Registered number: 06898860

MCFL HOLDINGS LIMITED
FINANCIAL STATEMENTS
31 MAY 2017

MCFL HOLDINGS LIMITED

CONTENTS

MCFL HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Tim Cooper Maurice Helfgott Maurice Bennett Michael Bennett Alistair Brew Adam Leigh Andrew Thomson Christopher Webster
Registered number	06898860
Registered office	Block B Imperial Works Perren Street London NW5 3ED
Independent auditor	Blick Rothenberg Audit LLP 16 Great Queen Street Covent Garden London WC2B 5AH

CONSOLIDATED BALANCE SHEET
AS AT 31 MAY 2017

	Note		2017 £		2016 £
Fixed assets					
Intangible assets	4		283,503		288,105
Tangible assets	5		535,112		691,678
			818,615		979,783
Current assets					
Stocks		1,471,820		1,576,216	
Debtors	7	1,168,927		1,056,304	
Cash at bank and in hand	8	262,006		822,772	
		2,902,753		3,455,292	
Creditors: amounts falling due within one year	9	(1,780,161)		(929,403)	
Net current assets			1,122,592		2,525,889
Total assets less current liabilities			1,941,207		3,505,672
Creditors: amounts falling due after more than one year	10		(867,951)		(898,529)
Provisions for liabilities					
Other provisions		(100,000)		-	
			(100,000)		-
Net assets			973,256		2,607,143
Capital and reserves					
Called up share capital	12		58		58
Share premium account			4,830,857		4,830,857
Profit and loss account			(3,857,659)		(2,223,772)
Equity attributable to owners of the parent company			973,256		2,607,143

MCFL HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MAY 2017

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime within Part 15 of the Companies Act 2006 and in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the consolidated profit and loss account in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Maurice Helfgott
Director

Date: 31/10/2017

COMPANY BALANCE SHEET
AS AT 31 MAY 2017

	Note		2017 £		2016 £
Fixed assets					
Intangible assets	4		**7,482**		7,482
Investments	6		**1,702,144**		4,681,218
			1,709,626		4,688,700
Current assets					
Debtors	7	**411**		13,286	
Cash at bank and in hand	8	**60,288**		460,314	
		60,699		473,600	
Creditors: amounts falling due within one year	9	**(49,297)**		(49,297)	
Net current assets			**11,402**		424,303
Total assets less current liabilities			**1,721,028**		5,113,003
Creditors: amounts falling due after more than one year	10		**(797,044)**		(797,044)
Net assets			**923,984**		4,315,959
Capital and reserves					
Called up share capital	12		**58**		58
Share premium account			**4,830,857**		4,830,857
Profit and loss account			**(3,906,931)**		(514,956)
Total equity			**923,984**		4,315,959

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime within Part 15 of the Companies Act 2006 and in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The profit and loss account for the year dealt with in the accounts of the holding company was a loss of £3,391,975 (2016: loss of £30,656).

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies' regime. The profit and loss account and directors' report have not been filed.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Maurice Helfgott
Director
Date: 31/10/2017

MCFL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2017

	Called up share capital	Share premium account	Profit and loss account	Equity attributable to owners of parent company	Total equity
	£	£	£	£	£
At 1 June 2015	**58**	**4,830,857**	**(1,757,358)**	**3,073,557**	**3,073,557**
Comprehensive income for the year					
Loss for the financial year	-	-	**(466,414)**	**(466,414)**	**(466,414)**
At 1 June 2016	**58**	**4,830,857**	**(2,223,772)**	**2,607,143**	**2,607,143**
Comprehensive income for the year					
Loss for the financial year	-	-	**(1,633,887)**	**(1,633,887)**	**(1,633,887)**
At 31 May 2017	**58**	**4,830,857**	**(3,857,659)**	**973,256**	**973,256**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 June 2015	58	4,830,857	(484,300)	4,346,615
Comprehensive income for the year				
Loss for the financial year	-	-	(30,656)	(30,656)
At 1 June 2016	58	4,830,857	(514,956)	4,315,959
Comprehensive income for the year				
Loss for the financial year	-	-	(3,391,975)	(3,391,975)
At 31 May 2017	58	4,830,857	(3,906,931)	923,984

1. General information

McFL Holdings Limited is a private company limited by shares incorporated in England. Its registered office and principal place of business is Block B Imperial Works, Perren Street, London, NW5 3ED.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS 102') and the Companies Act 2006.

The financial statements are presented in Sterling (£).

The financial statements are presented on a 52 week basis to the last Sunday in May. The financial statements for the current year relate to the 52 week period to 28 May 2017 and the financial statements for the prior year relate to the week period to 29 May 2016.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own profit and loss account.

2.3 Going concern

The financial statements have been prepared on a going concern basis notwithstanding the fact that the group has incurred a loss of £1,633,887 in the year. Subsequent to the year end, the company raised equity of £1,000,002 by way of a rights issue to the shareholders. Refer to note 16 for further details. The directors have prepared forecasts and cashflow projections for the group extending to 2022, which envisage growth in revenues and earnings before interest, tax and depreciation ("EBITDA"), reflecting initiatives to drive growth in the store, web and wholesale channels.

After making enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence and meet their liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date these financial statements were approved. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Intangible assets

Intangible assets comprise the registration and protection of trademarks in various geographical territories. The intangible assets are amortised over their useful economic lives.

Intangible assets also comprise website development costs that are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Website development costs are amortised on a straight line basis over a period of two to three years.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

L/Term Leasehold Property	- 20-50% straight line
Fixtures & fittings	- 20-50% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated profit and loss account.

2. Accounting policies (continued)

2.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Financial instruments

The company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

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 company after deducting all of its liabilities.

The company's policies for its major classes of financial assets and financial liabilities are set out below.

2. Accounting policies (continued)

2.11 Financial instruments (continued)

Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, intercompany working capital balances, and intercompany financing are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Financial liabilities

Basic financial liabilities, including trade and other 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 for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

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

Derivative contracts

Derivative contracts, including interest rate swaps and foreign exchange forward contracts, are not basic financial instruments.

Derivative contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in interest payable and similar expenses or interest receivable and similar income as appropriate.

Impairment of financial assets

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the company would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2. Accounting policies (continued)

2.11 Financial instruments (continued)

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 and financial liabilities

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

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

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an 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.

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Sterling (£).

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated profit and loss account within 'interest receivable and similar income or interest payable and similar expenses'. All other foreign exchange gains and losses are presented in the consolidated profit and loss account within 'administrative expenses'.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Accounting policies (continued)

2.14 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit and loss account over the remaining vesting period.

The company has taken advantage of the exemption available in FRS 102 Section 35 from accounting for share based payment arrangements which were granted prior to 1 March 2016.

2.15 Finance costs

Finance costs are charged to the consolidated profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Operating leases: the group as lessee

Rentals paid under operating leases are charged to the Consolidated profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 June 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.17 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the consolidated profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

2. Accounting policies (continued)

2.18 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and caried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2.19 Interest income

Interest income is recognised in the consolidated profit and loss account using the effective interest rate method.

2.20 Provisions for liabilities

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

Provisions are charged as an expense to the Consolidated profit and loss account in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

2.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the group but are presented separately due to their size or incidence.

3. Employees

The average monthly number of employees, including directors, during the year was 72 (2016 - 65).

The employees of McFl Holdings Limited comprise the 8 directors (2016 - 8).

4. Intangible assets

Group

	Website development costs £	Trademarks £	Total £
Cost			
At 1 June 2016	471,956	7,482	479,438
Additions - internal	129,588	-	129,588
At 31 May 2017	601,544	7,482	609,026
Amortisation			
At 1 June 2016	191,333	-	191,333
Charge for the year	134,190	-	134,190
At 31 May 2017	325,523	-	325,523
Net book value			
At 31 May 2017	276,021	7,482	283,503
At 31 May 2016	280,623	7,482	288,105

Company

	Trademarks £
Cost	
At 1 June 2016	7,482
At 31 May 2017	7,482
Net book value	
At 31 May 2017	7,482
At 31 May 2016	7,482

5. Tangible fixed assets

Group

	Leasehold property £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 June 2016	787,473	662,805	1,450,278
Additions	148,837	67,784	216,621
At 31 May 2017	936,310	730,589	1,666,899
Depreciation			
At 1 June 2016	362,777	395,823	758,600
Charge for the year	122,816	102,412	225,228
Impairment charge	147,959	-	147,959
At 31 May 2017	633,552	498,235	1,131,787
Net book value			
At 31 May 2017	302,758	232,354	535,112
At 31 May 2016	424,696	266,982	691,678

6. Fixed asset investments

Company

	Investment in subsidary undertaking £
Cost	
At 1 June 2016	**4,681,218**
Additions	**385,250**
At 31 May 2017	**5,066,468**
Impairment	
Charge for the period	**3,364,324**
At 31 May 2017	**3,364,324**
Net book value	
At 31 May 2017	**1,702,144**
At 31 May 2016	4,681,218

The investment comprises equity of £500,010 and a longer term loan of £4,566,458, reflecting the underlying substance of the transaction.

7. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due after more than one year				
Other debtors	**180,142**	153,142	**-**	-
Due within one year				
Trade debtors	**618,244**	542,412	**-**	-
Other debtors	**60,803**	58,997	**186**	186
Called up share capital not paid	**225**	225	**225**	225
Prepayments and accrued income	**309,513**	301,528	**-**	12,875
	1,168,927	1,056,304	**411**	13,286

8. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	**262,006**	822,772	**60,288**	460,314

9. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	**929,762**	425,563	**-**	-
Amounts owed to group undertakings	**-**	-	**49,272**	49,272
Other taxation and social security	**229,519**	180,832	**-**	-
Other creditors	**349,324**	19,354	**25**	25
Accruals and deferred income	**271,556**	303,654	**-**	-
	1,780,161	929,403	**49,297**	49,297

10. Creditors: Amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Accruals and deferred income	**70,907**	101,485	**-**	-
Share premium treated as debt	**797,044**	797,044	**797,044**	797,044
	867,951	898,529	**797,044**	797,044

The company has ordinary 'A' and ordinary 'B' shares that have a contractual right to a cumulative dividend, initially based on a coupon rate applied to the consideration for the shares.

In accordance with FRS102 the contractual dividend which arises on the 'A' and 'B' ordinary shares meets the definition of a financial liability. The ordinary 'A' and 'B' shares which contain this obligation also contain equity components (such as the ability to receive discretionary dividends). The directors therefore consider that the ordinary 'A' and 'B' shares are compound instruments comprising of both a debt and equity component. Under FRS102 the debt's initial carrying value represents the fair value of the company's obligation to pay dividends on the ordinary 'A' and 'B' shares and therefore an obligation of £797,044 (stated after issue costs of £37,802) has been recognised in creditors. This liability represents the estimated future dividend obligations discounted to current value, using a rate of 40% which is estimated to be the market rate of similar debt instruments.

11. Provisions

Group

	Onerous lease £
Charged to profit or loss	**100,000**
At 31 May 2017	**100,000**

12. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
7,400,000 Ordinary shares of £0.000005 each	**37**	37
3,064,000 Ordinary 'A' shares of £0.000005 each	**15**	15
1,226,000 Ordinary 'B' shares of £0.000005 each	**6**	6
	58	58

13. Commitments under operating leases

At 31 May 2017 the group had future minimum lease payments under non-cancellable operating leases as follows:

Group	2017 £	2016 £
Not later than 1 year	**661,825**	748,492
Later than 1 year and not later than 5 years	**1,632,840**	2,085,665
Later than 5 years	**624,833**	833,833
	2,919,498	3,667,990

14. Related party transactions

The company has taken advantage of the exemption from disclosing transactions with entities which are a wholly owned part of the group.

15. Post balance sheet events

Subsequent to the year end, the company raised £1,000,002 in equity by way of a rights issue to the shareholders to increase the working capital of the group. The equity was issued in two tranches of £500,001 on the 19 July 2017 and 18 August 2017.

16. Auditor's information

The auditor's report on the company's full financial statements was unqualified. Those financial statements were audited by Blick Rothenberg Audit LLP and the auditor's report thereon was signed by Simon Mayston (senior statutory auditor).