

Company registration number: 02896421

NATURES WAY FOODS LIMITED

Annual Report and Financial Statements

For the period from 27 March 2021 to 25 March 2022



NATURES WAY FOODS LIMITED

Contents

	Page(s)
Company Information	1
Strategic Report	2 - 6
Directors' Report	7 - 9
Directors' Responsibilities Statement	10
Independent Auditors' Report	11 - 14
Statement of Comprehensive Income	15
Balance Sheet	16
Statement of Changes in Equity	17 - 18
Notes to the Financial Statements	19 - 36

NATURES WAY FOODS LIMITED

Company Information

DIRECTORS	DG Williams DW Langmead RA Langmead SC Gilliland CD Smith AM Barker
REGISTERED NUMBER	02896421
REGISTERED OFFICE	Park Farm Chichester Road Selsey Chichester West Sussex PO20 9HP
AUDITORS	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton Hampshire SO14 3TL
BANKERS	National Westminster Bank PLC 5 East Street Chichester West Sussex PO19 1HH
SOLICITORS	Stevens & Bolton LLP Wey House Farnham Road Guilford Surrey GU1 4YD

NATURES WAY FOODS LIMITED

Strategic Report **For the period from 27 March 2021 to 25 March 2022**

Introduction

The directors present their strategic report for the company for the period between 27 March 2021 to 25 March 2022.

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.

Principal Activities

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 activity in the period under review.

Review of the Business

The results for the company are shown in the Statement of Comprehensive Income on page 15. The company's financial position is presented in the Balance Sheet on page 16.

The company's turnover increased by 16.9% to £214m (2021: £183m). The business secured significant retail contracts during the year, growing market share and turnover across key categories.

Adjusted EBITDA for the year, prior to shareholder's management charge of £4.0m (2021: £nil), improved by 40.9% to £11.4m (2021: £8.1m), with the prior year benefitting from £3.4m of Coronavirus related payments at operating level. The directors remain very positive in respect to continued revenue and market share growth and improving profitability.

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.

Financial 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.

	2022	2021
	£000	£000
Turnover	213,520	182,700
Adjusted EBITDA (pre shareholder's management charge)	11,430	8,111
Adjusted EBITDA margin %	<u>5</u>	<u>4</u>

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 weather, market demand and competition.

Weather

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.

Strategic Report (continued)
For the period from 27 March 2021 to 25 March 2022

Market and 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 relationships, 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.

Financial Risks

The company's activities expose it to financial risks in relation to foreign currency, interest rate, credit and liquidity risks.

Foreign Currency Risk

The company uses foreign exchange forward contracts and other instruments to hedge foreign currency exposure. 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.

Interest Rate Risk

The company finances its operations with cash resources and borrowings. Interest rate risk is managed by entering long term relationship with the bank, securing fixed interest rate.

Credit Risk

The company's principal financial assets are bank balances, 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.

Strategic Report (continued)
For the period from 27 March 2021 to 25 March 2022

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 as it arises.

People and Management

Colleagues at Nature's Way Foods are the most important asset that the business has, and it is acknowledged at all levels in the business that all colleagues should be allowed to progress their career and their personal development within the business. Personal development plans are rolled out across the colleague base to identify and implement all relevant training requirements, developmental needs and career enhancement objectives. The business does this for all colleagues including those that are disabled, and does not discriminate in any way against disabled colleagues.

Communication is an integral element of colleague engagement, and significant efforts are made throughout the organisation to update all colleagues with regard to business performance, the commercial environment, health & safety matters and all other matters of concern to the colleague base.

Company performance is a key focus of all performance reviews, and is a key driver in any incentive plan which is put in place.

A formal body exists in the business, with colleagues representing all different functions and factories to act as a forum for consultation in all matters within the business that impact our colleagues. This forum is the key method of engagement between the colleagues and the directors, and enables the directors to have regard to the employee interests.

Future Developments and Events after the Balance Sheet Date

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

The directors continue to focus on increasing revenue and market share and the expectation is that this growth will continue into the next financial year.

Directors Statement of compliance with duty to promote the success of the company***Directors Statement of compliance – S172 statement***

The Directors and the Board as a collective consider that they act in a way that would be most likely to promote the success of the company for the benefit of the members as a whole (having regard to the stakeholders and matters set out in S172(1) (a) to (f) of the act) in the year to 25th March 2022.

The business has high standards of conduct, is professionally managed through a strong Board of Directors, including appropriately qualified Non-Executive Directors. This ensures that business is conducted such that outcomes are fair between all members of the company.

Strategic Report (continued)
For the period from 27 March 2021 to 25 March 2022

Decisions Affecting Customers***Focus on category leadership:***

Reason for decision: business growth and strengthening the competitive position.

How: engage with customers in strategic category reviews and customer tenders.

Actions & Outcomes:

- retail category share growth in salads associated with manufacturing capacity expansion and new contracts;
- develop, launch and promote own brands; and
- significant investment in the Selsey site to meet increasing customer demand.

Decisions Affecting Colleagues***Enhance colleague recruitment, job satisfaction, retention and reward:***

Reason for decision: Natures Way Foods relies on the loyalty of its colleagues in order to provide customer value, service and quality.

How: focus on increasing permanent headcount and reviewing annual incentive plan

Actions & Outcomes:

- increased number of Natures Way Foods factory colleagues, reducing reliance on agency staff; and
- increase autonomy and empowerment at site level.

Decisions Affecting Suppliers***Review of supply base to identify and build key strategic partnerships:***

Reason for decision: our suppliers are fundamental to the quality and value of our products, and to ensure that we meet the high service levels our customers demand. They are also critical in providing specialist insight required to deliver high quality innovation.

How: strategic procurement review working with internal stakeholders, 3rd party expertise and the supply based.

Actions & Outcomes:

- identified potential strategic supply partners;
- agreed multi year supply contacts with strategic supply partners; and
- implemented a more immersive, collaborative way of working with a key strategic supplier to deliver and store raw material directly to two of our sites.

Strategic Report (continued)
For the period from 27 March 2021 to 25 March 2022

Decisions Impacting the Environment

Lead the way in environmental initiatives through structured ESG strategy:


Reason for decision: the business is in a unique position, with the ability to positively influence the environment throughout the supply chain. Sustainability is at the heart of the business values, and is an integral part of the way that the company does business.

How: A core taskforce is in place covering the business and other related businesses, with a strong agenda to drive the complete ESG agenda,

Actions & Outcomes:

- Positively engaged with customer base to align their ESG goals to the business;
- Positively engaged with supplier base to ensure their ESG goals are aligned to the business; and
- Proactively embrace ESG initiatives to drive the agenda forward at pace

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



DW Langmead
Director

01 December 2022

NATURES WAY FOODS LIMITED

Directors' Report **For the period from 27 March 2021 to 25 March 2022**

The directors present their report and the financial statements for the period ended 25 March 2022.

Results and Dividends

The loss for the period, after taxation, amounted to £5,127k (2021: £3,916k). The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the period were:

DG Williams
DW Langmead
RA Langmead
SC Gilliland
CD Smith
AM Barker

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 including the impact of Covid-19 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 2.2 of these financial statements.

Colleagues 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.

NATURES WAY FOODS LIMITED

Directors' Report (continued) For the period from 27 March 2021 to 25 March 2022

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.

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.

Energy and Carbon Reporting

		25 March 2022 GHG EMISSION	Restated 26 March 2021 GHG EMISSION
	Unit		
Emissions from combustion of gas tCO ₂ e (Scope1)	tCO ₂ e	1,292	1,246
Emissions from combustion of fuel for transport purposes (Scope 1)	tCO ₂ e	119	82
Emissions from purchased electricity (Scope 2, location-based)	tCO ₂ e	5,908	5,978
Total CO₂ based on above	tCO ₂ e	7,319	7,306

Energy consumption used to calculate the above emissions is KWH 34,320,203 (2021: KWH 31,898,848).

Intensity Ratio (tCO₂e/£m Turnover) 34.28 (2021: 39.99)

During our review of energy consumption for the current year, it was noted by management that Emissions from combustion of gas tCO₂e (Scope 1) had been incorrectly stated. We have updated this figure from 9,176 to 1,246, and the related Intensity Ratio from 83.39 to 39.99.

Methodology:

We have followed the 2019 HM Government Environmental Reporting Guidelines and GHG Reporting Protocol - Corporate Standard. We have also used the 2021 UK Government GHG Conversion Factors for Company Reporting. NPower have supported us in understanding the legislation and creating the report.

Electricity data has been taken straight from NPower grid readings. Diesel use has been taken from delivery readings, recorded by the site. Gas usage has been taken from a usage report direct from Flogas.

The energy and emissions data is for all Natures Way Foods sites. This includes the Selsey, Runciton, Merston and Drayton sites.

Intensity Measurement:

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per £m turnover.

NATURES WAY FOODS LIMITED

Directors' Report (continued)
For the period from 27 March 2021 to 25 March 2022

Energy and Carbon Reporting (continued)

Energy efficiency action taken:

Following Covid 19 we have now restarted our Sustainability Plan. It is now being led by an Exec member and falls under the business ESG plan. The scope has been widened to include BCorp certification and the outcome of this review is driving our next steps. These are yet to be confirmed but we aim to have a more comprehensive plan by the end of 2022.

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 6 and form part of this report by cross reference.

Auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are 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 BDO LLP as auditors will be proposed at the forthcoming Annual General Meeting.

Post Balance Sheet Events

There have been no significant events affecting the Company since the year end.

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



DW Langmead
Director

01 December 2022

Directors' Responsibilities Statement
For the period from 27 March 2021 to 25 March 2022

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements 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 to 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.

NATURES WAY FOODS LIMITED

Independent Auditors' Report to the Members of Natures Way Foods Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 25 March 2022 and of its loss 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.

We have audited the financial statements of Natures Way Foods Limited ("the Company") for the period ended 25 March 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

NATURES WAY FOODS LIMITED

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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 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 material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of Directors

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.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Obtain an understanding of the legal and regulatory framework that the company operates in, focusing on those laws and regulations that have a direct impact on the financial statements or that have a fundamental impact on the operations of the company;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Obtain an understanding of the revenue recognition and perform cut off tests to ensure revenue has been recognised correctly, including reviewing of journals posted to revenue to test for any fraudulent recognition;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to assumptions used in their provisions and uncertain tax provisions;
- Identifying and testing journal entries, in particular any manual journals posted to revenue, manual journals posted to bank and journals posted post year end.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.


A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

NATURES WAY FOODS LIMITED

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

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.

DocuSigned by:

3A8E17E6EA7B437...

Stephen Le Bas (Senior Statutory Auditor)
For and on behalf of **BDO LLP**, statutory auditor

Arcadia House
Maritime Walk
Ocean Village
Southampton
Hampshire
SO14 3TL

01 December 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

NATURES WAY FOODS LIMITED**Statement of Comprehensive Income
For the period from 27 March 2021 to 25 March 2022**

	Note	2022 £000	2021 £000
Turnover	3	213,520	182,700
Cost of sales		(187,703)	(159,500)
Gross profit		25,817	23,200
Administrative expenses		(31,317)	(30,013)
Other operating income	5	137	3,454
Operating loss	4	(5,363)	(3,359)
Interest receivable and similar income	9	45	38
Interest payable and similar expenses	10	(648)	(634)
Fair value of forward currency contracts		331	(1,361)
Loss before tax		(5,635)	(5,316)
Tax on loss	11	508	1,400
Loss for the financial period		(5,127)	(3,916)
Total comprehensive loss for the period		(5,127)	(3,916)

The notes on pages 19 to 36 form part of these financial statements.

NATURES WAY FOODS LIMITED
Registered number: 02896421

Balance Sheet
As at 25 March 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	12	46,182	51,288
		<u>46,182</u>	<u>51,288</u>
Current assets			
Stocks	13	5,647	4,725
Debtors: amounts falling due after more than one year	14	701	600
Debtors: amounts falling due within one year	14	29,194	29,002
Cash at bank and in hand	15	1,708	1,703
		<u>37,250</u>	<u>36,030</u>
Creditors: amounts falling due within one year	16	(51,705)	(48,029)
Net current liabilities		<u>(14,455)</u>	<u>(11,999)</u>
Total assets less current liabilities		<u>31,727</u>	<u>39,289</u>
Creditors: amounts falling due after more than one year	17	(13,745)	(16,180)
Net assets		<u><u>17,982</u></u>	<u><u>23,109</u></u>
Capital and reserves			
Called up share capital	21	150	150
Profit and loss account	22	17,832	22,959
		<u><u>17,982</u></u>	<u><u>23,109</u></u>

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


DW Langmead
 Director

01 December 2022

The notes on pages 19 to 36 form part of these financial statements.

NATURES WAY FOODS LIMITED

Statement of Changes in Equity
For the period from 27 March 2021 to 25 March 2022

	Called up share capital	Profit and loss account	Total
	£000	£000	£000
At 27 March 2021	150	22,959	23,109
Comprehensive loss for the period			
Loss for the period	-	(5,127)	(5,127)
Total comprehensive loss for the period	-	(5,127)	(5,127)
At 25 March 2022	<u>150</u>	<u>17,832</u>	<u>17,982</u>

The notes on pages 19 to 36 form part of these financial statements.

NATURE'S WAY FOODS LIMITED

Statement of Changes in Equity
For the period from 28 March 2020 to 26 March 2021

	Called up share capital	Profit and loss account	Total
	£000	£000	£000
At 28 March 2020	150	26,849	26,999
Comprehensive loss for the period			
Loss for the period	-	(3,916)	(3,916)
Total comprehensive loss for the period	-	(3,916)	(3,916)
Share-based payment	-	26	26
Total transactions with owners	-	26	26
At 26 March 2021	150	22,959	23,109

The notes on pages 19 to 36 form part of these financial statements.

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

1. General information

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

The address of the registered office is:

Park Farm
Chichester Road
Selsey
Chichester
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 6.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The following principal accounting policies have been applied:

2.2 Going concern

The company's business activities together with a description of the financial position of the company, the principal risk and uncertainties and the factors likely to affect future development, performance and position are set 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 liability 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 going concern basis in preparing the annual financial statements.

2.3 Disclosure exemptions

The parent company 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 27. 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.

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

2. Accounting policies (continued)**2.4 Revenue**

The turnover shown in the profit and loss account represents the total amount receivable by the group for goods and services provided, excluding Value Added Tax. Revenue is recognised at the point of delivery, which is when the risk is transferred.

2.5 Government Grants

Grants are accounted under the accruals model as permitted under FRS 102.

Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure within other operating income.

During the year income received from the Coronavirus Job Retention Scheme has been accounted for in accordance with the above.

2.6 Current and deferred taxation

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 profit 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 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 probably 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. 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.

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 or 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.

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

2. Accounting policies (continued)**2.6 Current and deferred taxation (continued)**

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.

2.7 Foreign currency

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.

2.8 Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.9 Defined contribution plans

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet.

2.10 Share based payments

The group operates two management incentive schemes which are structured across a number of companies within the group and have a number of specific terms, details of which can be found in note 24. There are a number of possible outcomes through which the benefits of the schemes may be realised and, depending on the outcome, the scheme will be settled in either shares or in cash. The accounting treatment differs depending on whether the scheme is settled in shares or in cash.

2.11 Tangible assets

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

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

2. Accounting policies (continued)**2.11 Tangible assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.12 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 measurements on a present value basis.

2.13 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 the possible reversal at each reporting date.

For the purpose 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 group of assets.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

2. Accounting policies (continued)**2.15 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.

2.16 Cash and cash equivalents

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

2.17 Financial instruments

Financial assets and financial liabilities are recognised when the group 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 group after deducting all of its liabilities.

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

2. Accounting policies (continued)**2.18 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.

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.

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

2. Accounting policies (continued)**2.19 Critical accounting judgments and key sources of estimation uncertainty**

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgments, 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.

The schemes have been classified as equity-settled share-based payment arrangements in Natures Way Foods Limited as the directors have made the judgment that the company receives the services from participants but has no obligation to settle the schemes in cash, instead receiving a capital contribution through equity from Natures Way Foods Europe Limited.

2.20 Key sources of estimation uncertainty

There are no 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.

3. Turnover

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

	2022	2021
	£000	£000
United Kingdom	212,020	181,414
Rest of Europe	1,500	1,286
	<u>213,520</u>	<u>182,700</u>

NATURES WAY FOODS LIMITED

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

4. Loss before tax

	2022 £000	2021 £000
Loss before tax is stated after charging/(crediting):		
Depreciation of tangible assets	12,793	11,470
Operating lease rentals	4,326	3,939
Foreign exchange differences	(423)	(418)
Research and development cost	280	324
Fair value movement of forward currency contracts	(331)	1,361
Loss on disposal of fixed assets	<u>230</u>	<u>-</u>

5. Other operating income

	2022 £000	2021 £000
Profit on disposal of assets	-	17
Coronavirus insurance proceeds	-	2,500
Coronavirus job retention scheme grants	32	937
RDEC Income	105	-
	<u>137</u>	<u>3,454</u>

6. Auditors' remuneration

	2022 £000	2021 £000
Fees payable to the Company's auditor and its associates for the audit of the company's annual financial statements	83	78
	<u>83</u>	<u>78</u>

Remuneration of the audit is settled by Natures Way Foods Limited on behalf of all the companies in the Natures Way Foods Europe Limited. £64k (2021: £60k) was attributable to the audit of Natures Way Foods Limited.

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

7. Staff costs

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

	2022	2021
	£000	£000
Wages and salaries	39,616	34,214
Social security costs	3,323	2,997
Other pension costs	1,039	998
	<u>43,978</u>	<u>38,209</u>

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

	2022	2021
	No.	No.
Production staff	1,161	999
Administration staff	225	223
	<u>1,386</u>	<u>1,222</u>

8. Directors' remuneration

	2022	2021
	£000	£000
Directors' emoluments	747	1,014
Company contributions to defined contribution pension schemes	-	38
Compensation for loss of office	-	181
	<u>747</u>	<u>1,233</u>

During the period no retirement benefits were accruing to directors (2021: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £606k (2021: £395k).

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.

A further £39k (2021: £43k) has been paid to a director of the company through Natures Way Foods Europe Limited.

NATURES WAY FOODS LIMITED

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

9. Finance Income

	2022 £000	2021 £000
Interest from group undertakings	45	38
	<u>45</u>	<u>38</u>

10. Finance Cost

	2022 £000	2021 £000
Interest on finance lease obligations and hire purchase contracts	469	428
Interest on bank loans and overdrafts	179	205
Interest to group undertaking	-	1
	<u>648</u>	<u>634</u>

11. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on profit/(loss) for the year	4	(895)
Adjustments in respect of previous periods	(411)	2
Total current tax	<u>(407)</u>	<u>(893)</u>
Deferred tax		
Origination and reversal of timing differences	(145)	62
Changes to tax rates	(88)	-
Adjustment in respect of previous period	132	(569)
Total deferred tax	<u>(101)</u>	<u>(507)</u>
Taxation on loss on ordinary activities	<u>(508)</u>	<u>(1,400)</u>

NATURES WAY FOODS LIMITED

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

11. Taxation (continued)**Factors affecting tax credit for the period**

The tax assessed for the period is higher than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000
Loss on ordinary activities before tax	<u>(5,635)</u>	<u>(5,316)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021:19%)	(1,071)	(1,010)
Effects of:		
Expenses not deductible for tax purposes	260	177
Tax rate changes	(159)	-
Adjustments to tax charge in respect of prior periods	(279)	(567)
Transfer pricing adjustments	741	-
Total tax credit for the period	<u><u>(508)</u></u>	<u><u>(1,400)</u></u>

Factors that may affect future tax charges

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted at the balance sheet date and hence have been reflected in the measurement of deferred tax balances at the period end. The deferred taxes on the balance sheet have been measured at 25% or 19% (2021:19%) which represents the expected unwind of the balances and future corporation tax rate that was enacted at the balance sheet date.

NATURES WAY FOODS LIMITED

Notes to the Financial Statements For the period from 27 March 2021 to 25 March 2022

12. Tangible fixed assets

	Short-term leasehold property £000	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost or valuation					
At 27 March 2021	17,269	113,828	10,948	2,140	144,185
Additions	1,111	4,615	663	1,562	7,951
Reclassification	162	1,668	266	(2,096)	-
Disposals	-	(1,658)	-	-	(1,658)
At 25 March 2022	18,542	118,453	11,877	1,606	150,478
Depreciation					
At 27 March 2021	11,310	72,403	9,184	-	92,897
Charge for the period on owned assets	997	10,845	951	-	12,793
Disposals	-	(1,394)	-	-	(1,394)
At 25 March 2022	12,307	81,854	10,135	-	104,296
Net book value					
At 25 March 2022	<u>6,235</u>	<u>36,599</u>	<u>1,742</u>	<u>1,606</u>	<u>46,182</u>
At 26 March 2021	<u>5,959</u>	<u>41,425</u>	<u>1,764</u>	<u>2,140</u>	<u>51,288</u>

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

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

	25 March 2022 £000	26 March 2021 £000
Plant and machinery	<u>20,184</u>	<u>20,265</u>

NATURES WAY FOODS LIMITED

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

13. Stocks

	2022 £000	2021 £000
Raw materials and consumables	5,266	4,283
Finished goods and goods for resale	381	442
	<u>5,647</u>	<u>4,725</u>

14. Debtors

	2022 £000	2021 £000
Due after more than one year		
Deferred tax asset	701	600
	<u>701</u>	<u>600</u>

	2022 £000	2021 £000
Due within one year		
Trade debtors	20,188	19,103
Amounts owed by group undertakings	2,475	2,030
Other debtors	2,762	4,125
Prepayments and accrued income	2,357	3,134
Corporation tax repayable	1,412	610
	<u>29,194</u>	<u>29,002</u>

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

NATURES WAY FOODS LIMITED

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

15. Cash and cash equivalents

	2022	2021
	£000	£000
Cash at bank and in hand	1,708	1,703
Less: bank overdrafts	-	(923)
	<u>1,708</u>	<u>780</u>

16. Creditors: Amounts falling due within one year

	2022	2021
	£000	£000
Bank overdrafts	-	923
Bank loans	9,481	4,220
Trade creditors	19,655	14,271
Amounts owed to group undertakings	42	43
Other taxation and social security	263	515
Obligations under finance lease and hire purchase contracts	6,058	8,506
Other creditors	3,016	2,696
Accruals and deferred income	12,882	16,215
Financial instruments	308	640
	<u>51,705</u>	<u>48,029</u>

Amounts owed to group undertakings are repayable on demand, with interest payable at a rate of LIBOR +2%. The bank loans relate to invoice discounting facilities which is secured against the assets it relates to.

17. Creditors: Amounts falling due after more than one year

	2022	2021
	£000	£000
Bank loans	-	5,000
Net obligations under finance leases and hire purchase contracts	13,501	11,099
Other creditors	244	81
	<u>13,745</u>	<u>16,180</u>

NATURES WAY FOODS LIMITED

Notes to the Financial Statements For the period from 27 March 2021 to 25 March 2022

18. Loans

	2022	2022	2022	2021	2021	2021
	Loan	Asset	Total	Loan	Asset	Total
	£000	Finance	£000	£000	Finance	£000
Maturity of loan						
Due within one year	9,481	6,058	15,539	4,220	8,506	12,726
Due 2-5 years	-	13,501	13,501	5,000	11,099	16,099
	<u>9,481</u>	<u>19,559</u>	<u>29,040</u>	<u>9,220</u>	<u>19,605</u>	<u>28,825</u>

The asset finance leases are secured against the relevant plant and machinery assets concerned. The bank loan is secured against a debenture across the assets of the company and an intercompany guarantee with fellow subsidiary undertakings.

19. Financial instruments

	2022	2021
	£000	£000
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	<u>(308)</u>	<u>(640)</u>

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

20. Deferred taxation

	2022	2021
	£000	£000
At beginning of year	600	93
Charged to profit or loss	101	507
At end of year	<u>701</u>	<u>600</u>

NATURES WAY FOODS LIMITED

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

20. Deferred taxation (continued)

	2022 £000	2021 £000
Fixed Asset Timing differences	358	208
Short term timing differences	34	124
Non trading timing differences	9	10
Losses	300	258
	<u>701</u>	<u>600</u>

21. Called up share capital

	2022 £000	2021 £000
Issued, called up and fully paid		
15,000,000 (2021 - 15,000,000) Ordinary shares of £0.01 each	<u>150</u>	<u>150</u>

22. Reserves**Profit and loss account**

This reserve records retain earnings and accumulated losses, net of dividends paid and other adjustments.

23. Operating Lease commitments

	2022 £000	2021 £000
The total future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	4,358	3,341
Later than 1 year and not later than 5 years	14,479	11,963
Later than 5 years	51,967	47,314
	<u>70,804</u>	<u>62,618</u>

Notes to the Financial Statements
For the period from 27 March 2021 to 25 March 2022

24. Share based payments

The group operates two management incentive schemes for directors and certain senior management, being:

- the Natures Way Foods Europe Limited share scheme ("NWFE share scheme"), commencing in December 2012; and
- the Natures Way Foods Investment Company Limited share scheme ("NWFIC share scheme"), commencing in August 2018.

Under the schemes, Natures Way Foods Europe Limited or Natures Way Foods Investment Company Limited issue "D" shares or "E" shares to participants of the NWFE share scheme and NWFIC share scheme respectively. The entitlement of shareholders to voting rights and to receive dividends are stated in the Articles of Association of Natures Way Foods Europe Limited and Natures Way Foods Investment Company Limited.

The shares generate benefit to the participants through realisation of one of a number of the defined vesting events and the receiving of the benefit is contingent on meeting the imposed performance conditions, being the achievement of a pre-determined hurdle valuation and continued employment of the participant. Both the vesting events and performance conditions are defined in the Articles of Association of Natures Way Foods Europe Limited and Natures Way Foods Investment Company Limited for the NWFE share scheme and NWFIC share scheme respectively.

Based on the terms above and the specific circumstances, the group considers these schemes to represent cash-settled share-based payment arrangements at a group level, as the most probable settlement of the scheme is through a share buyback and therefore eventual pay-out will be made through a cash settlement.

At a company level, Natures Way Foods Europe Limited carries the obligation to settle both schemes but does not receive the services from the participants, which are instead received by Natures Way Foods Limited as the legal employer of the participants. On this basis, the schemes are considered to be cash-settled share-based payment arrangements to Natures Way Foods Europe Limited and equity-settled share-based payment arrangements to Natures Way Foods Limited.

There were a total of 1.3k shares and 1,183k shares outstanding in respect of the NWFE and NWFIC schemes respectively, each of which carried a fair value of £15 and 7.5p respectively. The aggregate fair value of all outstanding shares in these schemes was £269k. This fair value was determined using a pricing model taking into account certain performance conditions.

NATURES WAY FOODS LIMITED

Notes to the Financial Statements **For the period from 27 March 2021 to 25 March 2022**

25. Related party transactions

During the period the company paid DW Langmead, a director of the company, for goods and services amounting to £1,888k (2021: £1,367k). During the period the company recharged costs of £2,550k (2021: £nil). At the end of the period Natures Way foods was owed £nil (2021: £2,417k) and owed £89k (2021: £nil).

During the period the company paid for goods and services amounting to £2,000k (2021: £nil) to Landlink Estates Limited, a company controlled by DW Langmead, a director of the company.

During the period the company paid for goods and services amounting to £3,149k (2021: £1,063k) to Kingsbridge Estates Limited, a company controlled by RA Langmead, a director of the company.

During the period the company sold goods and recharged costs amounting to £67k (2021: £9k) and paid for goods and services which in total were £6,929k (2021: £2,929k) from companies owned or partly owned by DW Langmead, a director of the company. At the end of the period Natures Way Foods Limited owed these companies £452k (2021: £389k) and was owed by them £3k.

During the period the company paid for goods and services amounting to £674k (2021: £781k) from Sun Salads Limited, a 90% subsidiary of Natures Way Investment Company Limited (NWFIC). The company also sold goods to Sun Salads Limited at a value of £144k (2021: £23k) and charged interest of £37k (2021: £7k) during the period. At the end of the period Natures Way Foods Limited (NWF) owed Sun Salads Limited £24k (2021: £22k) and was owed £645k (2021: £490k).

During the period the company charged Sun Salads Espana S.L a 100% subsidiary of Sun Salads Limited interest of £30k (2021: £31k). The company also paid for goods and services from Sun Salads Espana with a value of £74k (2021: £63k). At the end of the period NWF owed Sun Salads Espana S.L £22k (2021: £7k) and was owed £1296k (2021: £1,347k).

At the end of the period Natures Way Foods Europe Limited (NWFE) was owed by the company £nil (2021: £1k) and owed to the company £533k (2021: £192k). During the period the company charged interest of £8k (2021: £nil) to NWFE.

Directors loans outstanding at the end of the period £244k (2021: £232k).

26. Post balance sheet events

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

27. 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.