

COMPANY REGISTRATION NUMBER: 02896421

Natures Way Foods Limited
Annual Report and Financial Statements
For the Period from 2 April 2016 to 31 March 2017

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Natures Way Foods Limited

Financial Statements

Period from 2 April 2016 to 31 March 2017

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Natures Way Foods Limited

Officers and Professional Advisers

THE BOARD OF DIRECTORS

B Jones
R Parr
DG Williams
DW Langmead
RA Langmead
SC Gilliland
SV Barratt

REGISTERED OFFICE

Park Farm
Chichester Road
Selsey
West Sussex
PO20 9HP

AUDITOR

Deloitte LLP
Park House
Crawley Business Quarter
Manor Royal
Crawley
RH10 9AD

BANKERS

National Westminster Bank
3 Hampshire Corporate Park
Templars Way
Chandlers Ford
Hampshire
SO53 3RY

SOLICITORS

Stevens & Bolton LLP
Wey House
Farnham Road
Guildford
Surrey
GU1 4YD

Natures Way Foods Limited

Strategic Report

Period from 2 April 2016 to 31 March 2017

The directors present their strategic report for the company for the 52 week period ended 31 March 2017 (prior year 53 week period ended 1 April 2016).

The company prepares accounts each year to the Friday nearest the accounting reference date which this year results in a 52 week period.

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal Activity

The principal activity of the company comprises the processing and wholesale distribution of food products. There have not been any significant changes in the company's principal activities in the period under review.

Review of the Business

This financial year has been challenging for the industry as a whole. Low or negative food inflation forms a difficult economic backdrop, putting pressure both on retailers and their suppliers. The company has expanded its product range during this financial year to drive forward turnover.

The results for the company are shown in the Statement of Comprehensive Income and Retained Earnings on page 11. The company's financial position is presented in the Balance Sheet on page 12.

The company's closing cash position is £0.3m (2016: £4.6m) which when combined with the future trading prospects is considered sufficient for our liquidity and solvency requirements as set out within the liquidity risk section in this report and going concern section in the directors' report of these financial statements.

Key Performance Indicators

We measure our progress against the following KPIs which are considered to be indicative of the overall business performance of the group.

<i>KPI</i>	2017	2016
Turnover (£m)	162.76	153.82
Operating profit (£m)	2.54	10.33
Operating margin (%)	1.56	6.72

The movement year on year is reflective of the factors discussed in the above review of the business sub section, and the benefits accruing from a 52 week period to 31 March 2017.

Natures Way Foods Limited

Strategic Report *(continued)*

Period from 2 April 2016 to 31 March 2017

Principal Risks and Uncertainties

The company continually monitors both the business and markets that it operates in. The main risks to the company are considered to be market demand, competition, weather and external factors.

Due to the nature of the company's products, we rely on the weather to determine the quality and availability of a large proportion of the raw materials. This risk is managed through seasonal contracts with key suppliers.

The company's activities expose it to a number of financial risks including credit risk, foreign currency risk and liquidity risk. The use of financial derivatives is governed by the group's policies approved by the Board of directors, which provide principles on the use of financial derivatives to manage these risks. The group does not use derivative financial instruments for speculative purposes.

Foreign Currency Risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

The company uses foreign exchange forward contracts to hedge these exposures.

The company finances its operations with cash resources and borrowings. Interest rate risk is managed by linking the rate payable to the base rate and regularly reviewing market interest rates.

Credit Risk

The company's principal financial assets are bank balances and cash, trade and other debtors.

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debtors. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity Risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Research and Development

During the period the company continued to develop products to meet the needs of its markets including the introduction of a number of new product lines. All expenditure has been charged to the Statement of Comprehensive Income and Retained Earnings as it arises.

Future Developments and Events after the Balance Sheet Date

No significant events occurred subsequent to the end of the financial year which warrant inclusion in this annual report.

The directors expect the general level of activity to remain consistent in the forthcoming year due to focus on partnering with customers and suppliers.

Natures Way Foods Limited

Strategic Report *(continued)*

Period from 2 April 2016 to 31 March 2017

This report was approved by the board of directors on 8.12.17 and signed on behalf of the board by:



RA Langmead
Director

Natures Way Foods Limited

Directors' Report

Period from 2 April 2016 to 31 March 2017

The directors present their report for the period ended 31 March 2017.

Directors

The directors who serviced the company throughout the period were as follows:

B Jones
R Parr
DG Williams
DW Langmead
RA Langmead
SC Gilliland
SV Barratt

Dividends

The directors do not recommend the payment of a dividend (2016: £nil).

Going Concern

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Having considered the current performance, the net current liabilities position and future trading prospects, the directors consider that there is adequate funding available to be able to meet the company's liabilities as they fall due. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 3 of these financial statements.

Disabled Employees

Applicants for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitude and abilities.

In the event of employees becoming disabled, every effort is given to retrain them in order that their employment with the company may continue. It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

Employee Involvement

The group has continued its practice of keeping employees informed of matters affecting them as employees and the financials and economic factors affecting the performance of the group.

This is achieved through regular briefings to all departments in the company.

Employees and Employment Practice

The company pursues an employment policy of equal opportunities and strives to follow best practice recruitment and selection. It does not discriminate on the grounds of race, nationality, sex, marital status, disability and religious or political beliefs.

Natures Way Foods Limited

Directors' Report *(continued)*

Period from 2 April 2016 to 31 March 2017

People and Management

The continuing success of the group is thanks to the strength of the group's employees. The board is grateful for the strong support and enthusiasm shown by staff in a successful period. The board looks forward to continuing to build and develop the business with them in the future.

Health, Safety and the Environment

The company takes health and safety extremely seriously. The company works to ensure that the best health and safety practices are carried out throughout the business and that employees work in a safe environment.

The company continuously monitors its impact on the environment, attempting to minimise where possible its activities affecting the environment.

In addition the company recognises it has an important role to play in the communities it operates in and has created a Corporate & Social Responsibility Plan to ensure that is achieved.

Directors' Indemnities

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

Disclosure of Information in the Strategic Report

Details of the principal activities, review of the business, principal risks and uncertainties, research and development and future developments and events after the balance sheet date can be found in the strategic report on pages 2 to 4 and form part of this report by cross reference.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP as auditors will be proposed at the forthcoming Annual General Meeting.

Natures Way Foods Limited

Directors' Report *(continued)*

Period from 2 April 2016 to 31 March 2017

This report was approved by the board of directors on 8.12.17 and signed on behalf of the board by:

Two handwritten signatures in black ink. The first signature is on the left, starting with a large 'R' and ending with a horizontal stroke. The second signature is on the right, starting with a large 'L' and ending with a horizontal stroke.

RA Langmead
Director

Natures Way Foods Limited

Directors' Responsibilities Statement

Period from 2 April 2016 to 31 March 2017

The directors are responsible for preparing the strategic report, 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 period. 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 Financial Reporting Standard 102 "The Financial Reporting Standards in the UK and Republic of Ireland" (FRS102). 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 the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the Members of Natures Way Foods Limited

We have audited the financial statements of Natures Way Foods Limited for the period ended 31 March 2017 which comprise the Statement of Comprehensive Income and Retained Earnings, Balance Sheet and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective Responsibilities of Directors and Auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the period 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.

Independent Auditor's Report to the Members of Natures Way Foods Limited
(continued)

Opinion on Other Matter Prescribed by the Companies Act 2006

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

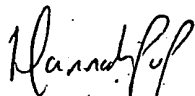
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Strategic Report and the Directors' Report.

Matters on Which We are Required to Report by Exception

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

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



Hannah Pop FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Gatwick, United Kingdom

Date: 11.12.17

Natures Way Foods Limited

Statement of Comprehensive Income and Retained Earnings

Period from 2 April 2016 to 31 March 2017

		Period from 2 Apr 16 to 31 Mar 17 £	Period from 28 Mar 15 to 1 Apr 16 £
TURNOVER	Note 4	162,764,055	153,819,333
Cost of sales		(135,039,383)	(120,669,885)
GROSS PROFIT		<u>27,724,672</u>	<u>33,149,448</u>
Administrative expenses		(25,187,891)	(22,821,372)
OPERATING PROFIT		<u>2,536,781</u>	<u>10,328,076</u>
Finance costs (net)	9	<u>(6,471)</u>	<u>78,637</u>
PROFIT BEFORE FAIR VALUE MOVEMENTS ON FOREIGN CURRENCY CONTRACTS		2,530,310	10,406,713
Fair value on forward currency contracts		(877,267)	925,563
PROFIT BEFORE TAX	5	<u>1,653,043</u>	<u>11,332,276</u>
Tax on profit	10	<u>(1,214,234)</u>	<u>(3,157,463)</u>
PROFIT FOR THE FINANCIAL PERIOD AND TOTAL COMPREHENSIVE INCOME		<u>438,809</u>	<u>8,174,813</u>
RETAINED EARNINGS AT THE START OF THE PERIOD		<u>30,346,357</u>	<u>22,171,544</u>
RETAINED EARNINGS AT THE END OF THE PERIOD		<u>30,785,166</u>	<u>30,346,357</u>

All the activities of the company are from continuing operations.

The notes on pages 13 to 27 form part of these financial statements.


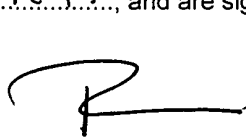
Natures Way Foods Limited

Balance Sheet

31 March 2017

	Note	31 Mar 17 £	1 Apr 16 £
FIXED ASSETS			
Tangible assets	11	38,236,659	28,018,961
CURRENT ASSETS			
Stocks	12	3,363,160	3,236,082
Debtors: amounts falling due within one year	13	22,302,842	21,706,859
Cash at bank and in hand		257,666	4,585,903
		<u>25,923,668</u>	<u>29,528,844</u>
CREDITORS: amounts falling due within one year	14	<u>(29,959,027)</u>	<u>(26,244,359)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(4,035,359)</u>	<u>3,284,485</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		34,201,300	31,303,446
CREDITORS: amounts falling due after more than one year	15	(3,215,876)	(761,015)
PROVISIONS	16	<u>(50,258)</u>	<u>(46,074)</u>
NET ASSETS		<u>30,935,166</u>	<u>30,496,357</u>
CAPITAL AND RESERVES			
Called up share capital	20	150,000	150,000
Retained Earnings	21	30,785,166	30,346,357
SHAREHOLDERS FUNDS		<u>30,935,166</u>	<u>30,496,357</u>

These financial statements were approved by the board of directors and authorised for issue on 8.12.17, and are signed on behalf of the board by:



RA Langmead
Director

Company registration number: 02896421

The notes on pages 13 to 27 form part of these financial statements.

Natures Way Foods Limited

Notes to the Financial Statements

Period from 2 April 2016 to 31 March 2017

1. GENERAL INFORMATION

The company is a private company limited by share capital incorporated in England and Wales and domiciled in United Kingdom.

The address of its registered office is:

Park Farm
Chichester Road
Selsey
West Sussex
PO20 9HP

The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared under the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are prepared in sterling, which is the functional currency of the entity because that is the currency of the primary economic environment in which the company operates.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Going concern

The company's business activities, together with a description of the financial position of the company, the principal risks and uncertainties and the factors likely to affect future development, performance and position are set out in the strategic report. The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Having considered the current performance, the net current liabilities position and future trading prospects, the directors consider that there is adequate funding available to be able to meet the company's liabilities as they fall due. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Natures Way Foods Limited

Notes to the Financial Statements *(continued)*

Period from 2 April 2016 to 31 March 2017

3. ACCOUNTING POLICIES *(continued)*

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 Natures Way Foods Europe Limited which can be obtained from their registered office as detailed in note 24. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) Disclosures in respect of share-based payments have not been presented.
- (e) No disclosure has been given for the aggregate remuneration of key management personnel.
- (f) No disclosure of related party transactions with other wholly owned subsidiary undertakings of Natures Way Foods Europe Limited.

Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Stock provision

Stock is held at the lower of cost and net realisable value. Management judgement is applied to assess stock levels against the risk of obsolesce, estimating provision requirements.

Revenue recognition

The turnover shown in the Statement of Comprehensive Income and Retained Earnings represents the total amount receivable by the company for goods and services provided, excluding Value Added Tax. Revenue is recognised at the point of delivery, which is when the risk is transferred.

Income tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Natures Way Foods Limited

Notes to the Financial Statements *(continued)*

Period from 2 April 2016 to 31 March 2017

3. ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Statement of Comprehensive Income and Retained Earnings.

Operating leases

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

Natures Way Foods Limited

Notes to the Financial Statements *(continued)*

Period from 2 April 2016 to 31 March 2017

3. ACCOUNTING POLICIES *(continued)*

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, other than land and properties under construction, over the useful economic life of that asset as follows:

Leasehold property	-	over the term of the lease
Plant and machinery	-	3-10 years straight line
Fixtures and fittings	-	3-10 years straight line

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are 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.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the balance sheet 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.

Natures Way Foods Limited

Notes to the Financial Statements *(continued)*

Period from 2 April 2016 to 31 March 2017

3. ACCOUNTING POLICIES *(continued)*

Finance leases and hire purchase contracts *(continued)*

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 balance sheet and the amount of the provision as an expense.

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 assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Natures Way Foods Limited

Notes to the Financial Statements *(continued)*

Period from 2 April 2016 to 31 March 2017

3. ACCOUNTING POLICIES *(continued)*

Financial assets and liabilities *(continued)*

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.

(b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

(d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Defined contribution plans

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period.

Natures Way Foods Limited

Notes to the Financial Statements *(continued)*

Period from 2 April 2016 to 31 March 2017

4. TURNOVER

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

	Period from 2 Apr 16 to 31 Mar 17 £	Period from 28 Mar 15 to 1 Apr 16 £
United Kingdom	160,999,751	151,988,352
Rest of Europe	1,764,304	1,830,981
	<u>162,764,055</u>	<u>153,819,333</u>

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):

	Period from 2 Apr 16 to 31 Mar 17 £	Period from 28 Mar 15 to 1 Apr 16 £
Depreciation of tangible assets	8,166,400	7,389,756
Research and development expenditure written off	426,009	176,492
Operating lease rentals	2,940,481	2,417,749
Foreign exchange loss/(gains)	2,205,915	(731,623)
Fair value on forward currency contracts	877,267	(925,563)
	<u>14,616,072</u>	<u>9,377,811</u>

6. AUDITOR'S REMUNERATION

	Period from 2 Apr 16 to 31 Mar 17 £	Period from 28 Mar 15 to 1 Apr 16 £
Fees payable for the audit of the financial statements	60,000	56,000
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	—	11,000
	<u>60,000</u>	<u>66,000</u>

Fees payable for the audit of the company's annual financial statements include fees of £2,400 and £6,600 (2016: £2,000 and £6,000) in respect of the statutory audit of Natures Way Foods Investment Company Limited and Sun Salads Limited respectively.

Natures Way Foods Limited

Notes to the Financial Statements *(continued)*

Period from 2 April 2016 to 31 March 2017

7. STAFF COSTS

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

	31 Mar 17 No.	1 Apr 16 No.
Production staff	921	783
Administrative and support staff	218	193
	<u>1,139</u>	<u>976</u>

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

	Period from 2 Apr 16 to 31 Mar 17 £	Period from 28 Mar 15 to 1 Apr 16 £
Wages and salaries	29,654,388	25,520,481
Social security costs	2,757,114	2,328,817
Other pension costs	785,573	601,590
	<u>33,197,075</u>	<u>28,450,888</u>

8. DIRECTORS' REMUNERATION

The directors aggregate remuneration in respect of qualifying services was:

	Period from 2 Apr 16 to 31 Mar 17 £	Period from 28 Mar 15 to 1 Apr 16 £
Remuneration	952,261	893,839
Company contributions to defined contribution pension plans	29,978	19,370
	<u>982,239</u>	<u>913,209</u>

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

	31 Mar 17 No.	1 Apr 16 No.
Defined contribution plans	<u>2</u>	<u>3</u>

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

	Period from 2 Apr 16 to 31 Mar 17 £	Period from 28 Mar 15 to 1 Apr 16 £
Remuneration	468,353	423,536
Company contributions to defined contribution pension plans	—	728
	<u>468,353</u>	<u>424,264</u>

Natures Way Foods Limited

Notes to the Financial Statements *(continued)*

Period from 2 April 2016 to 31 March 2017

8. DIRECTORS' REMUNERATION *(continued)*

RA Langmead and DW Langmead are remunerated via the ultimate parent company, Natures Way Foods Europe Limited for which the financial statements are publicly available. It is not feasible to allocate the share of remuneration for services performed as directors of Natures Way Foods Limited.

9. FINANCE COSTS (NET)

	Period from 2 Apr 16 to 31 Mar 17 £	Period from 28 Mar 15 to 1 Apr 16 £
Interest receivable from group undertakings	76,202	149,005
Other interest receivable and similar income	8,752	40,904
Interest payable on banks loans and overdrafts	(38,700)	(780)
Interest payable on obligations under finance leases and hire purchase contracts	(52,725)	(110,492)
Finance costs (net)	<u>(6,471)</u>	<u>78,637</u>

Natures Way Foods Limited

Notes to the Financial Statements *(continued)*

Period from 2 April 2016 to 31 March 2017

10. TAX ON PROFIT

Reconciliation of tax expense

	Period from 2 Apr 16 to 31 Mar 17 £	Period from 28 Mar 15 to 1 Apr 16 £
Current tax:		
UK current tax expense	1,240,298	3,227,115
Adjustments in respect of prior periods	(30,248)	37,169
Total current tax	<u>1,210,050</u>	<u>3,264,284</u>
Deferred tax:		
Origination and reversal of timing differences	8,124	(96,207)
Impact of change in tax rate	(3,768)	(5,120)
Adjustment in respect of previous periods	(172)	(5,494)
Total deferred tax	<u>4,184</u>	<u>(106,821)</u>
Tax on profit	<u>1,214,234</u>	<u>3,157,463</u>

The tax assessed on the profit for the period is higher than (2016: higher than) the standard rate of corporation tax in the UK of 20% (2016: 20%).

	Period from 2 Apr 16 to 31 Mar 17 £	Period from 28 Mar 15 to 1 Apr 16 £
Profit before taxation	<u>1,653,043</u>	<u>11,332,276</u>
Tax on profit at standard UK corporation tax rate of 20% (2016: 20%)	330,609	2,266,455
Adjustment to tax charge in respect of prior periods	(30,420)	31,675
Effect of expenses not deductible for tax purposes	961,435	923,262
Effect of revenue exempt from tax	(10,407)	—
Effects of group relief/other reliefs	(33,215)	(58,809)
Tax rate changes	(3,768)	(5,120)
Tax on profit	<u>1,214,234</u>	<u>3,157,463</u>

Natures Way Foods Limited

Notes to the Financial Statements (continued)

Period from 2 April 2016 to 31 March 2017

10. TAX ON PROFIT (continued)

Factors that may affect future tax expense

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

A reduction in the main rate of corporation tax to 19% took effect on 1 April 2017. A further reduction to 17% was enacted on 15 September 2016 and will take effect from 1 April 2020.

11. TANGIBLE ASSETS

	Short leasehold property £	Plant and machinery £	Fixtures and fittings £	Assets under construction £	Total £
Cost					
At 2 April 2016	10,195,841	59,252,300	7,852,612	855,066	78,155,819
Additions	910,363	6,432,324	834,951	10,206,460	18,384,098
Assets under construction complete	—	855,066	—	(855,066)	—
At 31 March 2017	11,106,204	66,539,690	8,687,563	10,206,460	96,539,917
Depreciation					
At 2 April 2016	7,920,442	39,278,679	2,937,737	—	50,136,858
Charge for the period	602,527	6,445,347	1,118,526	—	8,166,400
At 31 March 2017	8,522,969	45,724,026	4,056,263	—	58,303,258
Carrying amount					
At 31 March 2017	2,583,235	20,815,664	4,631,300	10,206,460	38,236,659
At 1 April 2016	2,275,399	19,973,621	4,914,875	855,066	28,018,961

All leasehold property is held under short leases, defined as less than 50 years.

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 £
At 31 March 2017	5,036,420
At 1 April 2016	2,681,331

Natures Way Foods Limited

Notes to the Financial Statements *(continued)*

Period from 2 April 2016 to 31 March 2017

12. STOCKS

	31 Mar 17	1 Apr 16
	£	£
Raw materials and consumables	3,013,465	2,755,269
Finished goods and goods for resale	349,695	480,813
	<u>3,363,160</u>	<u>3,236,082</u>

The cost of inventories recognised as an expense during the year from continuing operations was £75,582,134 (2016: £70,529,771).

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 Mar 17	1 Apr 16
	£	£
Trade debtors	16,390,006	12,154,445
Amounts owed by group undertakings	2,600,466	4,709,918
Prepayments and accrued income	1,784,317	763,546
Derivative financial assets	–	790,867
Other debtors	1,528,053	3,288,083
	<u>22,302,842</u>	<u>21,706,859</u>

14. CREDITORS: amounts falling due within one year

	31 Mar 17	1 Apr 16
	£	£
Bank loans	4,144,206	793,301
Trade creditors	11,797,744	7,636,079
Amounts owed to group undertakings	2,298,932	5,015,479
Accruals and deferred income	10,424,097	10,229,442
Corporation tax	459,757	1,886,987
Social security and other taxes	730,565	604,308
Derivative financial liability	86,400	–
Other creditors	17,326	78,763
	<u>29,959,027</u>	<u>26,244,359</u>

15. CREDITORS: amounts falling due after more than one year

	31 Mar 17	1 Apr 16
	£	£
Bank loans	<u>3,215,876</u>	<u>761,015</u>

Natures Way Foods Limited

Notes to the Financial Statements *(continued)*

Period from 2 April 2016 to 31 March 2017

15. CREDITORS: amounts falling due after more than one year *(continued)*

The amounts are repayable as follows:

	31 Mar 2017	31 Mar 2016
	£	£
Between one and two years	830,544	761,015
Between two and five years	2,385,332	—
	<u>3,215,876</u>	<u>761,015</u>

The bank loans are secured on the underlying plant and machinery assets of £5,036,420 (2016: £2,681,331) at a fixed rate of interest of 2.35% above the base rate (2016: 4.9% above the base rate).

16. PROVISIONS

	Deferred tax (note 17) £
At 2 April 2016	46,074
Charge against provision	4,356
Adjustment in respect of prior periods	(172)
At 31 March 2017	<u>50,258</u>

17. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

	31 Mar 17 £	1 Apr 16 £
Included in provisions (note 16)	<u>50,258</u>	<u>46,074</u>

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

	31 Mar 17 £	1 Apr 16 £
Accelerated capital allowances	67,172	65,660
Other short term trading timing differences	(13,617)	(14,418)
Non trading timing differences	(3,297)	(5,168)
	<u>50,258</u>	<u>46,074</u>

18. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £785,573 (2016: £601,590).

Contributions totalling £101,951 (2016: £88,368) were payable to the scheme at the end of the period and are included in creditors.

Natures Way Foods Limited

Notes to the Financial Statements *(continued)*

Period from 2 April 2016 to 31 March 2017

19. FINANCIAL INSTRUMENTS

	31 Mar 17 £	1 Apr 16 £
Financial assets measured at fair value through profit or loss		
Forward foreign currency contracts	(86,400)	790,867

The fair values are calculated using valuation models based on observable market data.

20. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	31 Mar 17		1 Apr 16	
	No.	£	No.	£
Ordinary shares of £0.01 each	15,000,000	150,000	15,000,000	150,000

21. RESERVES

Retained Earnings - This reserve records retained earnings and accumulated losses, net of dividends paid and other adjustments.

22. OPERATING LEASES

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

	31 Mar 17 £	1 Apr 16 £
Not later than 1 year	3,360,343	2,511,010
Later than 1 year and not later than 5 years	9,412,773	6,438,645
Later than 5 years	39,538,208	11,243,379
	<u>52,311,324</u>	<u>20,193,034</u>

23. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under FRS 102, section 33.1A, not to disclose transactions with wholly-owned members of the group headed by Natures Way Foods Europe Limited.

During the period the group paid rent of £983,395 (2016: £974,332) to DW Langmead, a director of the company.

During the period the company paid management charges and consultancy fees amounting to £2,000,000 (2016: £2,091,667) to Landlink Estates Limited (previously Langmead Estates Limited) and £23,049 (2016: £28,375) to Langmead Farms Limited. Both companies are controlled by DW Langmead, a director of the company.

During the period the company paid rent, management charges, consultancy fees and purchased goods and services amounting to £6,265,968 (2016: £2,857,886) to Kingsbridge Estates Limited, a company controlled by RA Langmead, a director of the company. During the period the company recharged costs of £383,063 (2016: £7,598) to Kingsbridge Estates Limited. At the end of the period Natures Way Foods Limited was owed £12,645 (2016: £nil) and owed £nil (2016: £15,805).

Natures Way Foods Limited

Notes to the Financial Statements *(continued)*

Period from 2 April 2016 to 31 March 2017

23. RELATED PARTY TRANSACTIONS *(continued)*

During the period the company sold goods and recharged costs amounting to £9,166 (2016: £28,375) and purchased raw materials and professional services totalling £3,066,186 (2016: £7,923,270) from companies owned or partly owned by DW Langmead, a director of Natures Way Foods Limited. At the end of the period Natures Way Foods Limited owed these companies £309,680 (2016: £320,509) and was owed £10,999 (2016: was owed £107,736).

During the period the company purchased raw materials of £1,152,800 (2016: £1,124,361) from Sun Salads Limited, a 90% subsidiary of Natures Way Investment Company Limited. The company also recharged costs to Sun Salads Limited of £582,625 (2016: £445,091) during the period. At the end of the period Natures Way Foods Limited owed Sun Salads Limited £133,056 (2016: £246,643) and was owed £513,559 (2016: was owed £334,489).

During the period the company purchased raw materials of £6,798 (2016: £nil) from Sun Salads Espana, a 100% subsidiary of Sun Salads Limited. The company also recharged costs to Sun Salads Espana of £29,129 (2016: £86,418) during the period. At the end of the period Natures Way Foods Limited was owed £1,625,554 (2016: £1,629,464) and owed £5,375 (2016: owed £nil). Sun Salads Espana S.L. is a member of a Producer Organisation in Spain and so these purchases are made via SAT Las Primicias, the producer organisation.

24. CONTROLLING PARTY

The company is a 100% subsidiary of Natures Way Foods Investment Company. The company's ultimate parent company is Natures Way Foods Europe Limited. All entities are domiciled and incorporated in the United Kingdom. The registered office of the company's ultimate parent company is Park Farm, Chichester Road, Selsey, West Sussex, PO20 9HP. The ultimate controlling parties are DW Langmead and RA Langmead by virtue of their shareholding in Natures Way Foods Europe Limited.

The smallest and largest group of undertakings for which group financial statements have been drawn up is that headed by Natures Way Foods Europe Limited. Copies of the group financial statements can be obtained from Companies House.