/(repayment) of other loans		161,025		(90,848)	
Receipt/(repayment) of bank debt		106,409		(593,745)	
		<u> </u>		<u> </u>	
Net cash generated from/(used in) financing activities			267,434		(684,593)
			<u> </u>		<u> </u>
Net decrease in cash and cash equivalents			(33,378)		(315,095)
Cash and cash equivalents at beginning of year			49,153		364,248
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			15,775		49,153
			<u> </u>		<u> </u>
Relating to:					
Cash at bank and in hand			1,301,518		724,750
Bank overdrafts included in creditors payable within one year			(1,285,743)		(675,597)
			<u> </u>		<u> </u>

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 SEPTEMBER 2018

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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. 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 2018. 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.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

1 Accounting policies (Continued)

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.

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

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

1 Accounting policies **(Continued)**

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.

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.

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

1 Accounting policies (Continued)

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.

1.11 Cash at bank and in hand

Cash at bank and in hand 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 2018

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 2018

1 Accounting policies (Continued)

1.15 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.

1.16 Retirement benefits

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

1.17 Leases

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.

1.18 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.

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

3	Turnover and other revenue		
		2018	2017
		£	£
	Turnover analysed by class of business		
	Pet supplies	14,181,587	14,964,566
	Garden supplies	6,691,349	6,609,550
		<u>20,872,936</u>	<u>21,574,116</u>
		<u><u>20,872,936</u></u>	<u><u>21,574,116</u></u>
4	Operating (loss)/profit		
		2018	2017
		£	£
	Operating (loss)/profit for the year is stated after charging:		
	Depreciation of owned tangible fixed assets	35,157	176,304
	Amortisation of intangible assets	223,101	50,117
	Operating lease charges	360,370	375,710
		<u>360,370</u>	<u>375,710</u>
		<u><u>360,370</u></u>	<u><u>375,710</u></u>
5	Auditor's remuneration		
		2018	2017
	Fees payable to the company's auditor and associates:	£	£
	For audit services		
	Audit of the financial statements of the group and company	17,800	17,500
		<u>17,800</u>	<u>17,500</u>
		<u><u>17,800</u></u>	<u><u>17,500</u></u>
6	Employees		
	The average monthly number of persons (including directors) employed by the group and company during the year was:		
		2018	2017
		Number	Number
	Warehouse	43	43
	Administration	36	37
		<u>79</u>	<u>80</u>
		<u><u>79</u></u>	<u><u>80</u></u>

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

6 Employees (Continued)

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,409,526	1,575,188
Social security costs	104,301	105,595
Pension costs	29,878	31,504
	<u>1,543,705</u>	<u>1,712,287</u>

7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	150,000	225,000
Company pension contributions to defined contribution schemes	3,125	-
	<u>153,125</u>	<u>225,000</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	n/a	90,000

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

8 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	47,068	56,985
Other interest on financial liabilities	14,478	18,413
	<u>61,546</u>	<u>75,398</u>
Other finance costs:		
Other interest	368	-
	<u>61,914</u>	<u>75,398</u>

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

9 Taxation	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	-	(101,821)
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	392	28,003
Adjustment in respect of prior periods	230	-
	<u> </u>	<u> </u>
Total deferred tax	622	28,003
	<u> </u>	<u> </u>
Total tax charge/(credit)	622	(73,818)
	<u> </u>	<u> </u>

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

	2018	2017
	£	£
(Loss)/profit before taxation	(161,960)	95,267
	<u> </u>	<u> </u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.50%)	(30,772)	18,577
Tax effect of expenses that are not deductible in determining taxable profit	70	2,762
Adjustments in respect of prior years	-	(101,821)
Permanent capital allowances in excess of depreciation	9,522	9,772
Deferred tax adjustments in respect of prior years	230	(564)
Adjust deferred tax to average rate	2,227	(1,530)
Deferred tax not recognised	19,345	(1,014)
	<u> </u>	<u> </u>
Taxation charge/(credit)	622	(73,818)
	<u> </u>	<u> </u>

The Group has an unrecognised deferred tax asset of £245,246 (2017: £226,095) in respect of carried forward tax losses. No asset has been recognised in line with FRS 102 accounting considerations.

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

10 Intangible fixed assets

Group	Goodwill	Website development	Development costs	Total
	£	£	£	£
Cost				
At 1 October 2017	1,069,095	-	113,561	1,182,656
Additions	-	156,535	-	156,535
Reclassification	-	465,154	-	465,154
At 29 September 2018	1,069,095	621,689	113,561	1,804,345
Amortisation and impairment				
At 1 October 2017	801,804	-	113,561	915,365
Amortisation charged for the year	50,117	172,984	-	223,101
Reclassification	-	61,707	-	61,707
At 29 September 2018	851,921	234,691	113,561	1,200,173
Carrying amount				
At 29 September 2018	217,174	386,998	-	604,172
At 30 September 2017	267,291	-	-	267,291
Company				
Cost				
At 1 October 2017	11,750	-	113,561	125,311
Additions	-	156,535	-	156,535
Reclassification	-	465,154	-	465,154
At 29 September 2018	11,750	621,689	113,561	747,000
Amortisation and impairment				
At 1 October 2017	11,750	-	113,561	125,311
Amortisation charged for the year	-	172,984	-	172,984
Reclassification	-	61,707	-	61,707
At 29 September 2018	11,750	234,691	113,561	360,002
Carrying amount				
At 29 September 2018	-	386,998	-	386,998
At 30 September 2017	-	-	-	-

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

11 Tangible fixed assets

Group	Plant and equipment £	Fixtures and fittings £	Website development £	Total £
Cost				
At 1 October 2017	678,344	22,745	785,241	1,486,330
Additions	34,193	1,100	-	35,293
Reclassification	-	-	(465,154)	(465,154)
At 29 September 2018	712,537	23,845	320,087	1,056,469
Depreciation and impairment				
At 1 October 2017	579,005	17,363	381,794	978,162
Depreciation charged in the year	29,660	5,497	-	35,157
Reclassification	-	-	(61,707)	(61,707)
At 29 September 2018	608,665	22,860	320,087	951,612
Carrying amount				
At 29 September 2018	103,872	985	-	104,857
At 30 September 2017	99,339	5,382	403,446	508,167
Company		Plant and equipment £	Website development £	Total £
Cost				
At 1 October 2017		405,692	785,241	1,190,933
Additions		7,758	-	7,758
Reclassification		-	(465,154)	(465,154)
At 29 September 2018		413,450	320,087	733,537
Depreciation and impairment				
At 1 October 2017		352,841	381,794	734,635
Depreciation charged in the year		9,561	-	9,561
Reclassification		-	(61,707)	(61,707)
At 29 September 2018		362,402	320,087	682,489
Carrying amount				
At 29 September 2018		51,048	-	51,048
At 30 September 2017		52,851	403,447	456,298

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

11 Tangible fixed assets

(Continued)

Following a review of the classification of website development costs, the directors have made the decision to reclassify website development costs with a net book value of £403,447 capitalised since transition to FRS 102 from tangible to intangible assets. This reclassification is a balance sheet only adjustment between tangible and intangible assets and consequently has no effect on total equity or the profit & loss account. The 3 year write off period of the costs is unchanged on reclassification.

12 Fixed asset investments

		Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	13	-	-	10,000	10,000

Movements in fixed asset investments

Company

Shares in group undertakings

Cost or valuation

At 1 October 2017 and 29 September 2018

10,000

Carrying amount

At 29 September 2018

10,000

At 30 September 2017

10,000

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

13 Subsidiaries

Details of the company's subsidiaries at 29 September 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Petplanet.co.uk Limited	5 Kingsthorne Park, Houstoun Industrial Estate, Livingston, West Lothian, EH54 5DB	Retail	Ordinary	100.00	-
Greenfingers Trading Limited	5 Kingsthorne Park, Houstoun Industrial Estate, Livingston, West Lothian, EH54 5DB	Retail	Ordinary	100.00	-
Ecological Trading Limited	5 Kingsthorne Park, Houstoun Industrial Estate, Livingston, West Lothian, EH54 5DB	Dormant	Ordinary	100.00	-

14 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	436,986	326,778	1,720,346	-
Carrying amount of financial liabilities				
Measured at amortised cost	3,944,626	3,003,613	5,569,715	4,949,412

15 Stocks

	Group 2018 £	2017 £	Company 2018 £	2017 £
Finished goods and goods for resale	2,158,926	1,942,874	-	-

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

16 Debtors		Group 2018 £	2017 £	Company 2018 £	2017 £
Amounts falling due within one year:					
Trade debtors		297,555	229,894	-	-
Corporation tax recoverable		-	101,821	-	101,821
Amounts owed by group undertakings		-	-	1,720,346	-
Other debtors		139,431	96,884	-	-
Prepayments and accrued income		144,016	115,947	32,651	43,858
		<u>581,002</u>	<u>544,546</u>	<u>1,752,997</u>	<u>145,679</u>
17 Creditors: amounts falling due within one year					
		Group 2018 £	2017 £	Company 2018 £	2017 £
	Notes				
Bank loans and overdrafts	18	1,479,548	762,993	1,285,743	675,597
Other borrowings	18	161,025	-	161,025	-
Trade creditors		2,005,047	1,773,296	89,895	99,928
Amounts owed to group undertakings		-	-	3,711,511	3,769,954
Other taxation and social security		221,945	376,273	309,268	361,864
Other creditors		77,061	91,052	12,273	42,069
Accruals and deferred income		443,673	459,878	56,462	45,736
		<u>4,388,299</u>	<u>3,463,492</u>	<u>5,626,177</u>	<u>4,995,148</u>
18 Loans and overdrafts					
		Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans		193,805	87,396	-	-
Bank overdrafts		1,285,743	675,597	1,285,743	675,597
Other loans		161,025	-	161,025	-
		<u>1,640,573</u>	<u>762,993</u>	<u>1,446,768</u>	<u>675,597</u>
Payable within one year		<u>1,640,573</u>	<u>762,993</u>	<u>1,446,768</u>	<u>675,597</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 Limited, Petplanet.co.uk Limited 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.

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

18 Loans and overdrafts

(Continued)

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% and are payable by the company on demand.

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

19 Deferred taxation

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

Group	Liabilities	Liabilities
	2018	2017
	£	£
Deferred tax	3,662	3,040
	<u>3,662</u>	<u>3,040</u>
	Group	Company
	2018	2018
	£	£
Movements in the year:		
Liability at 1 October 2017	3,040	-
Charge to profit or loss	622	-
	<u>3,662</u>	<u>-</u>
Liability at 29 September 2018	<u>3,662</u>	<u>-</u>

20 Retirement benefit schemes

Defined contribution schemes	2018	2017
	£	£
Charge to profit or loss in respect of defined contribution schemes	29,878	31,504
	<u>29,878</u>	<u>31,504</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.

21 Share capital

Issued and fully paid	Group and company	
	2018	2017
	£	£
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 preference shares are not entitled to receive dividends.

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

22 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 2018 £	2017 £	Company 2018 £	2017 £
Within one year	359,417	355,250	-	-
Between two and five years	215,000	657,750	-	-
	<u>574,417</u>	<u>1,013,000</u>	<u>-</u>	<u>-</u>

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

23 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, the company purchased goods amounting to £nil (2017: £4,396) from Endura Limited, a company in which Kevin Hague and J B McFarlane were directors.

During the year, interest amounting to £24,245 was charged to the profit and loss account (2017: £15,496) in relation to shareholder loans with Christian Dosch and J B McFarlane. Interest is charged at a rate of 7%. A loan advance from and repayments were made to J B McFarlane during the year, which resulted in a nil movement. The amount outstanding on shareholder loans at 30 September 2018 was £24,245 (2017: £nil).

During the year Jane Duncan, a preference shareholder and spouse of a company director made a further loan advance of £200,000 and received repayments of £75,000. During the year, interest amounting to £10,399 (2017: £9,071) 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 2018 was £136,780 (2017: £nil).

M8 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

24 Cash generated from group operations	2018	2017
	£	£
(Loss)/profit for the year after tax	(162,582)	169,085
Adjustments for:		
Taxation charged/(credited)	622	(73,818)
Finance costs	61,914	75,398
Amortisation and impairment of intangible assets	223,101	50,117
Depreciation and impairment of tangible fixed assets	35,157	176,304
Movements in working capital:		
(Increase)/decrease in stocks	(216,052)	279,585
(Increase) in debtors	(215,604)	(13,671)
Increase in creditors	124,554	23,938
Cash (absorbed by)/generated from operations	(148,890)	686,938

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