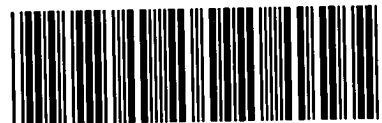


Company Registration No. 07781711 (England and Wales)

FORTHGLADE FOODS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2022

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FORTHGLADE FOODS LIMITED

COMPANY INFORMATION

Directors	P A J Horton J E Kennedy M Jolley D L Cox S L Smith
Secretary	Michelmores Secretaries Limited
Company number	07781711
Registered office	Woodwater House Pynes Hill Exeter EX2 5WR
Auditor	RSM UK Audit LLP Chartered Accountants 2nd Floor 1 The Square Temple Quay Bristol BS1 6DG

FORTHGLADE FOODS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors present the strategic report for the year ended 30 September 2022.

Review of the business and key performance indicators

Forthglade is a leading brand in the natural pet food market delivering strong growth as the benefits of feeding our beloved dogs natural food becomes better understood.

The directors consider the key performance indicators of the business to be sales, gross margin and adjusted EBITDA (earnings before interest, tax, depreciation, gain or loss on disposal of fixed assets, and amortisation), and these are summarised below:

	2022 £	2021 £
Turnover	31,951,026	26,146,512
Gross margin	28.75%	32.07%
Adjusted EBITDA	2,022,838	2,687,459

During the year, turnover increased by 22% to £32m, with the Forthglade brand growing sales across its portfolio of wet food, dry food and dog treats. Sales grew across all channels to market, with a particularly strong performance from its direct-to-consumer website, Forthglade.com. Forthglade's private label business also performed strongly.

Gross margin in the year was impacted by ongoing global supply chain, utility cost and labour challenges. The company has adapted and responded to those challenges and is confident in the measures taken to rebuild gross margin back to previous levels.

EBITDA for the year was affected by the gross margin challenges and reflects upfront investment by the company putting in place the right people, process and infrastructure to efficiently and effectively deliver on our future ambitions. During the year Forthglade also invested £5.3m in automation of its manufacturing facility in Okehampton.

Future developments

Forthglade continues to grow brand awareness and develop additional products in its portfolio to complement its existing wet dog food such as dry food and treats.

Following the investment into automating the factory, Forthglade has a state-of-the-art manufacturing facility and will focus on leveraging this to deliver future growth.

The directors continue to believe in the strength of the Forthglade product, the brand's position as a leader in the natural pet food market and the benefits of natural food as the diet for our beloved pets.

Principal risks and uncertainties

The company's activities expose it to a number of financial risks, including credit risk, price risk and liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effect on the financial performance of the company by monitoring and mitigating these risks.

- **Credit risk** - Credit risk arises from credit exposure to retail and wholesale customers, and from cash and cash equivalents held at financial institutions. Credit risk is managed by the utilisation of credit limits, which are regularly reviewed, and credit insurance.
- **Price risk** - The company is exposed to commodity price risk as a result of its operations. Management actively monitor the costs of ingredients, packaging and energy on a weekly basis to ensure that price risk is minimised.
- **Liquidity risk** - The company maintains balances of cash and cash equivalents sufficient to fund ongoing operations and future developments, supported by a flexible debt finance facility.

FORTHGLADE FOODS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

Going concern

The current economic climate continues to be challenging with high inflation and interest rates affecting consumer purchasing behaviours and continuing high input costs driven by raw material and utility prices.

Whilst sales continue to grow the directors have undertaken a detailed assessment of the future prospects assessing the use of the going concern basis. They have updated their consideration of the expected levels of trading and associated cash flows, considering the potential impacts of reasonably foreseeable events.

Based on the planning and forecasting undertaken the directors are satisfied that the company will continue to have sufficient resources to meet its liabilities as they fall due for at least one year from the date of approval of the financial statements. Further details are set out in note 1.

On behalf of the board

S L Smith

.....
S L Smith

Director

Date: 29/06/23
.....

FORTHGLADE FOODS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors present their annual report and financial statements for the year ended 30 September 2022. Information on future developments, credit, price and liquidity risks and related financial risk management objectives and policies is not shown in the directors' report as it is included in the strategic report as permitted by CA2006 s414C(11).

Principal activities

The principal activity of the company continued to be the development, manufacture and distribution of natural pet food, with both 'private label' products for brands and retailers, and the company's own Forthglade brand of pet food, which is sold to wholesale and retail customers and direct to consumers via the Forthglade webshop.

Results and dividends

The results for the year are set out on page 8. No ordinary dividends were paid. 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:

G P Lovell	(Resigned 31 January 2022)
C D Brooking	(Resigned 31 January 2022)
P A J Horton	
J E Kennedy	
G S Jones	(Resigned 18 April 2023)
M Jolley	
D L Cox	(Appointed 26 January 2022)
S L Smith	(Appointed 24 April 2023)

Directors' insurance

The company maintains insurance covering its directors, officers and senior managerial staff.

Research and development

The company continued to undertake research and development into pet food products and manufacturing processes during the period, and further expenditure will be incurred in the coming year. The company has a healthy pipeline of new products which will support sales growth in the years ahead.

Auditor

RSM UK Audit LLP has indicated its willingness to continue in office.

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, each director has taken all the necessary steps that they ought to have taken as a director 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

S L Smith

.....
S L Smith
Director

Date: 29/06/23
.....

FORTHGLADE FOODS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors are responsible for preparing the Strategic Report and the Directors' 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTHGLADE FOODS LIMITED

Opinion

We have audited the financial statements of Forthglade Foods Limited (the 'company') for the year ended 30 September 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the 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.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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 the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

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

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102 and compliance with the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included, reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to the Animal Plant Health Authority, food safety and general health and safety. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations, inspected the relevant inspection reports and certification, and reviewed internal health and safety logs.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, testing the recognition of a sample of revenue items both pre and post year end with reference to the relevant contractual and shipping documentation and utilising data analytic software to identify expected and unexpected groupings of revenue transactions in order to test a sample of unexpected transactions and testing the reliability of the underlying data used to map revenue relationships.

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

Use of our report

This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.

Dominic Finn

Dominic Finn ACA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
2nd Floor
1 The Square
Temple Quay
Bristol
BS1 6DG
29/06/23
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FORTHGLADE FOODS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	31,951,026	26,146,512
Cost of sales		(22,766,101)	(17,762,361)
Gross profit		9,184,925	8,384,151
Administrative expenses		(7,927,395)	(6,358,271)
Other operating income	6	-	27,377
Operating profit	6	1,257,530	2,053,257
Interest receivable and similar income	8	6,407	5,683
Profit before taxation		1,263,937	2,058,940
Tax on profit	9	(342,463)	(241,374)
Profit for the financial year		921,474	1,817,566

FORTHGLADE FOODS LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 30 SEPTEMBER 2022**

	Notes	2022 £	£	2021 £	£
Fixed assets					
Intangible assets	10	135,212		40,300	
Tangible assets	11	17,727,621		13,156,013	
		<u>17,862,833</u>		<u>13,196,313</u>	
Current assets					
Stocks	12	3,257,399		1,749,347	
Debtors	13	6,950,821		5,244,103	
Cash at bank and in hand		3,416,698		5,446,555	
		<u>13,624,918</u>		<u>12,440,005</u>	
Creditors: amounts falling due within one year	14	(15,600,165)		(11,003,004)	
Net current (liabilities)/assets		<u>(1,975,247)</u>		<u>1,437,001</u>	
Total assets less current liabilities		<u>15,887,586</u>		<u>14,633,314</u>	
Provisions for liabilities	15	(1,062,401)		(729,603)	
Net assets		<u>14,825,185</u>		<u>13,903,711</u>	
Capital and reserves					
Called up share capital	17	300,000		300,000	
Profit and loss reserves	18	14,525,185		13,603,711	
Total equity		<u>14,825,185</u>		<u>13,903,711</u>	

The financial statements were approved by the board of directors and authorised for issue on 29/06/23 and are signed on its behalf by:

S L Smith

S L Smith
Director

FORTHGLADE FOODS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 October 2020	300,000	11,786,145	12,086,145
Year ended 30 September 2021:			
Profit and total comprehensive income for the year	-	1,817,566	1,817,566
Balance at 30 September 2021	300,000	13,603,711	13,903,711
Year ended 30 September 2022:			
Profit and total comprehensive income for the year	-	921,474	921,474
Balance at 30 September 2022	300,000	14,525,185	14,825,185

FORTHGLADE FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

Company information

Forthglade Foods Limited is a private company limited by shares incorporated in England and Wales. The registered office is Woodwater House, Pynes Hill, Exeter, EX2 5WR.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

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.

Reduced disclosures

The company is a qualifying entity under the FRS 102 Reduced Disclosure Framework and has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values, details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Forthglade Pet Food Topco Limited. The consolidated financial statements of Forthglade Pet Food Topco Limited are available from its registered office, Woodwater House, Pynes Hill, Exeter, EX2 5WR.

Going concern

The company is a member of the Forthglade Pet Food Topco Limited group of companies. The group maintains central treasury and cashflow management, with debt subject to cross guarantees from each entity. The directors are common to each entity within the group and will ensure that such liquidity as required will be made available to the company in order that it can meet its liabilities as they fall due.

The current economic climate continues to be challenging with high inflation and interest rates affecting consumer purchasing behaviours and continuing high input costs driven by raw material and utility prices.

Whilst sales continue to grow the directors have undertaken a detailed assessment of the future prospects assessing the use of the going concern basis. They have updated their consideration of the expected levels of trading and associated cash flows, considering the potential impacts of reasonably foreseeable events.

In April 2023, the group undertook a refinancing exercise with its lenders which resulted in repaying £5m of the capex loan facility drawn down to fund the automation of the manufacturing facility (with associated amendments to the financial covenant package), funded by the issue of loan notes to existing shareholders accruing interest at 10% per annum.

Based on the planning and forecasting undertaken the directors are satisfied that the company will continue to have sufficient resources to meet its liabilities as they fall due for at least one year from the date of approval of the financial statements.

FORTHGLADE FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies (Continued)

Turnover

Turnover represents net invoiced sales of goods, excluding Value Added Tax. Turnover is recognised when the goods are physically delivered to the customer.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

Intangible fixed assets - goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2011, is being amortised evenly over its estimated useful life of ten years.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business combination 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 of assets less their residual values over their useful lives on the following bases:

Website	20-33% straight line
Software	20% straight line

Tangible fixed assets

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

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

Freehold property	Straight line over 40 years
Plant and machinery	5-20% straight line
Fixtures and fittings	20-33% straight line
Computer equipment	20-33% straight line

Freehold land and assets in the course of construction are 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.

Stocks

Stocks comprise raw materials, work in progress and finished goods. Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. 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.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and bank deposits held at call or with original maturities of three months or less.

FORTHGLADE FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies (Continued)

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 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 are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost. 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.

Basic financial liabilities

Basic financial liabilities 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. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

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

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable. Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are not taxable or deductible, or that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

FORTHGLADE FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies (Continued)

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.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

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.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

FORTHGLADE FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 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.

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

Useful economic lives of tangible assets

The annual depreciation charge is sensitive to any changes in the estimated useful life and residual values of tangible assets. The useful economic lives and residual value is assessed on an annual basis and are amended only when evidence shows a change in the estimated economic lives or residual life. Criteria used to assess the economic life and residual value includes technological advancement, economic utilisation, physical condition of the asset and future investments.

Valuation of stocks

Finished goods are valued at standard cost using estimated inputs determined on as accurate a basis as possible. The inputs are updated periodically using average purchase prices.

Impairment of stocks

The company's products are subject to changing market demand. It is therefore necessary to consider on a periodic basis the recoverability of the cost of stocks and the associated impairment. Management calculates impairments by considering the nature and condition of the stocks and applies assumptions around anticipated saleability of finished goods and future usage of raw materials, overheads and labour.

Impairment of trade debtors

On a periodic basis management makes an estimation of the recoverability of trade debtors. Management makes such estimations based on the credit rating of debtors, the ageing profile, and historical experience.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2022 £	2021 £
Turnover analysed by class of business		
Development, manufacture and distribution of natural pet food	31,951,026	26,146,512
	<u>31,951,026</u>	<u>26,146,512</u>
	2022 £	2021 £
Turnover analysed by geographical market (destination)		
United Kingdom	30,832,576	25,100,499
Rest of Europe	1,118,450	1,046,013
	<u>31,951,026</u>	<u>26,146,512</u>

FORTHGLADE FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

4 Employees

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

	2022 Number	2021 Number
Administration	55	41
Production	147	103
Maintenance	8	7
Total	210	151

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	6,033,045	4,828,062
Social security costs	656,842	481,969
Pension costs	216,160	167,447
	6,906,047	5,477,478

5 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	868,704	789,332
Company pension contributions to defined contribution schemes	74,374	55,004
	943,078	844,336

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 7 (2021 - 7).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022 £	2021 £
Remuneration for qualifying services	225,000	146,115
Company pension contributions to defined contribution schemes	18,583	10,880

FORTHGLADE FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

6 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange differences	29,929	7,819
Government grants	-	(27,377)
Depreciation of owned tangible fixed assets	748,829	619,948
Loss/(profit) on disposal of tangible fixed assets	209	(4,067)
Amortisation of intangible assets	16,270	18,321
Operating lease charges	21,650	26,504

Government grants reflect amounts received under the Coronavirus Job Retention Scheme to offset the employment costs of staff furloughed during the outbreak of COVID-19.

In the statement of comprehensive income, amortisation is charged to administrative expenses.

7 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	23,150	19,065

8 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	5,595	5,683
Other interest income	812	-
Total income	6,407	5,683

FORTHGLADE FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

9 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	-	42,393
Adjustments in respect of prior periods	9,665	453
Total current tax	9,665	42,846
Deferred tax		
Origination and reversal of timing differences	339,038	199,785
Adjustment in respect of prior periods	(6,240)	(1,257)
Total deferred tax	332,798	198,528
Total tax charge	342,463	241,374

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	1,263,937	2,058,940
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	240,148	391,199
Tax effect of expenses that are not deductible in determining taxable profit	10,966	4,846
Adjustments in respect of prior years	9,665	453
Group relief	-	(355,773)
Depreciation on assets not qualifying for tax allowances	6,555	26,802
Deferred tax adjustments in respect of prior years	(6,240)	(1,257)
Remeasurement of deferred tax for changes in tax rates	81,369	175,104
Taxation charge for the year	342,463	241,374

Factors that may affect future tax charges

The main rate of corporation tax in the UK will rise from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021.

FORTHGLADE FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

10 Intangible fixed assets

	Goodwill £	Website £	Software £	Total £
Cost				
At 1 October 2021	50,003	93,684	-	143,687
Additions	-	-	111,182	111,182
At 30 September 2022	50,003	93,684	111,182	254,869
Amortisation and impairment				
At 1 October 2021	50,003	53,384	-	103,387
Amortisation charged for the year	-	10,711	5,559	16,270
At 30 September 2022	50,003	64,095	5,559	119,657
Carrying amount				
At 30 September 2022	-	29,589	105,623	135,212
At 30 September 2021	-	40,300	-	40,300

11 Tangible fixed assets

	Freehold property £	Assets under construction £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 October 2021	7,970,664	2,925,150	4,536,672	64,452	109,485	15,606,423
Additions	-	5,124,023	121,168	2,062	74,061	5,321,314
Disposals	-	-	-	-	(2,936)	(2,936)
Transfers	-	(7,176,015)	7,176,015	-	-	-
At 30 September 2022	7,970,664	873,158	11,833,855	66,514	180,610	20,924,801
Depreciation and impairment						
At 1 October 2021	489,151	-	1,872,029	27,186	62,044	2,450,410
Depreciation charged in the year	186,718	-	511,909	13,177	37,025	748,829
Eliminated in respect of disposals	-	-	-	-	(2,059)	(2,059)
At 30 September 2022	675,869	-	2,383,938	40,363	97,010	3,197,180
Carrying amount						
At 30 September 2022	7,294,795	873,158	9,449,917	26,151	83,600	17,727,621
At 30 September 2021	7,481,513	2,925,150	2,664,643	37,266	47,441	13,156,013

FORTHGLADE FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

12 Stocks

	2022 £	2021 £
Raw materials and consumables	1,665,801	1,220,415
Work in progress	42,610	20,400
Finished goods and goods for resale	1,548,988	508,532
	<u>3,257,399</u>	<u>1,749,347</u>

13 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	5,233,986	3,668,784
Corporation tax recoverable	23,793	63,234
Amounts owed by group undertakings	1,145,284	1,145,284
Prepayments and accrued income	547,758	366,801
	<u>6,950,821</u>	<u>5,244,103</u>

14 Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	2,676,123	1,693,323
Amounts owed to group undertakings	8,077,015	7,119,709
Taxation and social security	837,203	1,161,763
Other creditors	50,245	69,747
Accruals and deferred income	3,959,579	958,462
	<u>15,600,165</u>	<u>11,003,004</u>

15 Deferred taxation

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

	Liabilities 2022 £	Liabilities 2021 £
Balances:		
Fixed asset timing differences	1,187,438	741,684
Losses and other deductions	(106,311)	-
Short term timing differences	(18,726)	(12,081)
	<u>1,062,401</u>	<u>729,603</u>

FORTHGLADE FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

15 Deferred taxation (Continued)

	2022 £
Movements in the year:	
Liability at 1 October 2021	729,603
Charge to profit or loss	332,798
Liability at 30 September 2022	<u>1,062,401</u>

It is not possible to provide any meaningful estimate of the extent to which the deferred tax liabilities shown above will reverse within the next twelve months, as reversal is affected by multiple factors which cannot be reliably estimated.

16 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>216,160</u>	<u>167,447</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.

17 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>

The company has one class of ordinary shares. The shares carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

18 Reserves

Profit and loss reserves

The profit and loss reserves reflect cumulative profit and losses net of distributions to members.

19 Financial commitments, guarantees and contingent liabilities

The company is party to a cross-guarantee dated 3 November 2020 giving fixed and floating charges over its property and undertakings in relation to the bank borrowings of its immediate parent company Forthglade Pet Food Bidco Limited. At the reporting date these borrowings were £28.4m (2021 - £25.4m).

FORTHGLADE FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

20 Operating lease commitments

Operating lease payments reflect rentals payable by the company for certain vehicles and other equipment.

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	52,805	22,088
Between one and five years	117,732	29,348
	<u>170,537</u>	<u>51,436</u>

21 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022 £	2021 £
Acquisition of tangible fixed assets	<u>219,807</u>	<u>3,723,569</u>

22 Related party transactions

The company has taken advantage of the exemption available under Section 33 of FRS102 and has not disclosed details of transactions or balances with other wholly-owned group companies.

On their exit from the business during the year, two directors purchased laptop computers and mobile phones totalling £666. There were no equivalent transactions in the comparative period, and no amounts were outstanding in relation to these transactions at the beginning or end of the current or previous year.

23 Ultimate controlling party

The immediate parent company is Forthglade Foods Holdings Limited. The ultimate parent company is Forthglade Pet Food Topco Limited. Both companies are incorporated in the United Kingdom and registered in England and Wales.

Forthglade Pet Food Topco Limited heads the largest and smallest group in which the results and financial position of the company are consolidated. Its consolidated financial statements are available from its registered office, Woodwater House, Pynes Hill, Exeter, EX2 5WR.

The company is controlled by IK Investment Partners by virtue of their majority ownership of the issued share capital of Forthglade Pet Food Topco Limited through their wholly-owned entity FPF INTERNATIONAL S.À.R.L. which holds 80.138% of the A Ordinary shares and 80.145% of the preference shares. The entity does not hold any of the B Ordinary shares. However, those shares have no voting rights.