Registered number: 06898860

MCFL HOLDINGS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019

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 Chartered Accountants & Statutory Auditor 16 Great Queen Street Covent Garden London WC2B 5AH

MCFL HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31 MAY 2019

	Note		2019 £		2018 £
Fixed assets					
Intangible assets	5		**1,108,297**		1,219,038
Tangible assets	6		**191,837**		300,215
			1,300,134		1,519,253
Current assets					
Stocks		**1,489,703**		1,796,393	
Debtors	8	**1,143,588**		1,336,124	
Cash at bank and in hand	9	**394,953**		147,646	
		3,028,244		3,280,163	
Creditors: amounts falling due within one year	10	**(1,626,768)**		(1,210,723)	
Net current assets			**1,401,476**		2,069,440
Total assets less current liabilities			**2,701,610**		3,588,693
Creditors: amounts falling due after more than one year	11		**(2,969,169)**		(2,963,502)
Provisions for liabilities					
Other provisions	13	**(136,923)**		(168,053)	
			(136,923)		(168,053)
Net (liabilities)/assets			**(404,482)**		457,138

MCFL HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MAY 2019

	Note	2019 £	2018 £
Capital and reserves			
Called up share capital	14	**91**	91
Share premium account		**5,830,829**	5,830,829
Profit and loss account		**(6,235,402)**	(5,373,782)
Equity attributable to owners of the parent company		**(404,482)**	457,138

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 Section 1A of 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 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:

Christopher Webster
Director

Date: 20/2/20

REGISTERED NUMBER:06898860

MCFL HOLDINGS LIMITED

COMPANY BALANCE SHEET
AS AT 31 MAY 2019

	Note		2019 £		2018 £
Fixed assets					
Intangible assets	5		**7,482**		7,482
Investments	7		**4,304,545**		4,304,545
			4,312,027		4,312,027
Current assets					
Debtors	8	**411**		411	
Cash at bank and in hand	9	**38,203**		104,095	
		38,614		104,506	
Creditors: amounts falling due within one year	10	**(290,106)**		(360,837)	
Net current liabilities			**(251,492)**		(256,331)
Total assets less current liabilities			**4,060,535**		4,055,696
Creditors: amounts falling due after more than one year	11		**(2,899,324)**		(2,849,324)
Net assets			**1,161,211**		1,206,372

MCFL HOLDINGS LIMITED

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 MAY 2019

	Note	2019 £	2018 £
Capital and reserves			
Called up share capital	14	**91**	91
Share premium account		**5,830,829**	5,830,829
Profit and loss account		**(4,669,709)**	(4,624,548)
Total equity		**1,161,211**	1,206,372

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 £45,161 (2018: loss of £717,617).

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:

Christopher Webster
Director

Date: 20/2/20

The notes on pages 6 to 22 form part of these financial statements.

1. General information

McFL Holdings Limited is a private company limited by shares incorporated in England and Wales. Its registered office 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 unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland 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 26 May 2019 and the financial statements for the prior year relate to the week period to 27 May 2018.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

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 consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

2. Accounting policies (continued)

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 £861,620 in the year, a reduction on the prior year loss of £1,516,123.

The directors have prepared forecasts and cashflow projections extending to 2023, which envisage growth in earnings before interest, tax and depreciation ("EBITDA"), reflecting initiatives to drive growth and earnings particularly across the web and wholesale channels. In addition, the group is reviewing the cost base, with a view to making cost savings by refocussing the business on the web and wholesale channels. A further £525,000 was raised in July 2019 by way of secured fixed rate loan notes to support working capital requirements.

As the going concern status of the group is dependent upon the performance of the business against the forecasts and cashflow projections the directors are of the opinion that the matters described above represent material uncertainties, as outturns to forecasts may differ from expectations.

Therefore, and 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.

2.4 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. Accounting policies (continued)

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.

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the consolidated profit and loss account over its useful economic life.

Other intangible assets

Intangible assets 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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten 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:

Leasehold property improvements	- 20-50% straight line
Fixtures, fittings and equipment	- 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 Financial instruments

The group 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 group 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 group after deducting all of its liabilities.

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

Financial assets

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

2. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Basic financial liabilities, including trade and other creditors, 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

Derivatives contracts, including foreign exchange forward contracts, are not basic financial instruments.

Derivatives 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.

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.

2. Accounting policies (continued)

Financial instruments (continued)

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.

2.11 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. 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 'finance income or costs'. 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 June 2015.

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 1 June 2014 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 carried 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 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. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and key estimates in applying the group's accounting policies. The significant items in the financial statements where these judgements and estimates have been made are:

Impairment of investments in subsidiary undertakings

The carrying amounts of the company's investment in subsidiaries, including related long term intercompany loans, are reviewed at each balance sheet date to determine whether there is any indication of impairment as required by FRS 102 Section 27 Impairment of Assets. If any such indication exists, the recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the investment exceeds its recoverable amount. The recoverable amount is the greater of net realisable value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate. Impairment losses are recognised in the profit and loss account.

Business combinations and investments

The group uses the purchase method of accounting to incorporate the results of business combinations. Investments in subsidiaries are initially measured at cost less accumulated impairment. The initial measurement of cost and fair values, of fixed asset investments and intangible assets arising on consolidation, includes significant judgements relating to contractual arrangements and contingent consideration.

Impairment of retail store assets and onerous lease provisions

The group reviews the performance of each store as part of the process of determining the need for impairment charges on fixed assets and consideration of the existence of onerous leases.

The impairment charge in the year against non-performing stores is £nil (2018: £105,767). The financial statements also include an onerous lease provision of £118,870 (2018: £150,000).

Assessments as to whether or not to recognise these provisions, and of the amounts concerned, involve a series of complex judgements about future events and can rely heavily on estimates and assumptions. The directors believe that the provisions recorded are adequate based on currently available information. However, given the inherent uncertainties involved in assessing the outcomes of these events, and in particular, estimating the amount of potential costs of non-performing stores, the group could incur a materially different level of costs in the subsequent year that could have a material effect on the group's results in that period.

4. Employees

The average monthly number of employees, including directors, during the year was 52 (2018 - 55).

The employees of McFl Holdings Limited comprise the 8 directors (2018 - 8).

5. Intangible assets

Group

	Website development costs £	Trademarks £	Goodwill £	Total £
Cost				
At 1 June 2018	589,940	1,132,482	586,339	2,308,761
Additions	146,591	-	-	146,591
At 31 May 2019	736,531	1,132,482	586,339	2,455,352
Amortisation				
At 1 June 2018	462,906	75,000	551,817	1,089,723
Charge for the year	103,698	150,000	3,634	257,332
At 31 May 2019	566,604	225,000	555,451	1,347,055
Net book value				
At 31 May 2019	169,927	907,482	30,888	1,108,297
At 31 May 2018	127,034	1,057,482	34,522	1,219,038

Company

	Trademarks £
Cost	
At 1 June 2018	7,482
At 31 May 2019	7,482
Net book value	
At 31 May 2019	7,482
At 31 May 2018	7,482

6. Tangible fixed assets

Group

	Leasehold property improvements £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 June 2018	**1,481,698**	**253,458**	**1,735,156**
Additions	**3,815**	**23,740**	**27,555**
At 31 May 2019	**1,485,513**	**277,198**	**1,762,711**
Depreciation			
At 1 June 2018	**1,187,670**	**247,271**	**1,434,941**
Charge for the year	**125,594**	**10,339**	**135,933**
At 31 May 2019	**1,313,264**	**257,610**	**1,570,874**
Net book value			
At 31 May 2019	**172,249**	**19,588**	**191,837**
At 31 May 2018	294,028	6,187	300,215

7. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 June 2018	**8,218,869**
At 31 May 2019	**8,218,869**
Impairment	
At 1 June 2018	**3,914,324**
At 31 May 2019	**3,914,324**
Net book value	
At 31 May 2019	**4,304,545**
At 31 May 2018	4,304,545

The investment cost brought forward, in relation to the subsidiary Oliver Sweeney Trading Limited ("OSTL"), comprises equity of £500,010 and a longer term loan of £6,126,458, reflecting the underlying substance of the transaction. The balance of investment cost brought forward, of £1,592,401, relates to the subsidiary Oliver Sweeney Holdings Limited.

8. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due after more than one year				
Other debtors	**194,242**	180,142	**-**	-
Due within one year				
Trade debtors	**373,326**	478,961	**-**	-
Other debtors	**78,556**	151,594	**186**	186
Called up share capital not paid	**225**	225	**225**	225
Prepayments and accrued income	**497,239**	525,202	**-**	-
	1,143,588	1,336,124	**411**	411

9. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	**394,953**	147,646	**38,203**	104,095

10. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade creditors	**915,010**	781,122	**-**	-
Amounts owed to group undertakings	**-**	-	**145,081**	215,812
Corporation tax	**19,344**	19,344	**-**	-
Other taxation and social security	**156,847**	50,966	**-**	-
Other creditors	**314,680**	177,029	**35,025**	35,025
Accruals and deferred income	**220,887**	182,262	**110,000**	110,000
	1,626,768	1,210,723	**290,106**	360,837

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

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Other loans	**1,827,112**	1,667,112	**1,827,112**	1,667,112
Share premium treated as debt	**797,044**	797,044	**797,044**	797,044
Accruals and deferred income	**345,013**	499,346	**275,168**	385,168
	2,969,169	2,963,502	**2,899,324**	2,849,324

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.

The following liabilities were secured:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Other loans	**1,827,112**	1,667,112	**1,827,112**	1,667,112

The other loans comprise secured term loan notes with an interest coupon of 10% per annum. The interest rolls up and becomes due for payment in 2022. The repayment profile is set out in note 13.

The other loans are secured by way of a debenture, with a fixed and floating charge over the assets of the group. A guarantee and indemnity was entered into by the company and its subsidiaries.

12. Loans

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Amounts falling due 2-5 years				
Other loans	**1,827,112**	867,112	**1,827,112**	867,112
Amounts falling due after more than 5 years				
Other loans	**-**	800,000	**-**	800,000
	1,827,112	1,667,112	**1,827,112**	1,667,112

13. Provisions

Group

	Onerous lease £	Returns provision £	Total £
At 1 June 2018	**150,000**	**18,053**	**168,053**
Charged to profit or loss	**(31,130)**	**-**	**(31,130)**
At 31 May 2019	**118,870**	**18,053**	**136,923**

14. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
8,308,681 (2018 -8,308,681) Ordinary shares of £0.000005 each	**42**	42
3,064,000 (2018 -3,064,000) Ordinary 'A' shares of £0.000005 each	**15**	15
1,226,000 (2018 -1,226,000) Ordinary 'B' shares of £0.000005 each	**6**	6
5,575,000 (2018 -5,576,000) Ordinary 'C' shares of £0.000005 each	**28**	28
	91	91

On 19 December 2017 the company granted options over a further 1,580,322 ordinary shares of £0.000005 each, in exchange for consideration of £7, which can be exercised immediately prior to, or on the day of, legal completion of an exit event, comprising either a sale, disposal or listing of the group. The directors have estimated that any share based payment charge is immaterial as the potential future exercise of the share options is contingent upon a future event, the timing of which is currently considered uncertain.

15. Commitments under operating leases

At 31 May 2019 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £
Not later than 1 year	**525,209**	610,090
Later than 1 year and not later than 5 years	**1,109,819**	1,336,070
Later than 5 years	**248,162**	491,667
	1,883,190	2,437,827

16. 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.

17. 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).

In forming the opinion, the adequacy of the disclosures made in Note 2.3 concerning the going concern status of the company have been considered. In view of the significance of this matter, we consider it should be drawn to your attention, but our opinion in not qualified in this respect.