

Company Registration No. 00896298 (England and Wales)

GROVE PET FOODS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

GROVE PET FOODS LIMITED

COMPANY INFORMATION

Directors	A R Turner J R Walgate
Company number	00896298
Registered office	Lodge Farm Wigsley Road North Scarle Lincoln England LN6 9HD
Auditor	BHP LLP 2 Rutland Park Sheffield S10 2PD
Bankers	The Royal Bank of Scotland plc 5 Church Street Sheffield S1 1HF

GROVE PET FOODS LIMITED

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GROVE PET FOODS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

The principal activities of the company are the manufacture and sale of pet foods, under the Alpha, Vitalin and Richa brands, as well as under private label contracts.

During the year the company continued to focus on producing premium quality, higher value products, replacing lower margin business and gaining new private label customers. This enabled turnover to increase 14.6% to £21.5 million and led to increased net profitability.

The programme of capital investment continued with new production capacity, together with enhanced efficiency and quality improvements amounting to over £1 million. Key projects will continue to completion in 2021.

At the end of the financial year Balance Sheet net assets increased from £3,255,219 to £4,939,001.

With the challenges of a pandemic in 2020 the company is evermore indebted to the dedication and professionalism of its staff to maintain service and quality to customers. This could only be achieved by a strong culture developed by the people within the business.

The focus on sustainability and the future of our environment is paramount in the strategy of the business. Progress has been made in converting all packaging to recycled use and work is ongoing to achieve a long term carbon neutral target.

The directors are pleased with the result for the year and will continue with the strategy to increase long term shareholder value in the year ahead.

Principal risks and uncertainties

The main risk facing the company is fluctuation in raw material costs. The company uses forward contracts to manage risk in purchasing.

Key performance indicators

	<u>2020</u>	<u>2019</u>
Gross profit margin	30.23%	29.19%
Operating profit margin	9.66%	6.33%
Debtor days	27 days	24 days

On behalf of the board

A R Turner

Director

1 July 2021

GROVE PET FOODS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company continued to be the manufacture and supply of animal and pet foods, under the Alpha, Vitalin and Richa brands, as well as under private label contracts.

Directors

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

A R Turner
J R Walgate

Results and dividends

The results for the year are set out on page 7.

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

Statement of directors' responsibilities

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

GROVE PET FOODS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

A R Turner

Director

1 July 2021

GROVE PET FOODS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GROVE PET FOODS LIMITED

Opinion

We have audited the financial statements of Grove Pet Foods Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 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.

GROVE PET FOODS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF GROVE PET FOODS LIMITED

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of such regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error.

We focused on laws and regulations relevant to the company which could give rise to a material misstatement in the financial statements. Our testing included discussions with management, directors and reviewing legal expenses. There are inherent limitations in the audit procedures described and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

As part of our audit, we addressed the risk of management override of internal controls, including testing of journals and review of the nominal ledger. We evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

GROVE PET FOODS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF GROVE PET FOODS 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.

Lisa Leighton (Senior Statutory Auditor)
for and on behalf of BHP LLP

1 July 2021

Chartered Accountants
Statutory Auditor

2 Rutland Park
Sheffield
S10 2PD

GROVE PET FOODS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	21,541,728	18,801,170
Cost of sales		(15,029,440)	(13,313,437)
Gross profit		6,512,288	5,487,733
Administrative expenses		(4,432,245)	(4,296,787)
Operating profit	4	2,080,043	1,190,946
Interest receivable and similar income	7	-	82
Interest payable and similar expenses	8	(68,261)	(91,620)
Profit before taxation		2,011,782	1,099,408
Tax on profit	9	(328,000)	(170,000)
Profit for the financial year		1,683,782	929,408
Other comprehensive income			
Revaluation of tangible fixed assets		(32,746)	(29,780)
Total comprehensive income for the year		1,651,036	899,628

The Profit and Loss account has been prepared on the basis that all operations are continuing operations.

GROVE PET FOODS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	11	62,189		93,844	
Tangible assets	12	4,766,439		4,157,833	
		<u>4,828,628</u>		<u>4,251,677</u>	
Current assets					
Stocks	14	1,681,294		1,511,708	
Debtors	15	2,372,065		1,452,744	
Cash at bank and in hand		688,299		207,823	
		<u>4,741,658</u>		<u>3,172,275</u>	
Creditors: amounts falling due within one year	16	<u>(3,462,433)</u>		<u>(3,014,117)</u>	
Net current assets			1,279,225		158,158
Total assets less current liabilities			6,107,853		4,409,835
Creditors: amounts falling due after more than one year	17		(779,852)		(1,093,616)
Provisions for liabilities			<u>(389,000)</u>		<u>(61,000)</u>
Net assets			<u>4,939,001</u>		<u>3,255,219</u>
Capital and reserves					
Called up share capital	22	2,000,000		2,000,000	
Revaluation reserve		92,565		125,311	
Profit and loss reserves		2,846,436		1,129,908	
Total equity			<u>4,939,001</u>		<u>3,255,219</u>

The financial statements were approved by the board of directors and authorised for issue on 1 July 2021 and are signed on its behalf by:

A R Turner
Director

Company Registration No. 00896298

GROVE PET FOODS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2019	2,000,000	155,091	170,720	2,325,811
Year ended 31 December 2019:				
Profit for the year	-	-	929,408	929,408
Other comprehensive income:				
Transfer of excess depreciation on revalued tangible fixed assets	-	(29,780)	29,780	-
Total comprehensive income for the year	-	(29,780)	959,188	929,408
Balance at 31 December 2019	2,000,000	125,311	1,129,908	3,255,219
Year ended 31 December 2020:				
Profit for the year	-	-	1,683,782	1,683,782
Other comprehensive income:				
Transfer of excess depreciation on revalued tangible fixed assets	-	(32,746)	32,746	-
Total comprehensive income for the year	-	(32,746)	1,716,528	1,683,782
Balance at 31 December 2020	2,000,000	92,565	2,846,436	4,939,001

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Grove Pet Foods Limited is a private company limited by shares incorporated in England and Wales. The registered office is Lodge Farm, Wigsley Road, North Scarle, Lincoln, England, LN6 9HD.

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 certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures.

The financial statements of the company are consolidated in the financial statements of Holdco Alpha Limited. These consolidated financial statements are available from its registered office or can be obtained from Companies House.

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. The directors have considered the potential impact on the activities of the company of the COVID-19 pandemic and do not believe that any impact will be significant. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

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.

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is ten years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Intangible fixed assets other than goodwill

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

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:

Branding	4 years
Goodwill	10 years

1.6 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:

Plant and machinery	over 3 - 10 years
Fixtures, fittings & equipment	over 4 - 10 years
Motor vehicles	over 4 years

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.

1.7 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.

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

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.

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.

1.8 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.

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.

1.9 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 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.

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 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 are classified according to the substance of the contractual arrangements entered into.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from connected companies 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. Financial liabilities classified as payable within one year are not amortised.

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.

Derecognition of financial liabilities

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

1.11 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.

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

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.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

1.13 Retirement benefits

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

1.14 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.

1.15 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.

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 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		
Pet food	21,541,728	18,801,170
	<u>21,541,728</u>	<u>18,801,170</u>
	2020 £	2019 £
Turnover analysed by geographical market		
UK	21,039,053	18,372,658
Europe	345,588	247,421
Other	157,087	181,091
	<u>21,541,728</u>	<u>18,801,170</u>

4 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	33,242	(8,395)
Fees payable to the company's auditor for the audit of the company's financial statements	13,150	13,150
Depreciation of owned tangible fixed assets	597,769	383,860
Depreciation of tangible fixed assets held under finance leases	71,896	275,918
Impairment of owned tangible fixed assets	-	283,701
Profit on disposal of tangible fixed assets	(7,672)	(661)
Amortisation of intangible assets	44,391	45,908
Operating lease charges	182,573	169,429
	<u>182,573</u>	<u>169,429</u>

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Employees

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

	2020 Number	2019 Number
Production	70	67
Administration	21	19
Management	12	10
	<u>103</u>	<u>96</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	3,049,985	2,727,343
Pension costs	73,310	67,497
	<u>3,123,296</u>	<u>2,794,840</u>

6 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	<u>154,650</u>	<u>171,119</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019 - 2).

7 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Other interest income	<u>-</u>	<u>82</u>

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8 Interest payable and similar expenses

	2020	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	3,512	13,863
Other finance costs:		
Interest on finance leases and hire purchase contracts	34,049	41,757
Other interest	30,700	36,000
	<u>68,261</u>	<u>91,620</u>

9 Taxation

	2020	2019
	£	£
Deferred tax		
Origination and reversal of timing differences	<u>328,000</u>	<u>170,000</u>

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

	2020	2019
	£	£
Profit before taxation	<u>2,011,782</u>	<u>1,099,408</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	382,239	208,888
Tax effect of expenses that are not deductible in determining taxable profit	364	668
Change in unrecognised deferred tax assets	(22,518)	(14,845)
Other permanent differences	(32,085)	(2,965)
Deferred tax adjustments in respect of prior years	-	(21,746)
Taxation charge for the year	<u>328,000</u>	<u>170,000</u>

The company has estimated losses of £208,000 (2019: £1,325,000) available for carry forward against future trading profits.

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2020 £	2019 £
In respect of:			
Property, plant and equipment	12	-	283,701
		<u> </u>	<u> </u>
Recognised in:			
Administrative expenses		-	283,701
		<u> </u>	<u> </u>

11 Intangible fixed assets

	Total £
Cost	
At 1 January 2020	2,846,217
Additions	12,736
	<u> </u>
At 31 December 2020	2,858,953
	<u> </u>
Amortisation and impairment	
At 1 January 2020	2,752,373
Amortisation charged for the year	44,391
	<u> </u>
At 31 December 2020	2,796,764
	<u> </u>
Carrying amount	
At 31 December 2020	62,189
	<u> </u>
At 31 December 2019	93,844
	<u> </u>

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 January 2020	6,586,876	505,487	133,093	7,225,456
Additions	1,306,911	25,451	-	1,332,362
Disposals	(109,005)	-	-	(109,005)
At 31 December 2020	7,784,782	530,938	133,093	8,448,813
Depreciation and impairment				
At 1 January 2020	2,594,840	361,765	111,018	3,067,623
Depreciation charged in the year	602,156	54,059	13,450	669,665
Eliminated in respect of disposals	(54,914)	-	-	(54,914)
At 31 December 2020	3,142,082	415,824	124,468	3,682,374
Carrying amount				
At 31 December 2020	4,642,700	115,114	8,625	4,766,439
At 31 December 2019	3,992,036	143,722	22,075	4,157,833

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 £
Plant and machinery	434,088	505,984
Depreciation charge for the year in respect of leased assets	71,896	275,918

Included within plant and machinery are certain assets which were revalued in 2014. If revalued assets were stated on a historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2020 £	2019 £
Cost	802,523	802,523
Accumulated depreciation	(780,547)	(784,593)
Carrying value	21,976	17,930

More information on impairment movements in the prior year are given in note 10.

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13 Financial instruments

All financial assets and liabilities are measured at amortised cost.

14 Stocks

	2020 £	2019 £
Raw materials and consumables	701,393	596,565
Finished goods and goods for resale	979,901	915,143
	<u>1,681,294</u>	<u>1,511,708</u>

15 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	1,954,227	1,223,177
Amounts owed by related party undertakings	288,217	32,754
Other debtors	10,992	14,932
Prepayments and accrued income	118,629	181,881
	<u>2,372,065</u>	<u>1,452,744</u>

16 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	18	10,120	121,428
Obligations under finance leases	19	210,992	190,600
Trade creditors		1,933,065	1,552,536
Other taxation and social security		496,753	240,171
Other creditors		200,827	552,786
Accruals and deferred income		610,676	356,596
		<u>3,462,433</u>	<u>3,014,117</u>

Included within other creditors are advances against invoices of £nil (2019: £354,389). The advances against invoices are secured by first charge over trade debtors.

For details of the bank loan security, please see note 18.

For details of the finance lease security, please see note 19.

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	18	-	10,120
Obligations under finance leases	19	339,852	363,496
Other creditors		440,000	720,000
		<u>779,852</u>	<u>1,093,616</u>

18 Loans and overdrafts

	2020 £	2019 £
Bank loans	10,120	131,548
	<u>10,120</u>	<u>121,428</u>
Payable within one year	10,120	121,428
Payable after one year	-	10,120
	<u>-</u>	<u>10,120</u>

Bank loans of £10,120 remain outstanding at the year end. The bank loans are secured by way of a fixed and floating charge over the assets of the company, a personal guarantee provided by A R Turner of up to £500,000 and a guarantee of £850,000 provided by Holdco Alpha Limited.

19 Finance lease obligations

	2020 £	2019 £
Future minimum lease payments due under finance leases:		
Within one year	210,992	190,600
In two to five years	339,852	363,496
	<u>550,844</u>	<u>554,096</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. 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.

The finance leases are secured against the assets to which they relate.

Included within finance leases is an amount outstanding to Close Brothers of £66,915 (2019: £133,862). A personal guarantee limited to £50,000 has been provided by A R Turner in respect of this finance lease.

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	389,000	61,000
	<u>389,000</u>	<u>61,000</u>
Movements in the year:		2020 £
Liability at 1 January 2020		61,000
Charge to profit or loss		328,000
		<u>389,000</u>
Liability at 31 December 2020		<u>389,000</u>

21 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	73,310	67,497
	<u>73,310</u>	<u>67,497</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.

22 Share capital

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

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 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	149,391	201,215
Between two and five years	454,044	519,065
In over five years	169,583	224,583
	<u>773,018</u>	<u>944,863</u>

24 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2020 £	2019 £
Acquisition of tangible fixed assets	<u>388,307</u>	<u>180,120</u>

GROVE PET FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

25 Related party transactions

H Turner & Son Limited

At the year end £206,667 (2019: £302,000) was due to H Turner & Son Limited (a company in which A R Turner is a director), of which £146,667 is included in creditors due over one year, and £60,000 is shown in creditors due within one year.

Holdco HTS Limited

At the year end £413,333 (2019: £600,000) was due to Holdco HTS Limited (a company in which A R Turner is a director), of which £293,333 is included in creditors due over one year, and £120,000 is shown in creditors due within one year.

Darlton Hall Estates Ltd

At the year end a balance of £256,308 (2019: £6,128 creditor) is due from Darlton Hall Estates Ltd (a company in which A R Turner is a director).

Chestnut Bulk Bins Ltd

At the year end £31,906 (2019: £40,883) was due from Chestnut Bulk Bins Ltd (a company in which A R Turner is a director).

26 A R Turner has provided personal guarantees as disclosed in notes 18 and 19 of the accounts. **Ultimate controlling party**

The ultimate holding company is Holdco Alpha Limited, a company registered in England and Wales. The ultimate controlling party is A R Turner, a director of the company.

Copies of group financial statements may be obtained from Holdco Alpha Limited, Lodge Farm, Wigsley Road, North Scarle, England, LN6 9HD.

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