

COMPANY REGISTRATION NUMBER: 06060026

Kokoba Limited
Financial Statements
31 December 2019

SHIPLEYS LLP

Chartered Accountants & statutory auditor
10 Orange Street
Haymarket
London
WC2H 7DQ

THURSDAY



A22 18/02/2021 #69
COMPANIES HOUSE

Kokoba Limited

Financial Statements

Year ended 31 December 2019

Contents	Page
Officers and professional advisers	1
Strategic report	2
Director's report	6
Independent auditor's report to the members	8
Statement of comprehensive income	12
Statement of financial position	13
Statement of changes in equity	14
Notes to the financial statements	15

Kokoba Limited

Officers and Professional Advisers

The board of directors

A M Bucher (Resigned 14 November 2019)
S J Davies (Resigned 12 August 2019)
N D Hutchinson (Resigned 14 November 2019)
G P Coxell (Appointed 1 January 2019)

Registered office

15-19 Baker's Row
London
England
EC1R 3DG

Auditor

Shipleys LLP
Chartered Accountants & statutory auditor
10 Orange Street
Haymarket
London
WC2H 7DQ

Kokoba Limited

Strategic Report

Year ended 31 December 2019

The directors, in preparing this strategic report for the year ended 31 December 2019, have complied with s414C of the Companies Act 2006.

Principal activities

The principal activity of the Company remains the selling of health-led pet foods together with accessories and other pet related products online directly to consumers across the United Kingdom and Europe through 3 trading brands being Medicanimal, Pet-Supermarket and Petmeds. Products sold include: non-prescription veterinary medicines, specialist diets, veterinary diets, premium foods, treats and accessories.

Review of the business

During the year in 2019 the business was acquired by BestPetParent Ltd (now Paws Holdings Ltd), led by Graham Coxell. In order to deliver the Group's transformation strategy to become Europe's leading dog and cat wellbeing business, the business recruited a world-class leadership team in support of the Chairman and CEO. The business delivered on all the objectives set and the Group successfully secured the capital required to complete phase 1 of the transformation plan.

Results and dividends

The results for the year and the financial position of the Company are shown in the financial statements. The profit for the year after taxation amounted to £33,868k (2018: £8,272k loss).

Future developments

The humanisation of pets and a growing population continues to deliver significant growth across the UK and European market place, which was estimated to be in excess of €41bn in 2019. The Directors are confident that this growth will continue for the foreseeable future and potentially accelerate, and that the enhanced business proposition will yield material growth in the future. While the Directors expect some uncertainty ahead as the UK negotiates the terms of Brexit, the Directors remain confident in the long term prospects for the Group based around the strategy to build a pet-focused offering of products and services.

The focus for 2020 and 2021 will be to continue to enhance the customer proposition, including user experience, an expansion in the number of products listed, further development of the growing repeat order service and continued improvements in the European delivery capability.

Kokoba Limited

Strategic Report *(continued)*

Year ended 31 December 2019

Post balance sheet events

During 2020, the business was required to adapt to the impact of the COVID-19 pandemic. The disruption was handled effectively, with all staff fully equipped to work from home and office space expanded to support social distancing where working from the office has been necessary, under comprehensive Health & Safety practices.

Outsourced third party warehousing and fulfilment centres also all deploy strict Health & Safety working practices and as a consequence there has been minimal disruption and the business has been able to manage its operations to meet the demand of its customers.

The business has demonstrated a strong resilience to the pandemic and has continued to trade effectively.

During 2020, the UK leaving the EU has caused significant uncertainty on how businesses will continue to trade. There is potentially a significant impact on the Group given the European customers and supply. In order to mitigate this risk, the business is undertaking a number of measures, including:

- increasing European warehousing capacity and will fulfil all European orders from within the EU after the end of the transition period.
- new terms of supply are being prepared to ensure all products can be sourced locally from either UK or EU suppliers and therefore minimise the need to import and export goods.
- fiscal representatives are being employed to ensure compliance local taxation regimes.

Key performance indicators

The directors have implemented a comprehensive key performance indicator system which includes, turnover, gross margin, average order value, repeat order penetration, net contribution (gross profit less variable costs), EBITDA and cash flow. Non-financial indicators include customer experience metrics and achievement of delivery targets.

Kokoba Limited

Strategic Report *(continued)*

Year ended 31 December 2019

Principal risks and uncertainties

The directors have considered the key risks and uncertainties that exist in the business. Measures are in place to help mitigate against these risks with the aim of protecting the Group's stakeholders and to safeguard the interest of the Group. The key risks are summarised below:

- **Reputational risk:**

The Company recognises the need to protect its reputation as failure to do so could lead to a loss of trust from consumers, suppliers, vets and employees. To mitigate against this risk the Company employs both veterinarians and pharmacists to ensure compliance associated with selling health related products, including prescription medicine. The Company conducts regular compliance audits to ensure it complies with all aspects of its policies and the findings get reported to the management team.

- **Exchange rate risk:**

As the Company trades across Europe, the Company is exposed to risks associated with international trade, including foreign currency translation risks. The Company seeks to manage this risk by purchasing supplies in local currency where ever possible.

- **Liquidity risk:**

The Group requires funds to help it complete its strategy implementation, including working capital and capital expenditure requirements. Short term and long term cash flow forecasting ensure that funding requirements are highlighted and action taken in a timely manner.

- **Credit risk:**

The Group receives payments in respect of goods and marketing activity. Therefore there is a risk that amounts owed may not be recovered. The Group manages credit risk by only accepting orders with card payments or authorisation before despatch of goods. The Group also actively manages amounts owed under marketing arrangements through regular review of debtor balances and good relationships with its suppliers.

- **Online trading risk:**

If the Group is unable to trade due to issues with its IT systems this will impact on consumers and subsequently the Group's profits. The Group manages this risk through a reputable third party, who host all of the websites. It receives alerts if a website is not operating correctly. The Group offers a variety of payment options from major world renowned payment service providers and has multiple bank accounts which can receive these payments. The Group also continues to review and adapt its infrastructure and payment options based on future needs.

- **Health, safety and environment:**

The Group's staff are all based at one site but can work safely and effectively remotely if required. Staff retention and welfare is very important to the continued success of the business. The Group has numerous policies associated with staff welfare, including a health and safety policy and office social distancing policy during COVID-19. There is an annual appraisal process that ensures strong communication between employees and the management. In addition the Group communicates through an intranet site, where regular articles are published, and there is a strong development programme in place.

Kokoba Limited

Strategic Report *(continued)*

Year ended 31 December 2019

This report was approved by the board of directors on^{12/2/2021} and signed on behalf of the board by:

Graham Coxell

G P Coxell
Director

Registered office:
15-19 Baker's Row
London
England
EC1R 3DG

Kokoba Limited

Director's Report

Year ended 31 December 2019

The director presents his report and the financial statements of the company for the year ended 31 December 2019.

Directors

The directors who served the company during the year were as follows:

G P Coxell	(Appointed 1 January 2019)
A M Bucher	(Resigned 14 November 2019)
S J Davies	(Resigned 12 August 2019)
N D Hutchinson	(Resigned 14 November 2019)

Dividends

The director does not recommend the payment of a dividend.

Director's responsibilities statement

The director is responsible for preparing the strategic report, director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 director is 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. He is 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
 - they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.
-

Kokoba Limited

Director's Report *(continued)*

Year ended 31 December 2019

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 12/2/2021 and signed on behalf of the board by:

Graham Coxell

G P Coxell
Director

Registered office:
15-19 Baker's Row
London
England
EC1R 3DG

Kokoba Limited

Independent Auditor's Report to the Members of Kokoba Limited

Year ended 31 December 2019

Opinion

We have audited the financial statements of Kokoba Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes, 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 31 December 2019 and of its result for the Period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Kokoba Limited

Independent Auditor's Report to the Members of Kokoba Limited *(continued)*

Year ended 31 December 2019

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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 director is 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

Kokoba Limited

Independent Auditor's Report to the Members of Kokoba Limited *(continued)*

Year ended 31 December 2019

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 or the director's report.

We have nothing to report in respect of the following matters in relation to which 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to take advantage of the small companies' exemptions in preparing the director's report.

Responsibilities of the director

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Kokoba Limited

Independent Auditor's Report to the Members of Kokoba Limited *(continued)*

Year ended 31 December 2019

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Benjamin Bidnell

12/2/2021

Benjamin Bidnell (Senior Statutory Auditor)

For and on behalf of
Shipleys LLP
Chartered Accountants & statutory auditor
10 Orange Street
Haymarket
London
WC2H 7DQ

Kokoba Limited

Statement of Comprehensive Income

Year ended 31 December 2019

		2019	2018
	Note	£000	£000
Turnover	4	20,857	28,699
Cost of sales		(15,454)	(22,262)
Gross profit		5,403	6,437
Administrative expenses		(10,078)	(14,122)
Other operating income	5	69	591
Exceptional income		34,813	—
Operating profit/(loss)	6	30,207	(7,094)
Interest payable and similar expenses	11	3,661	(1,177)
Profit/(loss) before taxation		33,868	(8,271)
Tax on profit/(loss)	12	—	—
Profit/(loss) for the financial year and total comprehensive income		33,868	(8,271)

All the activities of the company are from continuing operations.

The notes on pages 15 to 30 form part of these financial statements.

Kokoba Limited

Statement of Financial Position

31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	14	233	387
Tangible assets	15	29	899
Investments	16	12	12
		<u>274</u>	<u>1,298</u>
Current assets			
Stocks	17	744	1,395
Debtors	18	1,995	2,797
Cash at bank and in hand		296	584
		<u>3,035</u>	<u>4,776</u>
Creditors: amounts falling due within one year	19	(3,238)	(5,258)
Net current liabilities		<u>(203)</u>	<u>(482)</u>
Total assets less current liabilities		<u>71</u>	<u>816</u>
Creditors: amounts falling due after more than one year	20	(710)	(35,323)
Net liabilities		<u>(639)</u>	<u>(34,507)</u>
Capital and reserves			
Called up share capital	23	4	4
Share premium account	24	32,069	32,069
Capital contribution reserve	24	—	10,190
Profit and loss account	24	(32,712)	(76,770)
Shareholders deficit		<u>(639)</u>	<u>(34,507)</u>

These financial statements were approved by the board of directors and authorised for issue on 12/2/2021, and are signed on behalf of the board by:

Graham Coxell

G P Coxell
Director

Company registration number: 06060026

The notes on pages 15 to 30 form part of these financial statements.

Kokoba Limited

Statement of Changes in Equity

Year ended 31 December 2019

	Called up share capital £000	Share premium account £000	Capital contribution reserve £000	Profit and loss account £000	Total £000
At 1 January 2018	4	32,069	10,274	(68,583)	(26,236)
Loss for the year	—	—	—	(8,271)	(8,271)
Total comprehensive income for the year	—	—	—	(8,271)	(8,271)
Capital contribution from provision of loans	—	—	—	84	84
Capital contribution released on loan repayment	—	—	(84)	—	(84)
Total investments by and distributions to owners	—	—	(84)	84	—
At 31 December 2018	4	32,069	10,190	(76,770)	(34,507)
Profit for the year	—	—	—	33,868	33,868
Total comprehensive income for the year	—	—	—	33,868	33,868
Capital contribution from provision of loans	—	—	—	10,190	10,190
Capital contribution released on loan repayment	—	—	(10,190)	—	(10,190)
Total investments by and distributions to owners	—	—	(10,190)	10,190	—
At 31 December 2019	4	32,069	—	(32,712)	(639)

The notes on pages 15 to 30 form part of these financial statements.

Kokoba Limited

Notes to the Financial Statements

Year ended 31 December 2019

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 15-19 Baker's Row, London, EC1R 3DG, England.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Company meets its day-to-day working capital requirements through funding from its ultimate parent company Paws Holdings Limited and capital investment will be required in order to execute the transformation plan in 2020 and 2021. Paws Holdings Limited has received funding from new shareholders in 2020, and the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Kokoba Group Limited. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

No cash flow statement has been presented for the company.

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Impairment of development assets

Determining whether development assets are impaired requires an estimation of the value in use of the assets. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the assets and a suitable discount rate in order to calculate present value.

Revenue recognition and turnover

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS102 Section 23 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Company's liability in respect of recertification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the recertification costs.

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where payments are received from customers in advance of goods delivered or services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Exceptional items

Exceptional items are disclosed separately in the financial statements in order to provide further understanding of the financial performance of the entity. They are material items of income or expense that have been shown separately because of their nature or amount.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Taxation *(continued)*

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Intangible assets - research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Company is expected to benefit. This period is three years. Provision is made for any impairment.

Other intangible assets

Other intangible fixed assets are stated at cost or valuation, net of amortisation and any provision for impairment. Amortisation, recognised through administrative expenses, is provided on all other intangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Licences	-	3 years straight line
Capitalised software	-	3 years straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	-	3 years straight line
Building improvements and fittings	-	10 years straight line

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Investments in associates

Investments in associates accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in associates accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the associate arising before or after the date of acquisition.

Investments in joint ventures

Investments in jointly controlled entities accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in jointly controlled entities accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the joint venture arising before or after the date of acquisition.

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Impairment of fixed assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units (CGU) of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions paid are shown as either prepayments or accruals in the balance sheet.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

4. Turnover

Turnover arises from:

	2019 £000	2018 £000
Sale of goods after trade discounts	<u>20,857</u>	<u>28,699</u>

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

4. Turnover *(continued)*

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2019 £000	2018 £000
United Kingdom	9,931	14,485
Overseas sales - France	7,001	8,717
Overseas sales - Germany	2,941	4,197
Overseas sales - Rest of Europe	984	1,300
	<u>20,857</u>	<u>28,699</u>

5. Other operating income

	2019 £000	2018 £000
Recharged property costs	—	591
Other operating income	69	—
	<u>69</u>	<u>591</u>

6. Operating profit

Operating profit or loss is stated after charging:

	2019 £000	2018 £000
Amortisation of intangible assets	152	785
Depreciation of tangible assets	66	147
Loss on disposal of intangible assets	34	476
Foreign exchange differences	<u>138</u>	<u>162</u>

7. Auditor's remuneration

	2019 £000	2018 £000
Fees payable for the audit of the financial statements	<u>42</u>	<u>37</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	<u>9</u>	<u>9</u>

8. Staff costs

The average number of persons employed by the company during the year, including the director, amounted to:

	2019 No.	2018 No.
Number of IT staff	5	9
Number of administration staff	39	54
	<u>44</u>	<u>63</u>

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

8. Staff costs *(continued)*

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019	2018
	£000	£000
Wages and salaries	1,832	2,245
Social security costs	204	238
Other pension costs	58	43
	<u>2,094</u>	<u>2,526</u>

Key management remuneration for the year totalled £556,661.

9. Director's remuneration

The director's aggregate remuneration in respect of qualifying services was:

	2019	2018
	£000	£000
Remuneration	101	101
Company contributions to defined contribution pension plans	3	3
Sums paid to third parties in respect of director's services	34	58
	<u>138</u>	<u>162</u>

Director's remuneration was recharged in full to a fellow group entity.

10. Exceptional items

	2019	2018
	£000	£000
Write off of related party loan	<u>31,884</u>	<u>—</u>

11. Interest payable and similar expenses

	2019	2018
	£000	£000
Interest on loans	<u>(3,661)</u>	<u>1,177</u>

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

12. Tax on profit/(loss)

Reconciliation of tax income

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £000	2018 £000
Profit/(loss) on ordinary activities before taxation	33,868	(8,271)
Profit/(loss) on ordinary activities by rate of tax	6,435	(1,571)
Effect of expenses not deductible for tax purposes	(6,614)	1
Effect of capital allowances and depreciation	35	(7)
Utilisation of tax losses	138	–
Unused tax losses	–	1,426
Application of group loss relief	–	61
Effect of fixed asset disposals	6	90
Tax on profit/(loss)	–	–

Tax losses are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Total losses to be carried forward are made up of £55,285k relating to trading losses and £5,113k relating to Non-trading loan relationship losses. Total unrecognised deferred tax assets arising from total losses amounted to £11,476k as at 31 December 2019 (2018: £9,597k).

13. Share-based payments

Equity-settled share option schemes

The Company no longer has a share option scheme for all employees. Staff previously eligible for the scheme have had all shares voided.

All share options were cancelled/voided in the year with no options outstanding at 31 December 2019.

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

14. Intangible assets

	Licences £000	Capitalised software £000	Total £000
Cost			
At 1 January 2019	551	2,472	3,023
Additions	–	20	20
Disposals	(398)	(50)	(448)
At 31 December 2019	<u>153</u>	<u>2,442</u>	<u>2,595</u>
Amortisation			
At 1 January 2019	475	2,161	2,636
Charge for the year	5	147	152
Disposals	(398)	(28)	(426)
At 31 December 2019	<u>82</u>	<u>2,280</u>	<u>2,362</u>
Carrying amount			
At 31 December 2019	<u>71</u>	<u>162</u>	<u>233</u>
At 31 December 2018	<u>76</u>	<u>311</u>	<u>387</u>

Development costs have been capitalised in accordance with the requirements of FRS 102.

15. Tangible assets

	Plant, machinery, fixtures and fittings £000	Leasehold improvements £000	Total £000
Cost			
At 1 January 2019	826	911	1,737
Additions	14	–	14
Disposals	(750)	(911)	(1,661)
At 31 December 2019	<u>90</u>	<u>–</u>	<u>90</u>
Depreciation			
At 1 January 2019	747	91	838
Charge for the year	36	30	66
Disposals	(722)	(121)	(843)
At 31 December 2019	<u>61</u>	<u>–</u>	<u>61</u>
Carrying amount			
At 31 December 2019	<u>29</u>	<u>–</u>	<u>29</u>
At 31 December 2018	<u>79</u>	<u>820</u>	<u>899</u>

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

16. Investments

	Shares in group undertakings £000
Cost	
At 1 January 2019 and 31 December 2019	12
Impairment	
At 1 January 2019 and 31 December 2019	—
Carrying amount	
At 31 December 2019	12
At 31 December 2018	12

Subsidiaries, associates and other investments

	Registered office	Class of share	Percentage of shares held
Subsidiary undertakings			
Farmpharm Limited - Sale of pet food, medicines and accessories	12 Hope Street Edinburgh EH2 4DB	Ordinary	100
Viverdi Limited - Sale of pet food, medicines and accessories	15-19 Baker's Row London EC1R 3DG	Ordinary	100
Petmeds Limited - Sale of pet food, medicines and accessories	15-19 Baker's Row London EC1R 3DG	Ordinary	100
Medicanimal Services SL - Consultancy in management, business strategy, marketing and public/legal affairs	Calle Velazquez 94 1 28006 Madrid Spain	Ordinary	100
Medicanimal Sp z.o.o - Sale of pet food, medicines and accessories	ULS Rybickiego 41 96-100 Skierniowicz Poland	Ordinary	100
Professional Veterinary Services Limited - Dormant	15-19 Baker's Row London EC1R 3DG	Ordinary	100
MA Netherlands BV - Holding pharmacy and wholesaler licences	Hermelijnweg 24 4877 AE Etten-Leur Netherlands Vahrenwalder Strasse 269A	Ordinary	100
Petmeds GmbH - Dormant	30179 Hannover Germany 78 Ave Raymond Poincaré	Ordinary	100
Kokoba France SAS - Dormant	75016 Paris 15-19 Baker's Row London	Ordinary	100
Pet Medications Limited - Dormant	EC1R 3DG	Ordinary	100

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

16. Investments *(continued)*

In the above, * indicates an indirect holding. Non-dormant companies electing to make use of audit exemption are marked with ^.

Under Section 479A of the Companies Act 2006, in order to fulfil the conditions set out in the regulations, the Company has given statutory guarantee of all outstanding liabilities to which the subsidiaries are subject at the end of the financial period to 31 December 2018.

The above entities were all incorporated in the countries given in their respective registered office addresses.

17. Stocks

	2019 £000	2018 £000
Goods in transit	112	182
Finished goods	632	1,213
	<u>744</u>	<u>1,395</u>

18. Debtors

	2019 £000	2018 £000
Trade debtors	838	1,266
Amounts owed by group undertakings	159	90
Prepayments and accrued income	77	784
Other debtors	921	657
	<u>1,995</u>	<u>2,797</u>

Amounts owed from group undertakings are repayable on demand and have no interest attached to them. Other debtors include £355k (2018: £372k) of short term deposits.

19. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	2,006	3,613
Amounts owed to group undertakings	165	163
Accruals and deferred income	356	780
Social security and other taxes	62	80
VAT payable	45	128
Other creditors	604	494
	<u>3,238</u>	<u>5,258</u>

Amounts owed to group undertakings, other than the long term loan referenced in note 19, are repayable on demand and have no interest attached to them.

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

20. Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Loans: Group companies	<u>710</u>	<u>35,323</u>

Loans are repayable as follows:

Other loans

Group companies

	2019 £000	2018 £000
Between one and two years	<u>710</u>	<u>35,323</u>

Total borrowings including finance leases

	2019 £000	2018 £000
Between one and two years	710	-
Between two and five years	-	35,323
	<u>710</u>	<u>35,323</u>

During the year, a loan of £710k was advanced to Kokoba Limited from the ultimate holding company, Paws Holdings Limited (formerly Bestpetparent Limited). In 2018 the £35,323k was in respect of a loan with Kokoba Group Limited, which has been waived in the current financial year.

21. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2019 £000	2018 £000
Financial assets that are equity instruments measured at cost less impairment		
Trade and other debtors measured at undiscounted amount receivable	<u>1,995</u>	<u>2,797</u>
Financial liabilities measured at amortised cost		
Loans payable measured at amortised cost	<u>710</u>	<u>34,350</u>
Loan commitments measured at cost less impairment		
Trade and other creditors measured at undiscounted amount payable	<u>3,193</u>	<u>5,127</u>

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

21. Financial instruments *(continued)*

The Company's income, expense, gains and losses in respect of financial instruments are summarised below:

Interest expense

	2019 £000	2018 £000
Loan interest	<u>(3,661)</u>	<u>204</u>

22. Derivative financial instruments

Forward foreign currency contracts

No derivative financial instruments were held by the company, Kokoba Limited, at either 31 December 2018 or 31 December 2019.

23. Called up share capital

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary shares of £0.0001 each	1,268,540	127	1,268,540	127
A Ordinary shares of £0.0001 each	936,210	94	936,210	94
B1 Ordinary shares of £0.0001 each	330,400	33	330,400	33
B2 Ordinary shares of £0.0001 each	350,700	35	350,700	35
C1 Preference shares of £0.0001 each	1,199,987	120	1,199,987	120
C2 Preference shares of £0.0001 each	892,171	89	892,171	89
C3 Preference shares of £0.0001 each	801,925	80	801,925	80
Deferred shares of £0.0001 each	34,756,500	3,476	34,756,500	3,476
	<u>40,536,433</u>	<u>4,054</u>	<u>40,536,433</u>	<u>4,054</u>

Shares issued and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary shares of £0.0001 each	1,268,540	127	1,268,540	127
A Ordinary shares of £0.0001 each	936,210	94	936,210	94
B1 Ordinary shares of £0.0001 each	330,400	33	330,400	33
B2 Ordinary shares of £0.0001 each	350,700	35	350,700	35
C1 Preference shares of £0.0001 each	1,199,987	120	1,199,987	120
C2 Preference shares of £0.0001 each	892,171	89	892,171	89
C3 Preference shares of £0.0001 each	801,925	80	801,925	80
Deferred shares of £0.0001 each	34,756,500	3,476	34,756,500	3,476
	<u>40,536,433</u>	<u>4,054</u>	<u>40,536,433</u>	<u>4,054</u>

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

23. Called up share capital *(continued)*

All shares are designated as Ordinary shares, and have full voting and dividend rights, as per redesignation in February 2018.

24. Reserves

The Company's other reserves are as follows:

Share premium reserves contain the premium arising on issue of equity shares, net of issue expenses.

Profit and loss reserves represent cumulative profits or losses.

Capital contribution reserve is based on previous loans, with capital contributions recognised as the loan was at a rate deemed to be below that considered to be a representative market rate. These loans were fully satisfied during the year, therefore the capital redemption reserve was removed.

25. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2019 £000	2018 £000
Not later than 1 year	468	468
Later than 1 year and not later than 5 years	809	1,277
	<u>1,277</u>	<u>1,745</u>

26. Charges on assets

As at 31 December 2019, the following party held a charge over the assets of the Company:

- Barclays Bank PLC - Fixed charge over balances held

27. Pension commitments

The Company operates two defined contribution retirement benefit schemes for all of its qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2019 was £58k (2018: £43k). The amount of pensions owed as of 31 December 2019 was £3k (2018: £6k).

Kokoba Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

28. Related party transactions

Kokoba Limited is related to the Forward group by virtue of shared ownership therein.

Forward Internet Group Limited - A cost of £34k (2018: £58k) was recognised for expenses relating to Forward Internet Group Limited, a related party, as recharges for personnel services. A balance held at the end of the year of £5k was due as at 31 December 2019 (2018: £72k), and is shown in creditors. During the period rent charges of £86,000 were paid to Forward Internet Group Limited.

Forward 3D Limited - A cost of £nil (2018: £345k) was recognised for expenses relating to Forward 3D Limited, a related party, for the provision of marketing services. A balance held at the year-end of £nil (2018: £71k) was included in trade creditors.

During the year, a loan of £710k was given to Kokoba Limited from the ultimate holding company, Paws Holdings Limited (formerly Bestpetparent Limited)

29. Controlling party

Kokoba Limited is owned 100% by Kokoba Group Limited. It was 100% acquired on the 5 August 2015. Kokoba Group Limited is now owned 100% by Paws Holdings Limited (formerly Bestpetparent Limited), as of 14 November 2019 (Previously 87% owned by Forward Dimension Capital 1 LLP).