

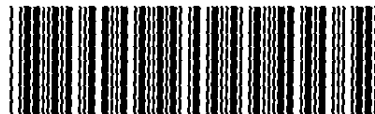
These accounts are being filed as
parent company accounts for
Petmeds Limited (05687109)
(see page 25)

Kokoba Limited

Annual report and financial statements
for the year ended 31 December 2016

Registered number: 06060026

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Kokoba Limited

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Kokoba Group Limited

Officers and professional advisors

Directors

Mr Andrew Michael Bucher
Mr Simon John Davies
Mr Neil Hutchinson

Company Secretary

Ms Louise Bale

Registered office

15 – 20 Bakers Row
London
EC1R 3DG

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom
EC4A 3BZ

Kokoba Group Limited

Strategic report

The directors, in preparing this strategic report for the year ended 31 December 2016, have complied with s414C of the Companies Act 2006.

Principal activities

The principal activity of the Company is selling health-led pet related products online directly to consumers across the United Kingdom and Europe. This includes prescription and non-prescription veterinary medicines, specialist and veterinary diets, premium foods and accessories.

Review of the business

The primary focus of Kokoba Limited from the date of the acquisition by Forward Dimension Capital I LLP until the end of 2015 was to rebuild the confidence with our partners in the supply chain, rationalise the range of offerings, overhaul the management structure, and focus on delivery stability.

During 2016 a transformation programme was implemented covering:

- Operational improvements – increased efficiency together with higher levels of stock have significantly improved the levels of dispatch to customers within the 24 and 48 hour targets.
- Rationalisation of marketing spend – review of previous marketing activity and removal of marketing campaigns that fail to deliver base metrics with clients.
- Loyalty scheme – investing in a client loyalty and VIP scheme to reward the loyal customer base. There will undoubtedly be some refinement to the scheme during 2017 in response to customer opinion, but initial feedback is positive.

These initiatives were broadly in place by the second half of 2016 but it was not until that point that client acquisition was re-instated, and even then not at the same levels as in the first half of 2015. As a consequence the revenue in 2016 was significantly below that seen in 2015. In addition acquisition campaigns were reviewed to identify poor quality returns, including the previous year's TV campaign which was subsequently discontinued.

Results and dividends

The results for the year and the financial position of the Company are shown in the financial statements. The loss for the year after taxation amounted to £10,852k (2015: £14,347k loss) and the table below shows the reconciliation from operating loss to adjusted EBITDA loss.

	2016 £'000	2015 £'000
Operating loss	(9,300)	(15,756)
Add back:		
Depreciation and amortisation	1,236	1,859
One-off adjustment relating to impairments and write-downs	-	6,966
One-off adjustment and costs	-	(2,506)
Adjusted EBITDA loss	(8,064)	(9,437)

Prior year one-off adjustments relating to impairments and write downs relate to Goodwill (£5.2m) and fixed assets (£1.7m). Prior year one-off adjustments and costs relate to advisory costs (£0.5m) offset by a write off of supplier balances (£3.0m).

Future developments

The humanisation of pets and a growing population continues to deliver significant growth across the UK and European market place, which was estimated to be in excess of £22bn in 2016. The directors are confident that this growth will continue for the foreseeable future and that the proposed strategy and improvements will yield material growth starting in the fourth quarter 2017.

Kokoba Limited

Strategic report (continued)

Future developments (continued)

The focus for 2017 has been:

- Deployment of key stakeholders from the parent group to focus on delivering improved customer interaction, experience and conversion rates.
- Strengthening of key roles - recruitment of additional Board and senior management talent with high level of ecommerce experience to deliver the strategic goals of the group.
- Private Label - launch a private label range for accessories covering circa 220 products whilst rationalising historical underperforming product lines, as well as working with our supply chain partners to ensure we offer a range of new innovative products.
- Continue to review the range of products to support our customer requirements and remove product lines no longer fulfilling these requirements.
- Review options to offer a limited range of value add services to our customers.
- Brexit - while we expect some uncertainty ahead as the UK negotiates the terms of Brexit, the directors remain confident in the long term prospects for the Group based around the strategy to build a pet-focused offering of products and services.

Post balance sheet events

There have been no significant events since the balance sheet date.

Key performance indicators

The directors consider that the Company's key performance indicators to be turnover, gross margin, net contribution (gross profit less variable costs), EBITDA and cash flow. Non-financial indicators include customer experience metrics and achievement of delivery targets.

	2016	2015
	£'000	£'000
Turnover	49,379	62,190
Gross margin	25.1%	24.7%
Net contribution (gross margin less direct costs)	1,504	(535)
EBITDA	(8,064)	(9,437)

Principal risks and uncertainties

The directors have considered the key risks and uncertainties that exist in the business. Measures are in place to help mitigate against these risks with the aim of protecting the Company's stakeholders and to safeguard the interest of the Company. The key risks are summarised below:

- Reputational risk: The Company recognises the need to protect its reputation as failure to do so could lead to a loss of trust from consumers, suppliers, vets and employees. To mitigate against this risk the Company employs both veterinarians and pharmacists to ensure compliance associated with selling health related products, including prescription medicine. The Company conducts regular compliance audits to ensure it complies with all aspects of its policies and the findings get reported to the management team.
- Exchange rate risk: As the Company trades across Europe, the Company is exposed to risks associated with international trade, including foreign currency translation risks. The Company seeks to manage this risk by purchasing supplies in local currency where possible and through purchasing forward currency contracts to hedge against exchange rate movements.
- Liquidity risk: The Business requires funds to help it grow, including working capital and capital expenditure requirements. Short term and long term cash flow forecasting ensure that funding requirements are highlighted and action taken in a timely manner.

Kokoba Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

- **Credit risk:** The Company receives payments in respect of goods and marketing activity. Therefore there is a risk that amounts owed may not be recovered. The Company manages credit risk by only accepting orders with card payments or authorisation before despatch of goods. The Company also actively manages amounts owed under marketing arrangements through regular review of debtor balances and good relationships with its suppliers.
- **Online trading risk:** If the Company is unable to trade due to issues with its IT systems this will impact on consumers and subsequently the Company's profits. The Company manages this risk through a reputable third party, who host all of the websites. It receives alerts if a website is not operating correctly. The Company can redirect payments to another account if one of the online payment gateways fails. The Company also continues to review and adapts its infrastructure based on future needs.
- **Health, safety and environment:** The Company currently has over 140 employees across multiple sites. Staff retention and welfare is very important to the continued success of the business. The Company has numerous policies associated with staff welfare, including a health and safety policy. There is a bi-annual appraisal process that ensures strong communication between employees and the management. In addition the Company communicates through an intranet site, where regular articles are published, and there is a strong development programme in place.



Simon Davies

Director

15 November 2017

Kokoba Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2016.

Strategic report

Details of future developments and events that have occurred after the balance sheet date, and details of the Company's financial risk management, can be found in the Strategic Report on page 2 to 4 and form part of this report by cross-reference.

Dividends

The directors recommend that no dividend is paid (2015: £nil).

Going concern

The Company is currently reliant on funds forwarded by Forward Dimension Capital 1 LLP, the controlling party, when necessary. Having received a support letter from Forward Dimension Capital 1 LLP for a period of 13 months from the 27 October 2017, the directors have a reasonable expectation that adequate resources will be available to the Company to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Directors

The directors, who served throughout the year and up to the date of approval except as noted, were as follows:

A M Bucher
S J Davies
N Hutchinson (appointed 6 November 2017)
R J Murphy (resigned 31 July 2017)
G A W Owston (resigned 31 August 2017)
I A Retznac (resigned 4 September 2017)
D K Rigby (resigned 31 October 2017)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the current and prior year which remain in force at the date of this report.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



Simon Davies
Director
15 November 2017

Kokoba Limited

Directors' responsibilities statement

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland". 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 Company and of the profit or loss of the company 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; and
- 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Kokoba Limited

We have audited the financial statements of Kokoba Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, and the Cash Flow Statement, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the Company'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.

Opinion on other matter prescribed by the Companies Act 2006

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Independent auditor's report to the members of Kokoba Limited (continued)

Matters on which we are required to report by exception

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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Chris Donovan (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, UK

16 November 2017

Kokoba Limited

Profit and loss account

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover	3	49,379	62,190
Cost of sales		<u>(36,962)</u>	<u>(46,840)</u>
Gross profit		12,417	15,350
Administrative expenses		<u>(21,717)</u>	<u>(31,106)</u>
Operating loss		(9,300)	(15,756)
Finance costs (net)	4	<u>(1,989)</u>	<u>(59)</u>
Loss before taxation	5	(11,289)	(15,815)
Tax	8	<u>437</u>	<u>1,468</u>
Loss for the financial year		<u>(10,852)</u>	<u>(14,347)</u>

All income and expenses are continued and recognised in the profit and loss statement, therefore no statement of other comprehensive income has been prepared.

Kokoba Limited

Balance sheet

As at 31 December 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	10	1,507	1,821
Tangible assets	11	103	246
Investments	12	11	12
		<u>1,621</u>	<u>2,079</u>
Current assets			
Stocks	13	1,785	1,423
Debtors due within one year	14	2,693	2,675
Cash at bank and in hand		1,850	764
		<u>6,328</u>	<u>4,862</u>
Creditors: amounts falling due within one year	15	<u>(8,455)</u>	<u>(10,847)</u>
Net current liabilities		<u>(2,127)</u>	<u>(5,985)</u>
Total assets less current liabilities		<u>(506)</u>	<u>(3,906)</u>
Creditors: amounts falling due after more than one year	16	<u>(17,624)</u>	<u>(8,258)</u>
Net liabilities		<u><u>(18,130)</u></u>	<u><u>(12,164)</u></u>
Capital and reserves			
Called-up share capital	19	4	4
Share premium account	19	32,069	32,069
Capital contribution reserve	19	7,394	2,508
Profit and loss account	19	<u>(57,597)</u>	<u>(46,745)</u>
Shareholders' deficit		<u><u>(18,130)</u></u>	<u><u>(12,164)</u></u>

The financial statements of Kokoba Limited (registered number 06060026) were approved by the board of directors and authorised for issue on 15 November 2017. They were signed on its behalf by:



Simon Davies
Director

Kokoba Limited

Statement of changes in equity

At 31 December 2016

	Called-up share capital £'000	Share premium account £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2015	4	32,069	-	(32,398)	(325)
Loss for the financial year	-	-	-	(14,347)	(14,347)
Capital contribution on provision of loans	-	-	2,508	-	2,508
At 31 December 2015	4	32,069	2,508	(46,745)	(12,164)
Loss for the financial year	-	-	-	(10,852)	(10,852)
Capital contribution on provision of loans	-	-	4,886	-	4,886
At 31 December 2016	4	32,069	7,394	(57,597)	(18,130)

Kokoba Limited

Cash flow statement

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Net cash flows used in operating activities	20	(13,955)	(7,449)
Cash flows used in investing activities			
Additions to tangible and intangible fixed assets		(779)	(2,224)
Cash flows from financing activities			
Repayments of borrowings		-	(691)
New loans raised		14,937	10,560
Interest paid		(167)	(159)
Net cash flows from financing activities		<u>14,770</u>	<u>9,710</u>
Tax credit received		<u>1,050</u>	<u>855</u>
Net increase in cash and cash equivalents		<u>1,086</u>	<u>892</u>
Cash and cash equivalents at beginning of year		<u>764</u>	<u>(128)</u>
Cash and cash equivalents at end of year		<u><u>1,850</u></u>	<u><u>764</u></u>
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		<u>1,850</u>	<u>764</u>
Cash and cash equivalents		<u><u>1,850</u></u>	<u><u>764</u></u>

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a. General information and basis of accounting

Kokoba Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Kokoba Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out below.

b. Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Company meets its day-to-day working capital requirements through a loan facility with Kokoba Group Limited, which is repayable within five years of the date of the initial tranche on 17 August 2016. The Company will be required to make further draw-downs on this facility during 2017 and 2018.

The Company is currently reliant on funds forwarded by Forward Dimension Capital 1 LLP, the controlling party, when necessary. Having received a support letter from Forward Dimension Capital 1 LLP from 27 October for 13 months, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c. Intangible assets – research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Company is expected to benefit. This period is three years. Provision is made for any impairment.

d. Other intangible assets

Other intangible fixed assets are stated at cost or valuation, net of amortisation and any provision for impairment. Amortisation, recognised through administrative expenses, is provided on all other intangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Licences	– 3 years
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e. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant, machinery, fixtures and fittings	– 3 years
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Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

1. Accounting policies (continued)

f. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a 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.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

1. Accounting policies (continued)

f. Financial instruments (continued)

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares, are measured at cost less impairment.

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iv) Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(v) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

1. Accounting policies (continued)

g. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

h. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units (CGU) of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

i. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

1. Accounting policies (continued)

i. Taxation (continued)

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

j. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where payments are received from customers in advance of goods delivered or services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

k. Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

1. Accounting policies (continued)

l. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above);
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income; and
- in the case of the consolidated financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reported under equity.

m. Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

n. Share-based payments

The Company issues equity-settled share options to certain employees within the Group. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

Key source of estimation uncertainty - impairment of development assets

Determining whether development assets is impaired requires an estimation of the value in use of the assets. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the assets and a suitable discount rate in order to calculate present value.

3. Turnover

Turnover represents amounts derived from the provision of goods after deduction of trade discounts and Value Added tax.

An analysis of the Company's turnover by geographical market is set out below.

	2016 £'000	2015 £'000
Turnover		
United Kingdom	24,153	32,673
France	13,021	14,229
Germany	8,814	10,905
Rest of Europe	3,391	4,383
	<u>49,379</u>	<u>62,190</u>

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

4. Finance costs (net)

	2016 £'000	2015 £'000
Interest on loans	1,989	59
	<u>1,989</u>	<u>59</u>

5. Loss before taxation

Loss before taxation is stated after expensing/(crediting):

	2016 £'000	2015 £'000
Depreciation of tangible fixed assets (note 11)	171	281
Write-down on tangible fixed assets	-	50
Impairment of goodwill	-	5,249
Amortisation of other intangible assets (note 10)	1,065	1,578
Write-down of other intangible fixed assets	-	1,667
Loss on financial liabilities measured at fair value through profit and loss	466	253
Gains on liabilities held at amortised cost	-	(523)
Operating lease rentals	570	562
Foreign exchange loss/(gain)	709	(3)
Write-off of supplier payables	-	(3,021)
	<u></u>	<u></u>

The prior year write-down and impairments of tangible and intangible assets and goodwill arose as a result of the review of the fair value of the assets at the date of acquisition by Forward Dimension Capital.

Impairments of goodwill, intangible and tangible assets are included in administrative expenses.

Amortisation of intangible assets is included in administrative expenses.

The analysis of the auditor's remuneration is as follows:

	2016 £'000	2015 £'000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts		
Audit – current year	57	44
Total audit fees	<u>57</u>	<u>44</u>
Taxation compliance services	19	18
Other taxation advisory services	-	7
Total non-audit fees	<u>19</u>	<u>25</u>

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

6. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2016 Number	2015 Number
Fulfilment	45	71
IT	23	25
Administration	78	103
	<u>146</u>	<u>199</u>

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	4,667	6,373
Social security costs	528	632
Other pension costs (see note 22)	58	81
	<u>5,253</u>	<u>7,086</u>

Other pension costs are only those items included within operating costs. Items reported elsewhere have been excluded.

7. Directors' remuneration and transactions

	2016 £'000	2015 £'000
Directors' remuneration		
Emoluments	201	200
Company contributions to money purchase pension schemes	6	6
Sums paid to Forward Internet Group Limited in respect of directors' services	257	39
	<u>464</u>	<u>245</u>

The directors did not exercised any share options in the year (2015: none).

Directors' advances, credits and guarantees

Details of transactions with directors during the year are disclosed in note 24.

	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	<u>2</u>	<u>2</u>
	2016 £'000	2015 £'000
Remuneration of the highest paid director:		
Emoluments	159	100
Company contributions to money purchase schemes	-	3

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

8. Tax

The tax charge comprises:

	2016 £'000	2015 £'000
Current tax		
Adjustments in respect of prior years	(437)	(1,468)
Total current tax	<u>(437)</u>	<u>(1,468)</u>
Total tax on loss	<u>(437)</u>	<u>(1,468)</u>

The standard rate of corporation tax in the UK for the period was 20%. The tax rate has fallen to 19% with effect from 1 April 2017. The Finance Act 2016 has reduced this rate further to 17% from 1 April 2020.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £'000	2015 £'000
Loss before tax	<u>(11,289)</u>	<u>(15,815)</u>
 Tax on Company loss at standard UK corporation tax rate of 20 per cent (2015: 20.25 per cent)	 (2,258)	 (3,203)
 Effects of:		
- Expenses not deductible for tax purposes	12	1,190
- Transitional adjustment on conversion to FRS 102	-	(3)
- Adjustment from previous periods	(437)	(1,468)
- Tax losses not recognised	2,246	2,016
Total tax credit for the period	<u>(437)</u>	<u>(1,468)</u>

Tax losses are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Total unrecognised deferred tax assets arising from trading losses amounted to £8,030k as at 31 December 2016.

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

9. Share-based payments

Equity-settled share option schemes

There was no expense recognised through the profit and loss in respect of the share options (2015: nil). Details of the share options outstanding during the year are as follows:

	2016		2015	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of period	-	£0.01	771,231	£0.0001
Granted during the period	182,880			
Forfeited during the period	(734)			
Scheme closed	-		(771,231)	
Outstanding at the end of the period	182,146		-	
Exercisable at the end of the period	-		-	

10. Intangible fixed assets

	Licences £'000	Website content and development £'000	Total £'000
Cost			
At 1 January 2016	455	3,150	3,605
Additions	-	751	751
At 31 December 2016	455	3,901	4,356
Amortisation			
At 1 January 2016	348	1,436	1,784
Charge for the year	64	1,001	1,065
At 31 December 2016	412	2,437	2,849
Net book value			
At 31 December 2016	43	1,464	1,507
At 31 December 2015	107	1,714	1,821

Development costs have been capitalised in accordance with the requirements of FRS 102 and are therefore not treated, for dividend purposes, as a realised loss.

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

11. Tangible fixed assets

	Plant, machinery, fixtures and fittings £'000
Cost or valuation	
At 1 January 2016	689
Additions	28
At 31 December 2016	<u>717</u>
Depreciation	
At 1 January 2016	443
Charge for the year	171
At 31 December 2016	<u>614</u>
Net book value	
At 31 December 2016	<u>103</u>
At 31 December 2015	<u>246</u>

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

12. Fixed asset investments

	2016 £'000	2015 £'000
Subsidiary undertakings	11	12

Kokoba Limited is owned 100% by Kokoba Group Limited. It was 100% acquired on the 5 August 2015. Kokoba Group Limited is owned 87% by Forward Dimension Capital 1 LLP.

Principal Company investments

The Company has investments in the following subsidiary undertakings (* indicates an indirect holding).

Name	Nature of business	Country of incorporation	Class of shares/percentage held
Farmpharm Limited†	Sale of pet food, medicines and accessories	United Kingdom	Ordinary/100%
Viverdi Limited†	Sale of pet food, medicines and accessories	United Kingdom	Ordinary/100%
* Petmeds Limited†	Sale of pet food, medicines and accessories	United Kingdom	Ordinary/100% *
Medicanimal Services SL	Consultancy in management, business strategy, marketing operations, public and legal affairs	Spain	Ordinary/100%
Medicanimal Sp. z.o.o	Sale of pet food	Poland	Ordinary/100%
Professional Veterinary Services Limited	Dormant	United Kingdom	Ordinary/100%
MA Netherlands BV	Holds pharmacy and wholesaler licences	Netherlands	Ordinary/100%
Petmeds GmbH*	Dormant	Germany	Ordinary/100%
Kokoba France SAS*	Dormant	France	Ordinary/100%

† These non-dormant companies have elected to make use of the audit exemption. Under section 479A of the Companies Act 2006, in order to fulfil the conditions set out in the regulations, the Company has given statutory guarantee of all outstanding liabilities to which the subsidiaries are subject at the end of the financial period to 31 December 2016.

The individual amounts of capital and reserves, results and the registered addresses of these undertakings for the last relevant financial period were as follows:

	Capital and reserves	Profit/(loss)
	2016 £'000	2016 £'000
Farmpharm Limited - 12 Hope Street Edinburgh, EH2 4DB	(12)	-
Viverdi Limited - Studio 11 100 Villiers Road London, NW2 5PJ	1	-
Petmeds Limited - Studio 11 100 Villiers Road London, NW2 5PJ	64	3
Medicanimal Services SL - Calle Velazquez, number 94, 1, 28006 Madrid, Spain	(1)	(2)
Medicanimal Sp. z.o.o - Ul.S.Rybickiego 41, 96-100, Skierniewice, Poland	1	(7)
Professional Veterinary Services Limited - Studio 11 100 Villiers Road London, NW2 5PJ	1	-
MA Netherlands BV - Hermelijnweg 24, 4877 AE Etten-Leur, The Netherlands	1	-
Petmeds GmbH - Vahrenwalder Straße 269A, 30179 Hannover, Germany	20	-
Kokoba France SAS - 78 Ave. Raymond Poincare, 75016 Paris	(20)	(4)

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

13. Stocks

	2016	2015
	£'000	£'000
Finished goods	1,622	1,030
Inventory in transit	163	393
	<u>1,785</u>	<u>1,423</u>

14. Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	615	803
VAT	256	618
Corporation tax recoverable	-	613
Amounts owed from group undertakings	69	-
Other debtors	1,031	263
Prepayments and accrued income	722	378
	<u>2,693</u>	<u>2,675</u>

Amounts owed from group undertakings are repayable on demand and have no interest attached to them. Other debtors include £856k of short term deposits.

15. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	2,336	7,575
Other taxation and social security	250	1,309
Amounts owed to group undertakings	135	66
Accruals	847	576
Deferred income	968	1,090
Derivative financial instrument liability (note 18)	697	231
Loans: Kreos Capital	3,222	-
	<u>8,455</u>	<u>10,847</u>

Amounts owed to group undertakings are repayable on demand and have no interest attached to them

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

16. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Other loans:		
Kreos Capital	1,821	3,989
Kokoba Group Limited	15,803	4,269
	<u>17,624</u>	<u>8,258</u>

Borrowings are repayable as follows:

	2016 £'000	2015 £'000
Other loans		
<i>Kreos Capital</i>		
Between one and two years	1,821	3,989
On demand or within one year	3,222	-
	<u>5,043</u>	<u>3,989</u>
<i>Kokoba Group Limited</i>		
Between two and five years	15,803	4,269
	<u>15,803</u>	<u>4,269</u>
Total borrowings including finance leases		
Between one and two years	1,821	-
Between two and five years	15,803	8,258
	<u>17,624</u>	<u>8,258</u>
Within one year	3,222	-
	<u>20,846</u>	<u>8,258</u>

Kokoba Group Limited is a related party by virtue of its common control with Kokoba Group Limited. The loan from Kokoba Group Limited is a term loan at 4.5% above the Bank of England Official Bank Rate with interest accruing daily to be repaid on the repayment date. The repayment date is the fifth anniversary of the date of the loan agreement which is 14 August 2020.

The loan from Kreos Capital is a term loan at 10.7% with interest accruing monthly to be repaid in instalments, the last instalment will be paid on the 1 June 2018.

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

17. Financial instruments

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2016 £'000	2015 £'000
Financial assets		
Measured at undiscounted amount receivable		
• Trade and other debtors (see note 14)	2,693	2,675
	<u>2,693</u>	<u>2,675</u>
Financial liabilities		
Measured at fair value		
• Derivative financial liabilities (see note 18)	697	231
	<u>697</u>	<u>231</u>
Measured at amortised cost		
• Loans payable (see note 15 & 16)	20,846	8,258
	<u>20,846</u>	<u>8,258</u>
Measured at undiscounted amount payable		
• Trade and other creditors (see note 15)	4,536	10,616
	<u>4,536</u>	<u>10,616</u>

The Company's income, expense, gains and losses in respect of financial instruments are summarised below:

	2016 £'000	2015 £'000
Interest Income and (Expense)		
Gain on modification on the Kreos Loan	-	523
Loan Interest	(1,986)	(571)
Interest expense for financial liabilities at amortised cost	(3)	(11)
	<u>(1,989)</u>	<u>(59)</u>
Net expense		
	<u>(1,989)</u>	<u>(59)</u>
Fair value losses		
On derivative financial liabilities designated in an effective hedging relationship (see note 18)	(466)	(231)
	<u>(466)</u>	<u>(231)</u>

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

18. Derivative financial instruments

	2016 £'000	2015 £'000
Derivative hedging instruments carried at fair value		
Liabilities		
Forward foreign currency contracts	697	231
	<u>697</u>	<u>231</u>

The Company uses the derivatives to hedge its exposures to changes in foreign currency exchange rates.

The contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Forward foreign currency contracts

The following table details the forward foreign currency contracts outstanding as at the year-end:

	Average contractual exchange rate		Notional value		Fair value	
	2016	2015	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Sell EURO						
Greater than 3 months	1.344	1.407	<u>5,258</u>	<u>5,510</u>	<u>(697)</u>	<u>(231)</u>

Losses of £466k (2015: £253k) were recognised in the profit and loss account in the period relating to these contracts.

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

19. Called-up share capital and reserves

	2016 £	2015 £
Allotted, called up and fully paid		
1,268,540 ordinary shares of £0.0001 each (2015: 1,268,540)	127	127
936,210 A ordinary shares of £0.0001 each (2015: 936,210)	94	94
350,700 B1 class ordinary shares of £0.0001 each (2015: 350,700)	35	35
330,440 B2 class ordinary shares of £0.0001 each (2015: 330,440)	33	33
1,199,987 C1 class preference shares of £0.0001 each (2015: 1,199,987)	120	120
892,171 C2 class preference shares of £0.0001 each (2015: 892,171)	89	89
801,925 C3 class preference shares of £0.0001 each (2015: 801,925)	80	80
34,756,500 deferred shares of £0.0001 each (2015: 34,756,500)	3,476	3,476
	<u>4,054</u>	<u>4,054</u>

All shares all have full voting and dividend rights.

On a liquidation or a return of capital any surplus shall be applied: 1st to C shareholders not converted to ordinary shares (based on the starting price of the share less the previously paid amounts) ; 2nd to A shareholders and B shareholders not converted to ordinary shares (based on the starting price of the share less the previously paid amount); and 3rd to deferred shareholders a total of £1.00 for the entire class.

Any surplus will be split among the holders of the ordinary shares pro rata to the number of ordinary shares held.

The B shares and C shares are further divided into categories 1, 2, and 3 as the starting prices for each category is different.

The Company's other reserves are as follows:

- Share premium reserves contain the premium arising on issue of equity shares, net of issue expenses.
- Profit and loss reserves represent cumulative profits or losses.
- Capital contribution reserve based on the £21.5m (2015: £6.5m) loan from Kokoba Group Limited of which £7.3m (2015: £2.4m) was deemed to be a capital contribution as the loan was at sub market rates; also on the Kreos loan of £5.0m (2015: £4.2m) of which £0.1m (2015: £0.1m) was deemed to be a capital contribution as an interest free period was granted to the Company in exchange for shares in the immediate parent, Kokoba Group Limited.

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

20. Cash flow statement

Reconciliation of operating loss to cash generated by operations:

	2016 £'000	2015 £'000
Operating loss	(9,300)	(15,756)
Adjustment for:		
Impairment loss on tangible and intangible assets	-	6,966
Depreciation and amortisation	1,236	1,859
Foreign exchange adjustment relating to the Kreos loan	709	166
Operating cash outflow before movement in working capital	(7,355)	(6,765)
Increase in stocks	(362)	(476)
(Increase)/decrease in debtors	(631)	94
Decrease in creditors	(5,607)	(302)
Net cash outflows used in operating activities	(13,955)	(7,449)

21. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £'000	2015 £'000
Company		
- within one year	588	535
- between one and five years	370	565
	958	1,100

22. Employee benefits

Defined contribution schemes

The Company operates two defined contribution retirement benefit schemes for all of its qualifying employees. The total expense charged to profit or loss in the period ended 31 December 2016 was £58k (2015: £81k). The amount of pensions owed as of 31 December 2016 was £8k (2015: nil).

23. Subsequent events

There are no subsequent events which require reporting.

24. Related party transactions

Forward Internet Group Limited - £257k (2015: £39k) was paid to and £69k (2015: £21k) received from Forward Internet Group Limited, a related party, as recharges for personnel services. A balance held at the end of the year of £147k (2015: £24k) was included in trade creditors.

Forward 3D Limited - £163k (2015: £87k) was paid to Forward 3D Limited, a related party, for the provision of marketing activities. A balance held at the end of the year of £13k (2015: £69k) was included in trade creditors.

Factory Media Limited – £97k (2015: nil) was paid to Factory Media, a related party, for the provision of marketing activities. A balance held at the end of the year of £27k (2015: nil) was included in trade creditors.

Key management remuneration is considered to be that of the directors; details of which can be found in note 7.

Kokoba Limited

Notes to the financial statements

For the year ended 31 December 2016

25. Controlling party

Kokoba Limited is a wholly-owned subsidiary of Kokoba Group Limited, who is the smallest group in which its consolidated accounts include the results of the Company. The largest consolidation in which the results of Kokoba Limited are contained is Forward Investment Partners LLP. The registered address of the largest and smallest group is 15 – 20 Bakers Row, London, England, EC1R 3DG. The ultimate holding company and controlling party of Kokoba Group Limited is Forward Investment Partners LLP.