

Company registration number 06901981 (England and Wales)

NATURAL INSTINCT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

OLD M[•]LL

NATURAL INSTINCT LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | Mr K Brackhaus Mrs S Brackhaus Mr E West |
| Secretary | Mrs S Brackhaus |
| Company number | 06901981 |
| Registered office | Unit 2 Greenways Business Park Bellinger Close CHIPPENHAM Wiltshire SN15 1BN |
| Auditor | Old Mill Audit Limited Unit 2 Greenways Business Park Bellinger Close CHIPPENHAM Wiltshire England SN15 1BN |

NATURAL INSTINCT LIMITED

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NATURAL INSTINCT LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business

This review presents a balanced and comprehensive review of the development and performance of the Company during the financial year ended 31 December 2022, and of its financial position at the year end. The review is consistent with the size and non-complex nature of the business.

The company is a UK manufacturer and retailer of frozen raw pet food and complimentary natural treats for the UK dog and cat market.

During the year a number of challenges presented themselves, including the availability of raw materials due to UK wide shortages, increases to energy prices as seen globally, and the cost of living crisis impacting consumer spending. However, despite the challenges faced, the Company maintained a gross profit of £5.0m.

The resulting pre-tax profits of £0.9m have since, in part, been invested into production equipment and other capital expenditure to improve business operations. The Company's key objectives continue to be:

- To provide raw food for both dogs and cats, feeding them as nature intended, free from artificial additives, colours, preservatives and fillers.
- To educate pet owners on the benefits of feeding raw and provide an outstanding customer service.
- To invest in improved manufacturing techniques to generate efficiencies in production as well as increase capacity restrictions.

The Directors have reviewed the risks to which the Company is exposed to as a result of the current economic climate, labour market and industry market. They are satisfied that both the systems in place and those that are being introduced appropriately monitor and control these risks to mitigate any impact they may have on the company.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company include the following:

- Those arising from the political and economic climate including Brexit and global crises such as the rising cost of living and increased price of utilities
- Regulation and the impact of quality issues that could lead to brand damage, for example, a product recall

The Directors recognise the risks and vulnerabilities in regard to future trading and are taking steps to mitigate these where possible including focus on quality control, wider sourcing of materials and automation.

Key performance indicators

The Directors consider that the key financial performance indicators are turnover and gross profit which allows the monitoring of growth and the profitability of product lines which, in turn, communicates the financial performance and strength of the Company.

On behalf of the board

Mr K Brackhaus
Director

14 June 2023

NATURAL INSTINCT LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be that of natural raw dog and cat food manufacturer and retailer.

Results and dividends

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

Ordinary interim dividends were paid amounting to £950,000. The directors do not recommend payment of a final dividend.

Directors

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

Mr K Brackhaus

Mrs S Brackhaus

Mr E West

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Post reporting date events

A dividend was paid for £400,000 on the 17 January 2023 to KatMax UK Holdings Limited.

Auditor

In accordance with the company's articles, a resolution proposing that Old Mill Audit Limited be reappointed as auditor of the company will be put at a General Meeting.

Statement of directors' responsibilities

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

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

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

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

NATURAL INSTINCT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of disclosure to auditor

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

On behalf of the board

Mr K Brackhaus

Director

14 June 2023

NATURAL INSTINCT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NATURAL INSTINCT LIMITED

Opinion

We have audited the financial statements of Natural Instinct Limited (the 'company') for the year ended 31 December 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including 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 2022 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 were not the auditors of the company for the year ended 31 December 2020 and thus did not observe the counting of physical stock at the end of the previous year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 December 2020, which are included in the profit and loss account and balance sheet at £273,980, by using other audit procedures. Consequently, we were unable to determine whether this amount was materially correct and if any adjustment to this amount was necessary.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' 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 directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

NATURAL INSTINCT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF NATURAL INSTINCT LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of 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 included 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 addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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

NATURAL INSTINCT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF NATURAL INSTINCT LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tim Lerwill BSc BFP FCA
Senior Statutory Auditor
For and on behalf of Old Mill Audit Limited
Statutory Auditor

15 June 2023

Unit 2
Greenways Business Park
Bellinger Close
CHIPPENHAM
Wiltshire
England
SN15 1BN

NATURAL INSTINCT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

| | Notes | 2022 £ | 2021 £ |
|--|----------|-----------------------|-------------------------|
| Turnover | 3 | 11,007,105 | 11,359,336 |
| Cost of sales | | (6,019,322) | (6,222,711) |
| Gross profit | | <u>4,987,783</u> | <u>5,136,625</u> |
| Distribution costs | | (945,189) | (963,303) |
| Administrative expenses | | (3,341,256) | (2,880,970) |
| Other operating income | | 138,955 | - |
| Operating profit | 4 | <u>840,293</u> | <u>1,292,352</u> |
| Interest receivable and similar income | 7 | 61,974 | 33,321 |
| Interest payable and similar expenses | 8 | (13,494) | (86,147) |
| Profit before taxation | | <u>888,773</u> | <u>1,239,526</u> |
| Tax on profit | 9 | (113,119) | 149,515 |
| Profit for the financial year | | <u><u>775,654</u></u> | <u><u>1,389,041</u></u> |

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

NATURAL INSTINCT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 | 2021 |
|--|--|--|
| | £ | £ |
| Profit for the year | 775,654 | 1,389,041 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | <div style="border-top: 1px solid black; border-bottom: 3px double black;">775,654</div> | <div style="border-top: 1px solid black; border-bottom: 3px double black;">1,389,041</div> |

NATURAL INSTINCT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

| | | 2022 | | 2021 | |
|--|-------|--------------------|-------------------------|--------------------|-------------------------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 12 | | 57,079 | | 104,478 |
| Tangible assets | 13 | | 555,501 | | 271,099 |
| | | | <u>612,580</u> | | <u>375,577</u> |
| Current assets | | | | | |
| Stocks | 14 | 375,896 | | 312,655 | |
| Debtors | 15 | 2,587,390 | | 3,096,470 | |
| Cash at bank and in hand | | 808,833 | | 1,356,716 | |
| | | <u>3,772,119</u> | | <u>4,765,841</u> | |
| Creditors: amounts falling due within one year | 16 | <u>(1,332,267)</u> | | <u>(2,002,563)</u> | |
| Net current assets | | | <u>2,439,852</u> | | <u>2,763,278</u> |
| Total assets less current liabilities | | | <u>3,052,432</u> | | <u>3,138,855</u> |
| Creditors: amounts falling due after more than one year | 17 | | <u>(206,903)</u> | | <u>(118,980)</u> |
| Net assets | | | <u><u>2,845,529</u></u> | | <u><u>3,019,875</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 21 | | 6 | | 6 |
| Share premium account | | | 13,325 | | 13,325 |
| Capital redemption reserve | | | 2 | | 2 |
| Profit and loss reserves | | | <u>2,832,196</u> | | <u>3,006,542</u> |
| Total equity | | | <u><u>2,845,529</u></u> | | <u><u>3,019,875</u></u> |

The financial statements were approved by the board of directors and authorised for issue on 14 June 2023 and are signed on its behalf by:

Mr K Brackhaus
Director

Company Registration No. 06901981

NATURAL INSTINCT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

| | Share capital | Share premium account | Capital redemption reserve | Profit and loss reserves | Total |
|--|---------------|--------------------------|----------------------------------|-----------------------------|-----------|
| Notes | £ | £ | £ | £ | £ |
| Balance at 1 January 2021 | 6 | 13,325 | 2 | 2,017,501 | 2,030,834 |
| Year ended 31 December 2021: | | | | | |
| Profit and total comprehensive income for the year | - | - | - | 1,389,041 | 1,389,041 |
| Dividends 10 | - | - | - | (400,000) | (400,000) |
| Balance at 31 December 2021 | 6 | 13,325 | 2 | 3,006,542 | 3,019,875 |
| Year ended 31 December 2022: | | | | | |
| Profit and total comprehensive income for the year | - | - | - | 775,654 | 775,654 |
| Dividends 10 | - | - | - | (950,000) | (950,000) |
| Balance at 31 December 2022 | 6 | 13,325 | 2 | 2,832,196 | 2,845,529 |

NATURAL INSTINCT LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

| | | 2022 | | 2021 |
|---|-------|-------------|---|-------------|
| | Notes | £ | £ | £ |
| Cash flows from operating activities | | | | |
| Cash generated from/(absorbed by) operations | 27 | 1,154,328 | | (6,733,428) |
| Interest paid | | (13,494) | | (86,147) |
| Income taxes paid | | (510,349) | | (248,819) |
| Net cash inflow/(outflow) from operating activities | | 630,485 | | (7,068,394) |
| Investing activities | | | | |
| Purchase of intangible assets | | (2,200) | | (7,194) |
| Purchase of tangible fixed assets | | (162,317) | | (136,040) |
| Proceeds from disposal of tangible fixed assets | | - | | 7,993,447 |
| Repayment of loans | | - | | (1,697) |
| Interest received | | 61,974 | | 33,321 |
| Net cash (used in)/generated from investing activities | | (102,543) | | 7,881,837 |
| Financing activities | | | | |
| Payment of finance leases obligations | | (125,825) | | (7,030) |
| Dividends paid | | (950,000) | | (400,000) |
| Net cash used in financing activities | | (1,075,825) | | (407,030) |
| Net (decrease)/increase in cash and cash equivalents | | (547,883) | | 406,413 |
| Cash and cash equivalents at beginning of year | | 1,356,716 | | 950,303 |
| Cash and cash equivalents at end of year | | 808,833 | | 1,356,716 |

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Natural Instinct Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 2, Greenways Business Park, Bellinger Close, CHIPPENHAM, Wiltshire, SN15 1BN.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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

1.2 Going concern

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

1.3 Turnover

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

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

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

1.4 Intangible fixed assets other than goodwill

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

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

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

| | |
|----------------------|-------------------------|
| Website & IT systems | 10% - 33% straight line |
|----------------------|-------------------------|

1.5 Tangible fixed assets

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

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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

| | |
|------------------------|----------------------------|
| Leasehold improvements | Over the life of the lease |
| Plant and equipment | 10% - 20% straight line |
| Fixtures and fittings | 25% reducing balance |
| Computers | 25% reducing balance |
| Motor vehicles | 20% straight line |

Freehold land is not depreciated.

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

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

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

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

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

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.8 Cash and cash equivalents

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

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

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

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

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

1.14 Leases

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

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

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

1.15 Foreign exchange

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

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Doubtful debts

The directors have reviewed all significant debts on a case by case basis and have made a provision for doubtful debts based upon their knowledge of both the specific customer and the current economic conditions within the industry.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Depreciation and amortisation

The directors use their knowledge of the business and the industry to estimate the useful life and residual value of property, plant and equipment in order to arrive at applicable depreciation and amortisation rates. In accordance with Section 17 of FRS 102, the directors review and update these estimates if there are indicators that current estimates should change.

It must be noted that there is inherent uncertainty within these estimates as factors such as unexpected wear and tear, technological advancements and changes in market prices may result in future changes to the appropriate rate of depreciation and amortisation. The carrying value of property, plant and equipment at the balance sheet date is set out in the notes to these financial statements.

3 Turnover and other revenue

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | £ | £ |
| Turnover analysed by class of business | | |
| Pet food supplies | 11,007,105 | 11,359,336 |
| | <u> </u> | <u> </u> |
| | 2022 | 2021 |
| | £ | £ |
| Turnover analysed by geographical market | | |
| United Kingdom | 11,007,105 | 11,359,336 |
| | <u> </u> | <u> </u> |
| | 2022 | 2021 |
| | £ | £ |
| Other revenue | | |
| Interest income | 61,974 | 33,321 |
| | <u> </u> | <u> </u> |

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4 Operating profit

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | £ | £ |
| Operating profit for the year is stated after charging/(crediting): | | |
| Exchange losses/(gains) | 2,989 | (4,302) |
| Fees payable to the company's auditor for the audit of the company's financial statements | 14,500 | 7,000 |
| Depreciation of owned tangible fixed assets | 77,061 | 304,452 |
| Depreciation of tangible fixed assets held under finance leases | 58,899 | 19,280 |
| Impairment of owned tangible fixed assets | 16,401 | 3,489 |
| Loss on disposal of tangible fixed assets | 12,460 | 77,943 |
| Amortisation of intangible assets | 49,599 | 44,455 |
| Operating lease charges | 858,230 | 640,166 |
| | <u> </u> | <u> </u> |

5 Employees

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

| | 2022 | 2021 |
|----------------------|-------------------|-------------------|
| | Number | Number |
| Production & Packing | 26 | 31 |
| Customer Service | 5 | 7 |
| Admin | 7 | 5 |
| Finance | 3 | 3 |
| Director | 3 | 3 |
| Shop | 1 | 1 |
| Sales | - | 1 |
| Marketing | 2 | 1 |
| R&D | - | 1 |
| | <u> </u> | <u> </u> |
| Total | 47 | 53 |
| | <u> </u> | <u> </u> |

Their aggregate remuneration comprised:

| | 2022 | 2021 |
|-----------------------|-------------------|-------------------|
| | £ | £ |
| Wages and salaries | 1,534,592 | 1,628,366 |
| Social security costs | 153,298 | 152,372 |
| Pension costs | 18,761 | 24,018 |
| | <u> </u> | <u> </u> |
| | 1,706,651 | 1,804,756 |
| | <u> </u> | <u> </u> |

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

| | | | |
|----------|--|-------------------|-------------------|
| 6 | Directors' remuneration | 2022 | 2021 |
| | | £ | £ |
| | Remuneration for qualifying services | 47,163 | 37,522 |
| | | <u> </u> | <u> </u> |
| 7 | Interest receivable and similar income | 2022 | 2021 |
| | | £ | £ |
| | Interest income | | |
| | Interest on bank deposits | 754 | 54 |
| | Interest receivable from group companies | 61,220 | 33,267 |
| | | <u> </u> | <u> </u> |
| | Total income | 61,974 | 33,321 |
| | | <u> </u> | <u> </u> |
| | Investment income includes the following: | | |
| | Interest on financial assets not measured at fair value through profit or loss | 61,974 | 33,321 |
| | | <u> </u> | <u> </u> |
| 8 | Interest payable and similar expenses | 2022 | 2021 |
| | | £ | £ |
| | Interest on financial liabilities measured at amortised cost: | | |
| | Interest payable to group undertakings | 8,890 | 85,814 |
| | Other interest on financial liabilities | - | (23) |
| | | <u> </u> | <u> </u> |
| | | 8,890 | 85,791 |
| | Other finance costs: | | |
| | Interest on finance leases and hire purchase contracts | 4,604 | 356 |
| | | <u> </u> | <u> </u> |
| | | 13,494 | 86,147 |
| | | <u> </u> | <u> </u> |
| 9 | Taxation | 2022 | 2021 |
| | | £ | £ |
| | Current tax | | |
| | UK corporation tax on profits for the current period | 108,289 | 267,892 |
| | Adjustments in respect of prior periods | (68,477) | (32,120) |
| | | <u> </u> | <u> </u> |
| | Total current tax | 39,812 | 235,772 |
| | | <u> </u> | <u> </u> |

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

| | | | |
|--|--|--------------------|-------------------|
| 9 | Taxation | (Continued) | |
| | | 2022 | 2021 |
| | | £ | £ |
| | Deferred tax | | |
| | Origination and reversal of timing differences | 73,307 | (385,287) |
| | | <u> </u> | <u> </u> |
| | Total tax charge/(credit) | 113,119 | (149,515) |
| | | <u> </u> | <u> </u> |
| The actual charge/(credit) for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows: | | | |
| | | 2022 | 2021 |
| | | £ | £ |
| | Profit before taxation | 888,773 | 1,239,526 |
| | | <u> </u> | <u> </u> |
| | Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%) | 168,867 | 235,510 |
| | Tax effect of expenses that are not deductible in determining taxable profit | 3,250 | 132 |
| | Group relief | (2,053) | (1,506) |
| | Depreciation on assets not qualifying for tax allowances | - | 39,586 |
| | Research and development tax credit | (50,405) | - |
| | Other permanent differences | - | (2) |
| | Under/(over) provided in prior years | 359 | (32,120) |
| | Deferred tax adjustments in respect of prior years | - | (390,254) |
| | 30% additional relief on 130% super deduction | (18,902) | (861) |
| | Other timing differences | (5,505) | - |
| | Rate differences | 17,508 | - |
| | | <u> </u> | <u> </u> |
| | Taxation charge/(credit) for the year | 113,119 | (149,515) |
| | | <u> </u> | <u> </u> |
| 10 | Dividends | 2022 | 2021 |
| | | £ | £ |
| | Interim paid | 950,000 | 400,000 |
| | | <u> </u> | <u> </u> |

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Impairments

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

| | Notes | 2022 £ | 2021 £ |
|-------------------------------|-------|-----------|-----------|
| In respect of: | | | |
| Property, plant and equipment | 13 | 16,401 | 3,489 |
| Recognised in: | | | |
| Administrative expenses | | 16,401 | 3,489 |

12 Intangible fixed assets

| | Trademarks £ | Website & IT systems £ | Total £ |
|------------------------------------|-----------------|------------------------------|------------|
| Cost | | | |
| At 1 January 2022 | 3,332 | 149,104 | 152,436 |
| Additions | - | 2,200 | 2,200 |
| At 31 December 2022 | 3,332 | 151,304 | 154,636 |
| Amortisation and impairment | | | |
| At 1 January 2022 | 3,332 | 44,626 | 47,958 |
| Amortisation charged for the year | - | 49,599 | 49,599 |
| At 31 December 2022 | 3,332 | 94,225 | 97,557 |
| Carrying amount | | | |
| At 31 December 2022 | - | 57,079 | 57,079 |
| At 31 December 2021 | - | 104,478 | 104,478 |

More information on impairment movements in the year is given in note 11.

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Tangible fixed assets

| | Leasehold improvements | Plant and equipment | Fixtures and fittings | Computers | Motor vehicles | Total |
|------------------------------------|---------------------------|------------------------|-----------------------|-----------|----------------|-----------|
| | £ | £ | £ | £ | £ | £ |
| Cost | | | | | | |
| At 1 January 2022 | - | 957,590 | 55,127 | 141,136 | 20,451 | 1,174,304 |
| Additions | 147,501 | 286,906 | 9,389 | 5,427 | - | 449,223 |
| Disposals | - | (735) | (24,878) | (99,601) | - | (125,214) |
| At 31 December 2022 | 147,501 | 1,243,761 | 39,638 | 46,962 | 20,451 | 1,498,313 |
| Depreciation and impairment | | | | | | |
| At 1 January 2022 | - | 735,875 | 42,375 | 106,209 | 18,746 | 903,205 |
| Depreciation charged in the year | 17,404 | 101,938 | 4,705 | 10,208 | 1,705 | 135,960 |
| Impairment losses | - | 16,401 | - | - | - | 16,401 |
| Eliminated in respect of disposals | - | (735) | (23,828) | (88,191) | - | (112,754) |
| At 31 December 2022 | 17,404 | 853,479 | 23,252 | 28,226 | 20,451 | 942,812 |
| Carrying amount | | | | | | |
| At 31 December 2022 | 130,097 | 390,282 | 16,386 | 18,736 | - | 555,501 |
| At 31 December 2021 | - | 221,715 | 12,752 | 34,927 | 1,705 | 271,099 |

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

| | 2022 £ | 2021 £ |
|---------------------|-----------|-----------|
| Plant and equipment | 379,586 | 150,515 |
| Motor vehicles | - | 1,704 |
| | 379,586 | 152,219 |

More information on impairment movements in the year is given in note 11.

14 Stocks

| | 2022 £ | 2021 £ |
|-------------------------------|-----------|-----------|
| Raw materials and consumables | 375,896 | 312,655 |

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

| | | | |
|--|--|-------------------------|-------------------------|
| 15 Debtors | | 2022 | 2021 |
| | | £ | £ |
| Amounts falling due within one year: | | | |
| Trade debtors | | 272,596 | 244,269 |
| Corporation tax recoverable | | 28,377 | - |
| Amounts owed by group undertakings | | 195,515 | 342,998 |
| Other debtors | | 86,322 | 168,632 |
| Prepayments and accrued income | | 251,283 | 346,250 |
| | | <u>834,093</u> | <u>1,102,149</u> |
| | | 2022 | 2021 |
| | | £ | £ |
| Amounts falling due after more than one year: | | | |
| Amounts owed by group undertakings | | 1,676,154 | 1,843,871 |
| Deferred tax asset (note 19) | | 77,143 | 150,450 |
| | | <u>1,753,297</u> | <u>1,994,321</u> |
| Total debtors | | <u>2,587,390</u> | <u>3,096,470</u> |

Further details on Related Party balances in other debtors laid out in note 25.

| | | | |
|--|--------------|------------------|------------------|
| 16 Creditors: amounts falling due within one year | | 2022 | 2021 |
| | | £ | £ |
| | Notes | | |
| Obligations under finance leases | 18 | 102,964 | 29,806 |
| Trade creditors | | 575,303 | 950,577 |
| Amounts owed to group undertakings | | 400,833 | 399,965 |
| Corporation tax | | - | 442,160 |
| Other taxation and social security | | 39,096 | 41,088 |
| Other creditors | | 8,596 | 13,120 |
| Accruals and deferred income | | 205,475 | 125,847 |
| | | <u>1,332,267</u> | <u>2,002,563</u> |

Within creditors, the hire purchase liability of £102,964 (2021: £29,806) is secured against the asset to which it relates.

Within other taxation and social security is a pension contributions payable balance of £4,189 (2021: £3,930).

Further details on Related Party balances in creditors laid out in note 25.

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Creditors: amounts falling due after more than one year

| | Notes | 2022 £ | 2021 £ |
|----------------------------------|-------|----------------|----------------|
| Obligations under finance leases | 18 | 206,903 | 118,980 |
| | | <u>206,903</u> | <u>118,980</u> |

Within creditors, the hire purchase liability of £206,903 (2021: £118,980) is secured against the asset to which it relates.

18 Finance lease obligations

| | 2022 £ | 2021 £ |
|---|----------------|----------------|
| Future minimum lease payments due under finance leases: | | |
| Within one year | 102,964 | 29,805 |
| In two to five years | 206,903 | 118,981 |
| | <u>309,867</u> | <u>148,786</u> |

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

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

| | Assets 2022 £ | Assets 2021 £ |
|--------------------------------|---------------------|---------------------|
| Balances: | | |
| Accelerated capital allowances | 77,143 | 146,193 |
| Other timing differences | - | 4,257 |
| | <u>77,143</u> | <u>150,450</u> |
| | | 2022 £ |
| Movements in the year: | | |
| Asset at 1 January 2022 | | (150,450) |
| Charge to profit or loss | | 73,307 |
| Asset at 31 December 2022 | | <u>(77,143)</u> |

The deferred tax asset set out above is expected to reverse within 12 months and relates to accelerated capital allowances and other timing differences. A change in tax rate from 19% to 25% year is anticipated to affect reversal on deferred tax, therefore this has further affected the current year deferred tax and is represented in the above note.

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 Retirement benefit schemes

| | 2022 | 2021 |
|---|---------------|---------------|
| | £ | £ |
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | 18,761 | 24,018 |
| | <u>18,761</u> | <u>24,018</u> |

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

21 Share capital

| | 2022 | 2021 | 2022 | 2021 |
|---|----------|----------|----------|----------|
| | Number | Number | £ | £ |
| Ordinary share capital Issued and fully paid | | | | |
| Ordinary of £1 each | 6 | 6 | 6 | 6 |
| | <u>6</u> | <u>6</u> | <u>6</u> | <u>6</u> |

The Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up rights). They do not confer any rights of redemption.

22 Operating lease commitments

Lessee

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

| | 2022 | 2021 |
|----------------------------|------------------|------------------|
| | £ | £ |
| Within one year | 549,255 | 551,795 |
| Between two and five years | 1,186,816 | 1,729,518 |
| | <u>1,736,071</u> | <u>2,281,313</u> |

23 Capital commitments

Amounts contracted for but not provided in the financial statements:

| | 2022 | 2021 |
|--------------------------------------|----------------|---------------|
| | £ | £ |
| Acquisition of tangible fixed assets | 370,590 | 90,379 |
| | <u>370,590</u> | <u>90,379</u> |

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

24 Directors' transactions

Advances or credits have been granted by the company to its directors as follows:

Interest is not charged on amounts due to directors. Interest is charged on amounts due to group at the indicated interest rate below. There are no repayment terms.

| Description | % Rate | Opening balance | Closing balance |
|-------------|--------|-----------------|-----------------|
| | | £ | £ |
| Loan | - | 1,697 | 1,697 |
| | | <u>1,697</u> | <u>1,697</u> |

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

| | 2022 | 2021 |
|------------------------|---------|---------|
| | £ | £ |
| Aggregate compensation | 333,836 | 329,535 |

Transactions with related parties

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

| | Purchases 2022 | Purchases 2021 |
|-----------------------|-------------------|-------------------|
| | £ | £ |
| Other related parties | 8,588 | 4,399 |

| | Interest and management charge income | | Rent paid | |
|-------------------------------|--|--------|-----------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| | £ | £ | £ | £ |
| Entities under common control | 61,220 | 34,267 | 472,800 | 236,400 |

| | 2022 | 2021 |
|---|---------|---------|
| | £ | £ |
| Amounts due to related parties | | |
| Entities with control, joint control or significant influence over the company | 400,000 | 399,945 |

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

25 Related party transactions (Continued)

At the year end, the company had an intercompany liability to the parent, KatMax UK Holdings Limited of £400,000 (2021: £399,945).

The following amounts were outstanding at the reporting end date:

| | 2022 | 2021 |
|---|-----------|-----------|
| | £ | £ |
| Amounts due from related parties | | |
| Entities under common control | 1,871,669 | 2,186,593 |

The balance at year end is £1,871,669 (2021: £2,186,593) with £315,200 repaid by the balance sheet date. The agreement states that the term of the loan is 10 years (120 months). Repayments are made in 120 consecutive monthly instalments of £20,896 commencing on 28 July 2021. The interest charged is 3.45% per annum calculated monthly not in advance. As described in note 16, £195,515 is due under one year, and £1,676,154 is due over one year.

26 Ultimate controlling party

The company is controlled by KatMax UK Holdings Limited, a company registered in England and Wales, and the smallest and largest group into which the results of the company are consolidated.

Consolidated accounts of KatMax UK Holdings Limited are available from Unit 2, Greenways Business Park, Bellinger Close, Chippenham, Wiltshire, SN15 1BN.

Karl Heinz Brackhaus is the ultimate controlling party of the company by virtue of 100% effective control.

27 Cash generated from/(absorbed by) operations

| | 2022 | 2021 |
|--|------------------|--------------------|
| | £ | £ |
| Profit for the year after tax | 775,654 | 1,389,041 |
| Adjustments for: | | |
| Non-cash prior year adjustments | - | (301,170) |
| Taxation charged/(credited) | 113,119 | (149,515) |
| Finance costs | 13,494 | 86,147 |
| Investment income | (61,974) | (33,321) |
| Loss on disposal of tangible fixed assets | 12,460 | 77,943 |
| Amortisation and impairment of intangible assets | 49,599 | 44,455 |
| Depreciation and impairment of tangible fixed assets | 152,361 | 327,221 |
| Movements in working capital: | | |
| Increase in stocks | (63,241) | (38,675) |
| Decrease/(increase) in debtors | 464,150 | (2,514,577) |
| Decrease in creditors | (301,294) | (5,922,147) |
| Cash generated from/(absorbed by) operations | 1,154,328 | (7,034,598) |

NATURAL INSTINCT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

28 Analysis of changes in net funds

| | 1 January 2022 | Cash flows | New finance leases | 31 December 2022 |
|----------------------------------|------------------|------------------|--------------------|------------------|
| | £ | £ | £ | £ |
| Cash at bank and in hand | 1,356,716 | (547,883) | - | 808,833 |
| Obligations under finance leases | (148,786) | 125,825 | (286,906) | (309,867) |
| | <u>1,207,930</u> | <u>(422,058)</u> | <u>(286,906)</u> | <u>498,966</u> |

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