
NATURAL BALANCE FOODS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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NATURAL BALANCE FOODS LIMITED

COMPANY INFORMATION

| | |
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| Directors | J C Combs (resigned 20 May 2020) G Combs (resigned 20 May 2020) J M M M Boone I Maes |
| Company secretary | J Johnston |
| Registered number | 05083700 |
| Registered office | 1 Drakes Drive Long Crendon Aylesbury Buckinghamshire HP18 9BA |
| Independent auditors | Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1020 Eskdale Road Winnersh Wokingham Berkshire RG41 5TS |

NATURAL BALANCE FOODS LIMITED

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NATURAL BALANCE FOODS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

Natural Balance Foods Limited has been in the forefront of delivering healthy snack food options primarily to the British Retail and Wholesale market. We design, market and sell under the Nakd and JC's Trek brands a wide range of snack bars and flavour infused raisins to most UK based retail, grocery, convenience and health food distributors. The primary objective is to deliver wholefood alternatives that taste great.

Business review

The company has experienced remarkable growth since inception and continues to experience positive growth in the current year.

The company sales for this year were £43,639,666 compared to £41,750,208 for the previous year. The position of the company as at the end of the year is disclosed on page 10.

The future developments for the business will be subject to the uncertainties and full financial impact of the COVID-19 pandemic as outlined below.

Principal risks and uncertainties

The company is exposed to many of the same financial risks as any other food wholesale company; a reduction in sales, customer default, rising product costs and recall.

Our structure of third party manufacturing helps to mitigate many of the production associated risks. Production agreements help to defer the immediate effects of commodity related spikes and permits management some time to mitigate these risks with product changes, and encouraging third party manufacturers to purchase on long nut, date, and packaging contracts. Each of our third party manufacturers have a supply agreement in place requiring, amongst other things, ingredient checks, production standards and quality control.

Our credit terms to customers is rather strict with any and all credit requests requiring three orders paid on time prior to credit consideration. Credit is only then extended upon HSBC approval. During this period of time we have expanded our product recall insurance.

COVID-19

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The key risks to the business are a fall across all sales particularly our Out of Home & International channels due to adverse market conditions of the Covid-19 Pandemic.

NATURAL BALANCE FOODS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

COVID-19 (continued)

As a result of macro-economic uncertainties arising through COVID-19, the directors are fully monitoring the crisis as it develops, urgently reacting to any potential impact on the company and have undertaken an impact assessment of the pandemic on the business as follows:

- The company has continued to trade strongly during the crisis and as such has not had to rely on any form of government, banking or parental assistance.
- In relation to staff support, apart from a temporary pause on new hires and pay rises, there has been no other impact to staff and this is expected to remain throughout 2020 and into 2021.
- The offices have been fully closed and all office based staff retained without any financial impact to the company or themselves and working fully from home. The warehouse operations have fully functioned with government advised access controls to ensure customer demand and product is safely shipped.
- All IT systems and processes have been able to work completely as normal with full secure access where required.
- Our 3rd party manufacturers have been able to continue to produce our bars at our demand level throughout the COVID-19 crisis. For ingredients and packaging, these have been purchased and forward bought and held in sufficient stocks for in excess of 3 months holding, this has been comfortably added to during the crisis to ensure the supply chain is not at risk. We do not foresee any adverse impact going forward.
- Notwithstanding the above, the business has drawn up contingency plans to reduce operating costs significantly in the event that there is a dramatic impact on the above.

After reviewing forecasts and working capital requirements including the potential impact of COVID-19 pandemic, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Brexit

The directors continue to advise, now that Brexit has been made clearer with the confirmed leave date of the 31st January 2020, there is still much uncertainty surrounding the trading future within the next 12 months and its impact on those trading performances. The contingency plans that were implemented prior to a confirmation leave date still remain firmly in place, actions taken range from ensuring that important ingredients relating to the product have been secured on long term agreements, guaranteeing currency pricing, none of the critical ingredients are sourced from within or via the EU. But a number of factors remain outside the company's control which may impact on this process. Despite these risks, the directors will continue to take a long term view and invest in building a great team and focus on the continuous improvement of the quality of the food supplied. They believe this approach will mitigate against these risks.

Credit Risk

The company's principal financial assets are cash, trade debtors and loans from group companies. The principle credit risk arises from its trade debtors, each checked with our bank and regularly reviewed in conjunction with aged debt. The company limits its exposure to any one counter-party and evaluates credit risk on an ongoing basis. Loans are made and assessed on an individual basis and management does not believe that any significant default is likely. The company deposits with major banks of high quality credit standing.

Cash Flow Risks

The company's cash flow risk is a result of funds available to cover future commitments. The company manages cash flow risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and availability of credit facilities and the utilisation there of is monitored on a regular basis.

NATURAL BALANCE FOODS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Principal risks and uncertainties (continued)

Currency Risk

The company was not exposed to material currency fluctuations during the year. A small proportion of our sales were conducted in Canadian Dollars, US Dollars and Euro's. Most of our third party manufacturers are exposed to world commodity price fluctuations in British Pounds relating to dates, nuts and packaging, which over time has an indirect impact on the company.

Customer Risk

The company has a diverse customer base and continues to make sales to new customers. It has a relatively high level of customer concentration. Recently the level of concentration has reduced.

Financial key performance indicators

Our key performance indicators are:

| | 2019 | <i>2018</i> |
|---------------|-----------------|-----------------|
| | 31 | <i>31</i> |
| | December | <i>December</i> |
| Sales growth* | 4.5% | <i>10.3%</i> |

*Excludes customer discounts

Sales Growth

The last 12 months have seen Natural Balance Foods Limited continue to deliver growth in all of our sales categories, particularly the digital sector, especially given the challenges that the economy has faced over the last year. Overall the growth is underpinned by a mainstream shift towards healthy eating.

Gross Profit

Gross profit has seen an increase year on year, showing a slight increase as a percentage of sales year on year. The gross profit for the year was £12,611,938 (2018: £11,642,040).

Net Profit

Net profit margin as percentage of sales has been decreased by the marketing investment in television advertising. However management still maintain a strong ethos in controlling overheads without it adversely impacting the growth of the company. The net profit before tax for the year was £2,629,129 (2018: £3,562,094).

This report was approved by the board and signed on its behalf by:

I Maes
Director



Date: 20/08/2020

NATURAL BALANCE FOODS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Results and dividends

The profit for the year, after taxation, amounted to £2,129,594 (2018: £3,263,101).

A dividend of £1,586,638 (2018: £1,207,033) was declared during the year.

Directors

The directors who served during the year were:

J C Combs (resigned 20 May 2020)

G Combs (resigned 20 May 2020)

J M M M Boone

I Maes

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NATURAL BALANCE FOODS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Going concern

As part of their going concern assessment, responding to the Covid-19 pandemic, the directors have prepared forecasts to assess the working capital requirements to continue in operational existence for a minimum period of 12 months from the date of the approval of these financial statements. The directors have considered a multiple of potential scenarios and their impact on the forecasts and consider that the company has adequate working capital access to absorb the foreseeable impact of the Covid-19 outbreak and is working to mitigate the business risks as the situation continues to evolve.

On this basis, the directors are of the opinion that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

In addition, should the need arise, the company has received a guarantee from Lotus Bakeries NV., the ultimate parent undertaking, of the intention to continue to make available to the company sufficient funds for a period of at least 12 months from the date of the approval of these financial statements, in order to enable the company to meet its financial obligations as they fall due.

Financial risk management

The principal financial risks and uncertainties facing the company are set out in the Strategic Report on page 1.

Events after the reporting period

On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak as a pandemic. This is a non-adjusting post balance sheet event and the impact of Covid-19 has been considered by the directors as part of their going concern assessment. The Covid-19 path and impact is still emergent and highly dynamic and therefore the company is unable to fully estimate the full financial impact.

After the year end the percentage ownership of the company's majority shareholder, Lotus Bakeries UK Limited, increased from 67.2% to 97.9% through its purchase of a number of shares from the founding shareholders.

Disclosure of information to auditor

The directors confirm that:

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

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

I Maes
Director



Date: 20/08/2020



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATURAL BALANCE FOODS LIMITED

Opinion

We have audited the Financial Statements of Natural Balance Foods Limited (the 'company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the Financial Statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the Financial Statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATURAL BALANCE FOODS LIMITED
(CONTINUED)**

Conclusions relating to going concern

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

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

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the Financial Statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this Auditor's Report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATURAL BALANCE FOODS LIMITED
(CONTINUED)**

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATURAL BALANCE FOODS LIMITED
(CONTINUED)**

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

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



Amrish Shah BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading
Date: 21/8/2020

NATURAL BALANCE FOODS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Note | 2019 £ | 2018 £ |
|--------------------------------------|------|---------------------|--------------|
| Turnover | 4 | 43,639,666 | 41,750,208 |
| Cost of sales | | (31,027,728) | (30,108,168) |
| Gross profit | | 12,611,938 | 11,642,040 |
| Administrative expenses | | (9,982,809) | (8,077,573) |
| Operating profit | 5 | 2,629,129 | 3,564,467 |
| Interest expense | 9 | - | (2,373) |
| Profit before tax | | 2,629,129 | 3,562,094 |
| Tax on profit | 10 | (499,535) | (298,993) |
| Profit for the financial year | | 2,129,594 | 3,263,101 |

There were no recognised gains and losses for 2019 or 2018 other than those included in the Statement of Comprehensive Income.

There was no other comprehensive income for 2019 (2018: £Nil).

The notes on pages 13 to 33 form part of these financial statements.

NATURAL BALANCE FOODS LIMITED
REGISTERED NUMBER:05083700

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

| | Note | 2019 £ | 2018 £ |
|---|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 12 | 89,269 | 249,606 |
| Tangible assets | 13 | 673,801 | 469,077 |
| Investments | 14 | 5,573 | 5,573 |
| | | <u>768,643</u> | <u>724,256</u> |
| Current assets | | | |
| Inventory | 15 | 4,704,439 | 5,722,246 |
| Debtors: amounts falling due after more than one year | 16 | 824,644 | 620,738 |
| Debtors: amounts falling due within one year | 16 | 7,307,499 | 6,599,304 |
| Cash at bank and in hand | 17 | 3,068,890 | 6,162,349 |
| | | <u>15,905,472</u> | <u>19,104,637</u> |
| Creditors: amounts falling due within one year | 18 | (5,960,371) | (9,658,105) |
| | | <u>9,945,101</u> | <u>9,446,532</u> |
| Net current assets | | <u>9,945,101</u> | <u>9,446,532</u> |
| Total assets less current liabilities | | <u>10,713,744</u> | <u>10,170,788</u> |
| Provisions for liabilities | | | |
| Deferred tax | 20 | (45,014) | (45,014) |
| | | <u>(45,014)</u> | <u>(45,014)</u> |
| Net assets | | <u><u>10,668,730</u></u> | <u><u>10,125,774</u></u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 1,206 | 1,206 |
| Share premium account | 22 | 299,794 | 299,794 |
| Profit and loss account | 22 | 10,367,730 | 9,824,774 |
| | | <u>10,668,730</u> | <u>10,125,774</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

I Maes

Director

Date: 20/08/2020

The notes on pages 13 to 33 form part of these financial statements.

NATURAL BALANCE FOODS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Called up share capital | Share premium account | Profit and loss account | Total equity |
|--|----------------------------|-----------------------------|----------------------------|-------------------|
| | £ | £ | £ | £ |
| At 1 January 2019 | 1,206 | 299,794 | 9,824,774 | 10,125,774 |
| Comprehensive income for the year | | | | |
| Profit for the year | - | - | 2,129,594 | 2,129,594 |
| Total comprehensive income for the year | - | - | 2,129,594 | 2,129,594 |
| Dividends: Equity capital | - | - | (1,586,638) | (1,586,638) |
| Total transactions with owners | - | - | (1,586,638) | (1,586,638) |
| At 31 December 2019 | 1,206 | 299,794 | 10,367,730 | 10,668,730 |

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Called up share capital | Share premium account | Profit and loss account | Total equity |
|--|----------------------------|-----------------------------|----------------------------|--------------------|
| | £ | £ | £ | £ |
| At 1 January 2018 | 1,176 | 299,824 | 7,768,706 | 8,069,706 |
| Comprehensive income for the year | | | | |
| Profit for the year | - | - | 3,263,101 | 3,263,101 |
| Total comprehensive income for the year | - | - | 3,263,101 | 3,263,101 |
| Dividends: Equity capital | - | - | (1,207,033) | (1,207,033) |
| Total transactions with owners | 30 | (30) | (1,207,033) | (1,207,033) |
| At 31 December 2018 | 1,206 | 299,794 | 9,824,774 | 10,125,774 |

The notes on pages 13 to 33 form part of these financial statements.

NATURAL BALANCE FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Natural Balance Foods Limited is a private company limited by shares incorporated in England and Wales. Its registered office and principal trading address is 1 Drakes Drive, Long Crendon, Aylesbury, Buckinghamshire, HP18 9BA.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been consistently applied to all years presented:

Going concern

The directors recognise that the Covid-19 pandemic and – to a significantly lesser extent – Brexit present challenging circumstances and a high degree of uncertainty in the coming months. Disruption caused by the Covid-19 pandemic is likely to adversely affect across all of our sales, particularly to the Out of Home & International channels.

The directors have undertaken an impact assessment of the pandemic on the business as follows:

- The company has continued to trade strongly during the crisis and as such has not had to rely on any form of government, banking or parental assistance.
- In relation to staff support, apart from a temporary pause on new hires and pay rises, there has been no other impact staff and this is expected to remain throughout 2020 and into 2021.
- The offices have been fully closed and all office based staff retained without any financial impact to the company or themselves and working fully from home. The warehouse operations have fully functioned with government advised access controls to ensure customer demand and product is safely shipped.
- All IT systems and processes have been able to work completely as normal with full secure access where required.
- 3rd party manufacturers have been able to continue to produce our bars at our demand level throughout the COVID-19 crisis. For ingredients and packaging, these have been purchased and forward bought and held in sufficient stocks for in excess of 3 months holding, this has been comfortably added to during the crisis to ensure the supply chain is not at risk. The directors do not foresee any adverse impact going forward.
- Notwithstanding the above, the business has drawn up contingency plans to reduce operating costs significantly in the event that there is a dramatic impact on the above.

As part of their going concern assessment, the directors have prepared forecasts to assess the cash requirement to continue in operational existence for a minimum period of 12 months from the date of the approval of these financial statements. The directors have considered a multiple of potential scenarios and their impact on the forecasts and consider that the company has adequate working capital access to absorb the foreseeable impact of the Covid-19 outbreak and is working to mitigate the business risks as the situation continues to evolve.

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

On this basis, the directors are of the opinion that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

In addition, should the need arise, the company has received a guarantee from Lotus Bakeries NV., the ultimate parent undertaking, of the intention to continue to make available to the company sufficient funds for a period of at least 12 months from the date of the approval of these financial statements, in order to enable the company to meet its financial obligations as they fall due.

2.2 Exemption from preparing consolidated financial statements

The company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.3 Financial Reporting Standard 102 - Reduced Disclosure Exemptions

The company has taken advantage of the disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"

- the requirements of Section 7 Statement of Cash Flow's;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d)

2.4 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer (principal on delivery);
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.6 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

2.7 Leased assets: the company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.8 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.9 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.11 Pensions

Defined contribution pension plan

The company contributes to a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.13 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Software is amortised over its estimated useful life, of between 3 and 4 years, on a straight-line basis.

2.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a straight-line and reducing balance basis as appropriate.

Depreciation is provided on the following basis:

| | |
|------------------------|-------------------------------|
| Leasehold improvements | - 15 years straight-line |
| Plant and machinery | - 15% reducing balance |
| Motor vehicles | - 10 - 15 years straight-line |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.16 Inventory

Inventory is stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first-in, first-out basis.

At each reporting date, inventory is assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.17 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.18 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.19 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.21 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.22 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the amount presented in the financial statements and related disclosures. Management is required to exercise its judgement in selecting and applying the entity's accounting policies. Management makes use of estimates and associated assumptions, which are based on historical experience and other factors that are considered to be relevant. Actual results in the future would differ from these estimates, which may be material to the financial statements.

The judgements that management have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts in the financial statements are:

i. Capitalisation of development costs

Management applies its judgements in determining when a project reaches the end of its research phase and enters its development phase. This is based on market research undertaken, assessment of the economic viability of the product and ability to bring the product to a point of being sold to the public.

The following key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

ii. Impairment of debtors

Management make an estimate of the recoverable value of trade and other debtors, being the higher of its value in use or fair value less costs to sell. When assessing impairment of trade and other debtors, management considers factors including current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment provision.

iii. Intercompany debtor recoverability

Management make an estimate of the recoverable value of the company's loan to its US subsidiary, being the higher of its value in use or fair value less costs to sell. Management have assessed this to be recoverable to the extent that the subsidiary will enjoy future success in the US. Forecasts have been prepared up to 2023 taking into consideration expected product launch dates and selling patterns. The company has limited past history of trading in the US to rely on, however management are anticipating good growth prospects. Within the forecasting management have tried to take into account global and US economic situations, including Covid-19, which therefore gives the forecast an element of inherent estimation uncertainty. The forecasts incorporate expected 1st year growth of 46% and 2nd year growth of 134%, coming from a low start up base, to the 3rd year forecasted growth of 68%. In addition to these forecasts the company has received from the ultimate parent company, Lotus Bakeries NV, a parental guarantee over the recoverability of this intercompany debtor. Management therefore consider that the loan is fully recoverable over this period and that any fair value adjustment is immaterial.

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Turnover

Analysis of turnover by country of destination:

| | 2019 £ | 2018 £ |
|-------------------|-------------------|-------------------|
| United Kingdom | 40,616,152 | 38,670,442 |
| Rest of the world | 3,023,514 | 3,079,766 |
| | <u>43,639,666</u> | <u>41,750,208</u> |

All revenue is from the sale of goods.

5. Operating profit

The operating profit is stated after charging:

| | 2019 £ | 2018 £ |
|---|----------------|----------------|
| Depreciation of tangible fixed assets | 90,544 | 65,475 |
| Amortisation of intangible fixed assets, including goodwill | 19,582 | 18,883 |
| Exchange differences | 12,395 | 8,668 |
| Other operating lease rentals | 40,000 | 37,500 |
| | <u>162,521</u> | <u>130,526</u> |

6. Auditor's remuneration

| | 2019 £ | 2018 £ |
|--|---------------|---------------|
| Fees payable to the company's auditor and its associates for the audit of the company's annual accounts - current year | 45,200 | 34,250 |
| Fees payable to the company's auditor and its associates for the audit of the company's annual accounts - prior year | 14,200 | - |
| Fees payable to the company's auditor and its associates in respect of: | | |
| Tax compliance services - current year | 6,950 | 6,750 |
| Tax compliance services - prior year | 1,500 | - |
| Other tax advisory services | 21,250 | 22,850 |
| Auditor related assurance services | 2,300 | 2,250 |
| | <u>87,400</u> | <u>66,100</u> |

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Employees

Staff costs, including directors' remuneration, were as follows:

| | 2019 | <i>2018</i> |
|-------------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Wages and salaries | 3,365,709 | <i>3,121,710</i> |
| Social security costs | 341,283 | <i>319,657</i> |
| Cost of defined contribution scheme | 89,372 | <i>68,706</i> |
| | <u>3,796,364</u> | <i><u>3,510,073</u></i> |

The average monthly number of employees, including the directors, during the year was as follows:

| | 2019 | <i>2018</i> |
|--------------------------|------------------|------------------|
| | No. | No. |
| Selling and distribution | 22 | <i>23</i> |
| Sales | 18 | <i>17</i> |
| Admin | 23 | <i>22</i> |
| | <u>63</u> | <i><u>62</u></i> |

8. Directors' remuneration

| | 2019 | <i>2018</i> |
|-----------------------|-----------------------|-----------------------|
| | £ | £ |
| Directors' emoluments | <u>414,412</u> | <i><u>417,300</u></i> |

The highest paid director received remuneration of £207,205 (*2018: £208,650*). Remuneration was paid to a consulting firm over which the director exercises significant influence.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (*2018: £Nil*).

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. Interest payable and similar expenses

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | £ | £ |
| Finance leases and hire purchase contracts | - | 2,373 |
| | <u> </u> | <u> </u> |

10. Taxation

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | £ | £ |
| Corporation tax | | |
| Current tax on profits for the year | 548,611 | 560,607 |
| Tax charge/(credit) in respect of prior periods | (49,076) | (248,288) |
| Total current tax | 499,535 | 312,319 |
| | <u> </u> | <u> </u> |
| Deferred tax | | |
| Origination and reversal of timing differences | - | (13,326) |
| | <u> </u> | <u> </u> |
| Taxation on profit on ordinary activities | 499,535 | 298,993 |
| | <u> </u> | <u> </u> |

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

| | 2019 £ | 2018 £ |
|---|-----------------------|------------------|
| Profit on ordinary activities before tax | <u>2,629,129</u> | <u>3,562,094</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%) | 499,535 | 676,797 |
| Effects of: | | |
| Fixed asset differences | 11,459 | 7,943 |
| R&D expenditure credits | - | (115,782) |
| Adjustments to tax charge in respect of previous periods | (49,076) | (248,288) |
| Adjust closing deferred tax to average rate of 19% | (6,496) | (5,296) |
| Adjust opening deferred tax to average rate of 19% | 8,719 | 4,417 |
| Deferred tax not recognised | 35,394 | (20,798) |
| Total tax charge for the year | <u>499,535</u> | <u>298,993</u> |

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

11. Dividends

| | 2019 £ | 2018 £ |
|------------------|-------------------------|------------------|
| Equity dividends | <u>1,586,638</u> | <u>1,207,033</u> |

This is equivalent to £131.5 per ordinary share in issue (2018: £100.05 per ordinary share).

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Intangible assets

| | Software £ | Development £ | Total £ |
|-----------------------|----------------|------------------|----------------|
| Cost | | | |
| At 1 January 2019 | 200,344 | 176,527 | 376,871 |
| Additions | 35,772 | 422,473 | 458,245 |
| Disposals | - | (599,000) | (599,000) |
| At 31 December 2019 | <u>236,116</u> | <u>-</u> | <u>236,116</u> |
| Amortisation | | | |
| At 1 January 2019 | 127,265 | - | 127,265 |
| Charge for the year | 19,582 | - | 19,582 |
| At 31 December 2019 | <u>146,847</u> | <u>-</u> | <u>146,847</u> |
| Net book value | | | |
| At 31 December 2019 | <u>89,269</u> | <u>-</u> | <u>89,269</u> |
| At 31 December 2018 | <u>73,079</u> | <u>176,527</u> | <u>249,606</u> |

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. Tangible fixed assets

| | Leasehold improvements £ | Plant and machinery £ | Motor vehicles £ | Total £ |
|-------------------------------------|--------------------------------|-----------------------------|------------------------|------------------|
| Cost or valuation | | | | |
| At 1 January 2019 | 259,158 | 327,086 | 123,540 | 709,784 |
| Additions | - | 279,903 | 15,365 | 295,268 |
| At 31 December 2019 | <u>259,158</u> | <u>606,989</u> | <u>138,905</u> | <u>1,005,052</u> |
| Depreciation | | | | |
| At 1 January 2019 | 41,743 | 148,023 | 50,941 | 240,707 |
| Charge for the year on owned assets | 17,277 | 61,435 | 11,832 | 90,544 |
| At 31 December 2019 | <u>59,020</u> | <u>209,458</u> | <u>62,773</u> | <u>331,251</u> |
| Net book value | | | | |
| At 31 December 2019 | <u>200,138</u> | <u>397,531</u> | <u>76,132</u> | <u>673,801</u> |
| At 31 December 2018 | <u>217,415</u> | <u>179,063</u> | <u>72,599</u> | <u>469,077</u> |

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

| | 2019 £ | 2018 £ |
|----------------------------|---------------|---------------|
| Motor vehicles - Fork lift | <u>20,944</u> | <u>22,923</u> |

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Investments

| | Investments in subsidiary companies £ |
|---------------------------|--|
| Cost or valuation | |
| At 1 January 2019 | 5,573 |
| At 31 December 2019 | 5,573 |
| Net book value | |
| At 31 December 2019 | 5,573 |
| At 31 December 2018 | 5,573 |

The Company's subsidiary undertaking is Natural Balance Foods Inc, 406 Bryant Circle, Unit G, Ojai, CA, 93023. The Company holds 100% of the ordinary shares and its principal activity is delivering healthy snack food options to the retail and wholesale market.

The aggregate of its share capital and reserves as at 31 December 2019 was \$1,167,170 (in deficit) and its loss for the year ended on that date was \$317,854.

15. Inventory

| | 2019 £ | 2018 £ |
|-------------------------------------|-------------------|-------------------|
| Consumables | 38,000 | 44,000 |
| Finished goods and goods for resale | 4,666,439 | 5,678,246 |
| | 4,704,439 | 5,722,246 |

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

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. Debtors: amounts falling due within one year

| | 2019 £ | 2018 £ |
|-------------------------------------|-------------------|-------------------|
| Due after more than one year | | |
| Amounts owed by group undertakings | 824,644 | 620,738 |
| | <u>824,644</u> | <u>620,738</u> |
| | 2019 £ | 2018 £ |
| Due within one year | | |
| Trade debtors | 4,777,711 | 5,147,219 |
| Amounts owed by group undertakings | 1,086,910 | 569,023 |
| Amounts owed by related parties | 770,274 | - |
| Other debtors | 158,374 | 54,979 |
| Prepayments and accrued income | 514,230 | 828,083 |
| | <u>7,307,499</u> | <u>6,599,304</u> |

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

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

17. Cash at bank and in hand

| | 2019 £ | 2018 £ |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | 3,068,890 | 6,162,349 |
| | <u>3,068,890</u> | <u>6,162,349</u> |

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. Creditors: Amounts falling due within one year

| | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Bank loans | - | 2,313,330 |
| Trade creditors | 5,084,365 | 5,770,343 |
| Corporation tax | - | 613,590 |
| Other taxation and social security | 205,668 | 92,260 |
| Obligations under finance lease and hire purchase contracts | 3,355 | 4,793 |
| Accruals and deferred income | 666,983 | 863,789 |
| | <u>5,960,371</u> | <u>9,658,105</u> |

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

Secured loans

The bank loans represent the net drawdown against an invoice discounting facility which is secured against trade and other debtors owing to the company.

19. Financial instruments

| | 2019 £ | 2018 £ |
|---|--------------------|--------------------|
| Financial assets | | |
| Cash at bank and in hand | 3,068,890 | 6,162,349 |
| Financial assets that are debt instruments measured at amortised cost | 7,459,539 | 6,391,959 |
| | <u>10,528,429</u> | <u>12,554,308</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | <u>(5,754,696)</u> | <u>(8,952,255)</u> |

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts due from group companies and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, amounts due to group companies, accruals, obligations under finance leases and hire purchase contracts.

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

20. Deferred taxation

| | 2019 £ | 2018 £ |
|---|-----------------|-----------------|
| At beginning of year | (45,014) | (58,340) |
| Reversing temporary difference on tangible fixed assets | - | 13,326 |
| At end of year | (45,014) | (45,014) |

The provision for deferred taxation is made up as follows:

| | 2019 £ | 2018 £ |
|--------------------------------|-----------------|-----------------|
| Accelerated capital allowances | (45,014) | (45,014) |

21. Called up share capital

| | 2019 £ | 2018 £ |
|---|--------------|--------------|
| Allotted, called up and fully paid | | |
| 12,064 (2018: 12,064) Ordinary shares of £0.10 each | 1,206 | 1,206 |

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

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

22. Reserves

Share premium account

The share premium account includes any premiums received on the issue of the share capital. Any transaction costs associated with the issue of shares are deducted from share premium.

Profit and loss account

Includes all current and prior period profits and losses.

23. Commitments under operating leases

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases relating to land, buildings and motor vehicles as follows:

| | 2019 | <i>2018</i> |
|--|-------------------------|-------------------------|
| | £ | <i>£</i> |
| Not later than 1 year | 154,605 | <i>219,444</i> |
| Later than 1 year and not later than 5 years | 600,000 | <i>604,204</i> |
| Later than 5 years | 279,419 | <i>450,000</i> |
| | <u>1,034,024</u> | <i><u>1,273,648</u></i> |

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

24. Related party transactions

| | Sales | Freight | Recharge | Cash | VAT | Closing |
|------------------------------|--------------|----------------|-----------------|-------------|------------|----------------|
| | £ | £ | £ | £ | £ | balance |
| 2019 | | | | | | £ |
| Company name | | | | | | |
| Lotus Bakeries Corporate | - | - | 334,003 | - | - | 334,003 |
| Lotus Bakeries Schweiz AG | 7,735 | 820 | 12,942 | (104,996) | 1,235 | 415 |
| Lotus Bakeries France | - | - | - | (4) | - | - |
| Lotus Bakeries Natural Foods | 105,922 | - | - | (115,103) | - | 36,797 |
| Sweet Ninja Foods | 599,000 | - | 42,895 | - | 128,379 | 770,274 |
| Koninklijke Peijnenburg BV | 4,506,566 | - | 1,829 | (4,289,802) | - | 591,177 |
| | | | | | | |
| | | | | | | |
| 2018 | | | | | | Closing |
| Company name | | | | | | balance |
| Lotus Bakeries Schweiz AG | 11,375 | 3,008 | 102,677 | (57,663) | 20,724 | 82,679 |
| Lotus Bakeries France | 1,277 | 122 | 4 | (1,399) | - | 4 |
| Lotus Bakeries Natural Foods | 180,555 | - | (11,510) | (374,958) | - | 45,979 |
| Koninklijke Peijnenburg BV | 4,450,004 | 100 | 144,091 | (4,549,484) | - | 372,584 |

The company has taken the exemption under FRS102 to not disclose transactions with wholly owned group members.

The companies listed above, other than Sweet Ninja Foods Limited, are all related parties by virtue of them all sharing a common group parent, Lotus Bakeries NV.

Sweet Ninja Foods Limited is a related party by virtue of common directorship.

NATURAL BALANCE FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

25. Post balance sheet events

On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak as a pandemic. This is a non-adjusting post balance sheet event and the impact of Covid-19 has been considered by the directors as part of their going concern assessment. The Covid-19 path and impact is still emergent and highly dynamic and therefore the company is unable to fully estimate the full financial impact.

After the year end the percentage ownership of the company's majority shareholder, Lotus Bakeries UK Limited, increased from 67.2% to 98% through its purchase of a number of shares from the founding shareholders.

26. Controlling party

As at the year end 67.2% of the company's share capital is owned by Lotus Bakeries UK Limited. Post year end, this shareholding increased to 97.9%. The ultimate parent undertaking is Lotus Bakeries NV, which is the parent undertaking of the largest and smallest group to consolidate these financial statements, a company incorporated in Belgium, which is considered to be the ultimate parent undertaking. Copies of the consolidated financial statements of Lotus Bakeries NV may be obtained from : Lotus Bakeries, Gentstraat1, 9971 Lembeke, Belgium.