

Registered number: 05083700

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**NATURAL BALANCE FOODS LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



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**NATURAL BALANCE FOODS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	J Combs G Combs J.M M M Boone I Maes
<b>Company secretary</b>	J Johnston
<b>Registered number</b>	05083700
<b>Registered office</b>	1 Drakes Drive Long Crendon Aylesbury Buckinghamshire HP18 9BA
<b>Independent auditors</b>	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor 1020 Eskdale Road Winnersh Wokingham Berkshire RG41 5TS

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## NATURAL BALANCE FOODS LIMITED

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## NATURAL BALANCE FOODS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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#### Introduction

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

#### Business review

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

The company sales for this year were £41,750,208 compared to £38,215,403 for the previous year. The position of the Company as at the end of the year is disclosed on page 9.

#### Principal risks and uncertainties

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

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

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

The directors continue to advise that the ongoing uncertainty surrounding the implementation of Brexit and the exact terms of this exit may well impact on future trading performance. However, contingency plans have been implemented, actions taken range from ensuring that important ingredients relating to the product have been secured on long term agreements, guaranteeing currency pricing, none of the critical ingredients are sourced from within or via the EU. But a number of factors remain outside the company's control which may impact on this process. Despite these risks, the directors will continue to take a long term view and invest in building a great team and focus on the continuous improvement of the quality of the food supplied. They believe this approach will mitigate against these risks.

#### Credit Risk

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

#### Cash Flow Risks

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

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## NATURAL BALANCE FOODS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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#### Principal risks and uncertainties (continued)

##### Currency Risk

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

##### Customer Risk

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

#### Financial key performance indicators

Our key performance indicators are:

	2018 31 December	2017 31 December
Sales growth*	10.3%	0.33%**

\*Excludes customer discounts

\*\* Based sales for 9 months ended 31 December 2016 pro rated to a 12 month period, and not actual results for 12 month period.

##### Sales Growth

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

##### Gross Profit

Gross profit has seen an increase year on year, showing a slight decrease as a percentage of sales year on year. The gross profit for the year was £11,642,040 (2017: £11,114,569).

##### Net Profit

Net profit margin as a percentage of sales has been retained through management maintaining a strong ethos in controlling overheads without it adversely impacting the growth of the company. The net profit before tax for the year was £3,562,094 (2017: £3,193,077).

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

G Combs  
Director



Date: 17/9/2019

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## NATURAL BALANCE FOODS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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The directors present their report and the financial statements for the year ended 31 December 2018.

#### Results and dividends

The profit for the year, after taxation, amounted to £3,263,101 (2017: £2,566,520).

A dividend of £1,207,033 (2017: £968,620) was declared during the year.

#### Directors

The directors who served during the year and to the date of this report are as follows:

J Combs  
G Combs  
J M M M Boone  
I Maes

#### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors 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.

#### Disclosure of information to auditor

The directors confirm that:

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

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NATURAL BALANCE FOODS LIMITED

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DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018

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**Future developments**

The directors note that 2018 was another good year for Natural Balance Foods Limited. By continually investing in new product development, together with exciting new products coming on line and continued domestic and international expansion and market gains, we are equally optimistic about 2019. The company has an excellent net asset position, and is profitable with a good cash flow.

**Events after the reporting period**

The directors are not aware of any significant events affecting the company since the year end and up to the date of this report.

**Financial risk management**

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

**Independent Auditors**

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

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

G Combs  
Director



Date:

17/9/2019



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

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### Opinion

We have audited the financial statements of Natural Balance Foods Limited for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 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.





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

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**Other information**

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

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters 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.



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

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**Responsibilities of directors for the financial statements**

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Use of our report**

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



Amrish Shah BSc FCA  
Senior statutory auditor  
for and on behalf of Grant Thornton UK LLP  
Senior Statutory Auditor, Chartered Accountants  
Reading  
Date: 17 September 2019

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**NATURAL BALANCE FOODS LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	Note	2018 £	2017 £
Turnover	4	41,750,208	38,215,403
Cost of sales		(30,108,168)	(27,100,834)
<b>Gross profit</b>		<b>11,642,040</b>	<b>11,114,569</b>
Administrative expenses		(8,077,573)	(7,919,803)
<b>Operating profit</b>	5	<b>3,564,467</b>	<b>3,194,766</b>
Interest expense	9	(2,373)	(1,689)
<b>Profit before tax</b>		<b>3,562,094</b>	<b>3,193,077</b>
Tax on profit	10	(298,993)	(626,557)
<b>Profit for the financial year</b>		<b>3,263,101</b>	<b>2,566,520</b>

There were no recognised gains and losses for 2018 or 2017 other than those included in the Statement of Comprehensive Income.

There was no other comprehensive income for 2018 (2017: £Nil).


The notes on pages 11 to 29 form part of these financial statements.

**NATURAL BALANCE FOODS LIMITED**  
**REGISTERED NUMBER:05083700**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	12	249,606	91,962
Tangible assets	13	469,077	468,317
Investments	14	5,573	5,573
		<u>724,256</u>	<u>565,852</u>
<b>Current assets</b>			
Inventory	15	5,722,246	4,703,138
Debtors: amounts falling due after more than one year	16	620,738	-
Debtors: amounts falling due within one year	16	6,599,304	5,873,516
Cash at bank and in hand	17	6,162,349	3,194,431
		<u>19,104,637</u>	<u>13,771,085</u>
Creditors: amounts falling due within one year	18	(9,658,105)	(6,208,891)
<b>Net current assets</b>		<u>9,446,532</u>	<u>7,562,194</u>
<b>Total assets less current liabilities</b>		<u>10,170,788</u>	<u>8,128,046</u>
<b>Provisions for liabilities</b>			
Deferred tax	20	(45,014)	(58,340)
		<u>(45,014)</u>	<u>(58,340)</u>
<b>Net assets</b>		<u>10,125,774</u>	<u>8,069,706</u>
<b>Capital and reserves</b>			
Called up share capital	21	1,206	1,176
Share premium account	22	299,794	299,824
Profit and loss account	22	9,824,774	7,768,706
		<u>10,125,774</u>	<u>8,069,706</u>

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

G Combs   
Director  
Date: 12/1/2019

The notes on pages 11 to 29 form part of these financial statements.

**NATURAL BALANCE FOODS LIMITED**

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

	Called up Share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2018	1,176	299,824	7,768,706	8,069,706
<b>Comprehensive income for the year</b>				
Profit for the financial period	-	-	3,263,101	3,263,101
<b>Total comprehensive income for the year</b>	-	-	3,263,101	3,263,101
Dividends: Equity capital	-	-	(1,207,033)	(1,207,033)
Prior period correction	30	(30)	-	-
<b>At 31 December 2018</b>	<b>1,206</b>	<b>299,794</b>	<b>9,824,774</b>	<b>10,125,774</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up Share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2017	1,176	299,824	6,170,806	6,471,806
<b>Comprehensive income for the year</b>				
Profit for the financial year	-	-	2,566,520	2,566,520
<b>Total comprehensive income for the year</b>	-	-	2,566,520	2,566,520
Dividends: Equity capital	-	-	(968,620)	(968,620)
<b>Total transactions with owners</b>	-	-	(968,620)	(968,620)
<b>At 31 December 2017</b>	<b>1,176</b>	<b>299,824</b>	<b>7,768,706</b>	<b>8,069,706</b>

The notes on pages 11 to 29 form part of these financial statements.

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## NATURAL BALANCE FOODS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1. General information

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

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

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

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

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

##### Going concern

The company meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the company's products; and (b) the availability of bank finance for foreseeable future. The company's forecasts and projections, taking account of reasonably possible changes in trading performance and current economic climate, show that the company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

##### 2.2 Exemption from preparing consolidated financial statements

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

##### 2.3 Financial Reporting Standard 102 - Reduced Disclosure Exemptions

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

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

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## NATURAL BALANCE FOODS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.4 Foreign currency translation

###### Functional and presentation currency

The company's functional and presentational currency is GBP.

###### Transactions and balances

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

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

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

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

##### 2.5 Revenue

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

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

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

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## NATURAL BALANCE FOODS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### **2. Accounting policies (continued)**

##### **2.6 Operating leases: the company as lessee**

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

##### **2.7 Leased assets: the company as lessee**

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

##### **2.8 Research and development**

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

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

##### **2.9 Finance costs**

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

##### **2.10 Borrowing costs**

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



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## NATURAL BALANCE FOODS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.11 Pensions

###### Defined contribution pension plan

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

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

##### 2.12 Current and deferred taxation

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

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

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

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

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

##### 2.13 Intangible assets

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

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

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

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## NATURAL BALANCE FOODS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.14 Tangible fixed assets

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

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

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

Depreciation is provided on the following basis:

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

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

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

##### 2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 2.16 Inventory

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

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

##### 2.17 Debtors

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

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## NATURAL BALANCE FOODS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.18 Cash and cash equivalents

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

##### 2.19 Creditors

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

##### 2.20 Provisions for liabilities

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

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

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

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## NATURAL BALANCE FOODS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.21 Financial instruments

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

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

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

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

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

##### 2.22 Dividends

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

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## NATURAL BALANCE FOODS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

##### i. Capitalisation of development costs

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

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

##### ii. Impairment of debtors

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

##### iii. Intercompany debtor recoverability

Management make an estimate of the recoverable value of the company's loan to its US subsidiary, being the higher of its value in use or fair value less costs to sell. Management have assessed this to be recoverable to the extent that the subsidiary will enjoy future success in the US. Forecasts have been prepared up to 2023 taking into consideration expected product launch dates and selling patterns. The company has limited past history of trading in the US to rely on, however management are anticipating good growth prospects. Within the forecasting management have tried to take into account global and US economic situations which therefore gives the forecast an element of inherent estimation uncertainty. The forecasts incorporate expected 1st year growth of 122% and 2nd year growth of 94%, coming from a low start up base, to the 4th year forecasted growth of 39%. Management therefore consider that the loan is fully recoverable over this period and that any fair value adjustment is immaterial.

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**NATURAL BALANCE FOODS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**4. Turnover**

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	38,670,442	35,915,621
Rest of the world	3,079,766	2,299,782
	<u>41,750,208</u>	<u>38,215,403</u>

All revenue is from the sale of goods.

**5. Operating profit**

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	65,475	44,776
Amortisation of intangible fixed assets, including goodwill	18,883	42,005
Exchange differences	8,668	(4,906)
Other operating lease rentals	37,500	35,999
	<u>130,426</u>	<u>128,874</u>

**6. Auditors' remuneration**

	2018 £	2017 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	34,250	46,960
<b>Fees payable to the company's auditor and its associates in respect of:</b>		
Tax compliance services	6,750	-
Other tax advisory services	22,850	-
Auditor related assurance services	2,250	-
	<u>33,850</u>	<u>46,960</u>

There were no non-audit fees incurred during the year (2017: £Nil) by the previous auditor.

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NATURAL BALANCE FOODS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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7. Employees

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

	2018 £	2017 £
Wages and salaries	3,121,710	2,752,122
Social security costs	319,657	309,737
Cost of defined contribution scheme	68,706	62,275
	<u>3,510,073</u>	<u>3,124,134</u>

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

	2018 No.	2017 No.
Selling and distribution	23	15
Sales	17	17
Admin	22	23
	<u>62</u>	<u>55</u>

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	<u>417,300</u>	<u>417,300</u>

The highest paid director received remuneration of £208,650 (2017: £208,650). Remuneration was paid to a consulting firm over which the director exercises significant influence.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2017: £Nil).

9. Interest payable and similar expenses

	2018 £	2017 £
Finance leases and hire purchase contracts	<u>2,373</u>	<u>1,689</u>

**NATURAL BALANCE FOODS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**10. Taxation**

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	560,607	626,557
Tax charge/(credit) in respect of prior periods	(248,288)	-
<b>Total current tax</b>	<u>312,319</u>	<u>626,557</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(13,326)	-
<b>Taxation on profit on ordinary activities</b>	<u>298,993</u>	<u>626,557</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2017: *higher than*) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>3,562,094</u>	<u>3,193,077</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	676,797	614,667
<b>Effects of:</b>		
Fixed asset differences	7,943	-
R&D expenditure credits	(115,782)	-
Adjustments to tax charge in respect of previous periods	(248,288)	-
Adjust closing deferred tax to average rate of 19.00%	(5,296)	-
Adjust opening deferred tax to average rate of 19.00%	4,417	-
Deferred tax not recognised	(20,798)	-
Other timing differences leading to an increase in taxation	-	11,890
<b>Total tax charge for the year</b>	<u>298,993</u>	<u>626,557</u>



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**NATURAL BALANCE FOODS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**10. Taxation (continued)**

**Factors that may affect future tax charges**

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 19.25% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**11. Dividends**

	2018 £	2017 £
Equity dividends	1,207,033	968,620

This is equivalent to £100.05 per ordinary share in issue (2017: £80.29 per ordinary share).

**12. Intangible assets**

	Software £	Development £	Total £
<b>Cost</b>			
At 1 January 2018	200,344	-	200,344
Additions	-	176,527	176,527
At 31 December 2018	200,344	176,527	376,871
<b>Amortisation</b>			
At 1 January 2018	108,382	-	108,382
Charge for the year	18,883	-	18,883
At 31 December 2018	127,265	-	127,265
<b>Net book value</b>			
At 31 December 2018	73,079	176,527	249,606
At 31 December 2017	91,962	-	91,962

**NATURAL BALANCE FOODS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**13. Tangible assets**

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost or valuation</b>				
At 1 January 2018	259,158	260,851	123,540	643,549
Additions	-	66,275	-	66,275
Disposals	-	(40)	-	(40)
At 31 December 2018	<u>259,158</u>	<u>327,086</u>	<u>123,540</u>	<u>709,784</u>
<b>Depreciation</b>				
At 1 January 2018	24,466	110,521	40,245	175,232
Charge for the year on owned assets	17,277	37,502	10,696	65,475
At 31 December 2018	<u>41,743</u>	<u>148,023</u>	<u>50,941</u>	<u>240,707</u>
<b>Net book value</b>				
At 31 December 2018	<u>217,415</u>	<u>179,063</u>	<u>72,599</u>	<u>469,077</u>
At 31 December 2017	<u>234,692</u>	<u>150,330</u>	<u>83,295</u>	<u>468,317</u>

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

	2018 £	2017 £
Motor vehicles - Fork lift	<u>22,923</u>	<u>24,901</u>

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**NATURAL BALANCE FOODS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**14. Investments**

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2018	5,573
At 31 December 2018	<u>5,573</u>
<b>Net book value</b>	
At 31 December 2018	<u>5,573</u>
At 31 December 2017	<u>5,573</u>

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

The aggregate of its share capital and reserves as at 31 December 2018 was \$849,316 (in deficit) and its loss for the year ended on that date was \$114,975.

**15. Inventory**

	2018 £	2017 £
Consumables	44,000	54,000
Finished goods and goods for resale	5,678,246	4,649,138
	<u>5,722,246</u>	<u>4,703,138</u>

Inventory recognised in cost of sales during the year as an expense was £29,130,022 (2017: £26,095,324).

Inventories are stated after provisions for impairment of £Nil (2017: £Nil).

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**NATURAL BALANCE FOODS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**16. Debtors: amounts falling due within one year**

	2018 £	2017 £
<b>Due after more than one year</b>		
Amounts owed by group undertakings	<u>620,738</u>	<u>-</u>
	2018 £	2017 £
<b>Due within one year</b>		
Trade debtors	5,147,219	4,494,642
Amounts owed by group undertakings	569,023	1,219,439
Other debtors	54,979	42,141
Prepayments and accrued income	828,083	117,294
	<u>6,599,304</u>	<u>5,873,516</u>

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

Trade debtors are stated after provisions for impairment of £Nil (2017: £136,603).

**17. Cash at bank and in hand**

	2018 £	2017 £
Cash at bank and in hand	<u>6,162,349</u>	<u>3,194,431</u>

# NATURAL BALANCE FOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 18. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank loans	2,313,330	649,153
Trade creditors	5,770,343	4,097,800
Corporation tax	613,590	720,545
Other taxation and social security	92,260	80,425
Obligations under finance lease and hire purchase contracts	4,793	16,005
Accruals and deferred income	863,789	644,963
	<u>9,658,105</u>	<u>6,208,891</u>

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

#### Secured loans

The invoice discounting facility amounting £2,313,330 (2017: £649,153) is secured against trade and other debtors owing to the company.

### 19. Financial instruments

	2018 £	2017 £
<b>Financial assets</b>		
Cash at bank and in hand	6,162,349	3,194,431
Financial assets that are debt instruments measured at amortised cost	6,391,959	5,756,222
	<u>12,554,308</u>	<u>8,950,653</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(8,952,255)</u>	<u>5,407,921</u>

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

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

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**NATURAL BALANCE FOODS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**20. Deferred taxation**

	2018 £	2017 £
At beginning of year	(58,340)	(58,340)
Reversing temporary difference on tangible fixed assets	13,326	-
<b>At end of year</b>	<b>(45,014)</b>	<b>(58,340)</b>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(45,014)	(58,340)

**21. Called up share capital**

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
12,064 (2017: 12,064) Ordinary shares of £0.10 each	1,206	1,176

The reserves transfer during the year was an adjustment to correct the share capital by £30. The directors do not consider this adjustment to be material to the accounts, therefore, they do not consider it necessary to restate the brought forward figures in the prior year comparatives.

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NATURAL BALANCE FOODS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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**22. Reserves**

**Share premium account**

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

**Profit and loss account**

Includes all current and prior period profits and losses.

**23. Commitments under operating leases**

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases relating to land, buildings and motor vehicles as follows:

	2018 £	2017 £
Not later than 1 year	219,444	213,917
Later than 1 year and not later than 5 years	604,204	620,662
Later than 5 years	450,000	600,000
	<u>1,273,648</u>	<u>1,434,579</u>

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**NATURAL BALANCE FOODS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**24. Related party transactions**

	Sales £	Freight £	Recharge £	Cash £	VAT £	Closing balance £
<b>2018</b>						
<b>Company name</b>						
Lotus Bakeries Schweiz AG	11,375	3,008	102,677	(57,663)	20,724	82,679
Lotus Bakeries France	1,277	122	4	(1,399)	-	4
Lotus Bakeries Natural Foods	180,555	-	(11,510)	(374,958)	-	45,979
Koninklijke Peijnenburg BV	4,450,004	100	144,091	(4,549,484)	-	372,584

	Sales £	Freight £	Cash £	Closing balance receivable £
<b>2017</b>				
<b>Company name</b>				
Lotus Bakeries Natural Foods	247,775	-	-	251,892
Koninklijke Peijnenburg BV	2,664,461	1,276	(2,500,484)	327,874

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

The companies listed above are all related parties by virtue of them all sharing a common group parent, Lotus Bakeries NV.

**25. Post balance sheet events**

The directors are not aware of any events since the reporting date which necessitate the revision of the financial statements.

**26. Controlling party**

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