

COMPANY REGISTRATION NUMBER: 01548073

Natures Menu Limited

Annual Report and Financial Statements

31 December 2019



Natures Menu Limited

Annual Report and Financial Statements

Year ended 31 December 2019

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Natures Menu Limited

Officers and Professional Advisers

The board of directors

Mr P C Roy
Mrs P M Clatworthy
Mr G R Coromina
Mr R A Ferrando
Mr J J Garcia
Mr J Langan

Registered office

22-26 King Street
King's Lynn
Norfolk
PE30 1HJ

Independent auditors'

PricewaterhouseCoopers LLP
Chartered accountants & statutory auditor
The Maurice Wilkes Building
St John's Innovation Park
Cowley Road
Cambridge
CB4 0DS

Bankers

Barclays Bank plc
91-92 High Street
King's Lynn
Norfolk
PE30 1BL

Solicitors

Kenneth Bush Solicitors
11 New Conduit Street
King's Lynn
Norfolk
PE30 1DG

Natures Menu Limited

Strategic Report

Year ended 31 December 2019

The directors present their strategic report on the company for the year ended 31 December 2019.

Principal activities and business review

The principal activity of the company during the year continued to be the manufacture and retail of pet food.

The directors are pleased to report that following the successful consolidation of manufacturing facilities during 2018 the company was able to focus on improving business efficiencies and to achieve some of the economies of scale that were envisaged at the outset of the relocation to Snetterton.

During the year under review there has been continued investment in new product development with the company having developed a range of freeze-dried products set to launch in earnest in 2020 but which, following the launch of "True Instinct" during 2018, will again be bringing a unique offering to the pet food market. The company is well placed to deliver these products to market following its investment in appropriate plant and machinery and the specialist knowledge of its employee base.

The directors are pleased with the initial progress of "True Instinct" products and remain conscious that the introduction of a new brand is a long term rather than short term project. The sales growth in excess of 40% in year 2 was achieved against a backdrop of continued investment as the company creates brand awareness through an array of methods depending on the market conditions existing within each sales channel. The directors remain optimistic for the continued development of the brand.

The directors recognise the continuing drive towards convenience shopping and the company has invested in websites and e-commerce partners to improve the customers journey online. With an increasing recognition that brand identity is key to future strategy the company has created separate websites for Natures Menu/Country Hunter and True Instinct whereby the advanced product characteristics within each brand can more easily be demonstrated to our customers.

The directors are particularly pleased to report the company has again achieved double digit revenue growth from £37.7 million to over £42.4 million (12.4% increase). In addition to True Instinct, the core brands and technologies all continue to be performing well and remain supported by both consumers and customers throughout. The company will continue to support and develop its product range to ensure that it remains at the forefront of the market predominantly within the pet specialist sector.

Like many other organisations, uncertainty surrounding the UK's membership of the European Union has remained a factor during 2019 and the decline in the value of sterling during the summer months has made future planning a more difficult process. The availability of raw materials and finished goods stocks as well as pricing issues across two potential EU exit dates led to much internal planning and increased stock holdings on both occasions.

The net asset position of the company at 31 December 2019 totalled £8,305,852 (2018: £3,182,641).

Directors duties

The directors of the company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A director of a company must act in the way they consider, in good faith, would be the most likely to promote the success of the company for the benefit of its shareholders as a whole and in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;

Natures Menu Limited

Strategic Report *(continued)*

Year ended 31 December 2019

Directors duties *(continued)*

- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct and;
- the need to act fairly as between shareholders of the company.

The following paragraphs summarise how the directors fulfil their duties:

Risk management

Currency risk management

The directors regularly review the currency needs of the company and the potential movement in exchange rates to determine the appropriate method to minimise the impact of currency fluctuations.

Credit risk

The exposure to any individual customer is controlled by use of credit limits, backed up with credit insurance. This is monitored by financial management and, in the case of financially material values by the board of directors.

Business relationships

Our strategy promotes both organic growth and entry into new markets and channels when possible. The directors ensure that we develop and maintain strong customer relationships through joint business plans, appropriately authorised where material. We value all suppliers and have long term contracts with key partners.

Community and environment

The company's approach is to use our successful position to create positive change for the people and communities with which we interact. The installation of a PV renewal energy system and the maintenance of annual plans to reduce employee car use are two examples.

Shareholders

The board is committed to openly engaging with our shareholders as we recognise the importance of a continuing effective dialogue to ensure that business strategy and shareholder aspirations are aligned. This is achieved with formal quarterly board meetings and more frequent informal discussion.

Key performance indicators

The company uses a range of performance measures, both financial and non-financial, to monitor and manage the business effectively.

Financial key performance indicators

	Year to 31 Dec 2019	Year to 31 Dec 2018
Gross profit margin (%)	55.00	51.17
Current ratio	1.21	0.74
Operating profit (£'000's)	6,345	391

Natures Menu Limited

Strategic Report *(continued)*

Year ended 31 December 2019

Financial key performance indicators *(continued)*

The gross profit percentage has increased year on year reflecting the changing product and channel mix together with the full year economies of scale that have been achieved in combining manufacturing facilities. A high degree of cost control remains prevalent within budget holder responsibility.

The current ratio has increased as the company looks to build on what has been a successful trading year albeit with a greater working capital requirement but a more realistic level of investment in plant and buildings from short term funding than we have experienced over the past two years.

During the year under review and following completion of the Snetterton build the group recharging structure has changed and the significant reduction in administrative charges of £2.3 million is almost entirely due to a decrease in the charges levied by the holding company, Anexhold Limited. As a result, the directors are pleased to report that the company has achieved an increase in operating profit to £6.3 million.

The directors believe the Statement of Financial Position remains strong with Shareholders' funds exceeding £8 million.

Other key performance indicators

The directors consider the non-financial key performance indicators of the business to be:

- Consumer satisfaction
- Health and safety compliance
- Quality assurance adherence
- Supplier satisfaction with payment terms

The directors regularly review performance in these areas with employees responsible for each area.

Principal risks and uncertainties

The company continues to face uncertainties surrounding the United Kingdom's relationship with the European Union. Short term threats remain over imports and exports, exchange rates and rights of European Union citizens within the United Kingdom which may create issues with our work force.

Although the certainty of the UK withdrawing from the EU has been realised, the directors feel risks that trade deals with the EU cannot be reached by 31 December 2020 will remain throughout 2020 putting availability and price of materials from the EU under threat.

The company continues to manage all risks according to their severity and the changing environment currently experienced.

Future developments

The directors are confident that continued investment in facilities and business and information systems will enable the company to actively pursue strategies that will enable it to be on the leading edge of product innovation whilst maintaining the core values of product quality and customer service that remain the foundation on which the business is built.

The directors are particularly pleased to report that the company has achieved an increase in profit before taxation to £6.2 million during the year under review. The directors feel this puts the company on a sound financial footing, able to face the challenges over the next 12 months and it is good to see the company's profitability returning to the levels experienced prior to the major investments in brand and facilities of the last two years.

Natures Menu Limited

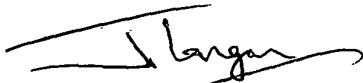
Strategic Report *(continued)*

Year ended 31 December 2019

Future developments *(continued)*

Finally, results for the year could not have been achieved without the efforts of all employees and the company continues to involve and consult with employees wherever possible to ensure that all issues impacting on their health and safety and general welfare are addressed.

This report was approved by the board of directors on 26th February, 2020 and signed on behalf of the board by:



Mr J Langan
Director

Registered office:
22-26 King Street
King's Lynn
Norfolk
PE30 1HJ

Natures Menu Limited

Directors' Report

Year ended 31 December 2019

The directors present their report and the Annual report and financial statements of the company for the year ended 31 December 2019.

Directors

The directors who served the company during the year, and up to the date of the signing of the financial statements were as follows:

Mr P C Roy	
Mrs P M Clatworthy	
Mr G R Coromina	
Mr R A Ferrando	
Mr J J Garcia	(Appointed 13 July 2019)
Mr J Langan	(Appointed 13 July 2019)
Mr C R Taylor	(Resigned 13 July 2019)
Mr F J S Torres	(Resigned 13 July 2019)

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements and annual report of the parent company.

Dividends

The directors do not recommend the payment of a final dividend for the year (2018: £Nil).

Results

The profit for the financial year amounted to £5,123,211 (2018: £208,850).

Financial instruments and financial risk management objectives and policies

The company uses various financial instruments, including loans and cash, and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments are to finance the company's operations and capital projects.

The existence of these financial instruments exposes the company to a number of financial risks which are described in more detail below. The main risks arising from the company's financial instruments are credit risk, currency risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous years.

Liquidity risk

The company manages its cash and borrowing requirements in order to minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business, including the requirement to effectively fund capital expenditure arising out of the development of a new facility.

Interest rate risk

The company is exposed to cash flow interest rate risk on bank overdrafts and loans. The directors keep this risk under regular review.

Natures Menu Limited

Directors' Report *(continued)*

Year ended 31 December 2019

Foreign currency risk

The company sells its products overseas and is at risk from unfavourable exchange rate changes. The company seeks to mitigate this risk by forward-buying currency at an appropriate level for the company.

Credit risk

The company is exposed to credit risk on both its investments and debtors.

Investments of cash surpluses are made through banks which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are reviewed on a regular basis and provision is made for doubtful debts when necessary. Amounts shown in the statement of financial position best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

Research and development

During the year, the company carried out research and development activity, developing freeze-drying processes and related products.

The value of the research and development undertaken during the year equated to £133,608 (2018: £83,230).

Qualifying indemnity provision

A qualifying third-party indemnity provision was in force for all the directors throughout the year and to the date of these financial statements.

Disclosure of information in the strategic report

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the review of the development and performance of the business, including key performance indicators, along with details of future developments is contained in the Strategic Report on page 2 to 5.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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.

Natures Menu Limited

Directors' Report *(continued)*

Year ended 31 December 2019

Directors' responsibilities statement *(continued)*

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 26th February, 2020 and signed on behalf of the board by:



Mr J Langan
Director

Registered office:
22-26 King Street
King's Lynn, Norfolk
PE30 1HJ

Natures Menu Limited

Independent auditors' report to the members of Natures Menu Limited

Year ended 31 December 2019

Report on the audit of the financial statements

Opinion

In our opinion, Natures Menu Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of income and retained earnings for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Natures Menu Limited

Independent auditors' report to the members of Natures Menu Limited *(continued)*

Year ended 31 December 2019

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Natures Menu Limited

Independent auditors' report to the members of Natures Menu Limited *(continued)*

Year ended 31 December 2019

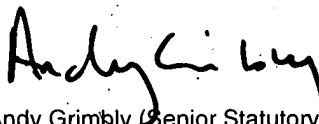
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.


Andy Grimby (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
26 February 2020

Natures Menu Limited

Statement of Income and Retained Earnings

Year ended 31 December 2019

	Note	2019 £	2018 £
Revenue	4	42,364,933	37,690,696
Cost of sales		(19,064,639)	(18,405,597)
Gross profit		23,300,294	19,285,099
Distribution costs		(6,555,310)	(6,197,616)
Administrative expenses		(10,400,303)	(12,696,273)
Operating profit	5	6,344,681	391,210
Other interest receivable and similar income	9	9,235	8,206
Interest payable and similar expenses	10	(158,703)	(136,248)
Profit before taxation		6,195,213	263,168
Tax on profit	11	(1,072,002)	(54,318)
Profit for the financial year and total comprehensive income		5,123,211	208,850
Retained earnings at the start of the year		3,157,641	2,948,791
Retained earnings at the end of the year		8,280,852	3,157,641

All the activities of the company are from continuing operations.

The notes on pages 14 to 28 form part of these Annual report and financial statements.

Natures Menu Limited

Statement of Financial Position

As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	12	493,627	—
Tangible assets	13	6,495,591	7,258,348
Investments	14	20,326	20,326
		<u>7,009,544</u>	<u>7,278,674</u>
Current assets			
Stocks	15	3,109,363	2,496,238
Debtors	16	6,549,008	5,233,742
Cash at bank and in hand		1,838,271	168,109
		<u>11,496,642</u>	<u>7,898,089</u>
Creditors: amounts falling due within one year	17	(9,525,598)	(10,704,606)
Net current assets/(liabilities)		<u>1,971,044</u>	<u>(2,806,517)</u>
Total assets less current liabilities		<u>8,980,588</u>	<u>4,472,157</u>
Creditors: amounts falling due after more than one year	18	(331,102)	(960,988)
Provisions for liabilities			
Taxation, including deferred taxation	20	(240,096)	(209,602)
Other provisions	20	(103,538)	(118,926)
		<u>(343,634)</u>	<u>(328,528)</u>
Net assets		<u><u>8,305,852</u></u>	<u><u>3,182,641</u></u>
Capital and reserves			
Called up share capital	23	25,000	25,000
Profit and loss account	24	8,280,852	3,157,641
Total shareholders' funds		<u><u>8,305,852</u></u>	<u><u>3,182,641</u></u>

These Annual report and financial statements on pages 12 to 28 were approved by the board of directors and authorised for issue on 26th February, 2020, and are signed on behalf of the board by:



Mr J Langan
Director

Company registration number: 01548073

The notes on pages 14 to 28 form part of these Annual report and financial statements.

Natures Menu Limited

Notes to the Annual Report and Financial Statements

Year ended 31 December 2019

1. General information

The company is a private company limited by shares, registered in England and Wales.

The address of the registered office is 22-26 King Street, King's Lynn, Norfolk, PE30 1HJ. The principal place of business is Falcon Road, Snetterton, Norfolk, NR16 2FB.

2. Statement of compliance

These individual financial statements have been prepared in compliance with United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (effective March 2018) ('FRS 102'), and with the Companies Act 2006.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss. All accounting policies have been applied consistently.

The financial statements are prepared in sterling, which is the functional currency of the entity. Figures are rounded to the nearest whole pound sterling.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Anexhold Limited which can be obtained from the registered office at 22-26 King Street, King's Lynn, Norfolk, PE30 1HJ. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State. The company's immediate parent undertaking is Anexhold Limited, whose registered office is 22-26 King Street, King's Lynn, Norfolk, PE30 1HJ.

Natures Menu Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Useful economic lives of tangible and intangible assets

The annual depreciation and amortisation charge for tangible and intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of tangible assets, note 12 for the carrying amount of intangible assets and note 3 for the useful economic lives for each class of assets.

(ii) Provisions

Provisions are made for dilapidations. The provision requires managements best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of cash flows and the discount rates used to establish net present value of the obligations require managements judgements. See note 20 for the disclosures relating to the dilapidations provision.

(iii) Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. See note 21 for the disclosures relating to the deferred tax provision.

(iv) Impairment of trade debtors

The company makes an estimate of the recoverable value of trade debtors. When assessing the impairment of trade debtors, management considers factors including the current credit rating, the age profile and the historical experience. See note 16 for the net carrying amount of trade debtors and the associated impairment provision.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably. Revenue is shown net of rebates and other discounts.

Natures Menu Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold improvements	-	over 3 - 10 years straight line
Plant & machinery	-	over 3 - 10 years straight line
Fixtures & fittings	-	over 3 - 5 years straight line
Motor vehicles	-	over 3 - 5 years straight line

Investments

Fixed asset investments, including investments in subsidiaries, are initially recorded at cost and subsequently stated at cost less any accumulated impairment losses.

Stocks

Stocks are measured at the lower of cost, measured by weighted average cost, and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Natures Menu Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Provisions *(continued)*

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Natures Menu Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 December 2019

4. Revenue

Revenue arises from:

	2019 £	2018 £
Sale of goods	<u>42,364,933</u>	<u>37,690,696</u>

The revenue is attributable to the one principal activity of the company. An analysis of revenue by the geographical markets that substantially differ from each other is given below:

	2019 £	2018 £
United Kingdom	39,317,533	34,671,885
EU	2,867,194	2,612,690
Rest of the world	<u>180,206</u>	<u>406,121</u>
	<u>42,364,933</u>	<u>37,690,696</u>

5. Operating profit

Operating profit or loss is stated after charging/(crediting):

	2019 £	2018 £
Amortisation of intangible assets	46,884	–
Depreciation of tangible assets	1,614,427	1,457,776
Loss on disposal of tangible assets	7,254	60,404
Impairment of trade debtors	9,180	–
Foreign exchange differences	(27,144)	(31,008)
Operating lease rentals	378,377	541,080
Research and development expensed to profit or loss	<u>133,608</u>	<u>83,230</u>

6. Auditors' remuneration

	2019 £	2018 £
Fees payable for the audit of the annual report and financial statements	<u>23,220</u>	<u>21,640</u>

7. Staff costs

The monthly average number of persons employed by the company during the year, including the directors, amounted to:

	2019 No.	2018 No.
Production staff	76	72
Distribution staff	96	95
Administrative staff	20	18
Management staff	7	7
Number of sales and marketing staff	<u>28</u>	<u>31</u>
	<u>227</u>	<u>223</u>

Natures Menu Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 December 2019

7. Staff costs *(continued)*

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019	2018
	£	£
Wages and salaries	6,801,100	6,731,061
Social security costs	655,650	611,224
Other pension costs	127,986	81,658
	<u>7,584,736</u>	<u>7,423,943</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2019	2018
	£	£
Remuneration	296,918	246,216
Company contributions to defined contribution pension plans	13,627	1,405
	<u>310,545</u>	<u>247,621</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2019	2018
	No.	No.
Defined contribution plans	<u>3</u>	<u>2</u>

Remuneration of the highest paid director in respect of qualifying services:

	2019	2018
	£	£
Aggregate remuneration	146,971	155,595
Company contributions to defined contribution pension plans	1,188	703
	<u>148,159</u>	<u>156,298</u>

Fellow directors of the board are remunerated by other group members.

9. Other interest receivable and similar income

	2019	2018
	£	£
Interest on cash and cash equivalents	67	26
Interest from group undertakings	9,168	8,180
	<u>9,235</u>	<u>8,206</u>

Interest receivable is derived from financial assets measured at amortised cost.

Natures Menu Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 December 2019

10. Interest payable and similar expenses

	2019 £	2018 £
Interest on banks loans and overdrafts	22,152	60,250
Interest on obligations under finance leases and hire purchase contracts	47,814	75,998
Interest due to group undertakings	88,737	–
	<u>158,703</u>	<u>136,248</u>

Interest payable is derived from financial liabilities measured at amortised cost.

11. Tax on profit

Major components of tax expense

	2019 £	2018 £
Current tax:		
UK current tax expense	1,062,066	51,003
Adjustments in respect of prior periods	(20,558)	–
Total current tax	<u>1,041,508</u>	<u>51,003</u>
Deferred tax:		
Origination and reversal of timing differences	30,494	3,315
Tax on profit	<u>1,072,002</u>	<u>54,318</u>

Reconciliation of tax expense

The tax assessed on the profit for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Profit before taxation	6,195,213	263,168
Profit by rate of tax	1,177,090	50,002
Adjustment to tax charge in respect of prior periods	(20,558)	–
Effect of expenses not deductible for tax purposes	1,355	4,316
Adjustment in research and development tax credit leading to decrease in the tax charge	(16,033)	–
Effects of group relief	(69,852)	–
Tax on profit	<u>1,072,002</u>	<u>54,318</u>

Natures Menu Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 December 2019

11. Tax on profit *(continued)*

Factors that may affect future tax expense

The tax rate for the current year is the same as the prior year. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

12. Intangible assets

	Intangible assets £
Cost	
Additions	540,511
At 31 December 2019	540,511
Accumulated amortisation	
Charge for the year	46,884
At 31 December 2019	46,884
Carrying amount	
At 31 December 2019	493,627
At 31 December 2018	—

Intangible assets comprise of website costs for the Natures Menu and True Instinct brands, both of which are to be amortised over a period of 3 years. As at the balance sheet date the carrying value of the Natures Menu website equates to £253,089, with a remaining amortisation period of 2 years and 10 months. The carrying value of the True Instinct website equates to £212,347, with a remaining amortisation period of 2 years and 8 months.

Natures Menu Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 December 2019

13. Tangible assets

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2019	245,524	7,931,634	635,184	2,069,455	10,881,797
Additions	29,843	709,615	100,916	28,797	869,171
Disposals	(69,477)	(455,942)	(170,112)	(53,453)	(748,984)
At 31 December 2019	205,890	8,185,307	565,988	2,044,799	11,001,984
Accumulated depreciation					
At 1 January 2019	208,341	2,028,651	328,387	1,058,070	3,623,449
Charge for the year	13,157	1,055,708	172,086	373,476	1,614,427
Disposals	(69,477)	(452,217)	(169,178)	(40,611)	(731,483)
At 31 December 2019	152,021	2,632,142	331,295	1,390,935	4,506,393
Carrying amount					
At 31 December 2019	53,869	5,553,165	234,693	653,864	6,495,591
At 31 December 2018	37,183	5,902,983	306,797	1,011,385	7,258,348

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery £	Motor vehicles £	Total £
At 31 December 2019	1,159,954	625,332	1,785,286
At 31 December 2018	1,340,369	991,002	2,331,371

Capital commitments

	2019 £	2018 £
Contracted for but not provided for in the Annual report and financial statements	57,886	22,788

14. Investments

	Shares in group undertakings £
Cost	
At 1 January 2019 and 31 December 2019	20,326
Impairment	
At 1 January 2019 and 31 December 2019	-

Natures Menu Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 December 2019

14. Investments *(continued)*

	Shares in group undertakings £
Carrying amount	
At 31 December 2019	20,326
At 31 December 2018	20,326

The company owns 100% of the issued share capital of the companies listed below:

Natures Menu Petfoods Limited is a company limited by shares, incorporated in England and Wales. The registered office is 22-26 King Street, King's Lynn, Norfolk, PE30 1HJ.

Natures Menu GmbH is a company limited by shares, incorporated in Germany. The registered office is Arsterdamm 102, 28277 Bremen.

15. Stocks

	2019 £	2018 £
Raw materials and consumables	1,141,787	760,361
Work in progress	438,010	312,616
Finished goods and goods for resale	1,529,566	1,423,261
	3,109,363	2,496,238

Stocks are stated after provisions for impairment of £Nil (2018: £Nil).

16. Debtors

	2019 £	2018 £
Trade debtors	5,517,396	4,550,093
Amounts owed by group undertakings	415,218	58,392
Derivative financial assets	–	46,821
Prepayments and accrued income	616,394	578,436
	6,549,008	5,233,742

Trade debtors are stated after provisions for impairment of £15,209 (2018: £Nil).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Natures Menu Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 December 2019

17. Creditors: amounts falling due within one year

	2019 £	2018 £
Bank loans and overdrafts	–	2,108,665
Trade creditors	2,731,196	2,210,521
Amounts owed to group undertakings	2,816,008	3,166,978
Corporation tax	1,062,083	51,003
Other taxation and social security	745,451	874,452
Obligations under finance leases and hire purchase contracts	620,405	750,016
Derivative financial liability	77,596	–
Other creditors	1,625	712
Accruals and deferred income	1,471,234	1,542,259
	<u>9,525,598</u>	<u>10,704,606</u>

Security has been provided in respect of bank loans and overdrafts, aggregate debt £Nil (2018: £2,108,665) by way of a debenture which pledges the fixed and current assets of the company as security.

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The hire purchase debt is secured on the asset the debt was used to purchase.

18. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Obligations under finance leases and hire purchase contracts	<u>331,102</u>	<u>960,988</u>

The hire purchase debt is secured on the asset the debt was used to purchase.

19. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2019 £	2018 £
Not later than 1 year	641,427	797,249
Later than 1 year and not later than 5 years	340,938	992,117
	<u>982,365</u>	<u>1,789,366</u>

Natures Menu Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 December 2019

20. Provisions for liabilities

	Dilapidations £	Deferred tax (note 21) £	Total £
At 1 January 2019	118,926	209,602	328,528
Additions	–	30,494	30,494
Charge against provision	(15,388)	–	(15,388)
At 31 December 2019	<u>103,538</u>	<u>240,096</u>	<u>343,634</u>

The dilapidation provision has been recognised to reflect the estimated cost of returning leased premises back to their original condition, as specified by the lease agreement. These costs are expected to occur at the end of the lease agreement.

The Company, from time to time, actively defends and challenges trademark infringements as they occur or become evident. Such discussions are ongoing with a third party. The outcome of these is uncertain therefore no adjustment has been made in these financial statements.

21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019 £	2018 £
Included in provisions for liabilities (note 20)	<u>240,096</u>	<u>209,602</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019 £	2018 £
Accelerated capital allowances	<u>240,096</u>	<u>209,602</u>

Deferred tax has been calculated at 17%, the future rate of taxation.

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £127,986 (2018: £81,658).

At the balance sheet date there were outstanding contributions of £Nil (2018: £208).

Natures Menu Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 December 2019

23. Called up share capital

Allotted, issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

24. Reserves

Profit and loss account - This reserve records distributable retained earnings and accumulated losses.

25. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018
	£	£
Not later than 1 year	338,630	318,267
Later than 1 year and not later than 5 years	463,005	393,270
Later than 5 years	10,110	24,242
	<u>811,745</u>	<u>735,779</u>

26. Contingencies

A cross guarantee and debenture to Barclays Bank plc were registered on 20 October 2012 between Anexhold Limited, Anglian Meat Products Limited and Natures Menu Limited.

27. Related party transactions

During the year and prior year, the company was under the joint control of Mr C R Taylor and Predict S.L.U., who both hold 50% of the share capital in the immediate parent company.

During the year the company traded with Affinity Petcare SA., a member of the Agrolimen SA. group. Transactions were undertaken as follows: net sales £473,503 (2018: £180,474); net purchases £1,438,373 (2018: £1,004,904). As at the balance sheet date a balance of £130,205 was due to the company (2018: company owed Affinity Petcare SA. £2,495).

During the year close family of individuals with a significant interest in the company were employed by the company with total remuneration of £55,718 (2018: £44,941).

No further transactions with related parties were undertaken such as are required to be disclosed under FRS 102.

Natures Menu Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 December 2019

28. Controlling parties

The company's immediate parent company is Anexhold Limited, a company registered in England and Wales. Anexhold Limited are the smallest group to consolidate the financial statements. The registered office of Anexhold Limited is 22-26 King Street, King's Lynn, Norfolk, PE30 1HJ.

The ultimate parent undertaking and the largest group to consolidate the financial statements is Agrolimen SA. The registered office of Agrolimen SA is Plaza Europa, 54 P 4, 08902, Hospitalet De Llobregat, Barcelona, Spain.