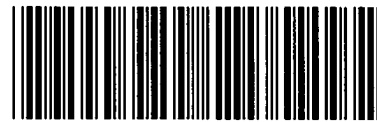


REGISTERED NUMBER: SC242849 (Scotland)

**Group Strategic Report, Report of the Directors and
Consolidated Financial Statements
for the Year Ended 30 September 2016
for
M8 Group Limited**

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M8 Group Limited (Registered number: SC242849)

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for the Year Ended 30 September 2016**

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M8 Group Limited

**Company Information
for the Year Ended 30 September 2016**

DIRECTORS:

K Hague
L G W Jensen
J B McFarlane
R S Torrens
Miss M L Peterson
O Jimoh-Akindele

SECRETARY:

K Hague

REGISTERED OFFICE:

5 Kingsthorpe Park
Houstoun Industrial Estate
Livingston
West Lothian
EH54 5DB

REGISTERED NUMBER:

SC242849 (Scotland)

AUDITORS:

Campbell Dallas LLP
Chartered Accountants
Statutory Auditors
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

**Group Strategic Report
for the Year Ended 30 September 2016**

The directors present their strategic report of the company and the group for the year ended 30 September 2016.

REVIEW OF BUSINESS

The results of the group show a profit before tax for the year of £66k (2015: loss of £740k) on turnover of £20.0m (2015: £19.6m).

Operational profitability as measured by EBITDA (Earnings before interest, tax, depreciation and amortisation) shows a turnaround from a loss of £340k to a profit of £337k. Cash generated from operations was £644k.

These results show that the strategy we put in place following a disappointing 2015 is delivering as planned. The patience and faith of our shareholders along with the remarkable commitment and effort of our employees is being rewarded, the run-rate profitability of the business has been restored.

The group balance sheet has been significantly strengthened through a £1,118k equity injection from the existing shareholder group and as a result of strong operational cash generation. Group long term debt has been reduced from £1,286k to zero. M8 Group is a cash generating, profitable business with a healthy balance sheet. We are well positioned for further growth.

Although a relatively small player in highly competitive online retail markets, we believe our smart and increasingly well codified processes and systems are a sustainable source of competitive advantage.

The weakening of Sterling as a result of Brexit will place pressures on all retailers who import stock, and M8 Group is no exception. We have already reduced some of our forward Far East stock commitments. We expect material market price inflation in the coming year which is likely to dampen overall consumer demand. Balancing this, our retail brands have strong "value" propositions and inflationary pressures are likely to drive consumers to seek value online. In addition - for petplanet.co.uk specifically - the relative weakness of sterling against the Euro is likely to be a net benefit, as it adversely impacts the economics of those of our competitors who rely on Euro denominated sourcing and logistical operations.

We believe that in the current competitive and macro-economic environment it remains appropriate for us to continue with our relatively conservative strategy of focusing on economic sustainability ahead of growth. We expect both the petplanet.co.uk and greenfingers.com brands to deliver modest growth and further profitability improvements in the year ahead.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

M8 Group Limited (Registered number: SC242849)

**Group Strategic Report
for the Year Ended 30 September 2016**

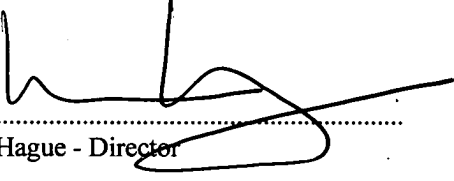
FINANCIAL INSTRUMENTS

Our financial risk management objectives are to ensure sufficient working capital and cash flow for the Group and to ensure there is sufficient support for the Group's turnaround and growth strategy. This is achieved through careful management of our cash resources, and by utilising our import finance facility. This is further supported by short term shareholder loan finance where necessary. No material treasury transactions or derivatives are entered into.

RESEARCH & DEVELOPMENT

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

ON BEHALF OF THE BOARD:


.....
K Hague - Director

Date:21/12/16.....

**Report of the Directors
for the Year Ended 30 September 2016**

The directors present their report with the financial statements of the company and the group for the year ended 30 September 2016.

DIVIDENDS

No dividends will be distributed for the year ended 30 September 2016 (2015: £nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2015 to the date of this report.

K Hague
L G W Jensen
J B McFarlane
R S Torrens
Miss M L Peterson

Other changes in directors holding office are as follows:

O Jimoh-Akindele - appointed 14 April 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

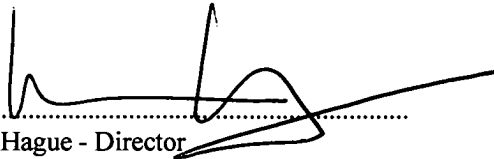
M8 Group Limited (Registered number: SC242849)

**Report of the Directors
for the Year Ended 30 September 2016**

AUDITORS

The auditors, Campbell Dallas LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
K Hague - Director

Date:21/12/16.....

Report of the Independent Auditors to the Members of M8 Group Limited

We have audited the financial statements of M8 Group Limited for the year ended 30 September 2016 on pages eight to thirty three. 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 Financial Reporting Standard 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 a Report of the Auditors 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 group'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 Group Strategic Report and the Report of the Directors 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 group's and of the parent company's affairs as at 30 September 2016 and of the group's profit 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

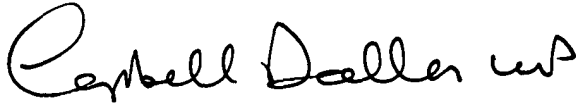
In our opinion the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Report of the Independent Auditors to the Members of
M8 Group Limited**

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



Fraser Campbell (Senior Statutory Auditor)
for and on behalf of Campbell Dallas LLP
Chartered Accountants
Statutory Auditors
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: 23/12/16

M8 Group Limited (Registered number: SC242849)**Consolidated Income Statement
for the Year Ended 30 September 2016**

		2016	2015
	Notes	£	£
TURNOVER	2	19,975,098	19,639,341
Cost of sales		13,383,358	12,706,519
GROSS PROFIT		6,591,740	6,932,822
Distribution costs		2,395,039	2,615,585
Administrative expenses		4,060,013	4,978,698
		6,455,052	7,594,283
		136,688	(661,461)
Other operating income		-	60,000
OPERATING PROFIT/(LOSS)	4	136,688	(601,461)
Interest payable and similar charges	5	70,135	138,627
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		66,553	(740,088)
Tax on profit/(loss) on ordinary activities	6	25,223	25,187
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		41,330	(765,275)
Profit/(loss) attributable to: Owners of the parent		41,330	(765,275)

The notes form part of these financial statements

M8 Group Limited (Registered number: SC242849)

**Consolidated Other Comprehensive Income
for the Year Ended 30 September 2016**

	Notes	2016 £	2015 £
PROFIT/(LOSS) FOR THE YEAR		41,330	(765,275)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>41,330</u>	<u>(765,275)</u>
Total comprehensive income attributable to: Owners of the parent		<u>41,330</u>	<u>(765,275)</u>

The notes form part of these financial statements

M8 Group Limited (Registered number: SC242849)

**Consolidated Balance Sheet
30 September 2016**

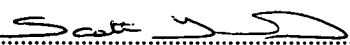
	Notes	2016 £	2015 £
FIXED ASSETS			
Intangible assets	8	317,408	367,525
Tangible assets	9	442,429	320,940
Investments	10	-	-
		<u>759,837</u>	<u>688,465</u>
CURRENT ASSETS			
Stocks	11	2,222,459	2,600,121
Debtors	12	319,670	474,881
Cash at bank		729,689	206,000
		<u>3,271,818</u>	<u>3,281,002</u>
CREDITORS			
Amounts falling due within one year	13	<u>3,679,644</u>	<u>3,490,644</u>
NET CURRENT LIABILITIES		<u>(407,826)</u>	<u>(209,642)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		352,011	478,823
CREDITORS			
Amounts falling due after more than one year	14	-	1,286,584
NET ASSETS/(LIABILITIES)		<u>352,011</u>	<u>(807,761)</u>


The notes form part of these financial statements

Consolidated Balance Sheet - continued
30 September 2016

	Notes	2016	2015
		£	£
CAPITAL AND RESERVES			
Called up share capital	19	1,133,574	15,132
Share premium	20	1,494,751	1,494,751
Retained earnings	20	(2,276,314)	(2,317,644)
SHAREHOLDERS' FUNDS		<u>352,011</u>	<u>(807,761)</u>

The financial statements were approved by the Board of Directors on 21/12/16 and were signed on its behalf by:


 R S Torrens - Director


 K Hague - Director

The notes form part of these financial statements

M8 Group Limited (Registered number: SC242849)

**Company Balance Sheet
30 September 2016**

	Notes	2016 £	2015 £
FIXED ASSETS			
Intangible assets	8	-	-
Tangible assets	9	372,915	242,961
Investments	10	10,000	10,000
		<u>382,915</u>	<u>252,961</u>
CURRENT ASSETS			
Debtors	12	172,877	588,184
Cash at bank		2	2
		<u>172,879</u>	<u>588,186</u>
CREDITORS			
Amounts falling due within one year	13	4,155,006	3,471,127
NET CURRENT LIABILITIES		<u>(3,982,127)</u>	<u>(2,882,941)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(3,599,212)</u>	<u>(2,629,980)</u>
CREDITORS			
Amounts falling due after more than one year	14	-	(1,286,584)
PROVISIONS FOR LIABILITIES	18	-	(14,061)
NET LIABILITIES		<u><u>(3,599,212)</u></u>	<u><u>(3,930,625)</u></u>

The notes form part of these financial statements

Company Balance Sheet - continued
30 September 2016

		2016	2015
	Notes	£	£
CAPITAL AND RESERVES			
Called up share capital	19	1,133,574	15,132
Share premium	20	1,441,027	1,441,027
Retained earnings	20	(6,173,813)	(5,386,784)
SHAREHOLDERS' FUNDS		<u>(3,599,212)</u>	<u>(3,930,625)</u>

The financial statements were approved by the Board of Directors on ,20/12/16..... and were signed on its behalf by:

.....
R S Torrens - Director

.....
K Hague - Director

The notes form part of these financial statements

M8 Group Limited (Registered number: SC242849)

**Consolidated Statement of Changes in Equity
for the Year Ended 30 September 2016**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 October 2014	15,132	(1,552,369)	1,494,751	(42,486)
Changes in equity				
Total comprehensive income	-	(765,275)	-	(765,275)
Balance at 30 September 2015	15,132	(2,317,644)	1,494,751	(807,761)
Changes in equity				
Issue of share capital	1,118,442	-	-	1,118,442
Total comprehensive income	-	41,330	-	41,330
Balance at 30 September 2016	1,133,574	(2,276,314)	1,494,751	352,011

The notes form part of these financial statements

M8 Group Limited (Registered number: SC242849)

**Company Statement of Changes in Equity
for the Year Ended 30 September 2016**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 October 2014	-	(4,160,554)	1,441,027	(2,719,527)
Changes in equity				
Issue of share capital	15,132	-	-	15,132
Total comprehensive income	-	(1,226,230)	-	(1,226,230)
Balance at 30 September 2015	<u>15,132</u>	<u>(5,386,784)</u>	<u>1,441,027</u>	<u>(3,930,625)</u>
Changes in equity				
Issue of share capital	1,118,442	-	-	1,118,442
Total comprehensive income	-	(787,029)	-	(787,029)
Balance at 30 September 2016	<u><u>1,133,574</u></u>	<u><u>(6,173,813)</u></u>	<u><u>1,441,027</u></u>	<u><u>(3,599,212)</u></u>

The notes form part of these financial statements

M8 Group Limited (Registered number: SC242849)**Consolidated Cash Flow Statement
for the Year Ended 30 September 2016**

		2016 £	2015 £
	Notes		
Cash flows from operating activities			
Cash generated from operations	1	644,231	(812,884)
Interest paid		(70,135)	(138,627)
Net cash from operating activities		<u>574,096</u>	<u>(951,511)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		<u>(271,684)</u>	<u>(105,753)</u>
Net cash from investing activities		<u>(271,684)</u>	<u>(105,753)</u>
Cash flows from financing activities			
Additional loans during year		600,000	550,000
Loan repayments in year		(702,191)	(250,000)
Accrued loan interest		24,897	77,293
Amount introduced by shareholders		-	300,000
Amount repaid to shareholders		<u>-</u>	<u>(91,393)</u>
Net cash from financing activities		<u>(77,294)</u>	<u>585,900</u>
Increase/(decrease) in cash and cash equivalents		<u>225,118</u>	<u>(471,364)</u>
Cash and cash equivalents at beginning of year	2	139,130	610,494
Cash and cash equivalents at end of year	2	<u><u>364,248</u></u>	<u><u>139,130</u></u>

The notes form part of these financial statements

**Notes to the Consolidated Cash Flow Statement
for the Year Ended 30 September 2016**

1. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2016	2015
	£	£
Profit/(loss) before taxation	66,553	(740,088)
Depreciation charges	200,312	261,716
Finance costs	70,135	138,627
	<u>337,000</u>	<u>(339,745)</u>
Decrease/(increase) in stocks	377,662	(754,165)
Decrease/(increase) in trade and other debtors	129,988	(75,780)
(Decrease)/increase in trade and other creditors	<u>(200,419)</u>	<u>356,806</u>
Cash generated from operations	<u><u>644,231</u></u>	<u><u>(812,884)</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Consolidated Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 30 September 2016

	30.9.16	1.10.15
	£	£
Cash and cash equivalents	729,689	206,000
Bank overdrafts	<u>(365,441)</u>	<u>(66,870)</u>
	<u><u>364,248</u></u>	<u><u>139,130</u></u>

Year ended 30 September 2015

	30.9.15	1.10.14
	£	£
Cash and cash equivalents	206,000	610,494
Bank overdrafts	<u>(66,870)</u>	<u>-</u>
	<u><u>139,130</u></u>	<u><u>610,494</u></u>

The notes form part of these financial statements

**Notes to the Consolidated Financial Statements
for the Year Ended 30 September 2016**

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern

The Board of Directors are pleased with the profitable performance of the group over the past twelve months and the group's projections show a continuation of this profitability and positive cash flow generation for the forthcoming year.

Taking the above into consideration in conjunction with the group's projections for the next twelve months, the Board of Directors consider it appropriate to prepare these financial statements on a going concern basis.

Basis of consolidation

The group financial statements consolidate the financial statements of M8 Group Limited and its subsidiaries under the principles of acquisition accounting.

Significant judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis and revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The directors are of the opinion there are no matters of significant judgement and estimation which are material to the financial statements.

Turnover

Turnover relates to the principal activities of the Group. It is recognised when the principal risks and rewards have been transferred and is represented by the net invoiced sales of goods, excluding value added tax.

Goodwill

Goodwill was paid in connection with the acquisition of the businesses below and is amortised over its useful estimated life:

	Date of Acquisition	Estimated Useful Life
M8 Group Limited	2007	5 years
Greenfingers Trading Ltd	2002	5 years
Petplanet.co.uk Ltd	2003	20 years

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2016**

1. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is shorter.

Equipment & fittings - 25% straight line on cost

Fixtures & fittings - 25% straight line on cost

Website development - 33% straight line on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but have not reversed at the balance sheet date.

Deferred tax is provided at the average rates that are expected to apply when the timing differences reverse, based on current tax rates and laws. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Research and development

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

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

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

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

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2016**

1. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Government grants

Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred or when milestones are met to which they relate.

2. TURNOVER

The turnover and profit (2015 - loss) before taxation are attributable to the principal activities of the group.

An analysis of turnover by class of business is given below:

	2016 £	2015 £
Pet supplies	13,738,906	12,988,298
Garden supplies	6,234,449	6,651,043
Other	1,743	-
	<u>19,975,098</u>	<u>19,639,341</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2016**

3. STAFF COSTS

	2016	2015
	£	£
Wages and salaries	1,538,497	1,964,265
Social security costs	109,387	160,082
Pension costs	30,770	39,285
	<u>1,678,654</u>	<u>2,163,633</u>

The average monthly number of employees during the year was as follows:

	2016	2015
Warehouse	47	38
Administration	33	52
	<u>80</u>	<u>90</u>

4. OPERATING PROFIT/(LOSS)

The operating profit (2015 - operating loss) is stated after charging/(crediting):

	2016	2015
	£	£
Other operating leases	425,996	513,915
Depreciation - owned assets	150,195	173,743
Goodwill amortisation	50,117	50,118
Development costs amortisation	-	37,855
Auditors' remuneration	17,000	15,750
Grants receivable	-	(60,000)
	<u>643,308</u>	<u>721,321</u>
Directors' remuneration	<u>262,500</u>	<u>274,000</u>

Auditors' remuneration is split as follows:

Fees in respect of the audit of the company and consolidated accounts - £3,500
Fees in respect of the audit of the accounts of subsidiaries - £13,500

Information regarding the highest paid director is as follows:

	2016	2015
	£	£
Emoluments etc	<u>127,500</u>	<u>150,000</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2016**

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2016	2015
	£	£
Loan interest	49,896	100,300
Bank interest	20,239	38,327
	<u>70,135</u>	<u>138,627</u>

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2016	2015
	£	£
Deferred tax	25,223	25,187
Tax on profit/(loss) on ordinary activities	<u>25,223</u>	<u>25,187</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2016	2015
	£	£
Profit/(loss) on ordinary activities before tax	<u>66,553</u>	<u>(740,088)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.500%)	13,311	(151,718)
Effects of:		
Expenses not deductible for tax purposes	8,147	15,228
Income not taxable for tax purposes	(6,279)	-
Adjustments to tax charge in respect of previous periods	(14,699)	151,404
Fixed asset differences	10,023	10,273
Adjust closing deferred tax to average rate of 20%	1,313	-
Deferred tax not recognised	13,407	-
Total tax charge	<u>25,223</u>	<u>25,187</u>

The Group has recognised a deferred tax asset at the period end in respect of the tax losses which it anticipates will be recoverable from future taxable profits based on conditions existing at the balance sheet date.

The Group has an unrecognised deferred tax asset of £270,261 (2015: £379,092) in respect of carried forward tax losses. No asset has been recognised in line with FRS 102 accounting considerations.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2016**

7. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(787,029) (2015 - £(1,226,230)).

8. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Development costs £	Totals £
COST			
At 1 October 2015 and 30 September 2016	1,069,095	113,561	1,182,656
AMORTISATION			
At 1 October 2015	701,570	113,561	815,131
Amortisation for year	50,117	-	50,117
At 30 September 2016	751,687	113,561	865,248
NET BOOK VALUE			
At 30 September 2016	317,408	-	317,408
At 30 September 2015	367,525	-	367,525

Company

	Goodwill £	Development costs £	Totals £
COST			
At 1 October 2015 and 30 September 2016	11,750	113,561	125,311
AMORTISATION			
At 1 October 2015 and 30 September 2016	11,750	113,561	125,311
NET BOOK VALUE			
At 30 September 2016	-	-	-
At 30 September 2015	-	-	-

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2016**

9. TANGIBLE FIXED ASSETS

Group

	Equipment & fittings £	Fixtures and fittings £	Website development £	Totals £
COST				
At 1 October 2015	629,772	22,745	320,087	972,604
Additions	32,750	-	238,934	271,684
At 30 September 2016	662,522	22,745	559,021	1,244,288
DEPRECIATION				
At 1 October 2015	514,269	6,864	130,531	651,664
Charge for year	39,067	4,436	106,692	150,195
At 30 September 2016	553,336	11,300	237,223	801,859
NET BOOK VALUE				
At 30 September 2016	109,186	11,445	321,798	442,429
At 30 September 2015	115,503	15,881	189,556	320,940

Company

	Equipment & fittings £	Website development £	Totals £
COST			
At 1 October 2015	384,774	320,087	704,861
Additions	12,596	238,934	251,530
At 30 September 2016	397,370	559,021	956,391
DEPRECIATION			
At 1 October 2015	331,369	130,531	461,900
Charge for year	14,884	106,692	121,576
At 30 September 2016	346,253	237,223	583,476
NET BOOK VALUE			
At 30 September 2016	51,117	321,798	372,915
At 30 September 2015	53,405	189,556	242,961

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2016**

10. FIXED ASSET INVESTMENTS

Company

Shares in
group
undertakings
£

COST

At 1 October 2015
and 30 September 2016

10,000

NET BOOK VALUE

At 30 September 2016

10,000

At 30 September 2015

10,000

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries

Petplanet.co.uk Ltd

Country of incorporation: Scotland
Nature of business: Retail

Class of shares:
Ordinary

%
holding
100.00

Greenfingers Trading Ltd

Country of incorporation: Scotland
Nature of business: Retail

Class of shares:
Ordinary

%
holding
100.00

Ecological Trading Ltd

Country of incorporation: Scotland
Nature of business: Dormant

Class of shares:
Ordinary

%
holding
100.00

Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2016

11. STOCKS

	Group	
	2016	2015
	£	£
Finished goods	2,222,459	2,600,121

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	120,098	186,185	-	-
Amounts owed by group undertakings	-	-	139,874	537,001
Other debtors	95,159	67,192	-	-
Deferred tax asset	24,963	50,186	-	-
Prepayments and accrued income	79,450	171,318	33,003	51,183
	<u>319,670</u>	<u>474,881</u>	<u>172,877</u>	<u>588,184</u>

Deferred tax asset

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Deferred tax	<u>24,963</u>	<u>50,186</u>	<u>-</u>	<u>-</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank loans and overdrafts (see note 15)	1,046,582	822,407	365,441	67,060
Other loans (see note 15)	90,848	-	90,848	-
Trade creditors	1,853,550	1,690,164	119,997	84,542
Amounts owed to group undertakings	-	-	3,145,806	2,871,026
Social security and other taxes	36,881	43,622	36,881	43,622
VAT	181,418	324,337	340,831	338,395
Other creditors	58,087	32,471	4,727	27,192
Accruals and deferred income	412,278	577,643	50,475	39,290
	<u>3,679,644</u>	<u>3,490,644</u>	<u>4,155,006</u>	<u>3,471,127</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2016**

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Other loans (see note 15)	-	1,286,584	-	1,286,584

15. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Amounts falling due within one year or on demand:				
Bank overdrafts	365,441	66,870	365,441	67,060
Bank loans and overdraft	681,141	755,537	-	-
Other loans	90,848	-	90,848	-
	<u>1,137,430</u>	<u>822,407</u>	<u>456,289</u>	<u>67,060</u>
Amounts falling due between two and five years:				
Other loans - 2-5 years	-	634,643	-	634,643
Amounts falling due in more than five years:				
Repayable otherwise than by instalments				
Other loans more 5yrs non-inst	-	651,941	-	651,941

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2016**

16. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Minimum lease payments fall due as follows:

Group

	2016	2015
	£	£
Net obligations repayable:		
Within one year	357,413	360,172
Between one and five years	1,402,583	1,033,663
In more than five years	641,667	916,667
	<u>2,401,663</u>	<u>2,310,502</u>

Company

	2016	2015
	£	£
Net obligations repayable:		
Within one year	-	105,417
	<u>-</u>	<u>105,417</u>

On 28 August 2016, the building lease was assigned to Petplanet.co.uk Limited, a subsidiary company.

17. SECURED DEBTS

The following secured debts are included within creditors:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank overdrafts	-	-	365,441	67,060
Bank loans	681,141	755,537	-	-
	<u>681,141</u>	<u>755,537</u>	<u>365,441</u>	<u>67,060</u>

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

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

Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2016

18. DEFERRED TAX

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Deferred tax	<u>(24,963)</u>	<u>(50,186)</u>	<u>-</u>	<u>14,061</u>
Group				
Balance at 1 October 2015				£ (50,186)
Credit to Income Statement during year				<u>25,223</u>
Balance at 30 September 2016				<u><u>(24,963)</u></u>
Company				
Balance at 1 October 2015				£ 14,061
Credit to Income Statement during year				<u>(14,061)</u>
Balance at 30 September 2016				<u><u>-</u></u>

19. CALLED UP SHARE CAPITAL

Alloted, issued and fully paid:

Number	Class	Nominal value	2016	2015
151,324	Ordinary	£0.10	15,132	15,132
11,184,422	Preference	£0.10	<u>1,118,442</u>	<u>-</u>
			<u><u>1,133,574</u></u>	<u><u>15,132</u></u>

On 30 September 2016, the company converted existing shareholder loans to preference shares for their nominal value. This resulted in the creation of 11,184,422 preference shares at nominal value of 10 pence each.

The preference shares are not entitled to receive dividends.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2016**

20. RESERVES

Group

	Retained earnings £	Share premium £	Totals £
At 1 October 2015	(2,317,644)	1,494,751	(822,893)
Profit for the year	41,330		41,330
	<u>(2,276,314)</u>	<u>1,494,751</u>	<u>(781,563)</u>
At 30 September 2016	<u>(2,276,314)</u>	<u>1,494,751</u>	<u>(781,563)</u>

Company

	Retained earnings £	Share premium £	Totals £
At 1 October 2015	(5,386,784)	1,441,027	(3,945,757)
Deficit for the year	(787,029)		(787,029)
	<u>(6,173,813)</u>	<u>1,441,027</u>	<u>(4,732,786)</u>
At 30 September 2016	<u>(6,173,813)</u>	<u>1,441,027</u>	<u>(4,732,786)</u>

21. RELATED PARTY DISCLOSURES

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

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

During the year, the company purchased goods amounting to £3,622 (2015: £3,536) from Endura Limited, a company in which Kevin Hague and JB McFarlane are directors.

During the year, interest amounting to £17,100 was charged to the profit and loss account (2015: £42,651) in relation to shareholder loans with Anthony Preston, Christian Dosch, Charles Wilson, Tony Best and JB McFarlane. Interest is charged at a rate of 7%. On 30 September 2016, £818,442 of the outstanding balance was converted to redeemable preference shares. A loan advance from and repayments were made to JB McFarlane during the year, which equated to a net £20,059 repayment. The amount outstanding on shareholder loans at 30 September 2016 was £90,848 (2015: £968,971).

During the year Jane Duncan, a spouse of a company director made a further loan advance and received repayments, which equated to a net £20,832 repayment. During the year, interest amounting to £8,427 was charged to the profit and loss account. Interest is charged at a rate of 7%. On 30 September 2016, £300,000 of the outstanding balance was converted to redeemable preference shares. The amount outstanding on the loan at 30 September 2016 was £nil (2015: £317,613).

Reconciliation of Equity

1 October 2014

(Date of Transition to FRS 102)

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Intangible assets		455,498	-	455,498
Tangible assets	1	340,980	47,950	388,930
		<u>796,478</u>	<u>47,950</u>	<u>844,428</u>
CURRENT ASSETS				
Stocks		1,845,956	-	1,845,956
Debtors		597,839	-	597,839
Cash at bank		610,494	-	610,494
		<u>3,054,289</u>	<u>-</u>	<u>3,054,289</u>
CREDITORS				
Amounts falling due within one year		(3,240,519)	-	(3,240,519)
NET CURRENT LIABILITIES		<u>(186,230)</u>	<u>-</u>	<u>(186,230)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		610,248	47,950	658,198
CREDITORS				
Amounts falling due after more than one year		(700,684)	-	(700,684)
NET LIABILITIES		<u>(90,436)</u>	<u>47,950</u>	<u>(42,486)</u>
CAPITAL AND RESERVES				
Called up share capital		15,132	-	15,132
Share premium		1,494,751	-	1,494,751
Retained earnings		(1,600,319)	47,950	(1,552,369)
SHAREHOLDERS' FUNDS		<u>(90,436)</u>	<u>47,950</u>	<u>(42,486)</u>

The notes form part of these financial statements

Reconciliation of Equity - continued
30 September 2015

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Intangible assets		367,525	-	367,525
Tangible assets	1	272,990	47,950	320,940
		<u>640,515</u>	<u>47,950</u>	<u>688,465</u>
CURRENT ASSETS				
Stocks		2,600,121	-	2,600,121
Debtors		474,881	-	474,881
Cash at bank		206,000	-	206,000
		<u>3,281,002</u>	<u>-</u>	<u>3,281,002</u>
CREDITORS				
Amounts falling due within one year		(3,490,644)	-	(3,490,644)
NET CURRENT LIABILITIES				
		<u>(209,642)</u>	<u>-</u>	<u>(209,642)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
		430,873	47,950	478,823
CREDITORS				
Amounts falling due after more than one year		(1,286,584)	-	(1,286,584)
NET LIABILITIES				
		<u>(855,711)</u>	<u>47,950</u>	<u>(807,761)</u>
CAPITAL AND RESERVES				
Called up share capital		15,132	-	15,132
Share premium		1,494,751	-	1,494,751
Retained earnings		(2,365,594)	47,950	(2,317,644)
SHAREHOLDERS' FUNDS				
		<u>(855,711)</u>	<u>47,950</u>	<u>(807,761)</u>

Notes to the reconciliation of equity

1. Adjustment to incorporate the residual values of fixed assets on transition.

The notes form part of these financial statements

**Reconciliation of Loss
for the Year Ended 30 September 2015**

	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
TURNOVER	19,639,341	-	19,639,341
Cost of sales	(12,184,289)	(522,230)	(12,706,519)
GROSS PROFIT	7,455,052	(522,230)	6,932,822
Distribution costs	(3,137,815)	522,230	(2,615,585)
Administrative expenses	(4,998,257)	19,559	(4,978,698)
Other operating income	60,000	-	60,000
OPERATING LOSS	(621,020)	19,559	(601,461)
Interest payable and similar charges	(119,068)	(19,559)	(138,627)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(740,088)	-	(740,088)
Tax on loss on ordinary activities	(25,187)	-	(25,187)
LOSS FOR THE FINANCIAL YEAR	<u>(765,275)</u>	<u>-</u>	<u>(765,275)</u>
Loss attributable to: Owners of the parent			<u>(765,275)</u>

Notes to the reconciliation of profit or loss

These adjustments are the reclassifying of costs between the profit and loss account cost categories, as opposed to an FRS 102 adjustment.