PREMIER VETERINARY GROUP

Interim Results

Released : 26/06/2020 07:00

RNS Number : 1411R
Premier Veterinary Group PLC
26 June 2020

PREMIER VETERINARY GROUP PLC

("PVG", the "Company" or the "Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2020

London, UK, 26 June 2020 - Premier Veterinary Group plc today announces its unaudited interim results for the six months ended 31 March 2020.

HIGHLIGHTS

- 22% increase in total number of pets on fee-generating pet care plans under PVG's preventative healthcare programme for pets branded "Premier Pet Care Plan" ("PPCP") to 336,000 (31 March 2019: 275,000).

	2020	**2019**	**Change**
	000's	000's	
United Kingdom	**261**	214	**+22%**
Europe	**53**	47	**+13%**
US	**22**	14	**+57%**
Total	**336**	275	**+22%**

- 5% increase in total revenue

Six months ended 31 March	**2020**	**2019**	**Change**
UK	**£1,016k**	£1,048k	**-3%**
Europe	**£452k**	£468k	**-3%**
US	**£498k**	£351K	**+42%**
Total revenue	**£1,966k**	£1,867k	**+5%**

- Loss before interest and tax to 31 March 2020 £0.84m (31 March 2019: £1.39m).

- Cash and short-term deposits of £0.46m as at 31 March 2020 (at 31 March 2019: £1.68m).

- Cash outflow from operating activities for six months to 31 March 2020 of £0.6m (six months ended 31 March 2019: £1.50m).

Post period events

- COVID-19. As previously reported, in view of the global uncertainties PVG considered the assistance available from government agencies in the UK, US and France and accessed that assistance where appropriate including the furloughing of a small number of employees. PVG's remaining employees including the directors agreed to a Group wide reduction in salaries from April to June and other short-term cost savings have been implemented.
- Revenue for the month of May 2020 was in line with that of February 2020 and the current number of pets on plan is slightly ahead of the high point seen during March 2020.
- UK Home Delivery offering has seen encouraging growth since the UK lockdown and we are investigating options to make this service more widely available.
- Extension of January 2020 loan repayment date to 31 July 2021
- During June PVG agreed a new US collaboration agreement with MWI Animal Health part of AmerisourceBergen and a leading distributor of animal health products to co-promote Premier Pet Care Plan nationally.

Dominic Tonner, CEO of PVG commented:

"Over the first six months of the financial year PVG continued to see solid progress in the number of pets on plan across the Group and these numbers have been maintained despite the effects of the COVID 19 pandemic. The investment in our technology platform has enabled us to deliver improved operational performance and we continue to look for opportunities to grow and expand the business. We have been pleased with the resilience of the business during the COVID-19 pandemic and our Home Delivery offering in the UK has been particularly well received. We anticipate continued growth in the US flowing from our work with MWI. Subject to a global recovery post-COVID the business is well placed to continue its growth and drive to profitability."

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014.

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INTERIM MANAGEMENT REPORT

To the members of Premier Veterinary Group plc

Cautionary statement

This Interim Management Report ("IMR") has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report, but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

This interim management report has been prepared for the Group as a whole and, therefore, gives greater emphasis to those matters which are significant to Premier Veterinary Group plc and its subsidiary undertakings when viewed as a whole.

Introduction

Premier Veterinary Group plc provides its services to third party veterinary practices through its wholly-owned subsidiary, Premier Vet Alliance Limited ("PVA"). The Company also operates a number of wholly-owned overseas subsidiaries to market its services in the respective country.

The principal activity of the Group is the development, administration and support of a preventative healthcare programme for pets branded "Premier Pet Care Plan" ("PPCP"). PPCP is a structured, monthly payment preventative healthcare programme for cats, dogs and rabbits covering many of the fixed cost non-insurable items to help maintain the health and wellbeing of a pet. The programme facilitates gold standard care for pets at an affordable price for the pet owner, by way of fixed monthly payments.

Overview and strategic update

As stated in the Annual Report and Accounts for the year ended 30 September 2019 (the "2019 Annual Report"), the Group's objectives are to:

- leverage the success of the PVA business;
- develop the business through its global strategic partnerships and growing data set;
- continue to invest in PVA's global transaction platform; and,
- develop new opportunities for growth.

In the first half of the financial year, the Group has continued to pursue its strategy of targeted geographical expansion in order to maximise the Group's growth potential and profitability. Over the last six months, the Group has consolidated its PPCP businesses and the management team continues to explore opportunities to accelerate growth. The Group has delivered significant cost reductions and targeted changes to its operational models to improve profitability.

We continue to invest in our IT platform to ensure the business delivers enhanced levels of customer support and experience in an efficient way.

Regional review

UK

In the UK, the number of pets on plan has increased by 22% to 261,000 as at 31 March 2020 (31 March 2019: 214,000). Market consolidation driven by corporate acquisition continues to provide challenge to improve and diversify services and the opportunity to win substantial contracts. Our Home Delivery service offering which was released to the market in April 2018 has proven strategically important during the Government lock-down announced on 23 March 2020 and has seen significant growth.

Europe

The number of pets on plan in Europe has increased by 13% to 53,000 (31 March 2019: 47,000).

The Group's most significant territory in Europe is the Netherlands. We revised our service offering to the Dutch market during Q4 of the previous financial year and now manage the territory from the UK, this has resulted in significant efficiencies enabling the territory to deliver a profit during the first half year. We anticipate this profitability to be maintained during the second half year ending 30 September 2020. The number of pets on plan has decreased by 3% to 35,000 as at 31 March 2020 (31 March 2019: 36,000).

In France, at 31 March 2020, there were 16,000 pets on plan (31 March 2019: 10,000). Revenue grew by 8% year on year for the first half of this financial year with a 24% reduction in operating expense.

US

The number of pets on plan has increased to 22,000 (31 March 2019: 14,000). The investment made in the US territory and the platform established by our operating model have enabled us to continue to realise encouraging growth.

The net growth in pets on plan, being new pets signed up less pets cancelled, has continued to improve following technological and service enhancements implemented during 2019.

We are continuing to explore opportunities with other corporate groups to enable the Group to capitalise on the performance we have seen to date.

Financial and non-financial key performance indicators ("KPIs")

As set out in the 2019 Annual Report, the Group monitors its performance in implementing the Group's strategy with reference to four KPIs. The KPIs are applied on a Group-wide basis. Performance against those KPIs in the six months ended 31 March 2020 was as follows:

Sales volume and revenue growth

A key element underpinning the Group's strategy is to deliver sales volume growth and revenue growth from PPCP. Sales volume growth is measured by the number of active pets who are members of a PPCP.

PPCP fees are generated from the number of pets who are members of a PPCP each month and are recognised on a receipts basis. A flat fee is received for every active pet.

The Group's revenues for the continuing business for the six months ended 31 March 2020 increased by 5% to £1.966m (31 March 2019: £1.87m).

The total number of transactions processed increased to 2,001,000 over the six-month period to 31 March 2020 (31 March 2019: 1,601,000), an increase of 25%.

Pets on Plan

The number of pets on plan is the key revenue driver. This KPI enables management to ensure clinics are achieving the levels of penetration that are expected and to focus attention on those that are underperforming.

The number of fee generating pets on plan represents those pets on plan where a fee has been generated for the Group in that month, i.e. a direct debit (or equivalent) has been processed for that pet. Due to the time required by banking protocols to set up these transactions, there will be joiners and leavers in a month who are not included in this measure as they have not yet been processed by (or removed from) the system.

The following table shows the quarterly growth in the number of pets on plan over the last 12 months.

	As at Mar-19	**As at Jun-19**	**As at Sept-19**	**As at Dec-19**	**As at Mar-20**
	000's	**000's**	**000's**	**000's**	**000's**
United Kingdom	214	226	240	251	261
Europe	47	50	52	53	53
US	14	17	19	21	22
Total no of fee generating pets on plan	275	293	311	325	336

Overall, the number of pets administered by PPCP has increased by 22% to 336,000 as at 31 March 2020 (31 March 2019: 275,000). In the UK, the number of pets on plan has increased by 22% to 261,000 as at 31 March 2020 (31 March 2019: 214,000). The number of pets on plan in Europe has increased by 13% to 53,000 (31 March 2019: 47,000).

In the US the number of pets on plan has increased by 57% to 22,000 (31 March 2019: 14,000).

Cash processed through the platform

Whilst the number of pets on plan is an internal point of reference for the Group. By monitoring cash (inclusive of sales tax) processed through the platform management is able to monitor the benefit to partners of the Group's member clinics operating PPCPs. The table below shows the value of transactions processed in the six months to 31 March 2020 compared to the same period last year.

Value of transactions processed in 6 months ended	31 March 2020	31 March 2019	% growth
	£000s	**£000s**	
UK	22,912	18,164	26%
Europe	4,790	4,046	18%
US	4,156	2,014	106%
Total	**31,858**	**24,224**	**31%**

Results for the six months ended 31 March 2020

The Group's total continuing revenues increased by 5% to £1.97m for the six months ended 31 March 2020 (£1.87m six months ended 31 March 2019). The operating loss for the six months ended 31 March 2020 was £1.19m (31 March 2019: £1.57m).

The table below shows the performance of the continuing business of the UK and overseas:

	Revenue		**Operating profit/(loss)**	
	£000's		**£000's**	
Six months ended	**2020**	2019	**2020**	2019
UK	1,016	1,048	64	183
Europe	452	468	(59)	(354)
US	498	351	(229)	(487)
Total	**1,966**	**1,867**	**(224)**	**(658)**
Central unallocated costs			(619)	(732)
Loss before interest and tax			**(843)**	**(1,390)**
Interest			(345)	(185)
Loss from operations			**(1,188)**	**(1,575)**

The UK business has seen a 3% reduction in revenue. Whilst the number of fee generating pets on plan grew by 22% there was a reduction in the average fee per pet which, with operating costs being higher than the same period last year, has impacted operating profit.

In Europe, the changes to our support model in the Netherlands resulted in a significant reduction in operating costs whilst French costs also reduced. Revenue declined by only 3% to deliver improved profitability and we anticipate the Europe territory to deliver a profitable return this financial year

US operating costs have reduced by a further £0.1m in the first half of the year despite supporting the continuing roll out of the PVCC clinic contract and delivering 42% growth in revenue. The operating cost reduction coupled with £0.15m increase in revenues has reduced the operating loss in the territory further from £0.49m to £0.22m.

At 31 March 2020, the staff headcount was 40 (31 March 2019: 50).

Headcount as at	**31 March 2020**	**31 March 2019**	**30 September 2019**
	No	No	No
UK	28	33	34
Europe	4	10	7
USA	8	7	7
	40	**50**	**48**

Central unallocated costs have decreased by 15% compared to the same period in the prior year.

The share-based compensation charge for both periods was £Nil.

Interest charges were £345k (2019: £185k) and relate solely to interest and amortised arrangement fee on the unsecured loan facility that was entered into in January 2019 and the additional facility entered into in January 2020.

Dividends and dividend policy

It is, at present, intended that no dividends will be paid by the Group. The position will be reviewed if future operations lead to significant levels of distributable profits, having taken into account any cash that needs to be reinvested in the Group's business.

Financial position

Total assets less current liabilities were £0.119m as at 31 March 2020 (31 March 2019: £2.165).
Net liabilities were £4.4m at 31 March 2020 including long term financing of £4.45m (31 March 2019: net liabilities £1.79m).

Cash and short-term deposits were £0.46m as at 31 March 2020 (at 31 March 2019: £1.68m).

Cash flow

Net cash outflow from continuing operating activities for the six months ended 31 March 2020 was £0.6m (six months ended 31 March 2019: £1.50m).

Post-retirement benefits
The PVG Group operates defined contribution pension schemes and the pension charge represents the amounts payable by the PVG Group to the fund and into personal arrangements in respect of the period.

Related party transactions

Related party transactions are disclosed in note 7 to the condensed set of financial statements.

Risk and uncertainties

The principal risks and uncertainties affecting the business activities of the Group were identified under the heading "Risk management and principal and financial risks" in the Strategic Report on pages 11 to 14 of the 2019 Annual Report, a copy of which is available on the Company's website www.premiervetgroup.co.uk.

These comprise:

- Market competition
- Consumer spending and preferences
- Financial liquidity risk

- Brand reputation
- New initiatives and failure to expand the pet healthcare services
- Management of growth and expansion
- International expansion risk
- PVA's status as a Direct Debit originator being revoked
- Direct Debit rule changes by BACS
- Attraction and retention of key employees
- Information security and data protection
- Continuity of operations
- Litigation and consequent impact on reputation

In addition to those risks previously identified, the impact of and the uncertainty created by the global COVID-19 pandemic is an additional risk factor.

Going concern

As stated in note 2 to the condensed financial statements, The Group made a loss from continuing operations for the period of £1.2m (six months ended 31 March 2019: £1.6m) and had net liabilities of £4.4m (31 March 2019: net liabilities of £1.8m). The Group had cash balances of £0.5m (2019: £1.7m).

The Group's operations have largely been financed by loans from Bybrook Finance Solutions Limited (BFSL), a company of which the sole shareholder and director is Rajan Uppal who is a director of PVG.

On 29 January 2020 the Group announced that an agreement had been reached whereby BFSL has agreed to the roll up of monthly interest payments and the extension of the repayment date of the £3.85m facility and accrued interest to 31 July 2021.

In addition, PVG entered into a further agreement with BFSL to provide an additional secured loan facility of £1.1m. The first tranche of £0.6m was drawn on 29 January 2020 with two further tranches of £0.25m each available for draw down at PVG's request on 22 May 2020 and 24 July 2020. These further tranches could only be drawn by PVG if on or before 30 April 2020 it had issued BFSL with warrants to subscribe for up to 383,673 new PVG ordinary shares of 10p each at an exercise price of 10p per share within 5 years of the issue of any such warrants. Interest of 1% per month accrues on the loan facility on a monthly compound basis and is added to the total loan amount. The total loan together with accrued interest would have been repayable on 30 April 2020 with an option for PVG to extend the repayment date to 31 July 2021 by issuing the warrants referred to above.

As a result of the occurrence of the Coronavirus (Covid-19) pandemic and the imposition of a lock down by the UK Government PVG's Annual General Meeting due to take place on 31 March 2020 was postponed and the Warrants could not be issued because PVG did not have a valid authority to issue shares. Accordingly, the repayment date was not extended and BFSL no longer has an obligation to make any further advances to PVG under the 2020 Facility.

On 1 May 2020 PVG and BFSL entered into further deeds of amendment that provide for (i) the waiver of events of default that have occurred under the 2019 Facility and the 2020 Facility as a result of actions taken by PVG in light of the Coronavirus (Covid-19) pandemic and (ii) the extension of the repayment date in the 2020 facility to 31 July 2021.

As a result, there are no further loan tranches due and the total amount due to BFSL under the 2019 and 2020 facilities, totalling £4.45m plus accrued interest will fall due on 31 July 2021.

The directors consider that with its current cash reserves, the Group has sufficient resources after running various sensitivity analyses including ones with moderate growth and the implementation of further cost savings initiatives, to meet all current liabilities as they fall due. After consideration of market conditions, the Group's financial position, the Group's forecasts and projections, which allow for reasonable possible changes in trading performance and after making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

Outlook

Continued growth in the number of pets on plan is dependent on lockdowns being lifted and not reinstated in the territories in which PVG operates. Our growth in pets on plan numbers has been halted over the last 3 months but PVG is well placed to continue its growth trajectory as lock down measures ease.

The UK and Netherlands businesses are profitable on current revenue levels and our business in France is expected to become profitable on a monthly basis early next financial year as a result of cost reduction relating to a change in our business model.

The US business is dependent on an increase in pets on plan numbers to achieve profitability.

We will continue to strengthen our IT platform which has enabled us to continue to efficiently and effectively deliver our ongoing expansion strategy.

RESPONSIBILITY STATEMENT

For the six months ended 31 March 2020, we confirm to the best of our knowledge that:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that have done so).

By order of the Board,

Dominic Tonner
Chief Executive Officer

26 June 2020

Andy Paull
Chief Financial Officer

26 June 2020

Registered office
New Bond House
Bond Street
Bristol
BS2 9AG

Registered number
04313987

Condensed consolidated statement of comprehensive income
For the six months ended 31 March 2020 (unaudited)

	Note	**6 months ended 31 March 2020**	6 months ended 31 March 2019

		£'000	£'000
Continuing operations		**Total**	Total
Revenue		**1,966**	1,867
Cost of sales		**(200)**	(125)
Gross profit		**1,766**	1,742
Other administrative expenses		**(2,609)**	(3,132)
Loss from operations		**(843)**	(1,390)
Finance expense		**(345)**	(185)
Loss before income tax		**(1,188)**	(1,575)
Income tax		**-**	-
Loss for the period		**(1,188)**	(1,575)
Exchange differences on translation of foreign operations		**26**	40
Loss and total comprehensive expense for the period attributable to equity holders of the parent company		**(1,162)**	(1,535)
Loss per share for loss attributable to the owners of the parent during the period	3		
Basic (pence)		**(7.6)**	(10.0)
Diluted (pence)		**(7.4)**	(9.7)

Condensed consolidated statement of financial position
As at 31 March 2020 (unaudited)

	Note	As at 31 March 2020 £'000	As at 31 March 2019 £'000	As at 30 September 2019 £'000
Non-current assets				
Property, plant and equipment		**38**	26	23
Intangible assets		**409**	551	474
Total non-current assets		**447**	577	497
Current assets				
Trade and other receivables		**474**	825	569
Cash and cash equivalents		**459**	1,677	686
Total current assets		**933**	2,502	1,255
Total assets		**1,380**	3,079	1,752
Equity attributable to equity holders of the Company				
Called up share capital	5	**1,535**	1,535	1,535
Share premium		**5**	5	5
Share based payments reserve		**35**	35	35
Reverse acquisition reserves		**3,671**	3,671	3,671
Retained earnings		**(9,647)**	(7,035)	(8,485)
Total equity		**(4,401)**	(1,789)	(3,239)
Current liabilities				
Trade and other payables		**1,128**	782	938
Current tax liabilities		**133**	132	133
Total current liabilities		**1,261**	914	1,071

Non-current liabilities			
Loans and borrowings	**4,450**	3,850	3,850
Deferred tax provision	**70**	104	70
Total non-current liabilities	**4,520**	3,954	3,920
Total liabilities	**5,781**	4,868	4,991
Total equity and liabilities	**1,380**	3,079	1,752

Condensed consolidated statement of changes in equity
For the six months ended 31 March 2020 (unaudited)

	Share capital £'000	Share premium £'000	Share based payments reserve £'000	Reverse acquisition reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 October 2018	**1,535**	**5**	**35**	**3,671**	**(5,500)**	**(254)**
Loss and total comprehensive expense for the period:	-	-	-	-	(1,535)	(1,535)
Balance as at 31 March 2019	**1,535**	**5**	**35**	**3,671**	**(7,035)**	**(1,789)**
Loss and total comprehensive expense for the period:	**-**	**-**	**-**	**-**	(1,450)	(1,450)
Balance as at 1 October 2019	**1,535**	**5**	**35**	**3,671**	**(8,485)**	**(3,239)**
Loss and total comprehensive expense for the period:	-	-	-	-	(1,162)	(1,162)
Balance as at 31 March 2020	**1,535**	**5**	**35**	**3,671**	**(9,647)**	**(4,401)**

Condensed consolidated statement of cash flows
For the six months ended 31 March 2020 (unaudited)

	6 months ended 31 March 2020 £ '000	6 months ended 31 March 2019 £ '000
Cash flows from:		
Operating activities		
Loss before income tax	**(1,188)**	(1,575)
Finance expense	**345**	185
Differences on translation of operations in foreign	**26**	40

currencies		
Depreciation of property, plant and equipment	**7**	16
Amortisation of intangible assets	**90**	90
(Increase)/decrease in trade and other receivables	**(72)**	(291)
Increase/(decrease) in trade and other payables	**190**	79
Cash used in operations	**(602)**	(1,456)
Income taxes	**-**	-
Net cash outflow from operating activities	**(602)**	(1,456)
Investing activities		
Purchase of property, plant and equipment	**(22)**	(9)
Purchase of intangible assets	**(25)**	(171)
Net cash used in investing activities	**(47)**	(180)
Loans received	**600**	2,850
Payment of loan arrangement fee	**(100)**	-
Interest paid	**(78)**	(185)
Net cash generated from/(used in) financing activities	**422**	2,665
Net increase/(decrease) in cash and cash equivalents	**(227)**	1,029
Cash and cash equivalents at beginning of period	**686**	648
Cash and cash equivalents at end of period	**459**	1,637
Shown as:		
Cash and cash equivalents	**459**	1,677
	459	1,677

Notes to the financial information

1 General information

This interim financial information was authorised for issue on 26 June 2020. The information for the period ended 31 March 2020 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. They have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with IFRS.

2 Significant accounting policies

The financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Basis of preparation

The half-year condensed consolidated financial statements for the six months ended 31 March 2020 have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and with IAS 34 'Interim Financial Reporting'. The half-year condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 September 2019, which have been prepared in accordance with IFRS as adopted by the European Union.

This half-year condensed consolidated financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2019 were approved by the Board of Directors on 31 January 2020. These accounts, which contained an unqualified audit report under Section 495 of the Companies Act 2006 and which did not make any statements under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

There have been no significant changes to estimates of amounts reported in prior financial years.

The accounting policies adopted in the preparation of the half-year condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2019.

Going concern

The Group made a loss from continuing operations for the period of £1.2m (six months ended 31 March 2019: £1.6m) and had net liabilities of £4.4m (31 March 2019: net liabilities of £1.8m). The Group had cash balances of £0.5m (2019: £1.7m).

On 29 January 2020 the Group announced that an agreement had been reached whereby BFSL has agreed to the roll up of monthly interest payments and the extension of the repayment date of the £3.85m facility and accrued interest to 31 July 2021.

In addition, PVG entered into a further agreement with BFSL to provide an additional secured loan facility of £1.1m. The first tranche of £0.6m was drawn on 29 January 2020 with two further tranches of £0.25m each available for draw down at PVG's request on 22 May 2020 and 24 July 2020. These further tranches could only be drawn by PVG if on or before 30 April 2020 it had issued BFSL with warrants to subscribe for up to 383,673 new PVG ordinary shares of 10p each at an exercise price of 10p per share within 5 years of the issue of any such warrants. Interest of 1% per month accrues on the loan facility on a monthly compound basis and is added to the total loan amount. The total loan together with accrued interest would have been repayable on 30 April 2020 with an option for PVG to extend the repayment date to 31 July 2021 by issuing the warrants referred to above.

As a result of the occurrence of the Coronavirus (Covid-19) pandemic and the imposition of a lock down by the UK Government PVG's Annual General Meeting due to take place on 31 March 2020 was postponed and the Warrants could not be issued because PVG did not have a valid authority to issue shares. Accordingly, the repayment date was not extended and BFSL no longer has an obligation to make any further advances to PVG under the 2020 Facility.

On 1 May 2020 PVG and BFSL entered into further deeds of amendment that provide for (i) the waiver of events of default that have occurred under the 2019 Facility and the 2020 Facility as a result of actions taken by PVG in light of the Coronavirus (Covid-19) pandemic and (ii) the extension of the repayment date in the 2020 facility to 31 July 2021.

As a result, there ar no further loan tranches due and the total amount due to BFSL under the 2019 and 2020 facilities, totalling £4.45m plus accrued interest, will fall due on 31 July 2021.

The directors consider that with its current cash reserves the Group has sufficient resources after running various sensitivity analyses including ones with moderate growth and the implementation of further cost savings initiatives, to meet all current liabilities as they fall due. After consideration of market conditions, the Group's financial position, the Group's forecasts and projections, which allow for reasonable possible changes in trading performance and after making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

Basis of consolidation

The condensed consolidated financial statements consolidate those of the parent company and all of its subsidiaries as of 31 March 2020.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Revenue

Revenue for the Group is measured at the fair value of the consideration received or receivable. The Group recognises revenue for services provided when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. All intercompany revenues are eliminated on consolidation.

The Group's primary income stream is generated from Premier Pet Care Plan. Fees received for the collection and management of monthly transactions on behalf of veterinary practices external to the Group are recognised on a receipts basis. There are four elements within this income stream:

- *Launch fees:* Fee received from a new clinic upon launch of scheme.
- *Admin fees:* Fee paid by pet owner upon introduction to scheme.
- *Transaction fees:* Fee received for every transaction processed.
- *Other:* Additional external support fees.

Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability relating to a past event and where the amount of the obligation can be reliably estimated.

Financial assets

The Group classifies its financial assets into the categories discussed below in accordance with the purpose for which the asset was acquired.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transactions costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Group's loans and receivables comprise of trade and other receivables included within the consolidated statement of financial position.

Cash and cash equivalents include cash held at bank and bank deposits available on demand.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Group classifies its financial liabilities as other financial liabilities which include the following:

- Bank overdrafts which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- Bank loans which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate.
- Loans which are initially recognised at fair value net any of transaction costs directly attributable to the issue of the instrument. Where the terms of a loan facility are re-arranged, associated fees are amortised over the remaining term of the facility. Such interest-bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate.
- Trade payables, other borrowings and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals basis and are calculated using the effective interest method and are added to the carrying amount of the liability to the extent that they are not settled in the period in which they arise.
- Where a financial instrument contains an embedded derivative within a non-derivative host contract and the embedded derivative is not closely related to the host contract the derivative component is accounted for separately as a fair value adjustment through the income statement. The fair value of the instrument is recognised on the statement of financial position with gains and losses going through the income statement. No hedge accounting is applied.

Fair value hierarchy

Certain of the disclosures about fair value of financial instruments include the classification of fair values within a three-level hierarchy. The three levels are defined based on the observability of significant inputs into the measurements as follows:

- Level 1: Quoted prices, in active markets;
- Level 2: Level 1 quoted prices are not available but fair value is based on observable market data;
- Level 3: Inputs that are not based on observable market data.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

The share premium reserve represents the surplus of consideration paid for shares above their nominal value.

The reverse acquisition reserve represents the historic trading losses of the accounting acquiree.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Assets held under finance leases or hire purchase contracts are recognised as assets of the Group. In accordance with IAS 17, the ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership. They are capitalised in the statement of financial position at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease and depreciated over their estimated useful lives or the lease term, whichever is shorter.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Foreign currencies

Transactions in currencies other than the local functional currency are recorded at the rates of exchange on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date, with differences recognised in profit or loss in the period in which they arise.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period.

Share-based payments

The cost of equity-settled transactions is measured by reference to the fair value of the instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant party become fully entitled to the award. Fair value is determined using the Black-Scholes pricing model. No account is taken of any vesting conditions other than conditions linked to the market conditions of the Company in measuring fair value.

At each period end date before vesting, the cumulative expense is calculated; representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expenses since the previous statement of financial position date is recognised in the statement of comprehensive income with a corresponding entry in the statement of changes in equity.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team (excluding Non-Executive Directors) including the Chief Executive Officer.

Management review revenue and gross profit of three continuing separate operating segments against budget. The remaining costs, including administrative costs and finance expenses, are reviewed in total. Assets and liabilities of the Group are not allocated to an operating segment.

Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. Management have considered estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the only significant matter is the directors' consideration of Going Concern which is specifically addressed earlier in this note 2.

Software development

Software development is amortised over the useful lives of the assets. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The carrying values are tested for impairment when there is an indication that the value of the assets might be impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management judgement. Future events could cause the assumptions to change, therefore this could have an adverse effect on the future results of the Group.

3 Loss per share

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. For the purposes of this calculation, the weighted average number of shares is the number of ordinary shares in the period, excluding deferred shares.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares.

The calculation of the basic and diluted earnings per share is based on the following data:

	6 months ended 31 March 2020 £'000	6 months ended 31 March 2019 £'000
Total comprehensive expense for the period	**(1,162)**	(1,535)

	31 March 2020	31 March 2019
Number of shares		
Weighted average number of ordinary shares of the purposes of basic earnings per share	15,346,950	15,346,950
Effect of dilutive potential ordinary shares from share options	418,552	418,552
Weighted average number of ordinary shares for the purposes of diluted earnings per share	15,765,502	15,765,502

4 Segmental reporting

Management have defined operating segments as those on which results are considered by the Board. Administrative expenses (including amortisation, impairment and depreciation), finance costs and income tax expenses are monitored centrally and are not allocated to operating segments. Further to this, assets and liabilities are not allocated to operating segments as they are shared by the Group. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The categorised as follows:

All revenue is derived from external customers.

	PPCP UK £'000	PPCP Europe £'000	PPCP US £'000	Total £'000
6 months ended 31 March 2020				
Revenue	1,016	452	498	1,966
Cost of sales	(42)	(27)	(131)	(200)
Gross profit	**974**	**425**	**367**	**1,766**
Administrative expense	(910)	(484)	(596)	(1,990)
Loss before central costs	**64**	**(59)**	**(229)**	**(224)**
Central costs				(619)
Finance expense				(345)
Loss before income tax				**(1,188)**

	PPCP UK £'000	PPCP Europe £'000	PPCP US £'000	Total £'000
6 months ended 31 March 2019				
Revenue	1,048	468	351	1,867
Cost of sales	(28)	(28)	(69)	(125)
Gross profit	**1,020**	**440**	**282**	**1,742**
Administrative expense	(837)	(794)	(769)	(2,400)
Loss before central costs	**183**	**(354)**	**(487)**	**(658)**
Central costs				(732)
Finance expense				(185)
Loss before income tax				**(1,575)**

5 Share capital

	Ordinary shares		Deferred shares		Total
	No	£'000	No	£'000	£'000
Shares 31 March 2019 (Ordinary 10 pence)	15,346,950	1,535	-	-	1,535
Shares 30 September 2019 (Ordinary 10 pence)	15,346,950	1,535	-	-	1,535
Shares 31 March 2020 (Ordinary 10 pence)	15,346,950	1,535	-	-	1,535

6 Share-based payments

Options over ordinary shares were granted on 13 February 2019 under the 2014 Ark Therapeutics Group plc* Enterprise Management Incentive Share Option Plan and the 2014 Ark Therapeutics Group plc* Unapproved Share Option Plan (together, the "Plans") at an exercise price of 46.17 pence per share.

Options over ordinary shares that were granted on 3 March 2017 at an exercise price of 238.75 pence per share were cancelled or surrendered during the year.

Subject to the achievement of pre-determined performance criteria, the options granted under the Plans are exercisable three years from the date of grant.

* Ark Therapeutics Group plc changed its name to Premier Veterinary Group plc in March 2015.

The fair value of the options has been calculated using the Black Scholes model. The weighted average fair value of the options at measurement date was nil pence per option.

Options and warrants outstanding

	6 months to 31 March 2020 No.	**6 months to 31 March 2019 No.**	**12 months to 30 September 2019 No.**
At beginning of period	418,552	399,035	399,035
Granted during period	-	139,517	139,517
Exercised during the period	-	-	-
Surrendered during the period	-	(80,000)	(80,000)
Lapsed during the period	-	(40,000)	(40,000)
At end of period	418,552	418,552	418,552

Options exercisable

	Number of options	**Weighted average exercise price**	**Latest exercise date**
At 31/03/2020	418,552	22.1p	12/02/2029
At 31/03/2019	418,552	22.1p	12/02/2029
At 30/09/2019	418,552	22.1p	12/02/2029

The fair value of share options expense recognised in the year is determined using the Black-Scholes model, which takes into account the terms and conditions upon which the shares were awarded. For this purpose, a share price of 238.75p, volatility of 30.6% and a risk-free rate of 0.5% was assumed. The Group recognised a charge £Nil (6 months to 31 March 2019: £nil) in relation to share based payments in the period.
There were no options and warrants exercised during the period (6 months to 31 March 2019: nil).

7 Related party transactions

The Group operates the Ark Therapeutics Group plc Family Benefit Trust ("FBT"). Amounts due from the FBT were £Nil (31 March 2019: £Nil)).

On 25 January 2019 a secured term loan facility was provided by Bybrook Financial Services Limited ("BFSL") of £3,850,000. £1,500,000 was provided to repay previously issued loan notes and £2,350,000 was provided for the purposes of financing working capital and paying the arrangement fee. The facility was repayable 24 months after the date of the agreement. In the event of early repayment, the interest for any unexpired period to the end of the full term would become payable.

On 29 January 2020 the Group announced that an agreement had been reached whereby BFSL has agreed to the roll up of monthly interest payments and the extension of the repayment date of the £3.85m facility and accrued interest to 31 July 2021.

In addition, PVG entered into a further agreement with BFSL to provide an additional secured loan facility of £1.1m. The first tranche of £0.6m was drawn on 29 January 2020 with two further tranches of £0.25m each available for draw down at PVG's request on 22 May 2020 and 24 July 2020. These further tranches could only be drawn by PVG if on or before 30 April 2020 it had issued BFSL with warrants to subscribe for up to 383,673 new PVG ordinary shares of 10p each at an exercise price of 10p per share within 5 years of the issue of any such warrants. Interest of 1% per month accrues on the loan facility on a monthly compound basis and is added to the total loan amount. The total loan together with accrued interest would have been repayable on 30 April 2020 with an option for PVG to extend the repayment date to 31 July 2021 by issuing the warrants referred to above.

As a result of the occurrence of the Coronavirus (Covid-19) pandemic and the imposition of a lock down by the UK Government PVG's Annual General Meeting due to take place on 31 March 2020 was postponed and the Warrants could not be issued because PVG did not have a valid authority to issue shares. Accordingly, the repayment date was not extended and BFSL no longer has an obligation to make any further advances to PVG under the 2020 Facility.

On 1 May 2020 PVG and BFSL entered into further deeds of amendment that provide for (i) the waiver of events of default that have occurred under the 2019 Facility and the 2020 Facility as a result of actions taken by PVG in light of the Coronavirus (Covid-19) pandemic and (ii) the extension of the repayment date in the 2020 facility to 31 July 2021.

At 31 March 2020, amounts owed to BFSL were £4,627,724 (31 March 2019: £3,850,000). Interest and arrangement fees charged during the period were £345,816 (6 months to 31 March 2019: £185,312).

Rajan Uppal a director of the Company is the sole shareholder and director of BFSL.
Crossroads Finance Limited, a company jointly owned and controlled by Dominic Tonner, Chief Executive Officer of PVG, and his spouse, participated in the funding of the £3.85m facility by entering into direct arrangements with BFSL.

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