

COMPANY REGISTRATION NUMBER: 02896421

Natures Way Foods Limited

Annual Report and Financial Statements

For the period from 1 April 2017 to 30 March 2018



Natures Way Foods Limited

Annual Report and Financial Statements

Period ended 30 March 2018

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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 (Resigned 13 April 2018)
CD Smith (Appointed 16 April 2018)

REGISTERED OFFICE

Park Farm
Chichester Road
Selsey
West Sussex
United Kingdom
PO20 9HP

AUDITOR

Deloitte LLP
Statutory auditor
Park House
Crawley Business Quarter
Manor Royal
Gatwick
United Kingdom
RH10 9AD

BANKERS

National Westminster Bank plc
2 Golden Hill Lane
Leyland
Preston
Lancashire
United Kingdom
PR5 2NP

SOLICITORS

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

Natures Way Foods Limited

Strategic Report

Period from 1 April 2017 to 30 March 2018

The directors present their strategic report for the company for the period between 1 April 2017 to 30 March 2018.

The company prepares Annual Report and Financial Statements 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 comprise 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 12. The company's financial position is presented in the Balance Sheet on page 13.

The company's closing net asset position is increased to £31.9m (2017: £30.9m) reflecting continuous growth of the business, which is seen through increase in turnover to £182.5m (2017: £162.8m). The operating profit earned during the year was £2.1m (2017: 2.5m) with operating margin being 1.2% (2017: 1.6%). The reduction in operating profit and margin is mostly caused by weakening of the pound sterling following UK's decision to leave the EU in March 2017. The company has adequate funding arrangements to support future trading prospects and to maintain 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 company.

	2018	2017
Turnover (£m)	183	163
Operating profit (£m)	2	3
Operating margin (%)	1	2

The movement year on year is reflective of the competitive market the company operates in.

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.

Natures Way Foods Limited

Strategic Report *(continued)*

Period from 1 April 2017 to 30 March 2018

Principal Risks and Uncertainties *(continued)*

EU Exit Risk

UK's decision to leave the EU presented the company with new risks, such as currency exchange rate volatility, labour market shortages and uncertainty about rules on cross-border movement of goods. The company takes steps in mitigating these risks by looking into new technology, gaining expertise on customs procedures, expanding supplier base, but until the EU exit negotiations are complete, the situation presents considerable uncertainty.

Competition Risk

The nature of the company's principal activity relies on relationships with few large customers. A loss of such a customer relationship due to an inability to price competitively or respond to market trends could result in loss of a material revenue stream. To maintain strong relationship the company offers a diverse range of products within several product categories. The company also invests to ensure a high level of service and product quality.

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 company's policies approved by the board of directors, which provide principles on the use of financial derivatives to manage these risks. The company 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 profit and loss account as it arises.

Natures Way Foods Limited

Strategic Report *(continued)*

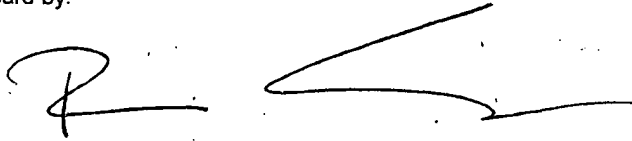
Period from 1 April 2017 to 30 March 2018

Future Developments and Events after the Balance Sheet Date

There were no events since the reporting date which require adjustment or disclosure.

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

This report was approved by the board of directors on5/9/18..... and signed on behalf of the board by:



RA Langmead
Director

Natures Way Foods Limited

Directors' Report

Period from 1 April 2017 to 30 March 2018

The directors present their Annual Report and Audited Financial Statements for the period ended 30 March 2018.

Directors

The directors who served the company during the period were as follows:

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

Since the year end the following director(s) have been appointed/resigned:

SV Barratt	(Resigned 13 April 2018)
CD Smith	(Appointed 16 April 2018)

Dividends

The directors do not recommend the payment of a dividend (2017: £nil).

Going Concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Having reviewed the current performance and future trading prospect against the net current liability position, 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.

Natures Way Foods Limited

Directors' Report *(continued)*

Period from 1 April 2017 to 30 March 2018

Employee Involvement

The company 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 company.

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.

People and Management

The continuing success of the company is thanks to the strength of the company'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.

Qualifying Indemnity Provision

The company has granted indemnity to its directors against liability in respect of proceedings brought by third parties, subject to conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the Directors' 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.

Natures Way Foods Limited

Directors' Report *(continued)*

Period from 1 April 2017 to 30 March 2018

Auditor

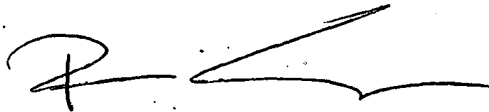
Each of the persons who is a director at the date of approval of this report confirms that:

- 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.

This report was approved by the board of directors on5/9/18..... and signed on behalf of the board by:



RA Langmead
Director

Natures Way Foods Limited

Directors' Responsibilities Statement

Period from 1 April 2017 to 30 March 2018

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare annual report and financial statements for each financial period. Under that law the directors have elected to prepare the annual report and 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 annual report and 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 annual report and 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 annual report and financial statements; and
- prepare the annual report and 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 annual report and 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.

Natures Way Foods Limited

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

Period from 1 April 2017 to 30 March 2018

Report on the Audit of the Financial Statements

Opinion

In our opinion the financial statements of Natures Way Foods Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 March 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income and retained earnings;
- the balance sheet;
- the related notes 1 to 25.

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).

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 annual report and financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Natures Way Foods Limited

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

Period from 1 April 2017 to 30 March 2018

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the annual report and financial statements and our auditor's report thereon. Our opinion on the annual report and 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 annual report and financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual report and 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 annual report and 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 respect of these matters.

Responsibilities of Directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual report and 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 annual report and financial statements.

A further description of our responsibilities for the audit of the annual report and 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.

Natures Way Foods Limited

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

Period from 1 April 2017 to 30 March 2018

Report on Other Legal and Regulatory Requirements

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 period for which the annual report and financial statements are prepared is consistent with the annual report and 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 or the directors' report.

Matters on Which We are Required to Report by Exception

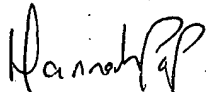
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 annual report and 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.

We have nothing to report in respect of these matters.

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.



Hannah Pop FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Gatwick, United Kingdom

Date: 5 September 2018

Natures Way Foods Limited

Statement of Comprehensive Income and Retained Earnings

Period from 1 April 2017 to 30 March 2018

	Note	2018 £	2017 £
TURNOVER	4	182,508,758	162,764,055
Cost of sales		(152,832,249)	(135,039,383)
GROSS PROFIT		29,676,509	27,724,672
Administrative expenses		(27,557,980)	(25,187,891)
OPERATING PROFIT	5	2,118,529	2,536,781
Finance Costs (net)	10	(50,847)	(883,738)
PROFIT BEFORE TAXATION		2,067,682	1,653,043
Tax on profit	11	(1,124,685)	(1,214,234)
PROFIT FOR THE FINANCIAL PERIOD AND TOTAL COMPREHENSIVE INCOME		942,997	438,809
RETAINED EARNINGS AT THE START OF THE PERIOD		30,785,166	30,346,357
RETAINED EARNINGS AT THE END OF THE PERIOD		31,728,163	30,785,166

All the activities of the company are from continuing operations.

The notes on pages 14 to 27 form part of these annual report and financial statements.

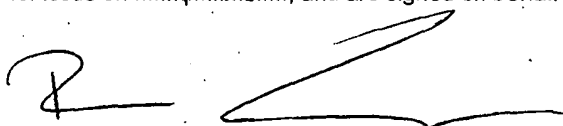
Natures Way Foods Limited

Balance Sheet

As at 30 March 2018

	Note	2018 £	2017 £
FIXED ASSETS			
Tangible assets	12	45,313,202	38,236,659
CURRENT ASSETS			
Stocks	13	4,015,671	3,363,160
Debtors: amounts falling due within one year	14	24,544,236	22,302,842
Cash at bank and in hand		—	257,666
		28,559,907	25,923,668
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(35,958,984)	(29,959,027)
NET CURRENT LIABILITIES		(7,399,077)	(4,035,359)
TOTAL ASSETS LESS CURRENT LIABILITIES		37,914,125	34,201,300
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(5,997,391)	(3,215,876)
PROVISIONS	17	(38,571)	(50,258)
NET ASSETS		<u>31,878,163</u>	<u>30,935,166</u>
CAPITAL AND RESERVES			
Called up share capital	21	150,000	150,000
Profit and loss account	22	31,728,163	30,785,166
SHAREHOLDERS FUNDS		<u>31,878,163</u>	<u>30,935,166</u>

These annual report and financial statements were approved by the board of directors and authorised for issue on 15.11.18, and are signed on behalf of the board by:



RA Langmead
Director

Company registration number: 02896421

The notes on pages 14 to 27 form part of these annual report and financial statements.

Natures Way Foods Limited

Notes to the Annual Report and Financial Statements

Period from 1 April 2017 to 30 March 2018

1. GENERAL INFORMATION

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

The address of its registered office is:

Park Farm
Chichester Road
Selsey
West Sussex
United Kingdom
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 annual report and 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

The financial statements have been prepared on the historical cost basis.

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 has adequate resources to continue in operational existence for the foreseeable future. Having considered the current performance, the net current assets 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 Annual Report and Financial Statements *(continued)*

Period from 1 April 2017 to 30 March 2018

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 25. 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 related party transactions with other wholly owned subsidiary undertakings of Natures Way Foods Europe Limited.

Revenue recognition

The turnover shown in the profit and loss account 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.

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 company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Natures Way Foods Limited

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

Period from 1 April 2017 to 30 March 2018

3. ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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 profit and loss account.

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

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, less its residual value, 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

Natures Way Foods Limited

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

Period from 1 April 2017 to 30 March 2018

3. ACCOUNTING POLICIES *(continued)*

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.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

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.

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.

Natures Way Foods Limited

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

Period from 1 April 2017 to 30 March 2018

3. ACCOUNTING POLICIES *(continued)*

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.

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.

Natures Way Foods Limited

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

Period from 1 April 2017 to 30 March 2018

3. ACCOUNTING POLICIES *(continued)*

Financial assets and liabilities *(continued)*

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.

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.

There are no critical accounting judgements or key sources of estimation uncertainty made by the company that are expected to result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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:

	2018	2017
	£	£
United Kingdom	180,780,068	160,999,751
Rest of Europe	1,728,690	1,764,304
	<u>182,508,758</u>	<u>162,764,055</u>

Natures Way Foods Limited

Notes to the Annual Report and Financial Statements (continued)

Period from 1 April 2017 to 30 March 2018

5. PROFIT BEFORE TAX

Profit before tax is stated after charging:

	2018 £	2017 £
Depreciation of tangible assets	8,871,671	8,166,400
Research and development expenditure written off	246,640	426,009
Operating lease rentals	3,735,004	2,940,481
Foreign exchange loss	1,117,318	2,205,915
Fair value on forward currency contracts	<u>(98,298)</u>	<u>877,267</u>

6. AUDITOR'S REMUNERATION

	2018 £	2017 £
Fees payable for the audit of the annual report and financial statements	<u>70,000</u>	<u>60,000</u>

Fees payable for the audit of the company's annual financial statements include fees of £2,740, £7,535 and £5,600 (2017: £2,400, £6,600 and £nil) in respect of the statutory audit of Natures Way Foods Investment Company Limited, Sun Salads Limited respectively and Natures Way Foods Europe Limited.

7. STAFF COSTS

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

	2018 No.	2017 No.
Production staff	951	921
Administrative and support staff	219	218
	<u>1,170</u>	<u>1,139</u>

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

	2018 £	2017 £
Wages and salaries	31,071,180	29,654,388
Social security costs	2,876,374	2,757,114
Other pension costs	781,880	785,573
Compensation for loss of office	<u>1,273,333</u>	<u>—</u>
	<u>36,002,767</u>	<u>33,197,075</u>

8. DIRECTORS' REMUNERATION

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

	2018 £	2017 £
Remuneration	877,394	952,261
Company contributions to defined contribution pension plans	30,577	29,978
Compensation for loss of office	<u>1,273,333</u>	<u>—</u>
	<u>2,181,304</u>	<u>982,239</u>

Natures Way Foods Limited

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

Period from 1 April 2017 to 30 March 2018

8. DIRECTORS' REMUNERATION *(continued)*

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

	2018 No.	2017 No.
Defined contribution plans	<u>2</u>	<u>2</u>

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

	2018 £	2017 £
Aggregate remuneration	<u>1,694,585</u>	<u>468,353</u>

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 INCOME AND FINANCE COST

a. Finance Income	2018 £	2017 £
Interest from group undertakings	110,440	76,202
Gain on financial instruments	98,298	—
Other interest receivable and similar income	<u>1</u>	<u>8,752</u>
	<u>208,739</u>	<u>84,954</u>

b. Finance Cost	2018 £	2017 £
Interest on banks loans and overdrafts	(125,407)	(38,700)
Interest on obligations under finance leases and hire purchase contracts	(134,179)	(52,725)
Loss on financial instruments	<u>—</u>	<u>(877,267)</u>
	<u>(259,586)</u>	<u>(968,692)</u>

10. FINANCE COSTS (NET)

	2018 £	2017 £
Finance Income (note 9a)	208,739	84,954
Finance Cost (note 9b)	<u>(259,586)</u>	<u>(968,692)</u>
	<u>(50,847)</u>	<u>(883,738)</u>

Natures Way Foods Limited

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

Period from 1 April 2017 to 30 March 2018

11. TAX ON PROFIT

Major components of tax expense

	2018 £	2017 £
Current tax:		
UK current tax expense	1,149,303	1,240,298
Adjustments in respect of prior periods	(12,931)	(30,248)
Total current tax	1,136,372	1,210,050
Deferred tax:		
Origination and reversal of timing differences	61,964	8,124
Impact of change in tax rate	(6,522)	(3,768)
Adjustment in respect of previous periods	(67,129)	(172)
Total deferred tax	(11,687)	4,184
Tax on profit	1,124,685	1,214,234

Reconciliation of tax expense

The tax assessed on the profit for the period is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 20%).

	2018 £	2017 £
Profit before taxation	2,067,682	1,653,043
Profit by rate of tax	392,859	330,609
Adjustment to tax charge in respect of prior periods	(80,060)	(30,420)
Effect of expenses not deductible for tax purposes	962,101	961,435
Effect of revenue exempt from tax	–	(10,407)
Effects of group relief/other reliefs	(144,819)	(33,215)
Tax rate changes	(6,522)	(3,768)
FRS102 conversion adjustment	1,126	–
Tax on profit	1,124,685	1,214,234

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.

Natures Way Foods Limited

Notes to the Annual Report and Financial Statements (continued)

Period from 1 April 2017 to 30 March 2018

12. TANGIBLE ASSETS

	Short leasehold property £	Plant and machinery £	Fixtures and fittings £	Assets under construction £	Total £
Cost					
At 1 April 2017	11,106,204	66,539,690	8,687,563	10,206,460	96,539,917
Additions	309,035	14,147,483	543,340	948,356	15,948,214
Assets under construction complete	3,412,445	6,129,208	664,807	(10,206,460)	—
At 30 March 2018	14,827,684	86,816,381	9,895,710	948,356	112,488,131
Depreciation					
At 1 April 2017	8,522,969	45,724,026	4,056,263	—	58,303,258
Charge for the period	608,900	6,885,958	1,376,813	—	8,871,671
At 30 March 2018	9,131,869	52,609,984	5,433,076	—	67,174,929
Carrying amount					
At 30 March 2018	5,695,815	34,206,397	4,462,634	948,356	45,313,202
At 31 March 2017	2,583,235	20,815,664	4,631,300	10,206,460	38,236,659

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 30 March 2018	9,854,191
At 31 March 2017	5,036,420

13. STOCKS

	2018 £	2017 £
Raw materials and consumables	3,871,712	3,013,465
Finished goods and goods for resale	143,959	349,695
	4,015,671	3,363,160

The cost of inventories recognised as an expense during the year from continuing operations was £88,658,416 (2017: £75,582,134).

Natures Way Foods Limited

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

Period from 1 April 2017 to 30 March 2018

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Trade debtors	17,849,518	16,390,006
Amounts owed by group undertakings	3,441,460	2,600,466
Prepayments and accrued income	1,464,609	1,784,317
Other debtors	1,776,751	1,528,053
Derivative financial assets	11,898	—
	<u>24,544,236</u>	<u>22,302,842</u>

Amounts owed by group undertakings are repayable on demand, with interest payable at a rate of LIBOR +2%.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Bank loans	7,004,229	4,144,206
Trade creditors	14,697,969	11,797,744
Amounts owed to group undertakings	2,394,839	2,298,932
Accruals and deferred income	10,809,942	10,424,097
Corporation tax	209,571	459,757
Social security and other taxes	794,396	730,565
Derivative financial liability	—	86,400
Other creditors	48,038	17,326
	<u>35,958,984</u>	<u>29,959,027</u>

Amounts owed to group undertakings are repayable on demand, with interest payable at a rate of LIBOR +2%.

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £	2017 £
Bank loans	<u>5,997,391</u>	<u>3,215,876</u>

The bank loans are secured on the underlying plant and machinery assets of £9,854,191 (2017: £5,036,420) at a fixed rate of interest of 2.58% above the base rate (2017: 2.35% above the base rate).

All amounts are repayable within five years (2017: within five years).

Natures Way Foods Limited

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

Period from 1 April 2017 to 30 March 2018

17. PROVISIONS

	Deferred tax (note 18) £
At 1 April 2017	50,258
Charge against provision	55,442
Adjustment in respect of prior periods	(67,129)
At 30 March 2018	<u>38,571</u>

18. DEFERRED TAX

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

	2018 £	2017 £
Included in provisions (note 17)	<u>38,571</u>	<u>50,258</u>

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

	2018 £	2017 £
Accelerated capital allowances	64,578	67,172
Other short term timing differences	(26,007)	(13,617)
Non trading timing differences	—	(3,297)
	<u>38,571</u>	<u>50,258</u>

19. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £781,880 (2017: £785,573).

Contributions totalling £106,637 (2017: £101,951) were payable to the scheme at the end of the period and are included in creditors.

20. FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instrument is as follows:

	2018 £	2017 £
Financial assets measured at fair value through profit or loss		
Forward foreign currency contracts	<u>11,898</u>	<u>(86,400)</u>

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

Natures Way Foods Limited

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

Period from 1 April 2017 to 30 March 2018

21. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £0.01 each	15,000,000	150,000	15,000,000	150,000

22. RESERVES

Profit and loss account - This reserve records retained earnings and accumulated losses, net of dividends paid and other adjustments.

23. OPERATING LEASES

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

	2018	2017
	£	£
Not later than 1 year	3,435,284	3,360,343
Later than 1 year and not later than 5 years	9,274,246	9,412,773
Later than 5 years	37,551,387	39,538,208
	<u>50,260,917</u>	<u>52,311,324</u>

24. 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 company paid rent of £984,565 (2017: £983,395) to DW Langmead, a director of the company.

During the period the company paid management charges and consultancy fees amounting to £2,000,000 (2017: £2,000,000) to Landlink Estates Limited (previously Langmead Estates Limited) and £11,344 (2017: £23,049) 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 £3,243,202 (2017: £6,265,968) to Kingsbridge Estates Limited, a company controlled by RA Langmead, a director of the company. During the period the company recharged costs of £nil (2017: £383,063) to Kingsbridge Estates Limited. At the end of the period Natures Way Foods Limited was owed £nil (2017: £12,645).

During the period the company sold goods and recharged costs amounting to £nil (2017: £9,166) and purchased raw materials and professional services totalling £3,473,572 (2017: £3,066,186) 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 £368,930 (2017: £309,680) and was owed £683 (2017: was owed £10,999).

Natures Way Foods Limited

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

Period from 1 April 2017 to 30 March 2018

24. RELATED PARTY TRANSACTIONS *(continued)*

During the period the company purchased raw materials of £1,621,275 (2017: £1,152,800) from Sun Salads Limited, a 90% subsidiary of Natures Way Investment Company Limited. The company also recharged costs to Sun Salads Limited of £608,231 (2017: £582,625) during the period. At the end of the period Natures Way Foods Limited owed Sun Salads Limited £148,718 (2017: £133,056) and was owed £416,840 (2017: was owed £513,559).

During the period the company purchased raw materials of £nil (2017: £6,798) from Sun Salads Espana S.L, a 100% subsidiary of Sun Salads Limited. The company also recharged costs to Sun Salads Espana S.L of £nil (2017: £29,129) during the period. At the end of the period Natures Way Foods Limited was owed £1,639,861 (2017: £1,625,554) and owed £nil (2017: owed £5,375). 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.

25. CONTROLLING PARTY

The company is a 100% subsidiary of Natures Way Foods Investment Company Limited. The company's ultimate parent company is Natures Way Foods Europe Limited. All entities are domiciled in the United Kingdom and registered in England and Wales. The registered office of the company's ultimate parent company is Park Farm, Chichester Road, Selsey, West Sussex, United Kingdom, 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.