

Health Made Easy Limited

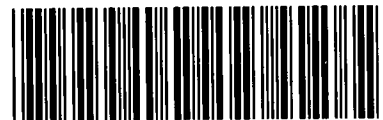
Report and Financial Statements

Year Ended

31 March 2019

Company Number 09796720

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Health Made Easy Limited

Contents, Directors and advisors
for the year ended 31 March 2019

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Directors

M J Cole
S M Cuthbertson
J W Weaver
M L Ellison MBE
D R Main (appointed 26 September 2018)
J F Gibson (appointed 3 September 2018)

Registered office

Coaldale Road, Lymedale Business Park, Newcastle-under-Lyme, Staffordshire, ST5 9QX

Company number

09796720

Solicitors

EMW Law LLP, Seebeck House, 1 Seebeck Place, Knowhill, Milton Keynes, MK5 8FR

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Health Made Easy Limited

Strategic report for the year ended 31 March 2019

The Directors present their Strategic report together with the audited financial statements for the year ended 31 March 2019.

Principal activities

The Group is the UK's leading wholesale distributor of natural and organic products including allergen free and healthy lifestyle ranges providing sales, marketing, warehousing and distribution services for UK and overseas manufacturers and its owned brands from modern leasehold premises in Staffordshire through its subsidiary Tree of Life UK Ltd and in Nottinghamshire through its subsidiary Health Stores (Wholesale) Ltd. It also operates through offices in Sussex and London with Higher Nature Ltd and Freshly Cut Ltd respectively.

The Group supplies a wide range of channels including multiple, internet and independent retailers, wholesalers and cash and carry. These are served throughout the UK and the Republic of Ireland, as well as the wider Export market. The Group is the brand owner of the Tree of Life brand for the UK and Ireland, Higher Nature, Peppersmith and The Health Store brands globally.

Business review and future developments

The Group embarked on an acquisition programme in 2017 to widen its reach in the healthy living sector, conscious of additional brand ownership with the benefit this brings in a buy and build strategy to add onto the substantial base of the core business of Tree of Life. This has further enhanced the Group's leading and influential position.

The acquisition of Higher Nature Ltd, a leading brand in the VMS sector, was completed in December 2017. In August 2018 the Group acquired Freshly Cut Ltd, owner of the innovative brand of Peppersmith, a sugar free and healthy gum and mints range which has recently been relaunched with plastic free packaging. In September 2018 the Group completed the acquisition of Health Stores (Wholesale) Ltd, a leading distributor in the health and nutritional sector in a move to consolidate its distribution activities.

These acquisitions provide growth opportunities and an enhanced branded presence. They also bring opportunities to exploit synergistic benefits by reducing the cost base and improving efficiencies to enhance customer benefits and improve margins.

The effect of such a programme has required investment and consumed cash in the short term but with the promise of substantial returns as integration is completed. The cost of the turnaround of Higher Nature Ltd, now well underway, has had a negative impact on results in 2018/19 but benefits will be shown in 2019/20 trading and beyond. Efficiency gains between Tree of Life and The Health Store units are also coming through and will benefit sales and margin performance in the next trading period. Investment in brands on a wider basis using the combined Group positioning is also underway.

The results for the year are set out in the Consolidated Income statement on page 10.

Net sales for the year ended 31 March 2019 were £79.9m for a full year against last year's recorded sales of £51.8m. The Group delivered an operating loss of £1,569,000 against an operating loss of £151,000 last year. The operating loss was calculated after deducting depreciation and amortisation of £1,108,000. Other non-recurring charges of £1,083,000 and £769,000 of costs relating to M&A activities were also incurred. Taking all this into account the Group generated an underlying EBITDA (before such exceptional costs) of £1,391,000 (2018 - £1,397,000). The acquisition programme and costs have had a one-off impact which it is not anticipated will recur in 2020. In addition to the impact of acquisitions, organic revenue has grown within the existing customer portfolio and through the development of new sales channels.

Health Made Easy Limited

Strategic report

for the year ended 31 March 2019 (continued)

Business review and future developments (continued)

In line with expectations and strategy the full year benefit of all acquisitions will be evident in year ending 31 March 2020.

Whilst UK and global retail conditions remain volatile, the Directors believe that the diverse and solid sales and supply base along with continued scope for operational efficiencies will provide further growth for the next financial year and into the future. Exclusive new brands continue to be secured and investment in our owned brand development is well underway which with targeted strategic partnerships and M&A consolidation to extend product reach and performance. Sales run rate for 2019/20 is estimated at some £100m with improved profits as the integration proceeds.

The Group operates ethical supply, anti-bribery, anti-slavery policies and has a totally non prejudicial approach to employment, recruitment and remuneration.

Principal risks and uncertainties and financial risk

The Group gives appropriate consideration to risk management objectives and policies. Facilities are in place to deal with cash flow and liquidity risk. Risk to pricing is mitigated by a diverse supplier portfolio. Credit risk is managed through adoption of a rigorous credit policy.

Liquidity risk

The Group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its business.

Interest rate risk

The Group is exposed to cash flow interest rate risk on floating rate deposits, bank overdrafts and invoice discounting arrangements.

Foreign currency risk

The Group's principal foreign currency exposures arise from overseas purchases of goods. The Group has not hedged against these transactions through use of forward exchange contracts as the volume of purchases and volatility in currency has not warranted this. However, the Group keeps movements on exchange rates under close review and will use hedges when deemed necessary.

Credit risk

Investment of cash surpluses, and borrowings, are made through banks and companies which must fulfil credit rating criteria approved by the Board. All customers who wish to trade on credit terms are subject to credit verification procedures. Debtor balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Health Made Easy Limited

Strategic report for the year ended 31 March 2019 (*continued*)

Economic environment

There are increased levels of economic uncertainty in the economy following the UK's decision, made in June 2016, to leave the European Union. It is still too early to determine the full impact 'Brexit' may have on the Group, however, management are confident there is sufficient resilience within the Group's business model to allow it to continue to trade profitably through any economic downturn.

Financial and other key performance indicators

The Directors consider that the growth in revenue and EBITDA to be the most appropriate performance indicators for the Company.

This Strategic report has been approved by the Board.

On behalf of the Board



M J Cole
Chairman

19 November 2019

Health Made Easy Limited

Directors' report for the year ended 31 March 2019

The Directors present their report together with the audited consolidated financial statements of Health Made Easy Limited ('the Company') and its subsidiaries ('the Group') for the year ended 31 March 2019.

Results and dividends

The loss for the year, after taxation was £1,647,000 (2018 – £384,000).

The Directors have not declared an interim or final dividend.

Directors

The Directors who served during the year and up to the date of approval were:

M J Cole
S M Cuthbertson
J W Weaver
M L Ellison MBE
D R Main (appointed 26 September 2018)
J F Gibson (appointed 3 September 2018)

Employee involvement

The Group places great value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and regular written communications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Disabled employees

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the Group. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the Group.

Qualifying third party indemnity provisions

The Company has put in place qualifying third party indemnity provisions for all of the Directors of the Company which was in force at the date of approval of this report.

Health Made Easy Limited
Directors' report
for the year ended 31 March 2019 (continued)

Corporate governance

The Board

The Board meets approximately monthly during the year to provide the leadership necessary to enable the Group's business objectives to be met and to review the overall strategic development of the Group as a whole. The Board reviews performance at Board meetings and by a detailed monthly management report.

Internal controls

The Board of Directors has overall responsibility for the Group's systems of internal controls and for reviewing their effectiveness, and on an on-going basis identify, manage and evaluate the risks faced by the Group, including reputational risk. This process has been in place for the financial year ended 31 March 2019, and up to the date on which the financial statements were approved and is regularly reviewed by the Board.

These systems are designed to manage rather than eliminate business risk, safeguard the Group's assets against material misstatement or loss, fairly report the Group's performance and position, and to ensure compliance with relevant legislation, regulation and best practice, including that related to social, environmental and ethical matters. The systems provide reasonable, not absolute, assurance against material misstatement or loss and are regularly reviewed by the Board to deal with changing circumstances.

Summaries of the key financial risks inherent in the Group's business are given in the Strategic report on pages 1 to 3.

The Group operates a management structure with delegated authority levels and functional reporting lines and accountability. It also operates a budgeting and financial reporting system which compares actual performance to budget and to the previous year on a monthly basis. In addition, the Directors receive regular information on sales activity. All capital expenditure and other purchases are subject to appropriate authorisation procedures.

Disclosure of information to auditors

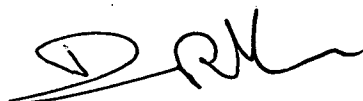
The Directors confirm that as far as each Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware. The Directors further confirm each of them has taken all the steps that ought to have done as Directors in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

In accordance with the Companies Act 2006, section 414C (11), the Group's Strategic report contains certain disclosures required in the Directors' report.

By order of the Board



D R Main
Director

19 November 2019

Health Made Easy Limited

Directors' responsibilities statement for the year ended 31 March 2019

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 Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union. 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 Group and the Company and of the profit or loss of the Group for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS's adopted by the European Union 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Health Made Easy Limited

Independent auditor's report

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF HEALTH MADE EASY LIMITED

Opinion

We have audited the financial statements of Health Made Easy Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2019 which comprise the Consolidated income statement, the Consolidated balance sheet, the Company balance sheet, the Consolidated statement of changes in equity, the Company statement of changes in equity and the Consolidated statement of cash flows, and the 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent 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.

Health Made Easy Limited

Independent auditor's report (*continued*)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors 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.

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

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Health Made Easy Limited

Independent auditor's report (*continued*)

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Hale (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK

Date: 20 November 2019

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

Health Made Easy Limited

Consolidated income statement for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Revenue	4	79,919	51,836
Cost of sales		(64,166)	(43,632)
Gross profit		15,753	8,204
Selling and distribution costs		(4,313)	(2,762)
Administrative expenses		(13,009)	(5,593)
Operating loss		(1,569)	(151)
Add back: Exceptional items	7	1,852	644
Operating profit before exceptional items		283	493
Add back: Depreciation and amortisation		1,108	904
EBITDAE		1,391	1,397
Operating loss		(1,569)	(151)
Finance costs	8	(239)	(122)
Loss on ordinary activities before taxation	6	(1,808)	(273)
Taxation on profit on ordinary activities	9	161	(111)
Loss for the financial year		(1,647)	(384)
Other comprehensive income		-	-
Total comprehensive loss for the year		(1,647)	(384)
Attributable to:			
Equity holders of the parent company		(1,633)	(384)
Minority interests		(14)	-
		(1,647)	(384)

The results have been derived wholly from continuing activities.

The notes on pages 16 to 43 form part of these financial statements.

Health Made Easy Limited

Consolidated balance sheet at 31 March 2019

Company number 09796720	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	10	12,847	11,649
Property, plant and equipment	11	1,003	560
		<u>13,850</u>	<u>12,209</u>
Current assets			
Inventory	13	8,748	6,688
Trade and other receivables	14	11,673	6,728
Cash and cash equivalents	15	459	1,556
		<u>20,880</u>	<u>14,972</u>
Total current assets		20,880	14,972
Creditors: amounts falling due within one year	16	(25,642)	(16,166)
		<u>(4,762)</u>	<u>(1,194)</u>
Net current liabilities		(4,762)	(1,194)
Total assets less current liabilities		9,088	11,015
Creditors: amounts falling due after more than one year	17	(2,041)	(2,523)
Provisions for liabilities	19	(982)	(780)
		<u>6,065</u>	<u>7,712</u>
Net assets		6,065	7,712
Capital and reserves			
Called up share capital	22	573	573
Merger reserve		7,614	7,614
Retained earnings		(2,122)	(475)
		<u>6,065</u>	<u>7,712</u>
Total equity		6,065	7,712

The financial statements on pages 10 to 43 were approved and authorised for issue by the Board of Directors on 19 November 2019 and were signed on its behalf by:


D R Main
Director

The notes on pages 16 to 43 form part of these financial statements.

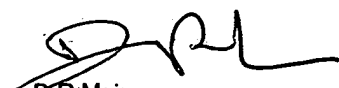
Health Made Easy Limited

Company balance sheet at 31 March 2019

Company number 09796720	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible fixed assets	10	8	-
Investments	12	21,088	18,547
		<u>21,096</u>	<u>18,547</u>
Current assets			
Trade and other receivables	14	213	13
Cash and cash equivalents	15	-	95
		<u>213</u>	<u>108</u>
Total current assets		213	108
Creditors: amounts falling due within one year	16	(13,953)	(8,985)
		<u>(13,740)</u>	<u>(8,877)</u>
Net current liabilities		(13,740)	(8,877)
Total assets less current liabilities		7,356	9,670
Creditors: amounts falling due after more than one year	17	(1,926)	(2,523)
Provisions for liabilities	19	(1)	-
		<u>5,429</u>	<u>7,147</u>
Net assets		5,429	7,147
Capital and reserves			
Called up share capital	22	573	573
Merger reserve		7,614	7,614
Retained earnings		(2,758)	(1,040)
		<u>5,429</u>	<u>7,147</u>
Total equity		5,429	7,147

Health Made Easy Limited has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The Company's loss after tax was £1,718,000 (2018 - £517,000).

The financial statements on pages 10 to 43 were approved and authorised for issue by the Board of Directors on 19 November 2019 and were signed on its behalf by:


D R Main
Director

The notes on pages 16 to 43 form part of these financial statements.

Health Made Easy Limited

Consolidated statement of changes in equity for the year ended 31 March 2019

	Share capital £'000	Merger reserve £'000	Minority interests £'000	Retained earnings £'000	Total equity £'000
At 1 April 2018	573	7,614	-	(475)	7,712
Arising on acquisition	-	-	334	-	334
Loss for the financial year	-	-	(14)	(1,633)	(1,647)
Other comprehensive income	-	-	-	-	-
Acquisition of minority interest	-	-	(320)	(14)	(334)
Total comprehensive income	-	-	-	(1,647)	(1,647)
Shareholders equity as at 31 March 2019	573	7,614	-	(2,122)	6,065

Consolidated statement of changes in equity for the year ended 31 March 2018

	Share capital £'000	Merger reserve £'000	Minority interests £'000	Retained earnings £'000	Total Equity £'000
At 1 April 2017	573	7,614	-	(91)	8,096
Loss for the financial year	-	-	-	(384)	(384)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(384)	(384)
Shareholders equity as at 31 March 2018	573	7,614	-	(475)	7,712

Share capital represents the nominal value of share capital subscribed for.

Merger reserve arose where merger relief applied to the issue of shares in connection with prior acquisitions.

Minority interest represents the portion of group equity not owned by the parent company.

Retained earnings represent all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

The notes on pages 16 to 43 form part of these financial statements.

Health Made Easy Limited

Company statement of changes in equity for the year ended 31 March 2019

	Share capital £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2018	573	7,614	(1,040)	7,147
Loss for the financial year	-	-	(1,718)	(1,718)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,718)	(1,718)
Shareholders equity as at 31 March 2019	573	7,614	(2,758)	5,429

Company statement of changes in equity for the year ended 31 March 2018

	Share capital £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2017	573	7,614	(523)	7,664
Loss for the financial year	-	-	(517)	(517)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(517)	(517)
Shares issued during the year	-	-	-	-
Total transactions with owners	-	-	-	-
Shareholders equity as at 31 March 2018	573	7,614	(1,040)	7,147

Share capital represents the nominal value of share capital subscribed for.

The merger reserve arose where merger relief applied to the issue of shares in connection with prior acquisitions.

Retained earnings represent all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

The notes on pages 16 to 43 form part of these financial statements.

Health Made Easy Limited

Consolidated statement of cash flows for the year ended 31 March 2019

	2019 £'000	2018 £'000
Cash generated from operating activities (note 24)	1,082	1,410
Finance costs paid	(214)	(122)
Income tax paid	(174)	(207)
Net cash generated from operating activities	694	1,081
Cash flows from investing activities		
Acquisition of subsidiary (note 25)	(1,443)	(2,303)
Purchase of intangible fixed assets	(162)	(61)
Purchase of property, plant and equipment	(190)	(89)
Net cash utilised on investing activities	(1,795)	(2,453)
Cash flows from financing activities		
Proceeds from borrowings (net of issue costs)	-	4,665
Repayment of borrowings	(1,938)	(2,395)
Net movement in invoice discounting facility	1,135	501
Repayment of Directors loan notes	(85)	(126)
Net cash (outflow) / inflow from financing activities	(888)	2,645
Net (decrease) / increase in cash and cash equivalents	(1,989)	1,273
Cash and cash equivalents at the start of the period	1,556	283
Cash and cash equivalents at the end of period	(433)	1,556
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	459	1,556
Bank overdraft	(892)	-
	(433)	1,556

The notes on pages 16 to 43 form part of these financial statements.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019

1 General information

Health Made Easy Limited is a private Company incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the contents, Directors and advisors page and the nature of the Group's operations and its principal activity is the manufacture, wholesale and distribution of natural and organic products, including allergen free and healthy lifestyle products.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

The consolidated financial statements incorporate the financial statements of Health Made Easy Limited ('the Company') and its subsidiaries (together 'the Group') for the year ended 31 March 2019. In accordance with the concession granted under section 408 of the Companies Act 2006, the Income statement of the Company has not been separately presented in the financial statements.

The financial statements and supporting disclosure notes are presented in thousands (denoted by £'000) unless otherwise indicated.

2 Accounting policies

Basis of preparation of financial statements

The financial statements of the Group have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the EU. The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the Company's accounting policies (see note 3).

These accounting policies have been used consistently throughout the year presented in the financial statements.

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarised below.

The Company has applied Financial Reporting Standard 101, "Reduced Disclosure Framework" ("FRS 101").

The following exemptions from the requirements of International Financial Reporting Standards ("IFRS") have been applied in the preparation of the parent company financial statements:

The following paragraphs of IAS 1, 'Presentation of financial statements':

- 10(d) (statement of cash flows);
- 10(f) (statement of financial position as at the beginning of the preceding period);
- 16 (statement of compliance with all IFRS),
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B-D (additional comparative information);
- 40A-D (requirements for a third statement of financial position);
- 111 (cash flow statement information), and;
- 134-136 (capital management disclosures)

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 *(continued)*

2 Accounting policies *(continued)*

Basis of preparation of financial statements *(continued)*

- Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of Paragraph 79 (a) (iv) of IAS 1 'Presentation of financial statements';
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors';
- IFRS 7, 'Financial instruments: Disclosures';
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

New standards and interpretations

In preparing the Group financial statements the following new standards and interpretations have been adopted:

- IFRS 15 "Revenue from Contracts with Customers"
- IFRS 9 "Financial Instruments"

Both standards have been endorsed and have a mandatory effective date of periods beginning on or after 1 January 2018.

Revenue is now recognised when contractual performance obligations are met where previously revenue was recognised when the risks and rewards had passed to the customer. There has been no material effect from the adoption of IFRS 15 on the prior year balances shown in these financial statements.

The expected loss model is now being used to calculate under IFRS 9 versus the incurred loss model previously used. This change has not led to any restatement of any prior year balances.

New standards, amendments and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year ended 31 March 2019 and have not been early adopted:

- IFRS 2 Amendments regarding the classification and measurement of share based payment transactions;
- IFRS 16 Leases;
- IAS 12 (amended) Amendments regarding the recognition of deferred tax assets for unrealised losses;
- IAS 7 (amended) Amendments regarding disclosure for changes in liabilities arising from financing activities;
- IAS 40 (amended) Amendments bringing clarification around the transfers of property to and from investment properties;
- Improvements to IFRSs (September 2014);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty over Income Tax Treatments

IFRS 16 applies to accounting periods beginning on or after 1 January 2019 and requires lessees to recognise all leases on balance sheet with limited exemptions for short-term leases and low value leases. The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model. This will result in the recognition of a right-to-use asset and corresponding liability on the balance sheet, with associated depreciation and interest expense being recorded in the income statement over the period of the lease. The Group has completed its impact assessment of the standard and the expected impact of applying IFRS 16 in its first full year of application are as follows:

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (*continued*)

2 Accounting policies (*continued*)

- The total annual income statement charge is not expected to be materially affected.
- EBITDA is expected to increase by £859,000 as the lease cost is recognised as depreciation and interest.
- Recognition of right-to-use assets and a lease liability of £7,571,000 with no impact on the net assets.

The Group plans to apply IFRS 16 initially on 1 April 2019, using a modified retrospective approach. Therefore, any cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparatives.

Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Group and Parent Company have adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Basis of consolidation

The consolidated financial statements present the results of Health Made Easy Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Revenue

Revenue represents amounts derived from the manufacture, wholesale and distribution of natural and organic products to third party customers and advertising income from third party suppliers. Revenue is stated net of VAT and trade discounts. Revenue from the sale of goods is recognised at a point in time when control of goods has passed to the customer and the goods are physically delivered to the customers. There is limited judgement needed in identifying the point control passes as once physical delivery of the products to an agreed location has occurred, the company no longer has physical possession, has a present right to payment and retains none of the significant risks and rewards of the goods in question.

The Group's revenue is derived from fixed price contracts and therefore the amount of revenue generated from each contract can be determined by reference to those fixed prices. Where there is variable consideration relating to volume rebates, the amount of revenue recognised is constrained such that it is highly probable that there will not be a future reversal in the amount of revenue recognised when the amount of volume rebates has been determined and a provision for rebates is recorded at each balance sheet date.

For most contracts, there is a fixed unit price for each product sold and therefore there is no judgement involved in allocating the contract price to each unit ordered in such contracts.

Revenue from the supply of advertising space in the Group's catalogues is recorded at the value of the consideration due at the point in time when the advertisement has been published. For most advertising contracts, the price is fixed and revenue is determined based on those fixed prices.

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated impairment losses.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

2 Accounting policies (continued)

Intangible assets - Customer relationships, supplier relationship and brand

Intangible assets acquired through a business combination are initially measured at fair value and amortised on a straight line basis over their useful economic lives. Amortisation is shown within administrative expenses in the Consolidated income statement.

Intangible assets - Customer relationships, supplier relationship and brand (continued)

The useful economic lives of the intangible assets recognised on acquisition are as follows:

- Customer relationships recognised on acquisition - 8 years
- Supplier relationships recognised on acquisition - 10 years
- Brand recognised on acquisition - 15 years

Intangible assets - software

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring into use the specific software.

An internally generated intangible asset arising from the Group's development of computer systems (including websites) is recognised if, and only if, the costs are directly associated with the production of identifiable and unique software products, controlled by the Group and it is probable that future economic benefits will flow to the Group.

Costs recognised as assets are amortised over their estimated useful lives (three to ten years) using the straight line method.

Property, plant and equipment

Property, plant and equipment 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.

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.

Depreciation is provided on the following basis:

Leasehold property	-	7%
Plant and machinery	-	10% to 33%
Motor vehicles	-	10%
Fixtures and fittings	-	10% to 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted retrospectively 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 within administrative expenses in the Consolidated income statement.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 *(continued)*

2 Accounting policies *(continued)*

Operating leases: Lessee

Rentals paid under operating leases are charged to the Income statement on a straight line basis over the period of the lease.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Inventory

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

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

Financial instruments

Financial assets

The Group classifies financial assets based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Group has classified certain short-term loans including an equity-conversion element as fair value through profit or loss. All other financial assets have been classified as subsequently measured at amortised cost.

Financial assets classified as subsequently measured at amortised cost comprise cash at bank and in hand, trade receivables and other receivables; these are initially recorded at fair value and subsequently measured at amortised cost under the effective interest method. The Group considers evidence of impairment for all individual trade and other receivables and any subsequent impairment is recognised in the Consolidated income statement.

Impairment of financial assets carried at amortised cost

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. The probability of non-payment is assessed and the probability is multiplied by the amount of the expected loss arising from default to arrive at the lifetime expected credit loss. Provisions are recognised as an administrative expense in the consolidated statement of comprehensive income. When there is objective evidence that a financial asset or group of financial assets is impaired, including significant financial difficulties of the counterparty, default or significant delays in payment, an associated provision for impairment is recognised.

Financial liabilities

The Group has classified its financial liabilities as other liabilities. The Group has not classified any of its liabilities as being held at fair value through profit and loss.

Financial liabilities comprise bank loans and overdrafts, trade payables, amounts owed to group undertakings, loan notes, other payables and accruals and deferred income; these are initially recorded at fair value and are subsequently carried at amortised cost under the effective interest rate method.

Bank loans are recorded net of transactions costs.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (*continued*)

2 Accounting policies (*continued*)

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.

Foreign currency translation

Functional and presentation currency

The Group's functional and presentational currency is British Pounds, Sterling.

Transactions and balances

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

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

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

Finance costs

Finance costs are charged to the Consolidated income statement over the term of the debt. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Finance income

Interest income is recognised in the Income statement on an accruals basis.

Dividends

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

Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due.

Amounts not paid are shown in accruals as a liability in the Consolidated balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

Provisions for liabilities

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

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (*continued*)

2 Accounting policies (*continued*)

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Consolidated balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Consolidated balance sheet.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement as part of the reported profit for the year, except when a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

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

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

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

3 Judgments in applying accounting policies and key sources of estimation uncertainty

The Group makes certain estimates and assumptions regarding the future. These judgements and estimates affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates are continually evaluated based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. In preparing these financial statements, the Directors have made the following key judgements and estimates:

Property, plant and equipment

Tangible fixed assets are depreciated over their useful lives taking in account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Trade receivables

At each reporting date, trade receivables are assessed for recoverability based on a determination of lifetime expected credit losses. If there is any evidence of impairment, the carrying amount of the receivable is reduced to its recoverable amount. The impairment loss is recognised immediately in the income statement.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

3 Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

Inventories

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

Intangibles valuation

As detailed in note 2, separately identifiable intangible assets are identified and amortised over defined periods. The Directors use an acknowledged valuation approach but this is reliant upon certain judgements which they determine are reasonable by reference to companies in similar industries and through the use of a valuation specialist.

Impairment

The Group follows the guidance of IAS 38 and IFRS 3 to determine when intangible assets, goodwill or the carrying values of investments in subsidiaries are impaired. In making this judgement management take into account the following factors:

Software - obsolescence of certain technologies within the software product, and whether the software product is no longer fit for the purpose it was acquired for.

Goodwill, acquired intangible assets and carrying value of investments in subsidiaries - the decline in future cash flows from potential adverse changes in the businesses acquired.

4 Revenue

	2019 £'000	2018 £'000
Analysis of revenue by country of destination:		
United Kingdom	65,969	46,090
Europe	10,208	5,011
Rest of the world	3,742	735
	<hr/>	<hr/>
	79,919	51,836
	<hr/>	<hr/>

The whole of the revenue is attributable to the principal activity of the Group.

5 Staff costs

(a) Consolidated staff costs

(i) Staff costs

	2019 £'000	2018 £'000
Staff costs consist of:		
Wages and salaries	6,970	3,541
Social security costs	638	333
Cost of defined contribution pension scheme	191	68
	<hr/>	<hr/>
	7,799	3,942
	<hr/>	<hr/>

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

5 Staff costs (continued)

(a) Consolidated staff costs (continued)

The monthly average number of people, (including directors) employed by the Group during the year was as follows:

	2019 Number	2018 Number
Sales and administration	170	61
Operations	110	74
	<hr/>	<hr/>
	280	135
	<hr/>	<hr/>

(ii) Director's remuneration

	2019 £'000	2018 £'000
Director's emoluments	312	197
Company contributions to defined contribution pension scheme	14	11
	<hr/>	<hr/>
	326	208
	<hr/>	<hr/>

During the year retirement benefits were accruing to 2 directors (2018 – 1) in respect of a defined contribution pension scheme. The remuneration of the highest paid director was emoluments £170,000 (2018 - £197,000) and pension contributions of £11,000 (2018 - £11,000).

See also note 27 for fees paid in relation to directors' services.

(iii) Key management personnel

	2019 £'000	2018 £'000
Wages and salaries	719	458
Social security costs	79	61
Cost of defined contribution pension scheme	24	10
	<hr/>	<hr/>
	822	529
	<hr/>	<hr/>

(b) Company staff costs

The Company has no employees other than the Directors.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

6 Loss on ordinary activities before taxation

	2019 £'000	2018 £'000
This has been arrived at after charging/(crediting):		
Inventory recognised as expense	64,494	44,430
Amortisation of intangibles (note 10)	822	696
Depreciation of property, plant and equipment – owned assets (note 11)	286	208
Hire of land and building – operating lease	695	374
Hire of other assets – operating lease	82	118
Impairment of inventories	441	253
Impairment of trade receivables (included in administrative expenses)	18	46
External transaction costs relating to the business acquisition and integration activity	983	603
Fees payable to the Group's auditor		
- Audit of the Company and its subsidiaries	68	55
- Tax compliance services	5	5
- Other services (including £113,000 (2018 - £94,000) within external transaction costs above)	113	94
Exchange differences	3	19
	<hr/>	<hr/>

7 Exceptional costs

	2019 £'000	2018 £'000
<i>Exceptional costs included in Cost of sales:</i>		
Exceptional stock impairment	105	-
<i>Exceptional costs included in Administrative expenses:</i>		
Acquisition related costs	769	459
Restructuring costs	522	185
Movement in fair value of financial asset	350	-
Other	106	-
	<hr/>	<hr/>
Exceptional costs	1,852	644
	<hr/>	<hr/>

Exceptional costs in Cost of sales relate to obsolete stock impairments related to a specific stock withdrawal. Restructuring costs shown in Administrative expenses relate to redundancy payments incurred in the restructure of the operations and administration of the Company following acquisition by the Group. The movement in fair value of financial asset relates to a short term loan that was advanced by the Group to a prospective partner in a sales agency agreement which is no longer considered to be recoverable.

8 Finance costs

	2019 £'000	2018 £'000
Finance costs:		
Bank interest payable	214	122
Unwind of discounts recognised	25	-
	<hr/>	<hr/>
Finance costs	239	122
	<hr/>	<hr/>

Health Made Easy Limited

Notes forming part of the financial statements
for the year ended 31 March 2019 (*continued*)

9 Taxation on loss on ordinary activities

Tax (credit) / charge included in the consolidated income statement:

	2019 £'000	2018 £'000
The taxation (credit) / charge for the year comprises:		
Current tax on profits for the period	(11)	214
Adjustment in respect of prior periods	-	(6)
	<hr/>	<hr/>
Total corporation tax	(11)	208
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(153)	(97)
Adjustments in respect of prior periods	3	-
	<hr/>	<hr/>
Total deferred tax	(150)	(97)
	<hr/>	<hr/>
Tax (credit) / charge on loss on ordinary activities	(161)	111
	<hr/>	<hr/>

There is no tax impact on other comprehensive income or equity in the current or prior period.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

9 Taxation on loss from ordinary activities (continued)

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

	2019 £'000	2018 £'000
Loss on ordinary activities before tax	(1,808)	(273)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	(344)	(52)
Effects of:		
Expenses not deductible for tax purposes	238	129
Adjustment to tax charge in respect of prior periods	(64)	(6)
Tax losses carried forward	-	40
Effect of change in rates	12	-
Deferred tax not recognised	(3)	-
Tax (credit) / charge for year	(161)	111

Factors affecting current and future tax charges

A number of changes in the UK corporation tax system were announced in the March 2017 budget, including that the main rate of corporation tax would reduce to 17% with effect from 1 April 2020. These tax rate reductions have been substantively enacted to date and therefore have been reflected in the financial statements.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

10 Intangible assets

2019 Group	Customer relationships £'000	Supplier relationships £'000	Brand £'000	Software £'000	Goodwill £'000	Total £'000
<i>Cost</i>						
At 1 April 2018	2,200	1,060	2,270	747	6,859	13,136
Acquired through business combination	550	200	550	9	549	1,858
Additions	-	-	-	162	-	162
At 31 March 2019	2,750	1,260	2,820	918	7,408	15,156
<i>Accumulated amortisation</i>						
At 1 April 2018	597	252	308	330	-	1,487
Charge for the year	351	118	198	155	-	822
At 31 March 2019	948	370	506	485	-	2,309
<i>Net book value</i>						
At 31 March 2019	1,802	890	2,314	433	7,408	12,847
At 31 March 2018	1,603	808	1,962	417	6,859	11,649
2018 Group	Customer relationships £'000	Supplier relationships £'000	Brand £'000	Software £'000	Goodwill £'000	Total £'000
<i>Cost</i>						
At 1 April 2017	1,950	1,060	1,870	686	6,352	11,918
Acquired through business combination	250	-	400	-	507	1,157
Additions	-	-	-	61	-	61
At 31 March 2018	2,200	1,060	2,270	747	6,859	13,136
<i>Accumulated amortisation</i>						
At 1 April 2017	336	146	171	138	-	791
Charge for the year	261	106	137	192	-	696
At 31 March 2018	597	252	308	330	-	1,487
<i>Net book value</i>						
At 31 March 2018	1,603	808	1,962	417	6,859	11,649
At 31 March 2017	1,614	914	1,699	548	6,352	11,127

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (*continued*)

10 Intangible assets (continued)

2019 Company	Software £'000	Total £'000
<i>Cost</i>		
At 1 April 2018	-	-
Additions	8	8
	<hr/>	<hr/>
At 31 March 2019	8	8
	<hr/>	<hr/>
<i>Accumulated amortisation</i>		
At 1 April 2018	-	-
Charge for the year	-	-
	<hr/>	<hr/>
At 31 March 2019	-	-
	<hr/>	<hr/>
<i>Net book value</i>		
At 31 March 2019	8	8
	<hr/>	<hr/>
At 31 March 2018	-	-
	<hr/>	<hr/>

Impairment tests for goodwill

As described in note 2, the Group tests goodwill on an annual basis or more frequently where there are indicators of possible impairment. For the purpose of impairment testing, goodwill attributable to Tree of Life UK Limited (£6,352,000), Higher Nature Limited (£507,000), Freshly Cut Limited (£416,000) and Health Stores (Wholesale) Limited (£133,000) are tested as separate business segments.

The recoverable amount is based on its estimated value in use, which is calculated by a discounted cash flow model derived from the most recent annual budget presented to the Board of Directors. The budget for the next four financial periods are then based on the business forecasts in place and a terminal value is used for the periods beyond, based on terminal growth rates of 2% to 2.5%. This rate is based on the long term growth rate of the UK economy. Assumptions included within the cash flow forecast include sales projections, based on management's estimates of available market size.

Discount rate

The key assumption within the cash flow model is the discount rate. Management has used discount rates of between 13.5% and 16.0% for performing impairment calculations. These discount rates are derived from the Group's post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks. Reasonably possible sensitivities in the discount rate have been considered and were the discount rate to increase by 10% of the current rates, or the forecast cash flows to decrease by 10%, the carrying value would continue to exceed its recoverable amount.

Based on the reviews performed no impairments have arisen.

Health Made Easy Limited

Notes forming part of the financial statements
for the year ended 31 March 2019 (*continued*)

11 Property, plant and equipment

2018 Group	Leasehold property improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
<i>Cost</i>					
At 1 April 2018	194	276	9	562	1,041
Acquired through business combination	255	189	-	95	539
Additions	14	69	-	107	190
At 31 March 2019	463	534	9	764	1,770
<i>Accumulated depreciation</i>					
At 1 April 2018	79	211	5	186	481
Charge for the year	46	94	2	144	286
At 31 March 2019	125	305	7	330	767
<i>Net book value</i>					
At 31 March 2019	338	229	2	434	1,003
At 31 March 2018	115	65	4	376	560
2018 Group	Leasehold Property improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
<i>Cost</i>					
At 1 April 2017	172	203	5	367	747
Acquired through business combination	-	20	4	181	205
Additions	22	53	-	14	89
At 31 March 2018	194	276	9	562	1,041
<i>Accumulated depreciation</i>					
At 1 April 2017	46	114	1	112	273
Charge for the year	33	97	4	74	208
At 31 March 2018	79	211	5	186	481
<i>Net book value</i>					
At 31 March 2018	115	65	4	376	560
At 31 March 2017	126	89	4	255	474

Health Made Easy Limited

Notes forming part of the financial statements
for the year ended 31 March 2019 (*continued*)

12 Investments

	Investments in subsidiary companies £'000
At 1 April 2018	18,547
Additions in the year (see note 25)	2,541
	<hr/>
At 31 March 2019	21,088
	<hr/>

The following were subsidiary undertakings of the Company at the year end:

Name	Country of Incorporation	Class of of shares	Holding	Nature of business
Tree of Life UK Limited	UK	Ordinary	100%	Wholesale and distribution
Higher Nature Limited	UK	Ordinary Deferred	100% 100%	Development and marketing of natural health products
Brewhurst Health Supplies Limited	England	Ordinary	100%	Dormant
Freshly Cut Limited	UK	Ordinary	100%	Wholesale and distribution
Health Stores (Wholesale) Limited	UK	Ordinary	100%	Wholesale and distribution
The Health Store Limited	UK	Ordinary	100%	Dormant

All of the above companies are subsidiaries by virtue of being wholly owned by Health Made Easy Limited. All subsidiaries are included within the consolidated financial statements.

The registered office of the subsidiaries is the same as the parent company, as stated on the 'Contents, Directors and advisors' page of these financial statements.

13 Inventory

	Group 2019 £'000	Group 2018 £'000
Finished goods and goods for resale	8,748	6,688
	<hr/>	<hr/>

An impairment debit of £441,000 (2018 - £253,000) was recognised in cost of sales against inventory in the period due to it being slow moving or obsolete.

There is no material difference between the replacement cost of inventory and the amounts stated above.

The Company had no inventory.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

14 Trade and other receivables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Amounts falling due within one year:				
Trade receivables	10,870	6,385	-	-
Less: provision for impairment of trade receivables	(238)	(220)	-	-
Net trade receivables	10,632	6,165	-	-
Other receivables	181	110	38	13
Amounts receivable from subsidiary undertakings	-	-	175	-
Prepayments and accrued income	693	453	-	-
Corporation tax recoverable	167	-	-	-
	11,673	6,728	213	13

All amounts shown under trade and other receivables fall due for payment within one year.

An impairment charge of £18,000 (2018 - £46,000) was recognised in the year in respect of bad and doubtful trade receivables and rebates.

In addition to providing for the doubtful recovery of specific trade receivables the Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses trade receivables have been grouped based on similar credit risk and ageing. The expected losses are based on the Group's historical credit losses and knowledge of the customer base. The historical loss rates are then adjusted for current and forward looking information on key macro-economic factors affecting the Group's customers. Under this simplified approach due to the significantly low levels of historic credit losses experienced by the Group and the low macro-economic risks assessed the expected lifetime losses are estimated at £Nil.

At 31 March 2019 the Group lifetime expected loss provision for trade receivables is as follows:

	Current £'000	30 – 90 days overdue £'000	90 + days overdue £'000	Total £'000
Expected loss rates	0.0%	0.0%	0.1%	
Gross carrying amount	8,161	2,169	540	10,870
Expected loss provision	-	-	-	-
Specific loss provisions	-	-	(238)	(238)
	8,161	2,169	302	10,632

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

15 Cash and cash equivalents

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash at bank and in hand	459	1,556	-	95
Bank overdraft	(892)	-	(854)	-
	<u>(433)</u>	<u>1,556</u>	<u>(854)</u>	<u>95</u>

16 Creditors: amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Bank loans and overdrafts (secured)	7,869	4,343	1,764	1,914
Trade payables	15,610	10,343	21	43
Corporation tax	-	18	-	-
Social security and other taxes	290	170	-	-
Amounts owed to subsidiary undertakings	-	-	12,001	6,905
Other payables	324	139	-	38
Accruals and deferred income	1,471	1,068	89	-
Contingent purchase consideration	78	-	78	-
Directors loan notes	-	85	-	85
	<u>25,642</u>	<u>16,166</u>	<u>13,953</u>	<u>8,985</u>

Included within bank loans and overdrafts is an invoice discounting liability of £6,067,000 (2018 - £2,429,000) which is secured by both fixed and floating charges on the assets of the Group.

A term loan is included within bank loans and overdrafts and is referred to in note 17.

Amounts owed to subsidiary undertakings are unsecured and do not bear interest.

During the period ended 31 March 2016 the Group issued two types of loan notes to the Directors of the Group. Unsecured loan note instruments of £336,675 were issued to be repaid in quarterly instalments of £21,000 rising to £42,000 from 30 September 2017 with a final payment of £42,675 on 30 September 2018. Interest was accrued and paid quarterly on the loan notes at an interest rate of 5% above the Bank of England base rate per annum.

Details of the split of holdings by Director can be found in note 27.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

17 Creditors: amounts falling due after more than one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Bank loans	1,589	2,523	1,589	2,523
Contingent purchase consideration	337	-	337	-
Other creditors	115	-	-	-
	<u>2,041</u>	<u>2,523</u>	<u>1,926</u>	<u>2,523</u>

The Group makes use of two financing loans being a revolving credit facility and a term loan.

The term loan balance outstanding at 31 March 2019 was £2,499,000 (of which £910,000 was falling due in less than one year) (2018 - £3,437,000, of which £914,000 was falling due in less than one year) which is repayable in equal quarterly amounts of £228,000. Interest is charged at 2.5% per annum above LIBOR.

The revolving credit facility balance outstanding at 31 March 2019 was £Nil (2018 - £1,000,000).

Both loans are secured over the assets of the Group and are shown net of arrangement fees.

18 Total operating lease commitments

	2019 Total £'000	2018 Total £'000
On leases expiring:		
Within one year	942	514
Between one and five years	3,346	1,629
After five years	4,441	4,116
	<u>8,729</u>	<u>6,259</u>

The Company had no non-cancellable operating leases.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

19 Provisions for liabilities

Group	Deferred tax £'000	Property dilapidations £'000	Total £'000
At 1 April 2018	733	47	780
Arising on business combinations	231	204	435
Reclassification from Other receivables	(57)	-	(57)
(Credited)/charged to the income statement	(150)	(26)	(176)
At 31 March 2019	757	225	982
Company	Deferred tax £'000	Property dilapidations £'000	Total £'000
At 1 April 2018	-	-	-
Arising on business combinations	-	-	-
(Credited)/charged to the income statement	1	-	1
At 31 March 2019	1	-	1

See note 21 for disclosures on deferred taxation.

The provision for property dilapidations relates to leasehold properties.

20 Financial instruments

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are interest rate risk, credit risk and liquidity risk. The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are disclosed within the Strategic report on page 2 of these financial statements.

Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern;
- to provide an adequate return to shareholders; and
- repay holders of director loan notes

The Group monitors the amount of capital in proportion to its overall financing structure, i.e. equity and net debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

20 Financial instruments (continued)

Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Consolidated balance sheet plus net debt.

	2019 Total £'000	2018 Total £'000
Total borrowings and accrued interest (note 16 and 17)	9,458	6,951
Less: Cash at bank and in hand (note 15)	(459)	(1,556)
Net debt	8,999	5,395
Total equity	6,215	7,712
Total capital	15,214	13,107

The Group and Company have the following financial assets and liabilities:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	11,272	7,831	213	108
Financial liabilities				
Financial liabilities measured at amortised cost	(27,278)	(18,501)	(15,879)	(11,508)

Financial assets measured at amortised cost comprise trade receivables, other receivables, amounts owed by group undertakings and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade payables, amounts owed to group undertakings, other payables, accruals and deferred income and directors loan notes. Fair values mirror book values for all financial assets and liabilities.

Trade receivables

As at 31 March 2019, £2,709,000 (2018 - £1,443,000) of the individual gross trade receivables were past due and partially impaired. A provision for impairment is established based on historical experience. The amount of the provision, as at 31 March 2019, was £238,000 (2018 - £220,000). The individually impaired receivables principally relate to monies owing for distribution sales.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

20 Financial instruments (continued)

The movement on the provision for impairment of trade receivables is as follows:

	2019 Total £'000
At 1 April	220
New provisions through profit and loss	18
	<hr/>
At 31 March	238
	<hr/>

Borrowing facilities

At the year end the Group has £2,933,000 (2018 - £2,166,000) of unutilised capacity within the invoice discounting facility.

Liquidity risk management

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date.

	Less than 1 month £'000	1 – 3 months £'000	3 months to 1 year £'000	1 – 5 years £'000	>5 years £'000	Total £'000
31 March 2019	(185)	(17,923)	(7,569)	(2,192)	-	(27,869)

	Less than 1 month £'000	1 – 3 months £'000	3 months to 1 year £'000	1 – 5 years £'000	>5 years £'000	Total £'000
31 March 2018	(206)	(11,701)	(4,258)	(2,627)	-	(18,792)

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

21 Deferred taxation

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws substantively enacted at the Balance sheet date:

Group

	2019 £'000	2018 £'000
Balance brought forward	(733)	(719)
Credited to income statement	150	97
Reclassification from Other receivables	57	-
Arising on acquisition	(231)	(111)
	<hr/>	<hr/>
At 31 March	(757)	(733)
	<hr/>	<hr/>
	Group 2019 £'000	Group 2018 £'000
Arising on intangibles acquired in business combination	(854)	(745)
Taxable losses	64	-
Accelerated capital allowances	33	12
	<hr/>	<hr/>
	(757)	(733)
	<hr/>	<hr/>

Company

	2019 £'000	2018 £'000
Balance brought forward	-	-
Charged to income statement	1	-
	<hr/>	<hr/>
At 31 March	1	-
	<hr/>	<hr/>
	Group 2019 £'000	Group 2018 £'000
Accelerated capital allowances	1	-
	<hr/>	<hr/>
	1	-
	<hr/>	<hr/>

Health Made Easy Limited

Notes forming part of the financial statements
for the year ended 31 March 2019 (*continued*)

22 Share capital

	2019 £'000	2018 £'000
Authorised, allotted and fully paid		
572,796 ordinary shares of £1 each	573	573

23 Pension commitments

Defined contribution plans

The Group operates a defined contribution scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge amounted to £225,000 (2018 - £68,000). Contributions amounting to £34,000 (2018 - £10,000) payable at the end of the year to the fund and are included in creditor amounts falling due within one year.

24 Reconciliation of cash generated from operations

	2019 £'000	2018 £'000
Cash flows from operating activities		
Loss for the financial year	(1,647)	(384)
Adjustments for:		
Amortisation of intangibles (note 10)	822	696
Depreciation of property, plant and equipment - owned assets (note 11)	286	208
Net finance costs	239	122
Taxation	(161)	111
Changes in working capital (excluding acquisitions):		
Decrease / (increase) in inventory	1,111	(244)
(Increase) in trade and other receivables	(580)	(1,300)
Increase in trade and other payables and provisions	1,012	2,201
Cash generated from operating activities	1,082	1,410

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

25 Acquisitions

Acquisition of Health Stores (Wholesale) Limited

The acquisition of Health Stores (Wholesale) Limited occurred on 3 September 2018 when the Group agreed to acquire 100% of the share capital for a total consideration of £1,709,000. On 3 September the Group acquired 80.5% of the total share capital for initial consideration of £1,375,000, rising to 92% on 23 November 2018. The remaining 8% was recognised in January 2019 after a final payment to existing shareholders.

In calculating the goodwill arising on acquisition, the fair value of net assets of The Health Stores (Wholesale) Limited have been assessed and adjustments made reflect the recognition of intangible assets and deferred tax on intangible assets and to reflect impairments against inventory. No other fair value adjustments were considered necessary.

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Intangible assets	-	900	900
Property, plant and equipment	537	-	537
Inventory	3,240	(250)	2,990
Trade and other receivables	4,001	-	4,001
Trade and other payables and provisions	(4,788)	-	(4,788)
Cash at bank and in hand	600	-	600
Loans	(2,503)	-	(2,503)
Deferred tax	(43)	(118)	(161)
Fair value of net assets acquired	1,044	532	1,576
Fair value of Minority interest on acquisition			(334)
Goodwill arising			133
Purchase consideration			1,375
Satisfied by:			
Purchase consideration settled in cash, as above			1,375
Purchase of Minority interest settled in cash			223
Purchase of Minority interest not yet settled in cash			111
Cash outflow on acquisition			1,709
Purchase of Minority interest not yet settled in cash			(111)
Cash and cash equivalents acquired with subsidiary			(600)
Cash outflow on acquisition			998

Since the acquisition date, Health Stores (Wholesale) Limited has contributed £19,624,000 to Group revenues and a net profit before tax of £76,000. Had the acquisition taken place on the first day of the Group's accounting period of 1 April 2018, the acquisition would have contributed £41,382,000 of revenue and profit before tax of £143,000.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

25 Acquisitions (continued)

The goodwill and intangible assets arising from the acquisition is attributable to management's experience in the industry, together with the customers and supplier relationships, the value of the brand and the skill of the workforce in providing services to customers and suppliers.

Acquisition related costs relating to the acquisition of The Health Stores (Wholesale) Limited were £568,000 and comprised consultancy fees and legal and advisory costs. These have been recorded within exceptional costs in the consolidated income statement.

Acquisition of Freshly Cut Limited

The acquisition of Freshly Cut Limited occurred on 10 August 2018 when the Group acquired 100% of the share capital for a total consideration (including estimated contingent consideration) of £832,000.

In calculating the goodwill arising on acquisition, the fair value of net assets of Freshly Cut Limited have been assessed and adjustments made reflect the recognition of intangible assets and deferred tax on intangible assets. No other fair value adjustments were considered necessary.

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Intangible assets	9	400	409
Property, plant and equipment	2	-	2
Inventory	181	-	181
Trade and other receivables	254	-	254
Trade and other payables	(288)	-	(288)
Cash at bank and in hand	103	-	103
Loans	(175)	-	(175)
Deferred tax	-	(70)	(70)
	<hr/>	<hr/>	<hr/>
Fair value of net assets acquired	86	330	416
	<hr/>	<hr/>	<hr/>
Goodwill arising			416
			<hr/>
Purchase consideration			832
			<hr/>
Satisfied by:			
Purchase consideration settled in cash			548
Contingent consideration outstanding			284
			<hr/>
			832
			<hr/>
Contingent consideration outstanding			(284)
Cash and cash equivalents acquired with subsidiary			(103)
			<hr/>
Cash outflow on acquisition			445
			<hr/>

Since the acquisition date, Freshly Cut Limited has contributed £927,000 to Group revenues and a net profit of £15,000. Had the acquisition taken place on the first day of the Group's accounting period of 1 April 2018, the acquisition would have contributed £1,473,000 of revenue and profit before tax of £78,000.

Health Made Easy Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

25 Acquisitions (continued)

The goodwill and intangible assets arising from the acquisition is attributable to management's experience in the industry, together with the customers and supplier relationships, the value of the brand and the skill of the workforce in providing services to customers and suppliers.

Acquisition related costs relating to the acquisition of Freshly Cut Limited were £201,000 and comprised consultancy fees and legal and advisory costs. These have been recorded within exceptional costs in the consolidated income statement.

26 Ultimate parent undertaking and controlling party

The ultimate parent company is Anglia Home Living Unlimited and the ultimate controlling party is M J Cole.

27 Related party transactions

The share capital of the Company is held by the Directors as follows:

Director	Number of shares held
M J Cole*	-
S M Cuthbertson	171,513
J W Weaver	81,571
M L Ellison	-
D R Main	-
J F Gibson	-

* M J Cole does not own shares directly in the company but has control of Anglia Home Living Unlimited, which holds 319,712 shares.

S M Cuthbertson is a Director of Orpheus Corporate Finance LLP. During the year Orpheus Corporate Finance LLP charged fees in respect of acquisition advisory services and director services of £235,000 (2018 - £170,000). No balances were outstanding at 31 March 2019.

M J Cole is a Director of Pivot Business Management Limited. During the year Pivot Business Management Limited charged fees in respect of acquisition advisory services and director services of £184,000 (2018 - £132,000). No balances were outstanding at 31 March 2019.

J F Gibson is a Director of JF & HA Gibson Associates Ltd. During the year JF & HA Gibson Associates Ltd charged fees in respect of acquisition advisory services and director services of £46,000 (2018 - £Nil). No balances were outstanding at 31 March 2019.

**Notes forming part of the financial statements
for the year ended 31 March 2019 (continued)**

The Directors held the following loan notes with the Group during the year:

Director	Total loan amount	Interest charged in period	Capital repayments made in period	Balance outstanding as at 31 March 2018
2018				
M J Cole	117,590	5,369	70,328	47,262
S M Cuthbertson	63,082	2,880	37,728	25,354
J W Weaver	30,002	1,370	17,944	12,059
	<hr/>	<hr/>	<hr/>	<hr/>
Total	210,674	9,619	126,000	84,675

Under a guarantee to its bankers, the Company is subject to a composite company unlimited multilateral guarantee to cover amounts advanced to Tree of Life UK Limited, Higher Nature Limited and Health Stores (Wholesale) Limited. At 31 March 2019, the amounts due to the Group's bankers amounted to £8,566,000 (2018 - £4,427,000). All borrowings are secured by a first charge over the assets of the Group.

After the end of the financial year the Group resolved an ongoing dispute relating to the acquisition of Higher Nature Limited in the March 2018 year. The dispute related to a recoverable amount from the previous owners under a warranty included in the acquisition agreements. In July 2019 it was agreed that an amount of £750,000 in full and final settlement of the warranty claim plus £83,000 in costs would be paid to the Group and the amount was received in full in August 2019. The Company will therefore recognise the total amount of £833,000 as other income in the financial reports for the year ended 31 March 2020.