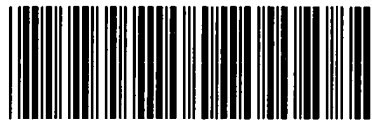


Company Registration No. 07781711 (England and Wales)

**FORTHGLADE FOODS LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 SEPTEMBER 2020**

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# FORTHGLADE FOODS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	G P Lovell C D Brooking P A J Horton G S Dawson J E Kennedy
<b>Secretary</b>	Michelmores Secretaries Limited
<b>Company number</b>	07781711
<b>Registered office</b>	Woodwater House Pynes Hill Exeter EX2 5WR
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants Hartwell House 55-61 Victoria Street Bristol BS1 6AD

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# FORTHGLADE FOODS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 SEPTEMBER 2020

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The directors present the strategic report for the year ended 30 September 2020.

#### Review of the business and key performance indicators

The year to 30 September 2020 saw further significant progress for the company, despite the challenges posted by the COVID-19 pandemic, with record turnover and profits achieved.

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

	2020 £	2019 £
Turnover	22,102,415	19,988,695
Gross margin	36.86%	32.11%
EBITDA	4,058,385	2,974,589

Turnover increased by 11% to £22.1m, driven by strong growth in the Forthglade brand, which now encompasses wet dog, dry dog food and dog treats. The pandemic caused significant changes in shopping behaviour and our strength across multiple sales channels meant that we were able to quickly adapt and ensure our customers continued to be able to buy Forthglade wherever they shop.

Gross margin increased from 32.1% to 36.9%, reflecting further gains from, and ongoing investment in, our custom-built factory that opened in late 2018.

EBITDA increased by 36% from £3.0m to £4.1m, which included exceptional costs of £0.3m. Underlying EBITDA was £4.4m.

On 28 August 2020 the parent company, Forthglade Foods Holdings Limited, was acquired by entities controlled by the funds managed by IK Investment Partners Group. On the same date the outstanding bank loans were repaid, and new long term funding was provided by Forthglade Pet Food Bidco Limited, an intermediate parent company. The new ultimate parent company is Forthglade Pet Food Topco Limited.

#### Future developments

Sales growth has continued into the new financial year and the company is embarking on a significant investment program to increase capacity at the Okehampton site.

#### 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 2020

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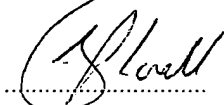
### COVID-19

At the time of approval of these financial statements the outbreak of 'COVID-19' has given rise to additional risk and uncertainty. The directors have considered these risks and taken steps and actions they consider appropriate to minimise the associated impact. These include, and are not limited to, preparation of business continuity plans, including risk assessment and readiness evaluations covering all business functions. Regular communications have been made to staff and the company's stakeholders to minimise disruption.

### Going concern

The company's group has maintained sufficient liquidity throughout the period of COVID-19 and is projected to continue in generating cash for the foreseeable future. Therefore, the directors have concluded that no material uncertainty exists as to the ability of the group and company to continue as a going concern and that it remains appropriate to prepare the financial statements on that basis.

On behalf of the board



G P Lovell

Director

Date: 26-02-21

# FORTHGLADE FOODS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 SEPTEMBER 2020

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The directors present their annual report and financial statements for the year ended 30 September 2020. 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.

#### 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

C D Brooking

P C E Farquhar

(Resigned 28 August 2020)

P A J Horton

G S Dawson

J E Kennedy

#### Results and dividends

The results for the year are set out on page 7. No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

#### 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.

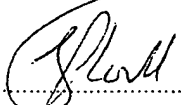
#### Auditor

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



G P Lovell

Director

Date: 26-02-21

# **FORTHGLADE FOODS LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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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**

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## **Opinion**

We have audited the financial statements of Forthglade Foods Limited (the 'company') for the year ended 30 September 2020 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the 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)

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### 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 and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

*RSM UK Audit LLP*

Hywel Pegler (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6AD  
26/02/2021



# FORTHGLADE FOODS LIMITED

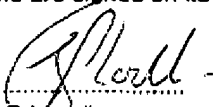
## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	22,102,415	19,988,695
Cost of sales		(13,955,334)	(13,571,296)
<b>Gross profit</b>		<b>8,147,081</b>	<b>6,417,399</b>
Administrative expenses		(4,771,703)	(3,991,506)
Other operating income	6	71,310	-
<b>Operating profit</b>	6	<b>3,446,688</b>	<b>2,425,893</b>
Interest receivable and similar income	7	1,258	317
Interest payable and similar expenses	8	(188,509)	(207,821)
<b>Profit before taxation</b>		<b>3,259,437</b>	<b>2,218,389</b>
Tax on profit	9	(323,405)	(365,060)
<b>Profit for the financial year</b>		<b>2,936,032</b>	<b>1,853,329</b>

**FORTHGLADE FOODS LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 30 SEPTEMBER 2020**

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Goodwill	10		5,000		10,001
Other intangible assets	10		5,721		15,762
Total intangible assets			10,721		25,763
Tangible assets	11		9,596,036		9,864,139
			9,606,757		9,889,902
<b>Current assets</b>					
Stocks	12	1,579,437		1,574,130	
Debtors	13	4,086,149		2,720,179	
Cash at bank and in hand		3,611,223		1,641,356	
			9,276,809		5,935,665
<b>Creditors: amounts falling due within one year</b>	14	(6,266,346)		(3,524,581)	
<b>Net current assets</b>			3,010,463		2,411,084
<b>Total assets less current liabilities</b>			12,617,220		12,300,986
<b>Creditors: amounts falling due after more than one year</b>	15		-		(2,735,892)
<b>Provisions for liabilities</b>	17		(531,075)		(414,981)
<b>Net assets</b>			12,086,145		9,150,113
<b>Capital and reserves</b>					
Called up share capital	20	300,000		300,000	
Profit and loss reserves	21	11,786,145		8,850,113	
<b>Total equity</b>			12,086,145		9,150,113

The financial statements were approved by the board of directors and authorised for issue on 26-02-21 and are signed on its behalf by:

  
 G R Lovell  
 Director

# FORTHGLADE FOODS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 October 2018	300,000	6,996,784	7,296,784
Year ended 30 September 2019: Profit and total comprehensive income for the year	-	1,853,329	1,853,329
Balance at 30 September 2019	300,000	8,850,113	9,150,113
Year ended 30 September 2020: Profit and total comprehensive income for the year	-	2,936,032	2,936,032
Balance at 30 September 2020	300,000	11,786,145	12,086,145

# FORTHGLADE FOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

---

### 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 pet food market has remained resilient to the wider impacts of COVID-19, which is supported by underlying trade in the period to 30 September 2020 and in the period to the approval of these financial statements. As such these financial statements have been prepared on a going concern basis.

In forming this conclusion, the directors have conducted a detailed trading and cashflow forecasts for a period of at least 12 months from the approval of these financial statements, which have considered the potential impacts of COVID-19 on performance, including sensitivities to any related loan covenants.

The Forthglade Pet Food Topco Limited group is funded through a mixture of preference shares, unsecured redeemable loan notes and bank debt which is subject to cross guarantees against all entities in the group. This structure was implemented as part of the financing of the purchase of the Forthglade Food Holdings Limited group of companies by the group (see note 16). The bank debt is subject to long term agreements with the group's bankers, who are supportive of the group and with whom the directors maintain regular dialogue.

The group has maintained sufficient liquidity throughout the period of COVID-19 and is projected to continue in generating cash for the foreseeable future. Therefore, the directors have concluded that no material uncertainty exists as to the ability of the group and company to continue as a going concern and that it remains appropriate to prepare the financial statements on that basis.

# FORTHGLADE FOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### 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 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	33% on cost, 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% on cost, straight line
Fixtures and fittings	20% on cost, straight line
Computer equipment	33% on cost and 20% on cost, 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.

# FORTHGLADE FOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### 1 Accounting policies (Continued)

#### 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.

#### 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, which include trade and other debtors, 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, including trade and other creditors, bank loans and loans from fellow group companies, 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.

# **FORTHGLADE FOODS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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### **1 Accounting policies (Continued)**

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.

#### **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 2020

### 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:

	2020 £	2019 £
<b>Turnover analysed by class of business</b>		
Development, manufacture and distribution of natural pet food	22,102,415	19,988,695
	<u>          </u>	<u>          </u>
	2020 £	2019 £
<b>Other revenue</b>		
Grants received	71,310	-
	<u>          </u>	<u>          </u>



# FORTHGLADE FOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 3 Turnover and other revenue (Continued)

	2020 £	2019 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	22,102,415	18,464,727
Europe	-	1,514,140
Rest of World	-	9,828
	<u>22,102,415</u>	<u>19,988,695</u>

### 4 Employees

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

	2020 Number	2019 Number
Administration	31	27
Production	108	102
Maintenance	4	4
	<u>143</u>	<u>133</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	4,162,153	3,868,115
Social security costs	399,743	381,422
Pension costs	110,651	66,021
	<u>4,672,547</u>	<u>4,315,558</u>

### 5 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	701,058	595,293
Company pension contributions to defined contribution schemes	9,680	22,212
	<u>710,738</u>	<u>617,505</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2019 - 5).

# FORTHGLADE FOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 5 Directors' remuneration (Continued)

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

	2020 £	2019 £
Remuneration for qualifying services	154,000	158,787
Company pension contributions to defined contribution schemes	2,144	1,061

### 6 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	13,350	3,415
Government grants	(71,310)	-
Fees payable to the company's auditor for the audit of the company's financial statements	15,000	18,000
Depreciation of owned tangible fixed assets	584,238	541,076
Loss/(profit) on disposal of tangible fixed assets	9,022	(11,689)
Amortisation of intangible assets	18,437	19,309
Operating lease charges	17,201	30,000

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.

### 7 Interest receivable and similar income

	2020 £	2019 £
<b>Interest income</b>		
Interest on bank deposits	1,258	317

### 8 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank loans	188,157	206,877
Interest on finance leases and hire purchase contracts	-	944
Other interest	352	-
	188,509	207,821

# FORTHGLADE FOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 9 Taxation

	2020 £	2019 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	226,420	219,520
Adjustments in respect of prior periods	(19,109)	17,865
Total current tax	207,311	237,385
<b>Deferred tax</b>		
Origination and reversal of timing differences	116,094	127,675
Total tax charge	323,405	365,060

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:

	2020 £	2019 £
Profit before taxation	3,259,437	2,218,389
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	619,293	421,494
Tax effect of expenses that are not deductible in determining taxable profit	1,309	4,845
Adjustments in respect of prior years	(19,109)	17,865
Group relief	(344,422)	(80,613)
Depreciation on assets not qualifying for tax allowances	17,513	16,489
Remeasurement of deferred tax for changes in tax rates	48,821	(15,020)
Taxation charge for the year	323,405	365,060

# FORTHGLADE FOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 10 Intangible fixed assets

	Goodwill £	Website £	Total £
<b>Cost</b>			
At 1 October 2019	50,003	42,929	92,932
Additions - separately acquired	-	3,395	3,395
At 30 September 2020	50,003	46,324	96,327
<b>Amortisation and impairment</b>			
At 1 October 2019	40,002	27,167	67,169
Amortisation charged for the year	5,001	13,436	18,437
At 30 September 2020	45,003	40,603	85,606
<b>Carrying amount</b>			
At 30 September 2020	5,000	5,721	10,721
At 30 September 2019	10,001	15,762	25,763

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

### 11 Tangible fixed assets

	Freehold property £	Assets under construction £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>						
At 1 October 2019	6,784,049	55,200	4,236,022	44,166	51,829	11,171,266
Additions	-	194,531	89,861	6,979	33,785	325,156
Disposals	-	-	(28,444)	(3,756)	(6,182)	(38,382)
Transfers	-	(197,054)	197,054	-	-	-
At 30 September 2020	6,784,049	52,677	4,494,493	47,389	79,432	11,458,040
<b>Depreciation and impairment</b>						
At 1 October 2019	170,101	-	1,097,422	11,597	28,007	1,307,127
Depreciation charged in the year	157,053	-	398,981	9,002	19,202	584,238
Eliminated in respect of disposals	-	-	(19,423)	(3,756)	(6,182)	(29,361)
At 30 September 2020	327,154	-	1,476,980	16,843	41,027	1,862,004
<b>Carrying amount</b>						
At 30 September 2020	6,456,895	52,677	3,017,513	30,546	38,405	9,596,036
At 30 September 2019	6,613,948	55,200	3,138,600	32,569	23,822	9,864,139

# FORTHGLADE FOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 12 Stocks

	2020 £	2019 £
Raw materials and consumables	941,037	869,172
Work in progress	19,440	18,102
Finished goods and goods for resale	618,960	686,856
	<u>1,579,437</u>	<u>1,574,130</u>

### 13 Debtors

	2020 £	2019 £
<b>Amounts falling due within one year:</b>		
Trade debtors	3,017,573	2,384,824
Corporation tax recoverable	220,021	-
Amounts owed by group undertakings	644,416	95,494
Prepayments and accrued income	204,139	239,861
	<u>4,086,149</u>	<u>2,720,179</u>

In the comparative period, prepayments included £90,435 interest and arrangement fees in relation to a Santander borrowing facility (see note 16). These amounts were being amortised over the term of the loan. The loan was repaid in full during the current period.

### 14 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Bank loans	16	-	640,000
Trade creditors		1,170,468	1,275,125
Amounts owed to group undertakings		2,964,805	-
Corporation tax		-	237,432
Other taxation and social security		1,370,743	686,503
Other creditors		54,578	7,420
Accruals and deferred income		705,752	678,101
		<u>6,266,346</u>	<u>3,524,581</u>

### 15 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Bank loans	16	-	2,735,892
		<u>-</u>	<u>2,735,892</u>

# FORTHGLADE FOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 16 Borrowings

	2020 £	2019 £
Bank loans	-	3,375,892
Payable within one year	-	640,000
Payable after one year	-	2,735,892

In the comparative period, bank loans reflected amounts drawn down under a total facility of £5m. The facility was subject to a range of agreements, one being a ratchet under which interest was between LIBOR +2.5% and LIBOR +5.0%. The facility was secured by a fixed and floating charge over the trade and assets of the company and was repayable in quarterly instalments of £160,000 with the remaining balance payable in full on 28 June 2022. The loan was repaid in full during the current period.

### 17 Provisions for liabilities

	Notes	2020 £	2019 £
Deferred tax liabilities	18	531,075	414,981

### 18 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 2020 £	Liabilities 2019 £
<b>Balances:</b>		
Fixed asset timing differences	536,955	420,242
Short term timing differences	(5,880)	(5,261)
	531,075	414,981
<b>Movements in the year:</b>		2020 £
Liability at 1 October 2019		414,981
Charge to profit or loss		116,094
Liability at 30 September 2020		531,075

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.

# FORTHGLADE FOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 19 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	110,651	66,021

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.

### 20 Share capital

	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
300,000 Ordinary shares of £1 each	300,000	300,000
	300,000	300,000

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.

### 21 Reserves

#### Profit and loss reserves

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

### 22 Financial commitments, guarantees and contingent liabilities

The company and its assets were previously subject to charges dated 22 September 2015 in relation to security for loan notes of £8.7m issued by the company's parent Forthglade Foods Holdings Limited. The loan notes were repaid during the year and the charges were satisfied in full.

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 £18.9m (2019 - £nil).

# FORTHGLADE FOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 23 Operating lease commitments

#### Lessee

Operating lease payments reflect rentals payable by the company for its premises and certain 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:

	2020 £	2019 £
Within one year	18,620	17,157
Between one and five years	9,700	14,147
	<u>28,320</u>	<u>31,304</u>

### 24 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2020 £	2019 £
Acquisition of tangible fixed assets	-	236,855
	<u>-</u>	<u>236,855</u>

### 25 Related party transactions

#### Transactions with directors

G P Lovell and C D Brooking previously held Secured Loan Notes in Forthglade Foods Holdings Limited to the value of £3,518,984 created under a Loan Note Instrument dated 22 September 2015. The Loan Notes were secured by way of a guarantee and debenture over the assets and undertaking of Forthglade Foods Limited and Forthglade Foods Holdings Limited. The loan notes were repaid during the year.

#### Transactions with other related parties

During the year, the company paid the former investor Piper Private Equity £47,905 in respect of monitoring fees and board meeting costs.

### 26 Ultimate controlling party

At the start of the year the immediate and ultimate parent company was Forthglade Foods Holdings Limited. Following a change in ownership on 28 August 2020, the ultimate parent company is now Forthglade Pet Food Topco Limited. Both companies are incorporated in the United Kingdom and registered in England and Wales.

Forthglade Pet Food Topco Limited now 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.

In the opinion of the directors, there is no overall controlling party.