

VITAL PET GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 JUNE 2020

Company Registration No. 05282362 (England and Wales)

VITAL PET GROUP LIMITED

COMPANY INFORMATION

Directors	Mr R K Sharma Mr S Sharma
Secretary	Mr S M Thompson
Company number	05282362
Registered office	Unit 8 Pennine House 35A Churchill Way Sheffield S35 2PY
Auditor	Naylor Wintersgill Limited Carlton House Grammar School Street Bradford BD1 4NS

VITAL PET GROUP LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report	6 - 8
Profit and loss account	9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14 - 26

VITAL PET GROUP LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 28 JUNE 2020

The directors present the strategic report for the period ended 28 June 2020.

Business review and financial key performance indicators

The principal objective of the company continues to be the delivery of sustainable, responsible and profitable business growth through a strategy of optimum use of the company's expertise in products and local market conditions.

The directors use a number of measures, both financial and non-financial, to monitor and benchmark the performance of the company. They regard the following as the key financial indicators of performance.

Sales decreased by (5.8%) during the year from £36,896,259 to £34,750,360, mainly due to transition to a new ERP and Warehouse Management System which caused disruption and issues on serviceability. The business worked closely with our customers and suppliers to maximise the opportunities available during peak periods of trading by anticipating demand and putting in place contingency measures to ensure minimum disruption to supply for certain pet products that had shown higher than expected demand. The business also invested in a supply chain system in order to maintain a high level of service and fulfilment rate to its customers.

Due to a focus on operational improvement and serviceability, operating costs decreased from £29,552,402 to £26,174,302.

EBITDA for the year was £1,041,629 (2019: £981,557). Profit after tax of £270,254 (2019: £752,750) was retained in the business and accordingly, net assets increased from £10,345,627 to £10,615,881 and net current assets increased from £7,308,056 to £8,806,781. The business has remained cash generative with the company's cash level increasing to £275,661. Whilst below our expectations, this allows continued investment in the business of retained profits throughout the year and the financing of working capital requirements during peak trading.

The directors believe the business is in a sound position at the year-end and is well placed to meet the challenges of the year ahead. Despite the onset of the Covid-19 pandemic, and the continued issues after Brexit on the supply chain, the business continued to perform strongly and honoured all ongoing liabilities from reserves which remain strong. The market within which the company operates continues to change rapidly expedited by changing consumer habits as a result of the Covid Pandemic. Whilst the traditionally core business of the Company, that services independent pet stores remains relatively robust, the Company recognises that future growth opportunity will continue to present itself in more diverse sectors of the market such as digital retailers. As such, the company is diversifying and investing in new market segments to ensure business diversification and risk mitigation. In addition, the Company continues to expand and diversify its customer profile and to strategically explore new exclusive brand partnerships in order to enhance its commercial position.

Customers will continue to benefit from investments in service proposition and product offering. The Company also continues to strengthen its relationship with key suppliers and continues to invest in the capability of its management team to ensure that the appropriate skills are acquired to facilitate the Company's growth and expansion.

The directors anticipate that economic conditions shall remain challenging during the year ahead but are confident that their business strategy and resources available will continue to provide a secure platform for future trading.

The statement of financial position remains strong with shareholders' funds now at £10,615,881. Net current assets are £8,806,781 giving good liquidity. Operational cash flow in the year was strong and shall be used to continue funding investments.

VITAL PET GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

Principal risks and uncertainties

The principal risks and uncertainties facing the company at the point of reporting are:

- The potential risk of reduced sales due to the competitive pressure on the traditional Independent pet stores or unforeseen changes in the market or distribution channels to market. The Company is mitigating this risk by implementing strategic sales plans to rapidly diversify its service offering into the expanding E-commerce sector. The Company is further mitigating this risk through diversification into new categories and increasing non-core revenue streams such as transport and third party warehousing provision.
- The potential risk of reduced margin due to the competitive market. The Company continues to mitigate this risk with the proactive enforcement of supplier partnerships and delivery terms ensuring that inflationary price increases are managed within budgeted expectation.
- Credit risk of default by one of its major customers. We continually work to mitigate this risk through continual credit control and continued comprehensive debtor control.

Key Supply Partners seeking to trade directly with the Company's business customers. We shall continue to mitigate this risk by strengthening exclusive supply partnerships with key partners and ensuring that the Company's wholesale supply delivery offers significantly more value to our customers than individual suppliers trading directly with our customers are able to offer.

Financial key performance indicators

The directors consider the financial KPI's of the business to be:

- turnover;
- gross margin;
- contribution to fixed overheads after allocating direct operational costs;
- credit notes;
- payroll and headcount by business function;
- debt levels; and
- stock levels.

These are constantly monitored and actions or adjustments implemented as necessary.

Other key performance indicators

The directors consider the non financial KPI's of the business to be:

- customer satisfaction
- inbound/outbound volumes and measurement against agreed targets;
- health and safety compliance; and
- quality compliance.

The directors regularly review and agree policies for managing each of these risks. This is based on the steps described above and also through our understanding of the industry, regulation, working with our customers and suppliers and seek professional advice where appropriate. The directors' objective is to minimise the possibility of these risks impacting our business and to mitigate them wherever possible. These policies remain unchanged from prior years.

VITAL PET GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

In addition to the above, the impact of Covid19 and Brexit are areas of discussion and are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. The directors are monitoring the spread of the impact of the virus. The disruption to operations, service and supply chain have been considered. The directors have put in place contingency plans in order to cope with any interruptions.

On behalf of the board

Mr R K Sharma

Director

20 July 2021

VITAL PET GROUP LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 28 JUNE 2020

The directors present their annual report and financial statements for the period ended 28 June 2020.

Principal activities

The principal activity of the company continued to be that of the wholesaling of pet food, treats and accessories.

Results and dividends

EBITDA for the year was £1,041,629 (2019: £981,557).

The profit for the year, after taxation, amounted to £270,254 (2019: £752,750).

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Mr R K Sharma
Mr S Sharma

Auditor

Naylor Wintersgill Limited were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr R K Sharma
Director

20 July 2021

VITAL PET GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 28 JUNE 2020

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

VITAL PET GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VITAL PET GROUP LIMITED

Opinion

We have audited the financial statements of Vital Pet Group Limited (the 'company') for the period ended 28 June 2020 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 June 2020 and of its profit for the period 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company 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 company'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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

VITAL PET GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF VITAL PET GROUP LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 an auditor's report 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

VITAL PET GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF VITAL PET GROUP LIMITED

Use of our report

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.

Victoria Wainwright (Senior Statutory Auditor)
For and on behalf of Naylor Wintersgill Limited

20 July 2021

Chartered Accountants
Statutory Auditor

Carlton House
Grammar School Street
Bradford
BD1 4NS

VITAL PET GROUP LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 28 JUNE 2020

		period ended 28 June 2020 £	Year ended 30 June 2019 £
	Notes		
Turnover	3	34,750,360	36,896,259
Cost of sales		(26,174,302)	(29,552,402)
Gross profit		8,576,058	7,343,857
Distribution costs		(5,014,129)	(3,710,792)
Administrative expenses		(3,308,483)	(2,768,362)
Other operating income		176,674	6,423
Operating profit	4	430,120	871,126
Interest payable and similar expenses	6	(159,866)	(118,376)
Profit before taxation		270,254	752,750
Tax on profit	7	-	-
Profit for the financial period		270,254	752,750

The profit and loss account has been prepared on the basis that all operations are continuing operations.

VITAL PET GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 28 JUNE 2020

	period ended 28 June 2020 £	Year ended 30 June 2019 £
Profit for the period	270,254	752,750
Other comprehensive income	-	-
Total comprehensive income for the period	<u>270,254</u>	<u>752,750</u>

VITAL PET GROUP LIMITED

BALANCE SHEET

AS AT 28 JUNE 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	8	55,013		-	
Tangible assets	9	2,780,191		3,067,883	
		<u>2,835,204</u>		<u>3,067,883</u>	
Current assets					
Stocks	10	3,186,171		5,206,990	
Debtors	11	12,035,314		10,306,471	
Cash at bank and in hand		275,661		218,870	
		<u>15,497,146</u>		<u>15,732,331</u>	
Creditors: amounts falling due within one year	12	<u>(6,690,365)</u>		<u>(8,424,275)</u>	
Net current assets		<u>8,806,781</u>		<u>7,308,056</u>	
Total assets less current liabilities		<u>11,641,985</u>		<u>10,375,939</u>	
Creditors: amounts falling due after more than one year	13	<u>(1,026,104)</u>		<u>(30,312)</u>	
Net assets		<u><u>10,615,881</u></u>		<u><u>10,345,627</u></u>	
Capital and reserves					
Called up share capital	17	2,000,000		2,000,000	
Revaluation reserve		1,763,023		1,763,023	
Profit and loss reserves		6,852,858		6,582,604	
Total equity		<u><u>10,615,881</u></u>		<u><u>10,345,627</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 20 July 2021 and are signed on its behalf by:

Mr R K Sharma
Director

Company Registration No. 05282362

VITAL PET GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 28 JUNE 2020

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 July 2018	2,000,000	-	5,829,854	7,829,854
Year ended 30 June 2019:				
Profit and total comprehensive income for the year	-	-	752,750	752,750
Other movements	-	1,763,023	-	1,763,023
Balance at 30 June 2019	2,000,000	1,763,023	6,582,604	10,345,627
Period ended 28 June 2020:				
Profit and total comprehensive income for the period	-	-	270,254	270,254
Balance at 28 June 2020	2,000,000	1,763,023	6,852,858	10,615,881

VITAL PET GROUP LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 28 JUNE 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	22		1,756,840		(1,607,776)
Interest paid			(159,866)		(118,376)
Net cash inflow/(outflow) from operating activities			1,596,974		(1,726,152)
Investing activities					
Purchase of intangible assets		(55,013)		-	
Purchase of tangible fixed assets		(328,162)		(215,144)	
Proceeds on disposal of tangible fixed assets		4,345		(202,583)	
Net cash used in investing activities			(378,830)		(417,727)
Financing activities					
Repayment of borrowings		(1,909,554)		1,987,784	
Repayment of bank loans		1,000,000		-	
Payment of finance leases obligations		(5,434)		37,479	
Net cash (used in)/generated from financing activities			(914,988)		2,025,263
Net increase/(decrease) in cash and cash equivalents			303,156		(118,616)
Cash and cash equivalents at beginning of period			(27,495)		91,121
Cash and cash equivalents at end of period			275,661		(27,495)
Relating to:					
Cash at bank and in hand			275,661		218,870
Bank overdrafts included in creditors payable within one year			-		(246,365)

VITAL PET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 28 JUNE 2020

1 Accounting policies

Company information

Vital Pet Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 8, Pennine House, 35A Churchill Way, Sheffield, S35 2PY.

1.1 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 £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The directors do not consider the Covid-19 pandemic to have created a material uncertainty in relation to the going concern of the company. Further details has been included in note 18 events after the reporting date.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

VITAL PET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

1 Accounting policies

(Continued)

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	10% straight line
----------	-------------------

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	5% straight line
Plant and equipment	5% straight line & 25% reducing balance
Fixtures and fittings	5% - 25% straight line
Motor vehicles	20% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

VITAL PET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

1 Accounting policies

(Continued)

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 (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 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 balance sheet 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 debtors 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. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

VITAL PET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, 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 creditors, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

VITAL PET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 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.

1.12 Retirement benefits

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

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

VITAL PET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

2 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.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2020	2019
	£	£
Turnover analysed by class of business		
Turnover	34,750,360	36,896,259
	<u> </u>	<u> </u>
	2020	2019
	£	£
Other significant revenue		
Grants received	176,489	-
	<u> </u>	<u> </u>

All turnover arose within the United Kingdom.

4 Operating profit

	2020	2019
	£	£
Operating profit for the period is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	9,182	(22,291)
Government grants	(176,489)	-
Fees payable to the company's auditor for the audit of the company's financial statements	35,235	47,675
Depreciation of owned tangible fixed assets	362,676	101,712
Loss on disposal of tangible fixed assets	248,833	8,720
Operating lease charges	6,222	29,713
	<u> </u>	<u> </u>

VITAL PET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

5 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	2020 Number	2019 Number
Sales and administration	79	95
Distribution	115	104
Total	194	199

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	4,436,696	4,225,728
Social security costs	304,774	290,094
Pension costs	70,345	55,507
	4,811,815	4,571,329

6 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	142,962	112,302
Other interest on financial liabilities	13,915	1,981
	156,877	114,283
Other finance costs:		
Interest on finance leases and hire purchase contracts	2,989	4,093
	159,866	118,376

VITAL PET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

7 Taxation

The actual charge for the period can be reconciled to the expected charge for the period based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Profit before taxation	270,254	752,750
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	51,348	143,023
Tax effect of expenses that are not deductible in determining taxable profit	4,557	8,529
Unutilised tax losses carried forward	4,000	-
Change in unrecognised deferred tax assets	-	(91,660)
Group relief	-	(52,675)
Permanent capital allowances in excess of depreciation	90,520	2,085
Research and development tax credit	(150,425)	-
Change in deferred tax average rate	-	(2,865)
Tax not recognised	-	(6,437)
Taxation charge for the period	-	-

VITAL PET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

8 Intangible fixed assets

	Software £
Cost	
At 1 July 2019	-
Additions	55,013
At 28 June 2020	55,013
Amortisation and impairment	
At 1 July 2019 and 28 June 2020	-
Carrying amount	
At 28 June 2020	55,013
At 30 June 2019	-

9 Tangible fixed assets

	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 July 2019	923,015	1,813,050	933,937	826,682	4,496,684
Additions	768	1,804	325,590	-	328,162
Disposals	-	(94,842)	(118,223)	(352,080)	(565,145)
At 28 June 2020	923,783	1,720,012	1,141,304	474,602	4,259,701
Depreciation and impairment					
At 1 July 2019	590,445	225,093	241,094	372,169	1,428,801
Depreciation charged in the period	17,800	167,352	77,095	100,429	362,676
Eliminated in respect of disposals	-	(70,480)	(51,201)	(190,286)	(311,967)
At 28 June 2020	608,245	321,965	266,988	282,312	1,479,510
Carrying amount					
At 28 June 2020	315,538	1,398,047	874,316	192,290	2,780,191
At 30 June 2019	332,570	1,587,957	692,843	454,513	3,067,883

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2020 £	2019 £
Fixtures and fittings	33,926	42,407

VITAL PET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

10 Stocks

	2020 £	2019 £
Finished goods and goods for resale	3,186,171	5,206,990

11 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	3,170,440	3,636,747
Amounts owed by group undertakings	6,297,707	4,631,887
Other debtors	1,214,465	220,547
Prepayments and accrued income	1,352,702	1,817,290
	12,035,314	10,306,471

12 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	14	-	246,365
Obligations under finance leases	15	5,940	7,166
Other borrowings	14	3,297,098	5,206,652
Trade creditors		2,007,062	2,513,564
Taxation and social security		276,173	86,798
Other creditors		114,777	109,294
Accruals and deferred income		989,315	254,436
		6,690,365	8,424,275

13 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	14	1,000,000	-
Obligations under finance leases	15	26,104	30,312
		1,026,104	30,312

VITAL PET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

14 Loans and overdrafts

	2020 £	2019 £
Bank loans	1,000,000	-
Bank overdrafts	-	246,365
Other loans	3,297,098	5,206,652
	<u>4,297,098</u>	<u>5,453,017</u>
Payable within one year	3,297,098	5,453,017
Payable after one year	<u>1,000,000</u>	<u>-</u>

A debenture by the company has been given in favour of the entity's bankers, incorporating a fixed and floating charge over all the current and future assets of the company.

The invoice financing facility included in other borrowings is secured on the debts to which it relates.

Included within other loans is a stock finance facility which is secured against stock balances held.

15 Finance lease obligations

	2020 £	2019 £
Future minimum lease payments due under finance leases:		
Within one year	5,940	7,166
In two to five years	26,104	30,312
	<u>32,044</u>	<u>37,478</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

16 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>70,345</u>	<u>55,507</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

17 Share capital

	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>

VITAL PET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

17 Share capital

(Continued)

18 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	169,555	380,698
Between two and five years	392,958	886,704
	<u>562,513</u>	<u>1,267,402</u>

19 Events after the reporting date

During 2020 and into 2021 the Covid-19 pandemic has impacted businesses and the economy in the United Kingdom and worldwide. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide resulting in an economic slowdown.

The duration and impact of the Covid-19 pandemic remains unclear at this time, however the company has carried out a review of the impact that Covid-19 might have on the business. Directors have undertaken research, used published Government advice and consulted with key customers, key suppliers and fellow group companies.

The directors have confidence that the company is well placed to cope with the disruption as a result of Covid-19 and believe all reasonable steps have been undertaken to safeguard the future of the business.

20 Related party transactions

Transactions with related parties

During the period the company entered into the following transactions with related parties:

	Sales		Purchases	
	2020 £	2019 £	2020 £	2019 £
Other related parties	<u>463,498</u>	<u>1,447,741</u>	<u>361,964</u>	<u>1,610,000</u>

The following amounts were outstanding at the reporting end date:

	2020 £	2019 £
Amounts due from related parties		
Paramount Retail Group Holdings Ltd	6,297,707	4,631,887
Other related parties	<u>753,622</u>	<u>154,827</u>

VITAL PET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 JUNE 2020

21 Ultimate controlling party

The ultimate parent company is PRG Holdco 1 Limited, a company registered in England and Wales.

The director considered to be the ultimate controlling party is Mr R Sharma.

22 Cash generated from/(absorbed by) operations

	2020 £	2019 £
Profit for the period after tax	270,254	752,750
Adjustments for:		
Finance costs	159,866	118,376
Loss on disposal of tangible fixed assets	248,833	8,720
Depreciation and impairment of tangible fixed assets	362,676	101,712
Movements in working capital:		
Decrease/(increase) in stocks	2,020,819	(4,513,891)
(Increase)/decrease in debtors	(1,728,843)	583,952
Increase in creditors	423,235	1,340,605
Cash generated from/(absorbed by) operations	1,756,840	(1,607,776)

23 Analysis of changes in net debt

	1 July 2019 £	Cash flows £	28 June 2020 £
Cash at bank and in hand	218,870	56,791	275,661
Bank overdrafts	(246,365)	246,365	-
	(27,495)	303,156	275,661
Borrowings excluding overdrafts	(5,206,652)	909,554	(4,297,098)
Obligations under finance leases	(37,478)	5,434	(32,044)
	(5,271,625)	1,218,144	(4,053,481)

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.