

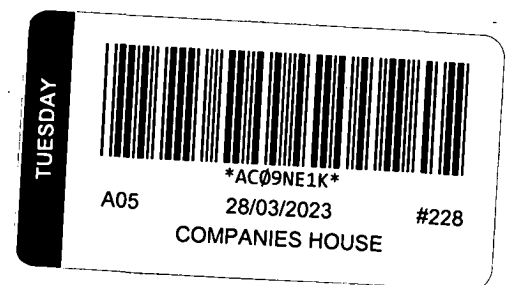
The Meatless Farm Limited
Annual report and financial statements
31 December 2021
Registered no: 10999468

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31 December 2021



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Company Information

Directors

M T Bech
H E Watson

Company Secretary

Oakwood Corporate Secretary Limited

Registered office

Graphical House 2 Wharf Street Leeds
LS2 7EQ

Accountants

RSM UK Tax and Accounting Limited Chartered Accountants
Central Square 5th Floor
29 Wellington Street Leeds
LS1 4DL

Directors' Report

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of the manufacture of food products.

Results and dividends

The results for the year are set out on page 5.

Directors

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

M T Bech	(Resigned 22 Dec 2021, Reappointed 15 March 2023)
H E Watson	(Appointed 12 March 2023)
M C Hunter	(Appointed 22 Dec 2021; Resigned 24 March 2023)
J Højer	(Resigned 22 Dec 2021)
L Zambelletti	(Resigned 22 Dec 2021)
A M Barker	(Resigned 22 Dec 2021)
H S J Mohaupt	(Resigned 22 Dec 2021)

Qualifying third party indemnity provisions

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

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board


Morten Toft Bech (Mar 24, 2023 19:55 GMT+1)

M T Bech
Director

Date: 23 March 2023

Statement of directors' responsibilities in respect of the annual report

The directors are responsible for preparing 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 under company law to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- 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.

Statement of comprehensive income
for the 12 months ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	4	12,487	7,505
Cost of sales		(13,224)	(6,951)
Gross (loss)/ profit		(737)	554
Other operating income	4	-	8
Administrative expenses		(22,197)	(16,131)
Operating loss	6	(22,934)	(15,569)
Interest receivable and similar income	7	-	1
Interest payable and similar expenses	7	(596)	(33)
Net interest expense	7	(596)	(32)
Loss before taxation		(23,530)	(15,601)
Income tax income	8	-	160
Total comprehensive loss for the year	22	(23,530)	(15,441)

Statement of financial position
at 31 December 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	9	32	284
Property, plant and equipment	10	931	1,275
Investments	11	-	-
		<u>963</u>	<u>1,559</u>
Current assets			
Inventories	12	2,364	3,554
Trade and other receivables	13	26,408	12,366
Cash and cash equivalents		434	6,549
		<u>29,206</u>	<u>22,469</u>
Current liabilities			
Trade and other payables	15	(5,497)	(2,833)
Lease liabilities	16	(128)	(123)
Borrowings	17	(3,345)	-
		<u>(8,970)</u>	<u>(2,956)</u>
Net current assets		<u>20,236</u>	<u>19,513</u>
Total assets less current liabilities		<u>21,199</u>	<u>21,072</u>
Non-current liabilities			
Lease liabilities	16	(244)	(372)
Amounts owed to Group undertakings	17	(22,185)	-
Net (liabilities)/ assets		<u>(1,230)</u>	<u>20,700</u>
Capital and reserves			
Called up share capital	20	-	-
Share premium account	21	38,407	38,407
Retained earnings	22	(39,637)	(17,707)
Total (deficit)/ equity		<u>(1,230)</u>	<u>20,700</u>

For the financial year ended 31 December 2021 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved by the board of directors and authorised for issue on 23 March 2023 and are signed on its behalf by:

Mtb

M T Bech
Director

Statement of changes in equity
for the year ended 31 December

	Note	Called up Share capital £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2020		-	5,636	(6,432)	(796)
Total comprehensive loss for the year		-	-	(15,440)	(15,440)
Issue of share capital	20	-	32,771	-	32,771
Credit to equity for equity settled share based payments		-	-	4,165	4,165
Balance at 31 December 2020		-	38,407	(17,707)	20,700
Total comprehensive loss for the year		-	-	(23,530)	(23,530)
Credit to equity for equity settled shared based payments		-	-	1,600	1,600
Balance at 31 December 2021		-	38,407	(39,637)	(1,230)

Statement of cash flows
for the year ended 31 December

	Note	2021 £'000	2020 £'000
Cash outflows from operating activities	23	(31,006)	(22,520)
Interest paid		(596)	(33)
Tax refunded		<u>-</u>	<u>160</u>
Net cash outflow from operating activities		(31,602)	(22,393)
Cash flows from investing activities			
Purchase of intangible assets		-	(247)
Purchase of property, plant and equipment		(28)	(683)
Proceeds from disposal of tangible assets		109	-
Incorporation of subsidiaries		-	-
Interest received		<u>-</u>	<u>1</u>
Net cash used in investing activities		<u>81</u>	<u>(929)</u>
Cash flows used in financing activities			
Proceeds from issue of shares		-	32,771
Issue of convertible loans		-	4,000
Redemption of convertible loans		-	(7,306)
Payment of lease liabilities		(123)	(62)
Proceeds from bridging loan		3,345	-
Proceeds from intercompany loan		<u>22,185</u>	<u>-</u>
Net cash from financing activities		<u>25,406</u>	<u>29,403</u>
Net movement in cash and cash equivalents		(6,115)	6,081
Cash and cash equivalents at the beginning of the year		<u>6,549</u>	<u>468</u>
Cash and cash equivalents at the end of the year		<u>434</u>	<u>6,549</u>

Notes to the financial statements

1 Accounting policies

Company information

The Meatless Farm Limited is a private company limited by shares incorporated in England and Wales. The registered office is Graphical House, 2 Wharf Street, Leeds, LS2 7EQ.

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

Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

These financial statements are the first financial statements of The Meatless Farm Limited prepared in accordance with IFRS. The financial statements for the year ended 31 December 2019 were prepared in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Some of the IFRS recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from FRS 102. Consequently, the directors have amended certain accounting policies to comply with IFRS.

Comparative figures have been restated to reflect the adjustments made. Refer to note 31 for further details.

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is a parent qualifies as a small group. The financial statements present information about the company as an individual entity and not about its group.

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 basis. The principal accounting policies adopted are set out below.

Going concern

At 31 December 2021, the company had net current assets of £20.2 million (2020 - £19.5 million) and net liabilities of £1.2 million (2020 - £20.7 million net assets) and made a loss for the year ended 31 December 2021 of £23.5 million (2020 - £15.4 million). At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources and shareholder support to continue in operational existence for the foreseeable future, including throughout any economic uncertainty. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue

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

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

Notes to the financial statements (continued)

1 Accounting policies (continued)

Intangible 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.

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

Development costs 10% straight line
Computer software 10% straight line

Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

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

Leasehold improvements	straight line over the lease term
Fixtures and fittings	25% straight line
Plant and equipment	25% straight line
Computers	33.33% straight line
Motor vehicles	25% straight line
Right of use asset	see below 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 recognised in the income statement.

Right-of-use assets

Initial and subsequent measurement of right-of-use assets

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the company.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

Leased land and buildings 20% straight line

Non-current investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Inventories

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

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

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

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cashflows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit losses is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

Compound instruments

The component parts of compound instruments issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity net of income tax effects and is not subsequently remeasured.

The terms of conversion result in a variable number of shares being issued, and as such no equity component of the instruments arises to be accounted for.

Notes to the financial statements (continued)

1 Accounting policies (Continued)

Equity instruments

Equity instruments issued by the company are recorded at the 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 tax currently payable and deferred tax.

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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 inventories or non-current assets.

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

Retirement benefits

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit or loss.

Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment.

Notes to the financial statements (continued)

1 Accounting policies (Continued)

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

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.

All translation differences are taken to profit or loss.

2 Adoption of new and revised standards and changes in accounting policies

Standards which are in issue but not yet effective

Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 31 December 2021. The impact of these new or amended Accounting Standards and Interpretations on initial application is not expected to be material.

Notes to the financial statements (continued)

3 Critical accounting estimates and judgements

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, if the revision affects only that period, or in the period of the revision and future periods if 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.

Critical judgements

Leases

When the interest rate implicit in the lease is not readily determinable, the company estimates the incremental borrowing rate based on its external borrowings secured against similar asset, adjusted for the term of the lease. The company applied rates of 4% to all its leases. The carrying value of lease liabilities is disclosed in note 16 of the financial statements.

Recoverability of amounts due from related undertakings

Amounts owed by related undertakings represent loans made to entities within the wider Meatless Farms group. At the statement of financial position date, the gross amount of such loans amounted to £32.3 million (2020 £11.4 million).

In accordance with IFRS 9 Financial Instruments, as the subsidiary undertaking cannot repay the loan at the reporting date, the company has made an assessment of expected lifetime credit losses. Management have considered multiple scenarios on the manner, timing and quantum of recovery, and have utilised these scenarios to develop a probability weighted expected lifetime credit loss for the balances with each individual related party. The total lifetime expected credit loss recognised amounted to £8.9 million (2020 £0.8 million).

The calculation of the allowance for lifetime expected credit losses requires a significant degree of estimation and judgement, in particular in determining the probability weighted likely outcome for each scenario. The assessment included repayment through future cash flows over time for each related party (which are inherently difficult to forecast given the current stage of development of the wider Meatless Farms group). The assessment also considered, for each balance, a scenario where the loan was not recovered in full.

Depreciation and amortisation

Depreciation and amortisation is charged to the income statement based on the useful economic life selected, which requires an estimation of the period and profile over which the company expects to consume the future economic benefits embodied in the assets. The carrying value of intangible assets and tangible assets is disclosed respectively in notes 11 and 12 of the financial statements.

Notes to the financial statements (continued)

4 Revenue

Revenue recognised from contracts with customers

	2021 £'000	2020 £'000
Manufacture of food products	<u>12,487</u>	<u>7,505</u>
	<u>12,487</u>	<u>7,505</u>

Revenue analysed by geographical location

	2021 £'000	2020 £'000
United Kingdom	8,319	5,382
Europe	1,034	290
United States	2,451	1,263
Rest of the World	<u>683</u>	<u>570</u>
	<u>12,487</u>	<u>7,505</u>

Other operating income

	2021 £'000	2020 £'000
Government grants received	<u>-</u>	<u>8</u>
	<u>-</u>	<u>8</u>

5 Employees and directors

Employees

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

	2021 Nos.	2020 Nos.
Management and administration	<u>48</u>	<u>56</u>
	<u>48</u>	<u>56</u>

Notes to the financial statements (continued)

5 Employees and directors (continued)

The directors' emoluments were as follows:

	2021 £'000	2020 £'000
Remuneration for qualifying services	<u>49</u>	<u>58</u>
	<u>49</u>	<u>58</u>

6 Analysis of expenses by nature

	2021 £'000	2020 £'000
Wages and salaries	3,303	3,174
Social security costs	403	343
Pension costs	87	68
Share based payments	<u>1,600</u>	<u>4,165</u>
Staff costs charged to profit and loss	5,393	7,750
Exchange losses	343	103
Research and development costs	570	697
Impairment of inventory	247	-
Loss allowances on trade receivables	8,094	816
Loss on disposal of tangible assets	247	-
Depreciation of property, plant and equipment	263	218
Amortisation of intangible assets	5	6
Cost of inventories recognised as an expense	9,951	5,483
Other operating expenses	<u>10,269</u>	<u>7,649</u>
	<u>35,421</u>	<u>21,082</u>

Notes to the financial statements (continued)

7 Net interest expense

Interest receivable and similar income

	2021 £'000	2020 £'000
Bank deposits	-	1
	-	1
	<u>-</u>	<u>1</u>

Interest payable and similar charges

	2021 £'000	2020 £'000
Interest on convertible loans	(368)	-
Interest on bridging loans	(183)	(28)
Interest on lease liabilities	(17)	(21)
Interest on invoice finance arrangements	(28)	(12)
	(596)	(33)
	<u>(596)</u>	<u>(33)</u>

Net interest expense

	2021 £'000	2020 £'000
Interest receivable and similar income	-	1
Interest payable and similar charges	(596)	(33)
Net interest expense	(596)	(32)
	<u>(596)</u>	<u>(32)</u>

Notes to the financial statements (continued)

8 Income tax expense

	2021 £'000	2020 £'000
Adjustments in respect of prior years	-	(160)
	-	(160)
	<u>-</u>	<u>(160)</u>

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

	2021 £'000	2020 £'000
Loss before taxation	(23,530)	(15,601)
Expected tax credit based on a corporation tax rate of 19%	(4,471)	(2,964)
Effect of expenses not deductible in determining taxable profits	1,852	795
Movement in deferred tax not recognised	2,619	-
Adjustments in respect of prior years	-	(160)
Effect of change in deferred tax rates	-	(116)
Interest on invoice finance arrangements	-	2,285
	-	(160)
	<u>-</u>	<u>(160)</u>

The company has unrelieved trading losses of £30,498k (2020 - £17,928k) available to offset future taxable trading profits. A deferred tax asset has not been recognized due to uncertainty of recoverability.

Notes to the financial statements (continued)

9 Intangible assets

	Development Costs £'000	Computer software under development £,000	Total £'000
<i>Cost or valuation</i>			
At 1 January 2020	55	-	55
Additions	<u>-</u>	<u>247</u>	<u>247</u>
At 31 December 2020	<u>55</u>	<u>247</u>	<u>302</u>
Additions	-	-	-
Disposals	<u>-</u>	<u>(247)</u>	<u>(247)</u>
At 31 December 2021	<u>55</u>	<u>-</u>	<u>55</u>
<i>Accumulated amortisation</i>			
At 1 January 2020	(12)	-	(12)
Charge for the year	<u>(6)</u>	<u>-</u>	<u>(6)</u>
At 31 December 2020	<u>(18)</u>	<u>-</u>	<u>(18)</u>
Charge for the year	(5)	-	(5)
Disposals	<u>-</u>	<u>(247)</u>	<u>(247)</u>
At 31 December 2021	<u>(23)</u>	<u>-</u>	<u>(252)</u>
Net book value			
At 31 December 2020	<u>37</u>	<u>247</u>	<u>284</u>
31 December 2021	<u>32</u>	<u>-</u>	<u>32</u>

The computer software under development asset related to the costs incurred by the company in developing enterprise resource planning system. This system was disposed of during the year.

Notes to the financial statements (continued)

10 Property, plant and equipment

	Leasehold improvements £'000	Assets under construction £'000	Plant and equipment £'000	Right of use assets £'000	Total £'000
<i>Cost or valuation</i>					
At 1 January 2020	98	101	116	565	880
Additions	<u>144</u>	<u>327</u>	<u>212</u>	<u>-</u>	<u>683</u>
At 31 December 2020	<u>242</u>	<u>428</u>	<u>328</u>	<u>565</u>	<u>1,563</u>
Additions	-	-	28	-	28
Disposals	<u>-</u>	<u>(109)</u>	<u>-</u>	<u>-</u>	<u>(109)</u>
At 31 December 2021	<u>242</u>	<u>319</u>	<u>356</u>	<u>565</u>	<u>1,482</u>
<i>Accumulated depreciation</i>					
At 1 January 2020	(12)	-	(37)	(21)	(70)
Charge for the year	<u>(41)</u>	<u>-</u>	<u>(64)</u>	<u>(113)</u>	<u>(218)</u>
At 31 December 2020	<u>(53)</u>	<u>-</u>	<u>(101)</u>	<u>(134)</u>	<u>(288)</u>
Charge for the year	<u>(48)</u>	<u>-</u>	<u>(102)</u>	<u>(113)</u>	<u>(263)</u>
At 31 December 2021	<u>(101)</u>	<u>-</u>	<u>(203)</u>	<u>(247)</u>	<u>(551)</u>
Net book value					
At					
At 31 December 2020	<u>189</u>	<u>428</u>	<u>227</u>	<u>431</u>	<u>1,275</u>
At 31 December 2021	<u>141</u>	<u>319</u>	<u>153</u>	<u>318</u>	<u>931</u>

Property, plant and equipment includes right-of-use assets, as follows:

	2021 £'000	2020 £'000
Net values		
Property	<u>317</u>	<u>430</u>
Depreciation charge for the year		
Property	<u>(113)</u>	<u>(113)</u>

Notes to the financial statements (continued)

11 Investments

	Current 2021 £'000	Current 2020 £'000	Non-current 2021 £'000	Non-current 2020 £'000
Investments in subsidiaries	-	-	-	-

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

On 18 February 2020, the company acquired 100% of the share capital of Lovingly Made Ingredients for consideration of CASS\$100.

On 25 March 2019, the company acquired 100% of the share capital of The Meatless Farm North America for consideration of \$0.10.

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Country of Incorporation £'000	Ownership interest (%) £'000	Voting power held (%) £'000	Nature of business £'000
Lovely Made Ingredients Ltd.	Canada	100	100	Food production
Meatless Farm North America Limited	United States of America	100	100	Food production

12 Inventories

	2021 £'000	2020 £'000
Raw materials	1,762	2,850
Finished goods	602	704
	2,364	3,554

During the year, the company recognised a provision against inventories of £286,344 (2020 £Nil).

Notes to the financial statements (continued)

13 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	1,679	915
Other receivables	37	85
VAT recoverable	679	235
Amounts owed by related parties	23,391	10,638
Prepayments	<u>622</u>	<u>493</u>
	26,408	12,366

The average credit period for product sales is 49 days (2020 – 45 days), and interest on trade receivables is not charged.

During the year, the company recognised a provision for lifetime expected credit losses under IFRS 9 against amounts owed by related parties of £8.9 million (2020 £0.8 million). More details on the required allowance under IFRS 9 and the method of calculation are included in note 3 of the financial statements.

14 Trade receivables – credit risk

Fair value of trade receivables

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. No significant receivable balances are impaired at the reporting end date.

The company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. Expected credit losses on trade receivables are determined using a provision set- rate table that takes into account the debtor's analysis of the current financial position of the adjusted debtor, including the debtor's past default experience and borrower-specific factors, general economic environment, and assessment of current conditions at the end of the reporting period as well as the assessment of how the situation will change in the future. There are no changes in estimation techniques or important assumptions during the current and prior terms.

No trade receivables were past due at the year end or in the comparative period.

15 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	3,720	2,606
Accruals and deferred income	1,091	98
Social security and other taxation	686	112
Other payables	<u>-</u>	<u>17</u>
	5,497	2,833

Notes to the financial statements (continued)

16 Lease liabilities

	2021 £'000	2020 £'000
<i>Maturity analysis</i>		
Within one year	140	140
Over one year but within five years	<u>253</u>	<u>394</u>
Total undiscounted liabilities	393	534
Future finance charges and other adjustments	<u>(21)</u>	<u>(39)</u>
Lease liabilities in the financial statements	<u>372</u>	<u>495</u>

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021 £'000	2020 £'000
Current liabilities	128	123
Non-current liabilities	<u>244</u>	<u>372</u>
Lease liabilities in the financial statements	<u>372</u>	<u>495</u>

	2021 £'000	2020 £'000
Current liabilities	128	123
Non-current liabilities	<u>244</u>	<u>372</u>
Lease liabilities in the financial statements	<u>372</u>	<u>495</u>

	2021 £'000	2020 £'000
<i>Amounts recognised in profit or loss include the following:</i>		
Interest on lease liabilities	<u>17</u>	<u>21</u>

Notes to the financial statements (continued)

17 Loans and borrowings

Current and non-current liabilities include the following financial liabilities:

	2021 £'000	2020 £'000
Current liabilities		
Borrowings	3,345	-
Non-current liabilities		
Amounts owed to group undertakings	<u>22,185</u>	<u>-</u>
	<u>22,530</u>	<u>-</u>

Borrowings comprise of unsecured amounts owed to shareholders of which are payable within 12 months of the reporting date and carries interest rates ranging from 1% to 15%.

The amounts owed to Group undertakings is reflective of the Company entering into a Loan Note Transfer and Issuance Agreement, pursuant to which certain convertible notes issued by the Company were transferred by each Noteholder to the parent company (The Meatless Farm Group B.V.). The loan is repayable on 21 December 2026 and carries interest at 5% per annum.

18 Financial instruments

	2021 £'000	2020 £'000
Financial assets measured at amortised cost		
Trade and other receivables	1,716	1,000
Amounts owed by related parties	23,391	10,638
Cash and cash equivalents	<u>434</u>	<u>6,549</u>
	<u>25,541</u>	<u>18,187</u>
Financial liabilities measured at amortised cost		
Trade and other payables	4,811	2,721
Lease liabilities	<u>372</u>	<u>494</u>
Lease liabilities in the financial statements	<u>5,183</u>	<u>3,215</u>

19 Retirement benefit schemes

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.

The charge to profit or loss in respect of defined contribution schemes was £87k (2020 - £68k).

Included within other payables at the year end date was £nil (2020 - £16k) owed to the company's pension fund.

Notes to the financial statements (continued)

20 Share capital

	2021 £	2020 £
Ordinary share capital issued and fully paid		
1,223,760 Ordinary A of 0.01p each	122	140
116,101 Ordinary B of 0.01p each	12	11
174,440 Ordinary C of 0.01p each	17	17
Preference shares fully paid		
170,214 Preference of 0.01p each	<u>17</u>	<u>-</u>
	168	168

During the year a new class of shares was created. 170,214 Ordinary A shares were exchanged for Preference shares at their par value of 0.01p per share.

Reconciliation of movements during the year:

	Ordinary A Nos.	Ordinary B Nos.	Ordinary C Nos.	Preference Nos.
At 1 January 2021	1,393,974	107,590	174,440	-
Issue of fully paid shares	-	8,511	-	-
Transfer between share classes	<u>(170,214)</u>	<u>-</u>	<u>-</u>	<u>170,214</u>
At 31 December 2021	<u>1,223,760</u>	<u>116,101</u>	<u>174,440</u>	<u>170,214</u>

21 Share premium account

Consideration received for shares issued above their nominal value net of transaction costs.

	2021 £'000	2020 £'000
At beginning of year	38,407	5,636
Issue of new shares	<u>-</u>	<u>32,771</u>
At end of year	38,407	38,407

Notes to the financial statements (continued)

22 Retained earnings

	2021 £'000	2020 £'000
At beginning of year	(17,707)	(6,418)
Effects of transition	-	(13)
	<hr/>	<hr/>
As restated	(17,707)	(6,431)
Loss for the year	(23,530)	(15,441)
Share based payment transactions	1,600	4,165
	<hr/>	<hr/>
At end of year	(39,637)	(17,707)
	<hr/> <hr/>	<hr/> <hr/>

Retained earnings are the cumulative profit and loss net of distribution to owners.

23 Cash flow from operating activities

	2021 £'000	2020 £'000
Loss for the year after taxation	(23,530)	(15,441)
<i>Adjustments for:</i>		
Taxation credited	-	(160)
Finance costs	596	33
Investment income	-	(1)
Amortisation of intangible assets	5	6
Depreciation of property, plant and equipment	263	218
Loss on disposal of property, plant and equipment	247	-
Equity settled shared based payment expense	1,600	4,165
Increase in expected credit loss allowance on group receivables	8,094	816
<i>Movements in working capital:</i>		
Decrease/ (increase) in inventories	1,190	(2,467)
Increase in trade and other receivables	(22,145)	(11,251)
Decrease in trade and other payables	2,674	1,562
	<hr/>	<hr/>
Cash outflow from operating activities	(31,006)	(22,520)
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

24 Analysis of changes in net debt

	1 January 2021	Cash flows	Non cash Movements	31 December 2021
	£'000	£'000	£'000	£'000
Cash and cash equivalents	6,549	(6,115)	-	434
Amounts owed to group undertakings	-	(22,185)	-	(22,185)
Bridging loan	-	(3,345)	-	(3,345)
Lease liabilities	(495)	123	-	(372)
	<u>6,054</u>	<u>(31,522)</u>	<u>-</u>	<u>(25,468)</u>

	1 January 2020	Cash flows	Non cash Movements	31 December 2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents	469	6,080	-	6,549
Convertible loan notes	(3,306)	(4,000)	7,306	-
Lease liabilities	(557)	62	-	(495)
	<u>(3,394)</u>	<u>2,142</u>	<u>7,306</u>	<u>6,054</u>

25 Capital risk management and financial risk management

The company's objective when managing capital is to safeguard the company's ability to continue as a going concern in order to provide returns to the shareholders.

In order to maintain or adjust the capital structure, the company may return capital to shareholders, issue new shares or sell assets to reduce debt.

The company keeps the capital structure under review with a process of monthly financial forecasts updated quarterly. These forecasts, including a detailed cashflow forecast, which provide the Board with an assessment of the company's capital adequacy of the year under review.

Credit risk

The company's exposure to credit risk arises mainly from receivables and cash holdings. Receivables are monitored on an ongoing basis via management reporting procedures and action is taken to recover debts when due. The maximum potential exposure is the carrying amount. The company's cash holdings are all held with major financial institutions whose financial status is regularly reviewed. The company's exposure to credit risk here is the remote possibility of default of the deposit taker, with a maximum exposure equal to the carrying value of these holdings.

Liquidity risk

Management closely monitors available bank in comparison to the outstanding commitments on a regular basis to ensure that the company has sufficient funds to meet the obligations as they fall due.

Notes to the financial statements (continued)**26 Related party transactions**

The remuneration of key management personnel is as follows:

	2021 £'000	2020 £'000
Short-term employee benefits	399	342
Post-employment benefits	-	2
	<u> </u>	<u> </u>

During the year, the company paid consulting expenses of £168,613 (2020 - £75,566) on behalf of M T Bech and £nil (2020 - £120,000) on behalf of B Collins.

Included within the amounts owed by related parties are the following balances:

- £10,029,176 (2020 - £4,941,515) due from Meatless Farm (North America) Limited. An expected credit loss allowance under IFRS 9 of £1,002,917 (2020 - £247,075) has been recognised on this balance.
- £6,428,669 (2020 - £3,190,370) due from Lovingly Made Ingredients Limited. An expected credit loss allowance under IFRS 9 of £6,428,569 (2020 - £nil) has been recognised on this balance.
- £1,589,700 (2020 - £786,380) due from The Meatless Farm (Singapore) Pte. Ltd.. An expected credit loss allowance under IFRS 9 of £158,970 (2020 - £314,552) has been recognised on this balance.
- £965,773 (2020 - £408,515) due from Meatless Farm (Canada) Ltd.. An expected credit loss allowance under IFRS 9 of £96,577 (2020 - £40,581) has been recognised on this balance.
- £12,228,243 (2020 - £2,126,827) due from The Meatless Farm B.V.. An expected credit loss allowance under IFRS 9 of £1,222,824 (2020 - £213,544) has been recognised on this balance.
- £1,059,865 (2020 - £nil) due from Meatless Farm Group B.V.. An expected credit loss allowance under IFRS 9 of £nil (2020 - £nil) has been recognised on this balance.

The balances above bear no interest and are repayable on demand.

28 Controlling party

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