Company Registration No. 04198290 (England and Wales)

MBL Group Plc

Annual Report and Financial Statements

For The Year Ended
31 March 2017

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STRATEGIC REPORT

GROUP INFORMATION

Directors

T Jackson-Smith	Chairman
P Palframan	Non-Executive Director

Company Secretary
T Jackson-Smith

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Unit 1 Millennium City Park
Millennium Road
Preston
PR2 5BL

Nominated Advisor
Spark Advisory
2 Wellington Place
Leeds
LS1 4AP

Nominated Broker
SI Capital
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Surrey
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Registrar
Neville Registrars
Neville House
18 Laurel Lane
Halesowen
B63 3DA

Auditor
Moore & Smalley LLP
Richard House
9 Winckley Square
Preston
PR1 3HP

STRATEGIC REPORT

OVERVIEW OF THE BUSINESS

MBL Group plc is structured and managed across the two clearly defined divisions of Home Entertainment and Garden & Home.

Home Entertainment is a wholesaler of home entertainment products predominantly to the export market.

Garden & Home retails products direct to consumer by mail order and online. The division specialises in garden bird feed and accessories and aquatics products.

A strategic review was carried out towards the end of 2016 with the aim of maximising value for shareholders. The conclusion of that review was that a third party may be better placed to develop the potential in the Company's trading businesses and take them forward to the next phase of their development. The Board has therefore recently been conducting, and continues to conduct, a formal sales process regarding each of the Company's trading businesses.

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

I am pleased to report that during the year the Group achieved an 8% growth in sales, driven by a strong performance in the Garden & Home division.

Operational Review

Sales within the home entertainment market were encouraging with a 7% increase in sales achieved in a very challenging market.

Home Entertainment

	2017 £'000	*2016 £'000*
Revenue	*9,500*	*8,853*
Operating profit	*383*	*180*

Our Home Entertainment division experienced a satisfying year with an increase in revenue of 7% to £9.5 million (2016: £8.9 million). Exports account for 64% of the division's sales (2016: 70%). Sales have been stimulated with the continued growth of the vinyl market and back catalogue sales in the audio market driven by the death of high profile artists which revived interest in their music. Gross profit margins dropped marginally to 12.9% from 14.7% due mainly to a change in the mix of sales. Profitability improved compared with the prior year at £383,000 (2016: £180,000), a 112% increase.

Garden & Home

	2017 £'000	*2016 £'000*
Revenue	*6,414*	*5,857*
Operating profit	*247*	*14*

Our Garden & Home division specialises in the mail order and online sales of garden bird food and associated wildlife products and aquatics supplies.

Sales during the year increased by 10% to £6.4 million (2016: £5.9 million). The sales increase was driven by continued investment in marketing, new product sourcing and a commitment to providing a good customer experience. There has also been a continued focus on controlling costs and this combined with the increase in sales has led to an operating profit for the business of £247,000 (2016: £14,000), an impressive increase of over 1,600%. The UK market for bird food remains highly competitive but the ability to buy competitively and to switch customers away from less profitable products has helped maintain margins within the division.

STRATEGIC REPORT

Financial Review

The Segmental Analysis in the Notes to the Financial Statements presents the Group's performance and position by division.

Overall, Group revenue for the year increased by 8% to £16.0 million (2016: £14.8 million). Group gross margins reduced by 1% to 24% (2016: 25%).

Throughout the year the Board has kept a close eye on the Group's cost base and as a result normal recurring expenditure fell by 15% from £2.7 million to £2.3 million. The Group loss for the year after taxation was £158,000 (2016: £75,000 profit) however it is worth noting that there were £693,000 of exceptional items in the year (2016: £nil).

The Group is a relatively small business and as such it is possible for investment in future performance or operating challenges to have a disproportionate effect on our short term financial performance. We are also sensitive to the costs of maintaining an AIM listing and these costs have a sizeable impact on the costs of administering the Group. These factors were taken into account as part of the strategic review and were relevant in reaching the conclusion that shareholder value should be maximised through a sale of the Group's trading businesses.

Cash flow, working capital and borrowing facilities

Despite a number of one-off exceptional costs incurred by the Group, it ended the year with cash balances of £1.6 million (2016: £1.9 million). The net cash outflow from operating activities was £0.2 million (2016: inflow £0.2 million) with £21,000 invested in capital expenditure. Exceptional items of £693,000 adversely affected the Group cash position. The Group remains debt free.

Dividends

The Board is not recommending the payment of a dividend.

Strategy

As previously stated, a strategic review was carried out towards the end of 2016 with the aim of maximising value for shareholders. The conclusion of that review was that a third party may be better placed to develop the potential in the Company's trading businesses and take them forward to the next phase of their development. The Board has therefore recently been conducting, and continues to conduct, a formal sales process regarding each of the Company's trading businesses.

Current Trading

Despite the inevitable uncertainty created by the strategic review and the sale process that is being carried out, our Garden & Home division has started the year well and sales are broadly in line with management expectations. Our Home Entertainment division has seen a reduction in sales in the first quarter of this financial year compared to the same period last year. The Board continues to keep a close eye on costs and these are under control.

Board Changes

The Board has seen significant changes during the year with D A Johnson stepping down as Non-Executive Chairman, and L Clarke and C Jones also resigning from the Board. T Jackson-Smith and P Palframan joined the Board during the year.

T Jackson-Smith
Chairman

18 August 2017

STRATEGIC REPORT

RISK MANAGEMENT

The Directors are required under section 414C of the Companies Act 2006 to describe the principal risks and uncertainties facing the Group. Risk is an inherent part of operating a business and the management of risk is based on the thorough assessment of the potential likelihood and impact of any risk.

Principal risks

Risk	A strategic review, and putting the business / its divisions up for sale brings risk of a change in business terms and loss of key personnel.
Management	The Group has maintained close dialogue with both key suppliers and all staff to try to mitigate changes in business terms and to keep staff motivated.
Risk	The Home Entertainment market has been in long term decline for several years with demand for the physical products the Group sells being replaced by digital formats.
Management	The Group operates within a niche sector of this wider market and we continue to look for new customers throughout the world to sell to. The Group has also expanded its offering into the vinyl market, which is growing, to mitigate this risk
Risk	The Home Entertainment division extends credit to most of its customers and will be at risk of non-payment should any customers experience problems with cash flow.
Management	To counter this we closely monitor customer payment profiles and purchase insurance which provides an element of cover in the event of a default.
Risk	The Group is dependent on its IT systems to operate its business and would experience major disruption should there be a failure in these systems.
Management	To manage this, our IT hardware and some of the software we utilise are hosted by third parties who adopt comprehensive security and back up procedures and can provide 24 hour support.

Uncertainties

The market for the products sold by the Garden & Home division can be affected by the weather in the UK. Although this can have a marginal impact on performance, should a season experience weather that is ‘out of the ordinary’ (for example a wet summer or a mild winter) then sales could be adversely impacted.

The Directors consider that the risks noted above are the most significant to the Group but these do not necessarily comprise all the risks to which the Group is exposed. Additional risks and uncertainties currently unknown to the Directors, or which the Directors currently believe are immaterial, may also have a material adverse effect on its business, financial condition or prospects.

By order of the Board

T Jackson-Smith
Company Secretary

18 August 2017

DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements for the year ended 31 March 2017.

Directors

The Directors who held office during the year, and to the date of this report, were as follows:

T Jackson-Smith	Executive Chairman	(appointed 11 April 2016)
P Palframan	Non-Executive	(appointed 5 December 2016)
C Jones	Non-Executive	(appointed 21 April 2016 and resigned 5 December 2016)
L S Clarke	Executive	(resigned 4 November 2016)
D A Johnson	Non-Executive	(resigned 4 October 2016)

The Director up for election at the next Annual General Meeting is P Palframan, who being eligible, offers himself for election.

Annual general meeting

The Annual General Meeting is to be held at the Tickled Trout Hotel, Preston New Road, Samlesbury, Preston PR5 0UJ on 28 September 2017 at 10am.

Qualifying third party indemnity provisions

The Directors are entitled to be indemnified by the Company to the extent permitted by law and the Company's Articles of Association in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities. The Group purchased and maintained Directors' and Officers' liability insurance throughout 2016/17, which has been renewed for 2017/18.

Directors' Interests

At 31 March, the interests of the Directors who held office during the year are shown below:

	Ordinary shares of 7.5p each	
	2017	**2016**
L S Clarke	250,000	250,000

There have been no changes in Directors' interests since the year end.

Substantial Interests in Share Capital

The interests in excess of 3% of the issued share capital of the Company at the year end were as follows:

	No	**%**
The Allan Family Trust	4,520,399	26.14
P A Cowgill	2,497,579	14.44
W Breen and Family	1,845,118	10.67
K Staton	1,798,533	10.40
T L Allan	1,467,682	8.49
L S Clarke and Family	1,013,981	5.86
J M Allan	733,831	4.24

In March 2017 the Board was made aware of the transfer of 450,000 of the Company's shares in a single transaction. The Board has tried to discover who the beneficial owner of these shares is but has not been successful in this regard. Under the Disclosure and Transparency Rules, a shareholder is obliged to notify the Company should his shareholding reach, exceed or fall below 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10% and each 1% threshold thereafter up to 100% as a result of an acquisition or disposal of shares. The Company has not received any such notification in respect of the transfer of the 450,000 shares referred to above.

DIRECTORS' REPORT

Creditor Payment Terms

The Group's policy is to agree payment terms with each supplier as part of the terms of the transaction and then settle the sum due to creditors in accordance with the terms agreed. At 31 March 2017, the Group had an average of 26 days (2016: 24 days) purchases outstanding with suppliers.

Employees

The Group is committed to promoting equal opportunities in employment regardless of employees' gender, colour, race, creed, marital status, ethnic origin or disability. Recruitment, promotion and employee development are based on the suitability of any applicant.

Compliance

Compliance with legislation and regulatory standards is taken seriously. This includes our obligations under Data Protection, Health and Safety and in the sourcing of our products.

Health and Safety

We continue to work as efficiently and safely as possible and reviews are taken throughout the year to reinforce Health and Safety practices. ATG have been appointed as Competent Persons for the Group. This service agreement commenced 1st September 2016.

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

Directors' Responsibilities Statement (continued)

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The Board of Directors have appointed Moore and Smalley LLP as auditor of the Company for the financial year ending 31 March 2017 and will propose to appoint Moore and Smalley LLP as auditor for the Company for the financial year ending 31 March 2018.

Going concern

After consideration, the Directors have formed the judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

By order of the board

T Jackson-Smith
Company Secretary

Unit 1
Millennium City Park
Millennium Road
Preston
PR2 5BL

18 August 2017

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MBL GROUP PLC

Independent auditor's report to the shareholders of MBL Group Plc

We have audited the financial statements of MBL Group Plc for the year ended 31 March 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK 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 set out on pages 7-8, 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 (APB'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 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 group's and of the parent company's affairs as at 31 March 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MBL GROUP PLC

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.

Matters on which we are required to report by exception

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

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.

Christine Wilson (Senior Statutory Auditor)
for and on behalf of Moore and Smalley LLP
Chartered Accountants
Statutory Auditor

Richard House
9 Winckley Square
Preston
PR1 3HP

18 August 2017

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 £'000	2016 £'000
Revenue	2	15,954	14,767
Cost of sales		(12,159)	(11,079)
Gross profit		3,795	3,688
Distribution expenses		(993)	(934)
Administrative expenses – normal		(2,317)	(2,733)
Administrative expenses – exceptional	3	(693)	-
Operating (loss)/profit	2	(208)	21
Financial income	6	5	5
Financial expenses	6	5	-
Net financing income		10	5
(Loss)/profit before tax		(198)	26
Taxation income	7	40	49
(Loss)/profit for the year		(158)	75
Total comprehensive (expense)/income for the year		(158)	75
Basic and diluted (loss)/profit per share	9	(0.9p)	0.4p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Property, plant and equipment	10	208	262
Intangible assets	11	140	140
Deferred tax assets	12	88	48
		436	450
Current assets			
Inventories	13	702	689
Trade and other receivables	14	1,682	1,705
Cash and cash equivalents	15	1,626	1,855
		4,010	4,249
Total assets		4,446	4,699
Current liabilities			
Trade and other payables	16	(1,261)	(1,356)
Tax payable		-	-
Provisions	17	(472)	(472)
Total liabilities		(1,733)	(1,828)
Net assets		2,713	2,871
Equity attributable to equity holders of the parent			
Share capital	19	1,297	1,297
Merger reserve	19	(2,800)	(2,800)
Retained earnings	19	4,216	4,374
Total equity		2,713	2,871
Total equity and liabilities		4,446	4,699

These financial statements were approved by the Board of Directors on 18 August 2017 and were signed on its behalf by:

T Jackson-Smith
Director

Company Registration No. 04198290

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

	Share capital £'000	Share Premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2015	12,972	21,531	(2,800)	(28,907)	2,796
Capital reduction	(11,675)	-	-	11,675	-
Cancellation of Share Premium	-	(21,531)	-	21,531	-
Total comprehensive income for the year	-	-	-	75	75
At 31 March 2016	1,297	-	(2,800)	4,374	2,871
Total comprehensive expense for the year				(158)	(158)
At 31 March 2017	1,297	-	(2,800)	4,216	2,713

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
(Loss)/profit for the year		(158)	75
Adjustments for:			
Depreciation	10	75	107
Impairment of intangibles	11	-	8
Financial income	6	(5)	(5)
Financial expense	6	(5)	-
Profit on sale of property, plant and equipment		-	(30)
Taxation	7	(40)	(49)
		(133)	106
Decrease/(increase) in trade and other receivables	14	23	(30)
Increase in inventories	13	(13)	(65)
(Decrease)/increase in trade and other payables	16	(95)	213
Net cash (outflow)/inflow from operating activities		(218)	224
Cash flows from investing activities			
Interest received		5	5
Proceeds from sale of property, plant and equipment		-	51
Acquisition of property, plant and equipment	10	(21)	(125)
Payments to acquire trade and assets	11	-	(8)
Net cash outflow from investing activities		(16)	(77)
Cash flows from financing activities			
Interest paid		5	-
Net cash inflow from financing activities		5	-
Net (decrease)/increase in cash and cash equivalents		(229)	147
Cash and cash equivalents at 1 April		1,855	1,708
Cash and cash equivalents at 31 March	15	1,626	1,855

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

MBL Group Plc (the "Company") is a company incorporated and domiciled in the United Kingdom.

The consolidated financial statements represent those of the Company and its subsidiaries (together referred to as the "Group").

The financial statements were approved by the Board of Directors on 18 August 2017.

Basis of preparation

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 37 to 45.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Going concern

The accounts for MBL Group Plc have been prepared under the going concern assumption. The directors have prepared forecasts for a period of at least 12 months from the date of signing these financial statements. These forecasts demonstrate the group has sufficient cash and has a level of headroom which the directors believe is sufficient to continue to trade for at least the next 12 month period. In addition, the group continues to reflect an overall net assets position and is debt free.

New accounting standards

The Group has considered amendments to published standards that are effective for the Group for the year ended 31 March 2017 and concluded that they are either not relevant to the Group or that they do not have a significant impact on the Group's financial statements. The Group continues to monitor the potential impact of new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future reporting periods.

IFRS 9 will supersede IAS 39 in its entirety, and is effective for accounting periods commencing on or after 1 January 2018. The new standard is broadly split into three areas:

- Classification and measurement. New classification and measurement criteria require financial instruments to be classified into one of three categories being amortised cost, fair value through other comprehensive income or fair value. Classification will be determined by the business model and contractual cash flow characteristics of the instruments.
- Expected credit losses (ECL). The requirement to recognise impairment losses based on ECL methodology is a change to the current requirements whereby losses are only recognised once an impairment event has happened.
- Hedge accounting. The general hedge accounting mechanisms of IAS 39 have been retained, however greater flexibility has been introduced over the instruments eligible for hedge accounting and effectiveness testing has been more closely aligned with the underlying risk management practices of the entity.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes a number of existing standards and interpretations from its effective date for accounting periods beginning on or after 1 January 2018. IFRS 15 introduces principles to recognise revenue by allocation of the transaction price to performance obligations. IFRS 15 will apply to the Group's revenue and other operating income, superseding IAS 18. Income from financial instruments will continue to be recognised under IAS 39/IFRS 9.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (continued)

New accounting standards (continued)

IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 supersedes IAS 17 and applies to accounting periods beginning on or after 1 January 2019.

The Group is reviewing the requirements of IFRS 9, 15 and 16 to determine their impact and ensure compliance with their requirements.

The Group does not consider that any standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

Basis of consolidation

The Group financial statements comprise the financial statements of the Company and all of its subsidiary undertakings made up to the financial year end. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Accounting policies are consistently applied throughout the Group. Inter-company balances and transactions have been eliminated. Material profits from inter-company sales, to the extent that they are not yet realised outside the Group, have also been eliminated.

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following areas:

- Intangible assets (Note 11) – annual impairment review (value in use calculation)
- Inventories (Note 13) – estimation of provision for slow moving and obsolete stock
- Trade and other receivables (Note 14) – estimation of bad debt provision
- Provisions (Note 17) – likelihood of settlement

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated statement of comprehensive income.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Property, plant and equipment

(a) Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

(b) Leased assets

Assets funded through finance leases are capitalised as property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of the fair value and the present value of the minimum lease payments. Future instalments under such leases, net of financing costs, are included within interest bearing loans and borrowings. Rental payments are apportioned between the finance element, which is included in finance costs, and the capital element which reduces the outstanding obligation for future instalments.

Lease incentives are credited to the consolidated statement of comprehensive income on a straight line basis over the life of the lease.

(c) Depreciation

Depreciation is charged to the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Improvements to leasehold properties	-	over the lease term
Plant, fixtures and fittings	-	10% - 33.3% per annum on straight line basis
Motor vehicles	-	25% per annum on straight line basis

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the average costing principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

Intangible assets

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries.

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as at

- the fair value of the consideration, plus
- the recognised amount of any non-controlling interests in the acquire, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire, less
- the net recognised amount of the identifiable assets acquired and liabilities assumed

When the excess is negative, negative goodwill is recognised immediately in the Consolidated Income Statement.

The classification and accounting treatment of business combinations that occurred prior to 1 April 2006 have not been reconsidered in preparing the Groups opening adopted IFRS balance sheet at 1 April 2006.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is stated at cost less any accumulated losses. Goodwill is allocated to cash-generating units (“CGUs”) and is tested annually for impairment. The CGU’s used are Home Entertainment, Garden & Home and Other. The recoverable amount is compared to the carrying amount of the CGU including goodwill. The recoverable amount of a CGU is determined based on value-in-use calculations.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Revenue

Revenue represents the invoiced value of goods sold net of customer returns (which include estimates of returns after the balance sheet date) and settlement discounts and is net of value added tax. Revenue from the sale of goods is recognised in the consolidated statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. This is deemed to be the date of delivery or dispatch depending on the company involved.

Settlement discounts are deducted from the payment of invoices, less credit notes, made by customers. Revenue from the licensing of film and music rights represents the invoiced value of royalties net of value added tax.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1 Accounting policies (continued)

Taxation

Tax comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax on the following temporary differences are not recognised: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Dividends

Dividends payable to the Company’s shareholders are recognised as a liability and deducted from shareholders’ equity in the period in which the shareholders’ right to receive payment is established.

Impairment of assets

The carrying amounts of the Group’s assets, other than inventories and deferred tax assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated.

For goodwill the recoverable amount is estimated at each statement of financial position date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive income.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (continued)

Impairment of assets (continued)

(i) Calculation of recoverable amount

The recoverable amount of the Group's investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Capital management

The Group and Company's capital includes share capital, reserves and retained earnings. The Group and Company's policy is to maintain the ability to continue as a going concern, in order to provide returns to the shareholder and benefits to other stakeholders. The Group, and Company, invest in financial assets that will provide an adequate level of return to the shareholder commensurate with the level of risk.

The Group and Company manages the capital structure and adjusts this in light of the changes in the economic conditions and risk associated with the underlying assets. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of any dividend paid to the shareholder, return capital to the shareholder, issues new shares, or sell assets. The Group, and Company, are not subject to any externally imposed capital requirements. There have been no material changes in the management of capital during the period.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (continued)

Operating segments

The segments disclosed in Note 2 reflect the Group's management and internal reporting structure and the trading subsidiaries of the Group.

The Group comprises the following main business segments:

Home Entertainment	The sale of home entertainment products to specialist independent and internet retailers.
Garden & Home	The retail, by mail order and online, of garden bird, aquatic, pet and leisure related products.
Other	A combination of revenue streams including the license of film and music rights for manufacture, sale and download.

Royalties

Royalties are calculated on the basis of sales made with the exception of fixed fee arrangements which are accounted for on an equal basis over the period of the relevant agreement.

Operating lease payments

Payments made under operating leases are recognised in the consolidated statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives received are recognised in the consolidated statement of comprehensive income as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing income and expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases, interest receivable on funds invested and dividend income.

Interest income and interest payable is recognised in the consolidated statement of comprehensive income as it accrues, using the effective interest method. Dividend income is recognised in the consolidated statement of comprehensive income on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is recognised in the consolidated statement of comprehensive income using the effective interest rate method.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1 Accounting policies (continued)

Employee benefits

(a) Defined contribution pension

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the consolidated statement of comprehensive income.

(b) Share based payments

The Group operates a Company Share Option Plan ('CSOP'). The granting of options in this scheme is at the discretion of the Directors.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting. The share based payments are equity settled.

2 Segmental analysis

The Group has adopted IFRS 8 Operating Segments and disclose three main reporting segments, being Home Entertainment, Garden & Home and Other activities. This disclosure correlates to the internal reporting performance information that Operational Management and the Board of Directors review to operating profit level. The categories also correlate with the business activities of the trading subsidiary companies of the Group.

Certain overheads of the Group, financial income/expenses and taxation are only accounted for and reported at Group level and these expenses have not been allocated to a segment.

The following table provides analysis of the Group's revenue by geographical market, irrespective of the origin of the goods or services:

	2017 £'000	**2016 £'000**
Revenue		
UK	9,828	8,546
Asia	3,109	2,653
Europe	1,431	1,452
Rest of World	1,586	2,116
	15,954	14,767

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

2 Segmental analysis (continued)

Intersegment transactions are undertaken in the ordinary course of business on a cost recovery basis.

All assets are located in the UK.

The segments disclosed below reflect the Group's management and internal reporting structure.

Consolidated statement of comprehensive income for year ended 31 March 2017:

	Home Entertainment £'000	Garden and Home £'000	Other £'000	Group Total £'000
Gross revenue	9,500	6,414	40	15,954
Intersegment revenue	-	-	-	-
Revenue	9,500	6,414	40	15,954
Operating profit before exceptional and central costs	383	247	74	704
Exceptional costs	-	-	-	(693)
Central costs				(219)
Operating loss				(208)
Net financing income				10
Taxation expense				40
Loss for the period				(158)
Total assets and liabilities				
Total assets	1,725	641	1,940	4,306
Goodwill	-	140	-	140
Total liabilities	(703)	(387)	(643)	(1,733)
Total segment net assets	1,022	394	1,297	2,713
Capital Expenditure				
Tangible fixed assets	1	13	7	21
Depreciation	10	18	47	75

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

2 Segmental analysis (continued)

Consolidated statement of comprehensive income for year ended 31 March 2016:

	Home Entertainment £'000	Garden and Home £'000	Other £'000	Group Total £'000
Gross revenue	8,853	5,857	57	14,767
Intersegment revenue	-	-	-	-
Revenue	8,853	5,857	57	14,767
Operating profit before exceptional and central costs	180	14	57	251
Central costs	-	-	-	(230)
Operating profit				21
Net financing income				5
Taxation expense				49
Profit for the period				75
Total assets and liabilities				
Total assets	1,505	724	2,330	4,559
Goodwill	-	140	-	140
Total liabilities	(748)	(358)	(722)	(1,828)
Total segment net assets	757	506	1,608	2,871
Capital Expenditure				
Intangible assets	-	8	-	8
Tangible fixed assets	6	15	104	125
Depreciation	13	52	42	107
Impairment charges: Intangibles	-	8	-	8

3 (Loss)/profit before tax

	2017 £'000	2016 £'000
(Loss)/profit before tax is stated after charging/(crediting):		
Auditors' remuneration:		
Audit of these financial statements	5	4
Audit of financial statements of subsidiaries	14	12
Tax compliance	4	4
Rentals payable under operating leases:		
Plant and machinery	7	8
Buildings	123	120
Depreciation:		
Owned assets	75	107
Profit on disposal of fixed assets	-	(30)
Impairment of intangibles	-	8
Exceptional costs (see below)	693	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3 (Loss)/profit before tax (continued)

The Group has incurred a number of significant exceptional, one-off costs in the financial year and these have led to a loss in the period at Group level. These costs relate to termination payments and related legal costs regarding certain changes to the Board, the payment of back pay and bonus to a former director, the professional and management costs associated with carrying out the strategic review and the subsequent sales process, the various shareholder meetings that were held during the year and the time spent by the Board in dealing with certain shareholder and former employee matters and the associated legal and professional fees relating to those issues. All of these matters have involved the Board spending significant time over and above the core hours that they are contracted to provide and this has led to the remuneration of the Board being higher than would ordinarily be expected.

4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2017	**2016**
Selling and distribution	31	34
Administration	14	14
	45	48

The aggregate payroll costs were as follows:

	2017 £'000	2016 £'000
Wages and salaries	1,001	1,302
Social security benefits	91	94
Other pension costs	48	57
	1,140	1,453

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

5 Directors' remuneration

Directors' salaries and benefits charged in the year to 31 March 2017 are set out below along with the comparatives.

		2017 £'000 Salary	2017 £'000 Benefits excluding pension	2017 £'000 Pension cost	2017 £'000 Total	2016 £'000 Total
Current directors						
T Jackson-Smith	Executive	114	-	-	114	-
P Palframan	Non-Exec	27	-	-	27	-
Former directors						
D A Johnson	Non-Exec	68	-	-	68	49
C Jones	Non-Exec	53	-	-	53	-
L S Clarke	Executive	282	1	21	304	107
Total directors' remuneration		544	1	21	566	156

Full details of the conditional awards to the Executive Directors under a Long Term Incentive Plan is shown below:

Name		**At start of year**	**At end of year**
L S Clarke	Long Term Incentive Plan 2010 to 2013	27,992	-
L S Clarke	Company Share Option Plan 2011 to 2014	16,759	-

Due to the L S Clarke's resignation, at 31 March 2017 the number of directors in respect of whose services shares were received or receivable under long term incentive schemes was nil (2016: one).

5 Finance income and expenditure

	2017 £'000	2016 £'000
Bank interest	5	5
Finance income	5	5
Interest expense	5	-
Finance expenses	5	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

6 Taxation

Recognised in the consolidated statement of comprehensive income:

	2017 £'000	2016 £'000
Current tax		
Current year	-	-
Adjustments for prior years	-	(1)
Total current tax credit	-	(1)
Deferred tax		
Origination and reversal of temporary differences	(53)	54
Effect of changes in tax rates	13	-
Adjustment relating to prior years	-	(102)
Total deferred tax credit	(40)	(48)
Total corporation tax income	(40)	(49)

A reduction in the UK corporation tax rate to 20% was effective from 1 April 2015. Further reductions to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the company's future current tax charge accordingly.

7 Reconciliation of effective tax rate

The current tax charge for the period is equal to (*2016: lower than*) the standard rate of corporation tax in the UK of 20% (*2016: 20%).* The differences are explained below:

	2017 £'000	2016 £'000
(Loss)/profit for the period	(198)	26
Tax using the UK corporation tax rate of 20% (2016: 20%)	(40)	5
Effects of:		
Expenses not deductible	7	3
Tax losses utilised/carried forward	(20)	46
Effect of changes in tax rates	13	-
Adjustments relating to prior years	-	(103)
Total tax income recognised in profit or loss	(40)	(49)

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8 (Loss)/profit per share

The calculation of basic (loss)/profit per share has been calculated on the (loss)/profit after tax of £158,000 (2016: profit £75,000) and the weighted average number of shares in issue during the year of 17,296,067 shares of 7.5p each (2016: 17,296,067 shares of 7.5p each).

The calculation of diluted (loss)/profit per share is identical to that used for the basic (loss)/profit per share.

The adjusted (loss)/profit per share, as disclosed below, was calculated using the (loss)/profit after tax for the financial year calculated with reference to the basic and diluted weighted average share in issue during the year.

	2017 £'000	2016 £'000
(Loss)/profit after taxation from continuing operations	(158)	75
Total comprehensive (expense)/income for the year	(158)	75
Basic and diluted (loss)/profit per share	(0.9p)	0.4p

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

9 Property, plant and equipment

	Improve-ment to leasehold properties £'000	Plant, Fixtures & Fittings £'000	Motor vehicles £'000	Total £'000
Cost				
Balance at 1 April 2015	240	934	49	1,223
Additions	-	125	-	125
Disposals	-	(14)	(26)	(40)
Intercompany adjustment	(89)	(310)	(10)	(409)
Balance at 31 March 2016	151	735	13	899
Balance at 1 April 2016	151	735	13	899
Additions	2	19	-	21
Disposals	-	(198)	-	(198)
Intercompany adjustment	-	-	-	-
Balance at 31 March 2017	153	556	13	722
Depreciation and impairments				
Balance at 1 April 2015	102	835	21	958
Depreciation	15	88	4	107
Disposals	-	(12)	(7)	(19)
Intercompany adjustment	(89)	(310)	(10)	(409)
Balance at 31 March 2016	28	601	8	637
Balance at 1 April 2016	28	601	8	637
Depreciation	16	55	4	75
Disposals	-	(198)	-	(198)
Intercompany adjustment	-	-	-	-
Balance at 31 March 2017	44	458	12	514
Net book value				
At 1 April 2015	138	99	28	265
At 31 March 2016 and 1 April 2016	123	134	5	262
At 31 March 2017	109	98	1	208

The intercompany adjustment relates to the transfer of fixed assets between subsidiaries in prior years. The transfer took place at current carrying values and this adjustment restates the assets at original cost less depreciation to 31 March 2016. The adjustment has had no effect on net book value and has not resulted in any charge or credit to the income statement.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

10 Intangible assets

	Goodwill £'000	Intellectual property £'000	Total £'000
Cost			
Balance at 1 April 2015	32,349	456	32,805
Additions	8	-	8
Balance at 31 March 2016 and 31 March 2017	32,357	456	32,813
Amortisation and impairment			
Balance at 1 April 2015	32,259	406	32,665
Impairment	8	-	8
Balance at 31 March 2016 and 31 March 2017	32,267	406	32,673
Net book value			
At 1 April 2015, 31 March 2016 and 31 March 2017	90	50	140

The intangible assets in both the current and preceding year relates to the goodwill arising from the acquisition of trade and assets by The Garden and Home Trading Company Limited.

In accordance with the Group's accounting policy, goodwill with indefinite useful lives are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset may be impaired. In accordance with International Accounting Standard 36 (IAS 36), an impairment charge is recognised for goodwill and other intangible assets with indefinite useful lives when their carrying amount exceeds the "recoverable amount", defined as the higher of fair value less costs to sell and value in use.

The recoverable amount of the CGU's has been determined on a value in use basis ("VIU") and was calculated by reference to the cash flows taken from the Group and individual Company forecasts as detailed below. The calculation of VIU requires the exercise of significant judgement by the Board in determining the assumptions to be used.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

11 Deferred tax asset

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2017 £'000	2016 £'000
Tax losses	66	19
Deductible temporary differences	22	29
Total deferred tax asset recognised in the Statement of Financial Position	88	48

Based on the financial forecasts the deferred tax in respect of losses carried forward is expected to be realised in the year ending 31 March 2018.

Unrecognised deferred tax assets

Deferred tax assets have not be recognised in respect of the following items:

	2017 £'000	2016 £'000
Tax losses	186	245
(Taxable)/deductible temporary differences	(8)	4
Total deferred tax asset not recognised	178	249

12 Inventories

	2017 £'000	2016 £'000
Finished goods	702	689

Finished goods are stated after deducting a stock provision of £134,000 (2016: £141,000) to reduce the carrying value to the lower of cost and net realisable value. The provision is calculated by comparing the cost of each stock line to an estimate of future selling price and also contains a general provision. The Group has considerable experience in judging future selling prices for the majority of its stock. Should the estimate of future selling prices be incorrect, this would impact the gross margin reported in the year ending 31 March 2018.

Raw materials, consumables and changes in finished goods recognised as cost of sales in the year amounted to £11,995,000 (2016: £10,874,000).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

13 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	1,111	1,277
Other trade receivables	354	233
Prepayments	217	195
	1,682	1,705

Trade receivables are stated net of a bad debt provision. The bad debt provision is estimated by reviewing the amounts owed by customers and considering the likelihood of default by the customer. Should the estimate of bad debt provision be incorrect, this would impact the bad debt charge, and consequently administrative expenses to be reported in the year ending 31 March 2018.

The ageing of trade receivables is detailed below:

	2017			2016		
	Gross £'000	Provision £'000	Net £'000	Gross £'000	Provision £'000	Net £'000
Not past due – 60 days	1,085	-	1,085	1,246	-	1,246
Past 60 days	27	(1)	26	39	(8)	31
	1,112	(1)	1,111	1,285	(8)	1,277

The Board considers that the carrying amount of trade and other receivables approximates to their fair value. Credit risk with respect to trade receivables is considered moderate due to the credit worthiness of our customer base. In situations where the risk associated to trading with specific customers is considered higher than usual appropriate credit insurance is sought.

14 Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and cash equivalent per balance sheet	1,626	1,855
Cash and cash equivalent per cash flow statement	1,626	1,855

Cash balances denominated in currencies other than UK sterling were £nil for the current and prior year.

The Group has no overdraft facility as at 31 March 2017 and continues to hold a positive balance as shown above.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

15 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	1,044	873
Other trade payables	87	133
Accruals and deferred income	130	350
	1,261	1,356

The trade and other payable balances are all due within one year.

16 Provisions

	Lease Commitment £'000	Total £'000
At 1 April 2016 and 31 March 2017	472	472

At 31 March 2010, the Group had a commitment to relocate to a new purpose built distribution centre which subsequently did not take place. As a consequence a provision was created for exit costs in relation to terminating the lease and £472,000 of this provision remains outstanding at the year end.

17 Employee benefits

Pension plans

The group only operates defined contribution pension schemes. The pension charge for the year represents contributions payable by the Group of £48,000 (2016: £57,000).

CSOP

The Group operates a HM Revenue and Customs approved CSOP share option scheme. The scheme is open to employees of the Group. The grant of the options is at the discretion of the Directors. The performance criteria for all options granted require that the option holder remains in employment with the Group at the date of exercise.

Details of ordinary shares, which are subject to options under this scheme and are outstanding at 31 March 2017 are set out below. Shares under option were not dilutive for the purpose of calculating the diluted earnings per share.

Grant date	Number of options at 1 April 2016	Number of options granted in year	Number of options lapsed in year	Number of options at 31 March 2017	Original subscription price	Exercise period
13 January 2010	33,518	-	(16,759)	16,759	179p	14 January 2014 to 14 January 2020

Since the year end the remaining 16,759 options have lapsed.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

18 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £'000	Share premium £'000	Merger Reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2015	12,972	21,531	(2,800)	(28,907)	2,796
Capital reduction	(11,675)	-	-	11,675	-
Cancellation of Share Premium	-	(21,531)	-	21,531	-
Profit for the year	-	-	-	75	75
Balance at 31 March 2016	1,297	-	(2,800)	4,374	2,871
Balance at 1 April 2016	1,297	-	(2,800)	4,374	2,871
Loss for the year				(158)	(158)
Balance at 31 March 2017	1,297	-	(2,800)	4,216	2,713

At the Annual General Meeting held on 30th September 2015 shareholders approved a share capital reduction of 67.5 pence per issued share from a nominal value of 75 pence to 7.5 pence. The share capital was therefore reduced by £11,675,000 from £12,972,000 to £1,297,000.

Movements within the Share Premium relate to the transfer to retained earnings of £21,531,000 following High Court approval of this capital conversion on 12th November 2015.

The capital structure of the Group consists of equity attributable to shareholders of the parent company, comprising issued share capital and retained earnings.

	Number of ordinary shares		Ordinary share capital	
	2017 No (000)	2016 No (000)	2017 £'000	2016 £'000
At 31 March	17,296	17,296	1,297	1,297

The total number of authorised ordinary shares was 26,666,666 (2016: 26,666,666) with a par value of 7.5p per share (2016: 7.5p per share). All issued shares are fully paid.

19 Events after the reporting period

On 25 July 2017, the company received a shareholder request to convene an Extraordinary General Meeting ("EGM") to propose a resolution to restrict the Directors in setting remuneration levels for current and past directors. The EGM is due to be held on 11 September 2017.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

20 Financial instruments

Financial assets

The Group's financial assets are all categorised as receivables and comprise 'Trade and other receivables' and 'Cash and cash equivalents'. The receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an alternative market.

Cash and cash equivalents comprise short-term cash deposits with major UK clearing banks and earn floating rates of interest based upon bank rates or rates linked to LIBOR. The currency profile of cash and cash equivalents is as follows:

	2017 £'000	2016 £'000
Group		
Sterling	1,626	1,855
Company		
Sterling	1,171	1,709

Financial liabilities

The Group's financial liabilities are categorised as payables and comprise 'Trade and other payables'.

Credit risk

Investments of cash surpluses are made through major UK clearing banks which must meet minimum credit ratings as required by the Board.

All customers who trade on credit terms are subject to credit verification procedures and, if deemed appropriate, credit insurance cover is sought. Trade receivable balances are reviewed on an ongoing basis and provision is made for impairment should amounts be considered not to be recoverable.

Liquidity risk

The Group's policy is to manage its cash and borrowings requirement to minimise interest rate expense whilst ensuring that the Group has sufficient liquidity to meet the operating needs of the business. The forecast cash profile is reviewed on an ongoing basis to ensure that sufficient headroom remains.

Interest rate risk

The Group finances its operations using retained profits.

A change of 1% in the average interest rates during the year would change the profit before tax by £nil (2016: £nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

21 Financial instruments (continued)

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than sterling. The currency giving rise to this risk is the Euro with both sales and purchases being made in this currency.

The Group predominantly protects against foreign currency risk by pricing and invoicing in sterling. Where sales are priced in Euro the risk is regularly reviewed and managed by the holding of foreign currency.

A 10% strengthening of sterling relative to the Euro during the year would have increased the profit before tax by £24,000 (2016: £28,000). A 10% weakening of sterling relative to the Euro during the year would have decreased the profit before tax by £20,000 (2016: £23,000).

Fair values

The fair values together with the carrying amounts show in the balance sheet are as follows:

	Carrying amount 2017 £'000	Fair value 2017 £'000	Carrying amount 2016 £'000	Fair value 2016 £'000
Trade and other receivables	1,113	1,113	1,278	1,278
Cash and cash equivalents	1,626	1,626	1,855	1,855
Trade and other payables	(1,261)	(1,261)	(1,356)	(1,356)
	1,478	1,478	1,777	1,777

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land & Buildings £'000	Total 2017 £'000	Total 2016 £'000
Less than one year	56	56	122
Between one and five years	46	46	102
	102	102	224

The Group leases various warehouses and offices under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The lease for one of the Group's premises was subject to a break clause on 1 May 2017. This clause was not activated and as such, the company remains committed to £72,000 p.a. until 1 May 2022.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

23 Contingent liabilities

Following the termination of his employment in September 2017, T Allan (the former CEO of the Group), brought a claim against Redworth Limited, one of the Company's subsidiaries, for unfair dismissal. A hearing in respect of this matter is due to take place in front of the Employment Tribunal in December 2017.

24 Related party transactions

Substantial shareholders

Under AIM rules, all substantial shareholders (10%) are considered related parties. K Staton became a substantial shareholder on 11 July 2016 and as such, transactions between K Staton (or companies he controls) and the group between 11 July 2016 and 31 March 2017 are as follows:

	2017 £'000	2016 £'000
Keith Staton Organisation Limited		
Consultancy fees	12	-
Stock purchases	79	-
	91	-

Key management personnel compensation

Key management personnel comprise the Board of Directors and their aggregate compensation for the year was as follows:

	2017 £'000	2016 £'000
Aggregation compensation (including N.I.)	600	167

COMPANY BALANCE SHEET
AS AT 31 MARCH 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible fixed assets	3	-	-
Investments	4	-	-
		-	-
Current assets			
Debtors	5	278	719
Cash at bank and in hand		1,171	1,709
		1,449	2,428
Creditors: amounts falling due within one year	6	(537)	(808)
Net current assets		912	1,620
Net assets		912	1,620
Capital and reserves			
Called up share capital	7	1,297	1,297
Profit and loss account		(385)	323
Shareholders' funds		912	1,620

Approved by the Board of Directors on 18 August 2017 and signed on its behalf by:

T Jackson-Smith
Director

Company Registration No. 04198290

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

	Share capital £'000	Share Premium £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2015	12,972	21,531	(32,708)	1,795
Capital reduction	(11,675)	-	11,675	-
Cancellation of Share Premium	-	(21,531)	21,531	-
Total comprehensive expense for the year	-	-	(175)	(175)
Balance at 31 March 2016	1,297	-	323	1,620
Total comprehensive expense for the year	-	-	(708)	(708)
Balance at 31 March 2017	1,297	-	(385)	912

COMPANY NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

Company information

MBL Group Plc is a company limited by shares incorporated in England and Wales. The registered office is Unit 1 Millennium City Park, Millennium Road, Preston, PR2 5BL.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

No profit or loss account is presented for the Company as permitted by section 408 of the Companies Act 2006. The loss after tax for the Company was £708,000 (2016: £175,000)

Going concern

The financial statements for MBL Group Plc have been prepared under the going concern assumption. The directors have prepared forecasts for a period of at least 12 months from the date of signing these financial statements. These forecasts demonstrate the company has sufficient cash and has a level of headroom which the directors believe is sufficient to continue to trade for at least the next 12 months. In addition the company continues to reflect an overall net assets position and is debt free.

Cash flow statement

The company has taken advantage of the exemption from the requirement to produce a cash flow statement on the grounds that is included within the published consolidated financial statements.

Revenue recognition

Investment income comprises dividends declared during the accounting period. Dividends receivable are recognised when the Company's right to receive payments is established. Dividends payable to the Company's shareholders are recognised as a liability and deducted from shareholders' equity in the period in which the shareholders' right to receive payment is established.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings and equipment	10% - 33.3% straight line

Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

COMPANY NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 **Accounting policies (continued)**

Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

COMPANY NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 **Accounting policies (continued)**

Financial instruments (continued)

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
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.

Basic financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**COMPANY NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1 **Accounting policies (continued)**

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

**COMPANY NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1 **Accounting policies (continued)**

Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key judgements and estimates are detailed on page 16.

2 Share options

CSOP

The Group operates a HM Revenue and Customs approved CSOP share option scheme. The scheme is open to employees of the Group. The grant of the options is at the discretion of the Directors. The performance criteria for all options granted require that the option holder remains in employment with the Group at the date of exercise.

Details of ordinary shares, which are subject to options under this scheme and are outstanding at 31 March 2016, are set out below. Shares under option were not dilutive for the purpose of calculating the diluted earnings per share.

Grant date	Number of options at 1 April 2016	Number of options granted in year	Number of options lapsed in year	Number of options at 31 March 2017	Original subscription price	Exercise period
13 January 2010	33,518	-	(16,759)	16,759	179p	14 January 2014 to 14 January 2020

Since the year end the remaining 16,759 options have lapsed.

3 Tangible fixed assets

	Fixtures, fittings & equipment £'000
Cost	
Balance at 1 April 2016 and 31 March 2017	45
Depreciation	
Balance at 1 April 2016 and 31 March 2017	45
Net book value	
At 1 April 2016 and 31 March 2017	-

COMPANY NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

4 Investments

	Cost at 31 March 2017 £'000	Provision for impairment £'000	Net book value at 31 March 2017 £'000
Shares in group undertakings:			
Air Music and Media Copyright Limited	-	-	-
Redworth Limited	-	-	-
Total	-	-	-

All investments are shown at cost less provision for diminution in value.

The company holds more than 20% of the share capital of the following principal subsidiary undertakings:

	Country of incorporation	Class of share	Proportion held	Nature of business	Year end
Air Music and Media Copyright Limited	England	Ordinary	100%	Licensing	31/03
Redworth Limited	England	Ordinary	100%	Holding Co	31/03
Windsong International Limited	England	Ordinary	100%	Wholesale	31/03
The Garden and Home Trading Company Limited	England	Ordinary	100%	Mail Order	31/03

All shares in the company's subsidiaries carry one voting right each. Voting rights are therefore identical to the proportion of shares held. The Garden and Home Trading Company Limited and Windsong International Limited are held by Redworth Limited which is itself a 100% subsidiary of the company. All other subsidiaries are held directly by the company.

5 Debtors

	2017 £'000	2016 £'000
Amounts owed from group undertakings	230	683
Other debtors	24	7
Prepayments and accrued income	24	29
	278	719

**COMPANY NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6 Creditors : amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	13	6
Amounts owed to group undertakings	-	255
Accruals and deferred income	524	547
	537	808

7 Share capital

	2017 £'000	2016 £'000
Ordinary share capital		
Issued and fully paid		
17,296,067 Ordinary shares of 7.5p (2016: 7.5p) each	1,297	1,297

8 Controlling party

There is no single controlling party

9 Related Party Transactions

In accordance with FRS 102 Section 33, exemption has been taken from disclosing transactions entered into between two or more members of the group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

10 Capital commitments

There are no capital commitments at year end.