

REGISTERED NUMBER: SC242849 (Scotland)

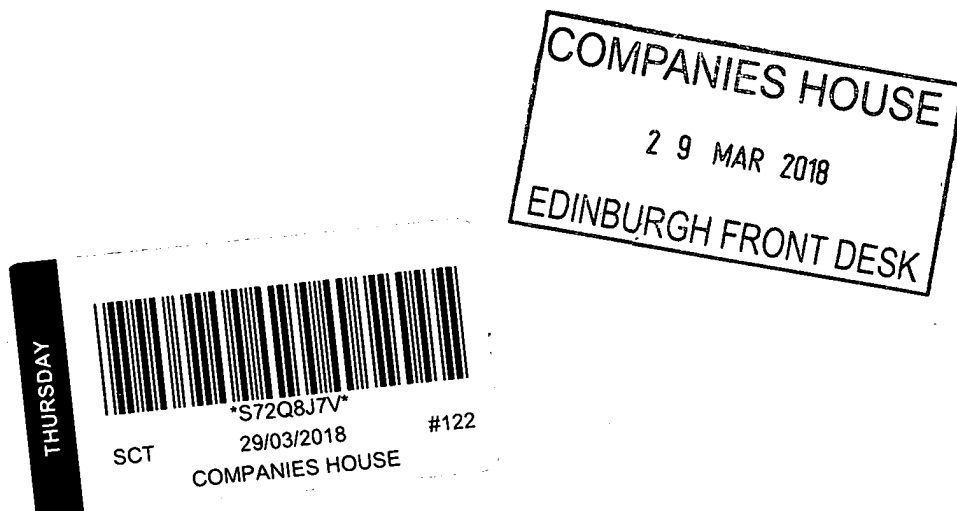
Group Strategic Report, Report of the Directors and

Consolidated Financial Statements

for the Year Ended 30 September 2017

for

M8 Group Limited



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for the Year Ended 30 September 2017**

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M8 Group Limited

**Company Information
for the Year Ended 30 September 2017**

DIRECTORS:

K Hague
J B McFarlane
R S Torrens
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 Audit Services
Accountants
Statutory Auditors
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

**Group Strategic Report
for the Year Ended 30 September 2017**

The directors present their strategic report of the company and the group for the year ended 30 September 2017.

REVIEW OF BUSINESS

The results show a profit before tax for the year of £95k (2016: £67k) on turnover of £21.6m (2016:£20.0m). Our balance sheet has been strengthened, with net assets of £521k (2016: £352k).

Operation profitability as measured by EBITDA (Earnings before interest, tax, depreciation and amortisation) increased to £397k (2016: £337k).

Cash generated from operations was £686k (2016: £644k).

The business faced margin pressure due to weakening of Sterling against the Dollar, pressure from "grey market" imports of branded pet foods and intensive price competition. That we were able to grow revenue and profit, increase cash generation and strengthen our balance sheet in this environment proves the robustness of our business model.

The Directors take the view 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.

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.

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.

M8 Group Limited (Registered number: SC242849)

**Group Strategic Report
for the Year Ended 30 September 2017**

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: 26/03/2018

**Report of the Directors
for the Year Ended 30 September 2017**

The directors present their report with the financial statements of the company and the group for the year ended 30 September 2017.

DIVIDENDS

No dividends will be distributed for the year ended 30 September 2017 (2016: £nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2016 to the date of this report.

K Hague
J B McFarlane
R S Torrens
O Jimoh-Akindele

Other changes in directors holding office are as follows:

L G W Jensen - resigned 31 January 2017
Miss M L Peterson - resigned 29 September 2017

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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

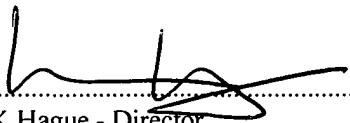
M8 Group Limited (Registered number: SC242849)

**Report of the Directors
for the Year Ended 30 September 2017**

AUDITORS

The appointed auditors, Campbell Dallas LLP, tendered their resignation and were replaced by Campbell Dallas Audit Services. The auditors, Campbell Dallas Audit Services, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


.....
K Hague - Director

Date: 26/03/2018.....

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

Opinion

We have audited the financial statements of M8 Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2017 on pages nine to thirty. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 30 September 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters 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 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; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the 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, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.



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

Date: 29/3/18

M8 Group Limited (Registered number: SC242849)

**Consolidated Income Statement
for the Year Ended 30 September 2017**

	Notes	2017 £	2016 £
TURNOVER	3	21,574,116	19,975,098
Cost of sales		15,099,722	13,383,358
GROSS PROFIT		6,474,394	6,591,740
Distribution costs		2,248,949	2,395,039
Administrative expenses		4,054,780	4,060,013
		6,303,729	6,455,052
OPERATING PROFIT	5	170,665	136,688
Interest payable and similar expenses	6	75,398	70,135
PROFIT BEFORE TAXATION		95,267	66,553
Tax on profit	7	(73,818)	25,223
PROFIT FOR THE FINANCIAL YEAR		169,085	41,330
Profit attributable to: Owners of the parent		169,085	41,330

The notes form part of these financial statements

M8 Group Limited (Registered number: SC242849)

**Consolidated Other Comprehensive Income
for the Year Ended 30 September 2017**

	Notes	2017 £	2016 £
PROFIT FOR THE YEAR		169,085	41,330
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>169,085</u>	<u>41,330</u>
Total comprehensive income attributable to: Owners of the parent		<u>169,085</u>	<u>41,330</u>

The notes form part of these financial statements

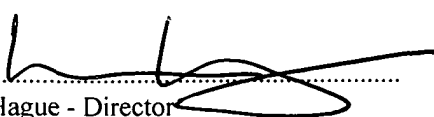
M8 Group Limited (Registered number: SC242849)

Consolidated Balance Sheet
30 September 2017

	Notes	2017		2016	
		£	£	£	£
FIXED ASSETS					
Intangible assets	9		267,291		317,408
Tangible assets	10		508,167		442,429
Investments	11		-		-
			<u>775,458</u>		<u>759,837</u>
CURRENT ASSETS					
Stocks	12	1,942,874		2,222,459	
Debtors	13	544,546		319,670	
Cash at bank		724,750		729,689	
		<u>3,212,170</u>		<u>3,271,818</u>	
CREDITORS					
Amounts falling due within one year	14	3,463,492		3,679,644	
NET CURRENT LIABILITIES			<u>(251,322)</u>		<u>(407,826)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			524,136		352,011
PROVISIONS FOR LIABILITIES	18		<u>3,040</u>		<u>-</u>
NET ASSETS			<u><u>521,096</u></u>		<u><u>352,011</u></u>
CAPITAL AND RESERVES					
Called up share capital	19		1,133,574		1,133,574
Share premium	20		1,494,751		1,494,751
Retained earnings	20		(2,107,229)		(2,276,314)
SHAREHOLDERS' FUNDS			<u><u>521,096</u></u>		<u><u>352,011</u></u>

The financial statements were approved by the Board of Directors on 26/03/18 and were signed on its behalf by:


.....
R S Torrens - Director


.....
K Hague - Director

The notes form part of these financial statements

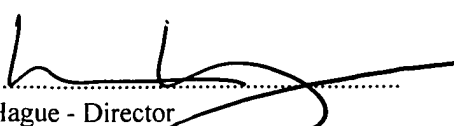
M8 Group Limited (Registered number: SC242849)

Company Balance Sheet
30 September 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Intangible assets	9	-	-
Tangible assets	10	456,298	372,915
Investments	11	10,000	10,000
		<u>466,298</u>	<u>382,915</u>
CURRENT ASSETS			
Debtors	13	145,679	172,877
Cash at bank		-	2
		<u>145,679</u>	<u>172,879</u>
CREDITORS			
Amounts falling due within one year	14	4,995,148	4,155,006
NET CURRENT LIABILITIES		<u>(4,849,469)</u>	<u>(3,982,127)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(4,383,171)</u>	<u>(3,599,212)</u>
CAPITAL AND RESERVES			
Called up share capital	19	1,133,574	1,133,574
Share premium	20	1,441,027	1,441,027
Retained earnings	20	(6,957,772)	(6,173,813)
SHAREHOLDERS' FUNDS		<u>(4,383,171)</u>	<u>(3,599,212)</u>
Company's loss for the financial year		<u>(783,959)</u>	<u>(787,029)</u>

The financial statements were approved by the Board of Directors on 26/03/18 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 2017**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 October 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	<u>1,133,574</u>	<u>(2,276,314)</u>	<u>1,494,751</u>	<u>352,011</u>
Changes in equity				
Total comprehensive income	-	169,085	-	169,085
Balance at 30 September 2017	<u>1,133,574</u>	<u>(2,107,229)</u>	<u>1,494,751</u>	<u>521,096</u>

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 2017**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 October 2015	15,132	(5,386,784)	1,441,027	(3,930,625)
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>1,133,574</u>	<u>(6,173,813)</u>	<u>1,441,027</u>	<u>(3,599,212)</u>
Changes in equity				
Total comprehensive income	-	(783,959)	-	(783,959)
Balance at 30 September 2017	<u><u>1,133,574</u></u>	<u><u>(6,957,772)</u></u>	<u><u>1,441,027</u></u>	<u><u>(4,383,171)</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 2017**

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	686,938	644,231
Interest paid		(75,398)	(70,135)
Net cash from operating activities		<u>611,540</u>	<u>574,096</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(242,042)	(271,684)
Net cash from investing activities		<u>(242,042)</u>	<u>(271,684)</u>
Cash flows from financing activities			
Additional loans during year		-	600,000
Loan repayments in year		(684,593)	(702,191)
Accrued loan interest		-	24,897
Net cash from financing activities		<u>(684,593)</u>	<u>(77,294)</u>
(Decrease)/increase in cash and cash equivalents		<u>(315,095)</u>	<u>225,118</u>
Cash and cash equivalents at beginning of year	2	364,248	139,130
Cash and cash equivalents at end of year	2	<u>49,153</u>	<u>364,248</u>

The notes form part of these financial statements

**Notes to the Consolidated Cash Flow Statement
for the Year Ended 30 September 2017**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2017	2016
	£	£
Profit before taxation	95,267	66,553
Depreciation charges	226,421	200,312
Finance costs	75,398	70,135
	<u>397,086</u>	<u>337,000</u>
Decrease in stocks	279,585	377,662
(Increase)/decrease in trade and other debtors	(148,018)	129,988
Increase/(decrease) in trade and other creditors	158,285	(200,419)
	<u>686,938</u>	<u>644,231</u>
Cash generated from operations	<u>686,938</u>	<u>644,231</u>

2. CASH AND CASH EQUIVALENTS

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

Year ended 30 September 2017

	30.9.17	1.10.16
	£	£
Cash and cash equivalents	724,750	729,689
Bank overdrafts	(675,597)	(365,441)
	<u>49,153</u>	<u>364,248</u>

Year ended 30 September 2016

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

The notes form part of these financial statements

**Notes to the Consolidated Financial Statements
for the Year Ended 30 September 2017**

1. STATUTORY INFORMATION

M8 Group Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the General Information page.

2. 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

2. ACCOUNTING POLICIES - continued

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Development costs are being amortised evenly over their estimated useful life of nil years.

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.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

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

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2. ACCOUNTING POLICIES - continued

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.

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.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2017**

3. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the group.

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

	2017	2016
	£	£
Pet supplies	14,964,566	13,738,906
Garden supplies	6,609,550	6,234,449
Other	-	1,743
	<u>21,574,116</u>	<u>19,975,098</u>

4. EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Wages and salaries	1,575,188	1,538,497
Social security costs	105,595	109,387
Pension costs	31,504	30,770
	<u>1,712,287</u>	<u>1,678,654</u>

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

	2017	2016
Warehouse	43	44
Administration	33	33
	<u>76</u>	<u>77</u>

	2017	2016
	£	£
Directors' remuneration	<u>225,000</u>	<u>262,500</u>

Information regarding the highest paid director is as follows:

	2017	2016
	£	£
Emoluments etc	<u>90,000</u>	<u>127,500</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2017**

5. OPERATING PROFIT

The operating profit is stated after charging:

	2017	2016
	£	£
Other operating leases	375,711	425,996
Depreciation - owned assets	176,304	150,195
Goodwill amortisation	50,117	50,117
Auditors' remuneration	17,500	17,000
	<u> </u>	<u> </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 - £14,000

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£	£
Loan interest	56,985	49,896
Bank interest	18,413	20,239
	<u> </u>	<u> </u>
	75,398	70,135
	<u> </u>	<u> </u>

7. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the profit for the year was as follows:

	2017	2016
	£	£
Current tax:		
UK corporation tax	(101,821)	-
Deferred tax	28,003	25,223
	<u> </u>	<u> </u>
Tax on profit	(73,818)	25,223
	<u> </u>	<u> </u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2017**

7. TAXATION - continued

Reconciliation of total tax (credit)/charge included in profit and loss

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

	2017	2016
	£	£
Profit before tax	95,267	66,553
Profit multiplied by the standard rate of corporation tax in the UK of 19.500% (2016 - 20%)	18,577	13,311
Effects of:		
Expenses not deductible for tax purposes	2,762	8,147
Income not taxable for tax purposes	-	(6,279)
Adjustments to tax charge in respect of previous periods	(101,821)	(14,699)
Adjustments to deferred tax in respect of previous periods	(564)	-
Fixed asset differences	9,772	10,023
Adjust closing deferred tax to average rate	(1,530)	1,313
Deferred tax not recognised	(1,014)	13,407
Total tax (credit)/charge	(73,818)	25,223

Current tax is calculated at 19.5% of the estimated taxable profit / (loss) for the year (2016: 20%). Finance Act 2016 was 'substantively enacted' and 'fully enacted' on 6 and 15 September 2016 respectively. This reduced the main rate of corporation tax applicable to 17% from 1 April 2020, replacing the 18% rate previously effective from that date.

The Group has an unrecognised deferred tax asset of £226,095 (2016: £270,261) in respect of carried forward tax losses. No asset has been recognised in line with FRS 102 accounting considerations.

8. INDIVIDUAL INCOME STATEMENT

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.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2017

9. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Development costs £	Totals £
COST			
At 1 October 2016 and 30 September 2017	1,069,095	113,561	1,182,656
AMORTISATION			
At 1 October 2016	751,687	113,561	865,248
Amortisation for year	50,117	-	50,117
At 30 September 2017	801,804	113,561	915,365
NET BOOK VALUE			
At 30 September 2017	267,291	-	267,291
At 30 September 2016	317,408	-	317,408

Company

	Goodwill £	Development costs £	Totals £
COST			
At 1 October 2016 and 30 September 2017	11,750	113,561	125,311
AMORTISATION			
At 1 October 2016 and 30 September 2017	11,750	113,561	125,311
NET BOOK VALUE			
At 30 September 2017	-	-	-
At 30 September 2016	-	-	-

Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2017

10. TANGIBLE FIXED ASSETS

Group

	Equipment & fittings £	Fixtures and fittings £	Website development £	Totals £
COST				
At 1 October 2016	662,522	22,745	559,021	1,244,288
Additions	15,822	-	226,220	242,042
	<u>678,344</u>	<u>22,745</u>	<u>785,241</u>	<u>1,486,330</u>
At 30 September 2017				
DEPRECIATION				
At 1 October 2016	553,336	11,300	237,223	801,859
Charge for year	25,669	6,063	144,572	176,304
	<u>579,005</u>	<u>17,363</u>	<u>381,795</u>	<u>978,163</u>
At 30 September 2017				
NET BOOK VALUE				
At 30 September 2017	<u>99,339</u>	<u>5,382</u>	<u>403,446</u>	<u>508,167</u>
At 30 September 2016	<u>109,186</u>	<u>11,445</u>	<u>321,798</u>	<u>442,429</u>

Company

	Equipment & fittings £	Website development £	Totals £
COST			
At 1 October 2016	397,370	559,021	956,391
Additions	8,322	226,220	234,542
	<u>405,692</u>	<u>785,241</u>	<u>1,190,933</u>
At 30 September 2017			
DEPRECIATION			
At 1 October 2016	346,253	237,223	583,476
Charge for year	6,588	144,571	151,159
	<u>352,841</u>	<u>381,794</u>	<u>734,635</u>
At 30 September 2017			
NET BOOK VALUE			
At 30 September 2017	<u>52,851</u>	<u>403,447</u>	<u>456,298</u>
At 30 September 2016	<u>51,117</u>	<u>321,798</u>	<u>372,915</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2017

11. **FIXED ASSET INVESTMENTS**

Company	Shares in group undertakings £
COST	
At 1 October 2016 and 30 September 2017	10,000
NET BOOK VALUE	
At 30 September 2017	10,000
At 30 September 2016	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

Registered office:

Nature of business: Retail

	%
Class of shares:	holding
Ordinary	100.00

Greenfingers Trading Ltd

Registered office:

Nature of business: Retail

	%
Class of shares:	holding
Ordinary	100.00

Ecological Trading Ltd

Registered office:

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2017

12. STOCKS

	Group	
	2017	2016
	£	£
Finished goods	<u>1,942,874</u>	<u>2,222,459</u>

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	229,894	120,098	-	-
Amounts owed by group undertakings	-	-	-	139,874
Other debtors	96,884	95,159	-	-
Tax	101,821	-	101,821	-
Deferred tax asset	-	24,963	-	-
Prepayments and accrued income	115,947	79,450	43,858	33,003
	<u>544,546</u>	<u>319,670</u>	<u>145,679</u>	<u>172,877</u>

Deferred tax asset

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Deferred tax	<u>-</u>	<u>24,963</u>	<u>-</u>	<u>-</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans and overdrafts (see note 15)	762,993	1,046,582	675,597	365,441
Other loans (see note 15)	-	90,848	-	90,848
Trade creditors	1,773,296	1,853,550	99,928	119,997
Amounts owed to group undertakings	-	-	3,769,954	3,145,806
Social security and other taxes	76,867	36,881	76,867	36,881
VAT	299,406	181,418	284,997	340,831
Other creditors	91,052	58,087	42,069	4,727
Accruals and deferred income	459,878	412,278	45,736	50,475
	<u>3,463,492</u>	<u>3,679,644</u>	<u>4,995,148</u>	<u>4,155,006</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2017**

15. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank overdrafts	675,597	365,441	675,597	365,441
Bank loans and overdraft	87,396	681,141	-	-
Other loans	-	90,848	-	90,848
	<u>762,993</u>	<u>1,137,430</u>	<u>675,597</u>	<u>456,289</u>

16. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	2017	2016
	£	£
Net obligations repayable:		
Within one year	355,250	357,413
Between one and five years	657,750	1,402,583
In more than five years	-	641,667
	<u>1,031,000</u>	<u>2,401,663</u>

Company

There are no lease commitments at the year end.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2017

17. SECURED DEBTS

The following secured debts are included within creditors:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank overdrafts	-	-	675,597	365,441
Bank loans	87,396	681,141	-	-
	<u>87,396</u>	<u>681,141</u>	<u>675,597</u>	<u>365,441</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.

18. PROVISIONS FOR LIABILITIES

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Deferred tax	<u>3,040</u>	<u>(24,963)</u>	<u>-</u>	<u>-</u>

Group

	£
Balance at 1 October 2016	(24,527)
Credit to Income Statement during year	<u>28,003</u>
Balance at 30 September 2017	<u>3,040</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 30 September 2017**

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number	Class	Nominal value	2017	2016
151,324	Ordinary	£0.10	15,132	15,132
11,184,422	Preference	£0.10	1,118,442	1,118,442
			<u>1,133,574</u>	<u>1,133,574</u>

In the prior year, 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.

20. RESERVES

Group

	Retained earnings £	Share premium £	Totals £
At 1 October 2016	(2,276,314)	1,494,751	(781,563)
Profit for the year	169,085		169,085
At 30 September 2017	<u>(2,107,229)</u>	<u>1,494,751</u>	<u>(612,478)</u>

Company

	Retained earnings £	Share premium £	Totals £
At 1 October 2016	(6,173,813)	1,441,027	(4,732,786)
Deficit for the year	(783,959)		(783,959)
At 30 September 2017	<u>(6,957,772)</u>	<u>1,441,027</u>	<u>(5,516,745)</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 £4,396 (2016: £3,622) from Endura Limited, a company in which Kevin Hague and JB McFarlane are directors.

During the year, interest amounting to £15,496 was charged to the profit and loss account (2016: £17,100) in relation to shareholder loans with Christian Dosch and JB McFarlane. Interest is charged at a rate of 7%. A loan advance from and repayments were made to JB McFarlane during the year, which resulted in a nil movement. The amount outstanding on shareholder loans at 30 September 2017 was £nil (2016: £90,848).

During the year Jane Duncan, a spouse of a company director made a further loan advance and received repayments, which resulted in a nil movement. During the year, interest amounting to £9,071 was charged to the profit and loss account. Interest is charged at a rate of 7%. The amount outstanding on the loan at 30 September 2017 was £nil (2016: £nil).