

**STRATEGIC REPORT, REPORT OF THE DIRECTOR AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
FOR
UNIPET INTERNATIONAL LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2021**

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UNIPET INTERNATIONAL LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTOR: A L Ball Esq

REGISTERED OFFICE: Unit L
Tribune Drive
Trinity Trading Estate
Sittingbourne
Kent
ME10 2PG

REGISTERED NUMBER: 02823576 (England and Wales)

AUDITORS: McCabe Ford Williams
Statutory Auditors and Chartered Accountants
Invicta Business Centre
Monument Way
Orbital Park
Ashford
Kent
TN24 0HB

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The director presents his strategic report for the year ended 31 December 2021.

REVIEW OF BUSINESS

The company's principal activities during the year continued to be the manufacture, distribution and selling of wild bird food products.

BUSINESS REVIEW AND KEY FINANCIAL PERFORMANCE INDICATORS

The company has seen revenues grow by 13.84% in 2021 from £13.7m to £15.6m. The increase is in the most part due to the end of the Coronavirus pandemic which saw many businesses' operations reduced or halted as a result of various government restrictions and lockdowns. Previous management decisions to reduce the product offering have been reversed as the company looked to rebuild and strengthen its core business partnerships as well as looking for new business opportunities. Inevitably, as the business moved back to its more traditional product model from the streamlined offering during the pandemic, the margins started to reduce. This coupled with increases in raw material commodity prices resulted in a fall in gross margin from 31.9% to 24.3%. Net profit has also slipped from 14.1% to 11.6%. These inflationary increases have been difficult to pass on in a competitive market and the company has seen further reductions in margin in 2022. The management have been working hard to strategically work with customers to recover some of the lost margin experienced in 2021 and the first half of 2022 and, despite ongoing inflationary pressures, the management team are pleased with the way in which the business is adapting and planning to improve business performance from both a manufacturing and financial perspective.

| | 2021 | 2020 | Change |
|------------------|-------------|-------------|---------|
| Turnover | £15,585,578 | £13,690,663 | 13.84% |
| Gross profit % | 24.30% | 31.91% | -7.61% |
| Operating profit | £1,830,558 | £2,280,037 | -19.71% |
| ROCE | 4.67 | 1.81 | +2.86% |
| Current ratio | 0.82 | 0.93 | -0.11% |

The director and management are continuing to analyse the customer and product profile and are looking at implementing changes to strengthen the business' position for the coming year and years to come. At the time of this report the business is working on a business plan which should see improvements in efficiencies and margins throughout the remainder of 2022 and into 2023. As always, they will continue to monitor margins and will make strategic business decisions based on the ongoing business performance, particularly in the light of significantly increasing raw material costs since the balance sheet date.

PRINCIPAL RISKS AND UNCERTAINTIES

The management have not identified any specific risks facing the company although there are general business risks that they are aware of. These principal risks and uncertainties facing the company are broadly grouped as; operational, financial and credit and interest risk.

Operational Risks

In the UK the company competes against a relatively small number of key competitors. The company is required to compete for business across several key areas including, price, quality and service. The company has invested heavily in infrastructure and personnel in previous years which it believes gives it the resources it needs to meet these operational challenges. This investment is continually reviewed and adopted to enable the business to effectively compete in this market.

The company's primary raw materials are commodities which can be impacted by global market forces and trading which mean the business exposed to volatility in prices as a result of these influences. This exposure can impact the profit margins achieved by the company which in turn can impact cash flow, debt serviceability and general key business performance indicators. The company has established a risk and financial management process whose primary objective is to protect the company from events that hinder the achievement of the company's performance objectives. These include the strengthening of supply chains, the sourcing of raw materials and the continued communication with customers to ease the impact of any strategic changes in business practices such as price increases or product shortages which may occur.

Financial Risks

The company undertook restructure in January 2019 and as a result has an indirect borrowing commitment through its holding company, Unipet Holdings Ltd. During the year the company paid dividends of £2.1 million to Unipet Holdings Ltd to service the external debt and repay earlier than scheduled, in accordance with our plans. As a result of this aggressive debt repayment policy the company's reserves have depleted significantly. This trend is not expected to continue now the debt has been repaid.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Credit and Interest Risk

The company hedges exchange rate risk where deemed prudent and deals with Sterling wherever possible. Its exposure to Euro exchange rate fluctuations is not deemed material to the business.

The company is also exposed to interest risk on any borrowing which is at floating interest rates. The company has a policy of actively managing its interest rate exposure by having borrowings of cash and cash equivalents as low as possible.

Asset finance entered into post year end has been agreed at a negotiated variable rate for a three year period.

Brexit

The group has successfully navigated the changes in process and procedure following the UK's exit from the EU without any impact on its trading status. The company feels its exposure to any subsequent changes in legislation can be suitably managed through its effective communication to third parties and through the leadership skills of its director and senior management team.

CoronaVirus

During the year the world continued to face challenges in relation to the Covid-19 virus. The impact on businesses and society continued to change from day to day and as expected, gradually subsided over time. The company was able to trade largely unaffected throughout the pandemic with demand for products unwavering. Some supply chain and staffing issues resulted in a reduction in service levels but these were common across both this industry and many others and had no material impact on the company. At the time of this report the pandemic appears to be over.

Going concern

The director, together with the management team have identified several factors which have negatively impacted the performance of the company this year and since the year end. As referred to under business review, the team have put together a strategy and plan to address these factors, including product range, pricing, manufacturing performance and staffing. As a result of these plans, the director is confident that the company has the necessary resources and funding to successfully navigate the current economic uncertainty and will trade through to a stronger performance into 2023. To this end the director believes that going concern is not an issue.

ON BEHALF OF THE BOARD:

A L Ball Esq - Director

16 November 2022

**REPORT OF THE DIRECTOR
FOR THE YEAR ENDED 31 DECEMBER 2021**

The director presents his report with the financial statements of the company for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the manufacture, distribution and selling of wild bird and pet food products.

DIVIDENDS

The total distribution of dividends for the year ended 31 December 2021 was £2,100,000 (2020 - £1,251,000).

DIRECTOR

A L Ball Esq held office during the whole of the period from 1 January 2021 to the date of this report.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, the Report of the Director 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 of 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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 him 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, McCabe Ford Williams, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

A L Ball Esq - Director

16 November 2022

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF UNIPET INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Unipet International Limited (the 'company') for the year ended 31 December 2021 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2021 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 Auditors' 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

Other information

The director is responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Director, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, 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 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 the audit:

- the information given in the Strategic Report and the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Director have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF UNIPET INTERNATIONAL LIMITED

Responsibilities of director

As explained more fully in the Statement of Director's Responsibilities set out on page four, 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 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.

Auditors' responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the laws and regulations applicable to the company and the industry in which it operates, and considered the risks of acts by the company that were contrary to applicable laws and 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, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focussed on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests include agreeing the financial statement disclosures to underlying supporting documentation and, enquiries with management.

There are inherent limitations in the audit procedures described above 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. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also assessed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the director that represented a risk of material misstatement due to fraud.

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

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

B W Wright FCA (Senior Statutory Auditor)
for and on behalf of McCabe Ford Williams
Statutory Auditors and Chartered Accountants
Invicta Business Centre
Monument Way
Orbital Park
Ashford
Kent
TN24 0HB

16 November 2022

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Notes | 2021 £ | 2020 £ |
|--|-------|-------------------|------------------|
| TURNOVER | 3 | 15,585,578 | 13,690,663 |
| Cost of sales | | <u>11,797,859</u> | <u>9,322,286</u> |
| GROSS PROFIT | | 3,787,719 | 4,368,377 |
| Administrative expenses | | <u>1,963,051</u> | <u>2,216,102</u> |
| | | 1,824,668 | 2,152,275 |
| Other operating income | | <u>5,890</u> | <u>127,762</u> |
| OPERATING PROFIT | 5 | 1,830,558 | 2,280,037 |
| Loan write off | 6 | <u>-</u> | <u>311,378</u> |
| | | 1,830,558 | 1,968,659 |
| Interest receivable and similar income | | <u>10,951</u> | <u>14</u> |
| | | 1,841,509 | 1,968,673 |
| Interest payable and similar expenses | 7 | <u>22,086</u> | <u>39,636</u> |
| PROFIT BEFORE TAXATION | | 1,819,423 | 1,929,037 |
| Tax on profit | 8 | <u>362,422</u> | <u>435,636</u> |
| PROFIT FOR THE FINANCIAL YEAR | | <u>1,457,001</u> | <u>1,493,401</u> |

The notes form part of these financial statements

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Notes | 2021 £ | 2020 £ |
|--|-------|------------------|------------------|
| PROFIT FOR THE YEAR | | 1,457,001 | 1,493,401 |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>1,457,001</u> | <u>1,493,401</u> |

BALANCE SHEET
31 DECEMBER 2021

| | Notes | 2021 £ | £ | 2020 £ | £ |
|--|-------|------------------|------------------|------------------|------------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 10 | | 1,081,278 | | 1,262,633 |
| CURRENT ASSETS | | | | | |
| Stocks | 11 | 974,747 | | 752,419 | |
| Debtors | 12 | 2,076,956 | | 1,629,651 | |
| Cash at bank and in hand | | 239 | | 87,176 | |
| | | <u>3,051,942</u> | | <u>2,469,246</u> | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 13 | <u>3,741,137</u> | | <u>2,649,397</u> | |
| NET CURRENT LIABILITIES | | | <u>(689,195)</u> | | <u>(180,151)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 392,083 | | 1,082,482 |
| CREDITORS | | | | | |
| Amounts falling due after more than one year | 14 | | (64,000) | | (134,400) |
| PROVISIONS FOR LIABILITIES | 18 | | <u>(209,000)</u> | | <u>(186,000)</u> |
| NET ASSETS | | | <u>119,083</u> | | <u>762,082</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 19 | | 2,000 | | 2,000 |
| Share premium | 20 | | 99,000 | | 99,000 |
| Retained earnings | 20 | | <u>18,083</u> | | <u>661,082</u> |
| SHAREHOLDERS' FUNDS | | | <u>119,083</u> | | <u>762,082</u> |

The financial statements were approved by the director and authorised for issue on 16 November 2022 and were signed by:

A L Ball Esq - Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Called up share capital £ | Retained earnings £ | Share premium £ | Total equity £ |
|------------------------------------|------------------------------------|---------------------------|-----------------------|----------------------|
| Balance at 1 January 2020 | 2,000 | 418,681 | 99,000 | 519,681 |
| Changes in equity | | | | |
| Dividends | - | (1,251,000) | - | (1,251,000) |
| Total comprehensive income | - | 1,493,401 | - | 1,493,401 |
| Balance at 31 December 2020 | <u>2,000</u> | <u>661,082</u> | <u>99,000</u> | <u>762,082</u> |
| Changes in equity | | | | |
| Dividends | - | (2,100,000) | - | (2,100,000) |
| Total comprehensive income | - | 1,457,001 | - | 1,457,001 |
| Balance at 31 December 2021 | <u>2,000</u> | <u>18,083</u> | <u>99,000</u> | <u>119,083</u> |

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. STATUTORY INFORMATION

Unipet International Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going Concern

At the balance sheet date current liabilities exceeded current assets.

As noted in the Strategic Report, the funding requirement for the Group has reduced substantially since September 2021, following the early repayment of all the external finance in Unipet Holdings Ltd, so greater funds may be retained in the company.

The director and his management team have identified several factors that have negatively impacted the performance of the company this year and since the year end.

Plans have been put in place to address these factors and with the additional funding provided and continued support of its bank who also provides the invoice finance facility, plus the financial support and experience of the director in this industry, no material uncertainty regarding going concern exists and it is therefore considered appropriate to prepare these financial statements on a going concern basis.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows.

Unipet Holdings Limited is the parent of the group in whose consolidated financial statements the financial statements of Unipet International Limited are consolidated. The financial statements of Unipet Holdings Limited are available at Companies House.

Critical accounting 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.

Depreciation and residual values

As detailed under the tangible fixed assets policy, the assets residual values, useful lives and depreciation methods are reviewed, and adjusted accordingly if appropriate or if there is an indication of a significant change since the last reporting date.

Stock valuation

Included within the finished goods stock valuation is a calculated value of attributable overhead.

This calculation is reviewed each year and relates to a proportion of certain fixed and variable production overhead. The labour element of the stock valuation is calculated based on machine speeds and man hours.

Bad debts

These are provided on the basis of specific amounts that in the opinion of the director will not be recovered.

Balances under the invoice finance arrangement are covered, with the company's exposure limited to £500 or £1,000 depending on who the customer is.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|--------------------------|--------------------------------|
| Improvements to property | - over the term of the lease |
| Plant and machinery | - 20% on reducing balance |
| Fixtures and fittings | - 33% on a straight line basis |

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The asset residual values, useful lives and depreciation methods are reviewed, and adjusted accordingly if appropriate, or there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Government grants

Coronavirus Job Retention Scheme (CJRS)

The company has furloughed staff during the Covid-19 pandemic and made claims for government furlough grants. The grants are recognised on an accruals basis, matched in the period against the staff costs that they relate to, and recorded as grant income in the statement of comprehensive income.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all direct expenditure, and an appropriate proportion of fixed and variable production overheads in respect of finished goods.

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors, loans from banks and other third parties and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an 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 outstanding.

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

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

Deferred tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued**Research and development**

Expenditure on research and development is written off in the year in which it is incurred. Research and development tax credits are accounted for upon receipt.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Invoice financing

A separate presentation is adopted in respect of trade debtor balances subject to a debt finance arrangement. Finance is raised against certain sales invoices for which charges are made. The amounts advanced are secured against the trade debtors until paid and the total advance outstanding at the year end is included under creditors due within one year. The finance costs are charged as an expense in the statement of comprehensive income.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at the reporting date.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

| | 2021 | 2020 |
|----------------|-------------------|-------------------|
| | £ | £ |
| United Kingdom | 15,076,634 | 13,026,109 |
| Europe | 508,944 | 633,817 |
| Rest of World | - | 30,737 |
| | <u>15,585,578</u> | <u>13,690,663</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

4. EMPLOYEES AND DIRECTORS

| | 2021 | 2020 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 1,888,496 | 2,028,910 |
| Social security costs | 176,374 | 202,745 |
| Other pension costs | 85,491 | 97,656 |
| | <u>2,150,361</u> | <u>2,329,311</u> |

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

| | 2021 | 2020 |
|-------------------------------|-----------|-----------|
| Management and administration | 15 | 17 |
| Production | <u>60</u> | <u>57</u> |
| | <u>75</u> | <u>74</u> |

| | 2021 | 2020 |
|--|--------------|---------------|
| | £ | £ |
| Directors' remuneration | 34,939 | 239,620 |
| Directors' pension contributions to money purchase schemes | <u>6,667</u> | <u>16,466</u> |

The number of directors to whom retirement benefits were accruing was as follows:

| | 2021 | 2020 |
|------------------------|----------|----------|
| Money purchase schemes | <u>1</u> | <u>2</u> |

5. OPERATING PROFIT

The operating profit is stated after charging:

| | 2021 | 2020 |
|---------------------------------------|----------------|----------------|
| | £ | £ |
| Hire of plant and machinery | 34,684 | 38,306 |
| Depreciation - owned assets | 271,356 | 237,527 |
| Loss on disposal of fixed assets | - | 18,887 |
| Auditors' remuneration | 14,000 | 13,500 |
| Exchange rate (gains)/losses | 7,034 | 16,397 |
| Operating leases - land and buildings | <u>301,197</u> | <u>305,735</u> |

6. EXCEPTIONAL ITEMS

| | 2021 | 2020 |
|----------------|----------|------------------|
| | £ | £ |
| Loan write off | <u>-</u> | <u>(311,378)</u> |

Exceptional items in the previous year, represent the write off of a loan to Unipet USA LLC. The loan was originally made when the borrower was a related party but following the restructure of the Unipet Group the debt was considered irrecoverable.

7. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2021 | 2020 |
|--------------------------|---------------|---------------|
| | £ | £ |
| Bank interest | 6,395 | 5,673 |
| Factoring interest | 15,691 | 28,191 |
| Other bank loan interest | - | 32 |
| Other interest | - | 226 |
| Hire purchase interest | <u>-</u> | <u>5,514</u> |
| | <u>22,086</u> | <u>39,636</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

8. TAXATION**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

| | 2021 £ | 2020 £ |
|---|-----------------|-----------------|
| Current tax: | | |
| UK corporation tax | 363,614 | 391,740 |
| Adjustment to previous years' provision (see below) | <u>(24,192)</u> | <u>(23,604)</u> |
| Total current tax | 339,422 | 368,136 |
| Deferred tax | <u>23,000</u> | <u>67,500</u> |
| Tax on profit | <u>362,422</u> | <u>435,636</u> |

Reconciliation of total tax charge included in profit and loss

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

| | 2021 £ | 2020 £ |
|---|------------------|------------------|
| Profit before tax | <u>1,819,423</u> | <u>1,929,037</u> |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%) | 345,690 | 366,517 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 788 | 62,757 |
| Income not taxable for tax purposes | - | (215) |
| Capital allowances in excess of depreciation | - | (37,319) |
| Depreciation in excess of capital allowances | 17,136 | - |
| Research & Development tax credits | (24,192) | (23,604) |
| Deferred tax (credit) / charge | <u>23,000</u> | <u>67,500</u> |
| Total tax charge | <u>362,422</u> | <u>435,636</u> |

9. DIVIDENDS

| | 2021 £ | 2020 £ |
|----------------------------|------------------|------------------|
| Ordinary shares of £1 each | | |
| Interim | <u>2,100,000</u> | <u>1,251,000</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

10. TANGIBLE FIXED ASSETS

| | Improvements to property £ | Plant and machinery £ | Fixtures and fittings £ | Totals £ |
|-----------------------|-------------------------------------|-----------------------------|----------------------------------|------------------|
| COST | | | | |
| At 1 January 2021 | 149,358 | 3,929,559 | 68,653 | 4,147,570 |
| Additions | 64,658 | 23,068 | 2,275 | 90,001 |
| At 31 December 2021 | <u>214,016</u> | <u>3,952,627</u> | <u>70,928</u> | <u>4,237,571</u> |
| DEPRECIATION | | | | |
| At 1 January 2021 | 108,942 | 2,723,264 | 52,731 | 2,884,937 |
| Charge for year | 17,991 | 245,027 | 8,338 | 271,356 |
| At 31 December 2021 | <u>126,933</u> | <u>2,968,291</u> | <u>61,069</u> | <u>3,156,293</u> |
| NET BOOK VALUE | | | | |
| At 31 December 2021 | <u>87,083</u> | <u>984,336</u> | <u>9,859</u> | <u>1,081,278</u> |
| At 31 December 2020 | <u>40,416</u> | <u>1,206,295</u> | <u>15,922</u> | <u>1,262,633</u> |

11. STOCKS

Closing stock consists of:

| | 2021 £ | 2020 £ |
|------------------------|----------------|----------------|
| Finished goods | 318,482 | 225,255 |
| Bulk product materials | 313,211 | 223,427 |
| Packaging materials | 343,054 | 303,737 |
| | <u>974,747</u> | <u>752,419</u> |

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2021 £ | 2020 £ |
|--|------------------|------------------|
| Trade debtors (incl. financed debtors) | 1,569,006 | 1,520,442 |
| Amounts owed by group undertakings | 97,000 | - |
| Other debtors | 296,831 | 3,160 |
| Prepayments | 114,119 | 106,049 |
| | <u>2,076,956</u> | <u>1,629,651</u> |

Of the trade debtor balances, £1,569,006 (2020 - £1,460,819) represent balances which are under a debt finance arrangement. The amount advanced against these balances at 31 December 2021 was £1,496,990 (2020 - £936,867). This amount is disclosed under creditors falling due within one year.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2021 £ | 2020 £ |
|---|------------------|------------------|
| Bank loans and overdrafts (see note 15) | 185,824 | 197,098 |
| Trade creditors | 1,285,397 | 599,794 |
| Amounts owed to group undertakings | - | 77,000 |
| Tax | 363,614 | 391,955 |
| Social security and other taxes | 217,007 | 271,499 |
| Other creditors | 1,584,517 | 1,029,936 |
| Accruals and deferred income | 104,778 | 82,115 |
| | <u>3,741,137</u> | <u>2,649,397</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

14. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

| | 2021 | 2020 |
|-----------------|---------------|----------------|
| | £ | £ |
| Other creditors | <u>64,000</u> | <u>134,400</u> |

15. **LOANS**

An analysis of the maturity of loans is given below:

| | 2021 | 2020 |
|---|----------------|----------------|
| | £ | £ |
| Amounts falling due within one year or on demand: | | |
| Bank overdrafts | <u>185,824</u> | <u>197,098</u> |

16. **LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

| | 2021 | 2020 |
|----------------------------|----------------|----------------|
| | £ | £ |
| Within one year | 283,364 | 283,300 |
| Between one and five years | - | 283,364 |
| | <u>283,364</u> | <u>566,664</u> |

17. **SECURED DEBTS**

The following secured debts are included within creditors:

| | 2021 | 2020 |
|----------------------------|------------------|------------------|
| | £ | £ |
| Bank overdrafts | 185,824 | 197,098 |
| Other creditors: factoring | 1,496,990 | 936,867 |
| | <u>1,682,814</u> | <u>1,133,965</u> |

The bank loans and overdraft are secured by:

Debenture comprising fixed and floating charges over all the assets and undertaking of Unipet International Limited including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future;

General Pledge over documents and goods given by Unipet International Limited;

Charge over contract monies given by Unipet International Limited.

An unlimited multilateral guarantee given by Unipet International Limited and its parent company Unipet Holdings Limited.

Included in other creditors is £1,496,990 (2020 - £936,867) owing under a debt finance arrangement. This amount is secured against certain book debts of the company.

18. **PROVISIONS FOR LIABILITIES**

| | 2021 | 2020 |
|--------------------------------|----------------|----------------|
| | £ | £ |
| Deferred tax | <u>209,000</u> | <u>186,000</u> |
| | | Deferred tax |
| | | £ |
| Balance at 1 January 2021 | | 186,000 |
| Accelerated capital allowances | | 23,000 |
| Balance at 31 December 2021 | | <u>209,000</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: £1 | 2021 £ | 2020 £ |
|---------|----------|----------------------|--------------|--------------|
| 2,000 | Ordinary | | <u>2,000</u> | <u>2,000</u> |

20. RESERVES

| | Retained earnings £ | Share premium £ | Totals £ |
|---------------------|------------------------|--------------------|--------------------|
| At 1 January 2021 | 661,082 | 99,000 | 760,082 |
| Profit for the year | 1,457,001 | | 1,457,001 |
| Dividends | <u>(2,100,000)</u> | | <u>(2,100,000)</u> |
| At 31 December 2021 | <u>18,083</u> | <u>99,000</u> | <u>117,083</u> |

21. ULTIMATE PARENT COMPANY

Unipet Holdings Limited is regarded by the director as being the company's ultimate parent company.

22. CAPITAL COMMITMENTS

| | 2021 £ | 2020 £ |
|---|----------------|--------------|
| Contracted but not provided for in the financial statements | <u>298,925</u> | <u>7,067</u> |

23. RELATED PARTY DISCLOSURES

Dividends totalling £2,100,000 (2020 - £1,251,000) were paid during the year to the parent company Unipet Holdings Limited. Services totalling £40,000 (2020 - £120,000) were provided by Unipet Holdings Limited. At the year end a balance of £97,000 was owed to Unipet International Limited by Unipet Holdings Limited (2020 - £77,000 owed by Unipet International Limited to Unipet Holdings Limited).

During the year an interest free loan of £50,000 was made by a company controlled by the director. Also loans totalling £289,269 were made to the same company. All of these were settled by 31 December 2021 and no interest was charged or received.

LROS Consultancy Ltd provided key management personnel services to the company during the year of £148,800 (2020 - £37,500). No amounts were outstanding at the balance sheet date.

24. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is A L Ball Esq.

25. PENSION COMMITMENTS

The company operates defined contribution schemes on behalf of its director and certain employees. The assets of the schemes are held separately from those of the company in independently administered funds. The cost for the year was £85,938 (2020 - £95,770).

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