

Registered number: 05083700

**NATURAL BALANCE FOODS LIMITED**

**Unaudited**

**Annual Report and Financial Statements**

**For the Year Ended 31 December 2020**

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**NATURAL BALANCE FOODS LIMITED**

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**Company Information**

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<b>Directors</b>	I Maes J M M M Boone G Combs (resigned 20 May 2020) J C Combs (resigned 20 May 2020)
<b>Registered number</b>	05083700
<b>Registered office</b>	2nd Floor 45 Grosvenor Road St Albans AL1 3AW

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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 2020

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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 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 sales for this year were £40,090,017 compared to £43,639,666 for the previous year. The position of the Company as at the end of the year is disclosed on page 7.

The future developments for the business will be subject to the uncertainties and full financial impact of the COVID-19 pandemic as outlined below.

#### 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 nut, 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 strict with any and all credit requests requiring three orders paid on time prior to credit consideration. Credit is only then extended upon bank approval. During this period of time we have expanded our product recall insurance.

#### COVID-19

In 2020, the spread of COVID-19 has severely impacted many local economies around the globe. Many businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The key risks to the business are a fall across sales due to adverse market conditions caused by COVID-19.

As a result of macro-economic uncertainties arising through COVID-19, the directors fully monitored the crisis as it developed, urgently reacting to any potential impact on the Company and have undertaken an impact assessment of the pandemic on the business as follows:

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## NATURAL BALANCE FOODS LIMITED

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### Strategic Report (continued) For the Year Ended 31 December 2020

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#### Principal risks and uncertainties (continued)

##### *COVID-19 (continued)*

- The Company has continued to trade strongly during the crisis and as such has not had to rely on any form of government, banking or parental assistance.
- In relation to staff support, apart from a temporary pause on new hires and pay rises, there has been no other impact to staff.
- The offices remained open but staff were advised to work from home. The warehouse operations have fully functioned with government advised access controls to ensure customer demand and product is safely shipped.
- All IT systems and processes have been able to work completely as normal with full secure access where required.
- Our 3rd party manufacturers have been able to continue to produce our bars at our demand level throughout the COVID-19 crisis. For ingredients and packaging, these have been purchased and forward bought and held in sufficient stocks for in excess of 3 months holding, this has been comfortably added to during the crisis to ensure the supply chain is not at risk. We do not foresee any adverse impact going forward.

After reviewing forecasts and working capital requirements including the potential impact of the COVID-19 pandemic, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

##### *Brexit*

The Company dealt with all Brexit uncertainties. Brexit proceeded without any financial or operational impact to the Company.

##### *Credit risk*

The Company's principal financial assets are cash and trade debtors. 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 risk*

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.

##### *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.

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NATURAL BALANCE FOODS LIMITED

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Strategic Report (continued)  
For the Year Ended 31 December 2020

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**Financial key performance indicators**

Our key performance indicators are:

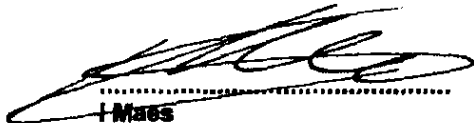
*Sales growth*

The sales growth excluding customer discounts during the financial year was -8.1% (2019: 4.5%). Whilst Out of Home and Grocery have seen a sales decline due to COVID-19, digital and international sales grew throughout the period.

*Net profit*

Net profit margin as percentage of sales has increased. Management still maintain a strong ethos in controlling overheads without it adversely impacting the growth of the Company. The net profit before tax for the year was £2,605,882 (2019: £2,629,129).

This report was approved by the board on 29 November 2021 and signed on its behalf by:



J. Maes  
Director

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## NATURAL BALANCE FOODS LIMITED

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### Directors' Report For the Year Ended 31 December 2020

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The directors present their report and the financial statements for the year ended 31 December 2020.

#### Principal activity

The principal activity of the Company continued to be that of the production of healthy snack food options primarily to the British Retail and Wholesale market.

#### Results and dividends

The profit for the year, after taxation, amounted to £2,414,547 (2019:£2,129,594).

#### Directors

The directors who served during the year and subsequently to the date of this report, unless otherwise stated were:

I Maes  
J M M Boone  
G Combs (resigned 20 May 2020)  
J C Combs (resigned 20 May 2020)

#### Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the point of approving this annual report and financial statements. The Company therefore continues to adopt the going concern basis in preparing the annual report and financial statements).

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

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

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

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**NATURAL BALANCE FOODS LIMITED**

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**Directors' Report (continued)  
For the Year Ended 31 December 2020**

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**Directors' responsibilities statement (continued)**

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Financial risk management**

The principal financial risks and uncertainties facing the Company are set out in the Strategic Report on pages 1-3.

This report was approved by the board on 22 November 2021 and signed on its behalf.



**I Maes**  
Director



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**NATURAL BALANCE FOODS LIMITED**

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**Statement of Comprehensive Income  
For the Year Ended 31 December 2020**

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	Note	2020 £	2019 £
Revenue	4	40,090,017	43,639,666
Cost of sales		(29,899,733)	(31,027,728)
<b>Gross profit</b>		<b>10,190,284</b>	<b>12,611,938</b>
Administrative expenses		(9,118,965)	(9,982,809)
<b>Operating profit</b>	5	<b>1,071,319</b>	<b>2,629,129</b>
Exceptional non-operating income	9	1,622,564	-
Interest payable and similar expenses	10	(88,001)	-
<b>Profit before tax</b>		<b>2,605,882</b>	<b>2,629,129</b>
Tax on profit	11	(191,335)	(499,535)
<b>Profit for the financial year</b>		<b>2,414,547</b>	<b>2,129,594</b>
<b>Total comprehensive income for the year</b>		<b>2,414,547</b>	<b>2,129,594</b>

There were no recognised gains and losses for 2020 or 2019 other than those included in the Statement of Comprehensive Income.

There was no other comprehensive income for 2020 (2019: £nil).

The notes on pages 10 to 28 form part of these financial statements.

**NATURAL BALANCE FOODS LIMITED**  
Registered number: 05083700

**Statement of Financial Position**  
**As at 31 December 2020**

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	13	-	89,269
Tangible assets	14	586,426	673,801
Investments	15	-	5,573
		<u>586,426</u>	<u>768,643</u>
<b>Current assets</b>			
Stocks	16	2,501,755	4,704,439
Debtors: amounts falling due after more than one year	17	-	824,644
Debtors: amounts falling due within one year	17	7,401,762	7,307,499
Cash at bank and in hand	18	7,726,303	3,068,890
		<u>17,629,820</u>	<u>15,905,472</u>
Creditors: amounts falling due within one year	19	(5,065,222)	(5,960,371)
<b>Net current assets</b>		<u>12,564,598</u>	<u>9,945,101</u>
<b>Total assets less current liabilities</b>		<u>13,151,024</u>	<u>10,713,744</u>
<b>Provisions for liabilities</b>			
Deferred tax	21	(67,747)	(45,014)
		<u>(67,747)</u>	<u>(45,014)</u>
<b>Net assets</b>		<u><u>13,083,277</u></u>	<u><u>10,668,730</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	1,206	1,206
Share premium account	23	299,794	299,794
Profit and loss account	23	12,782,277	10,367,730
<b>Shareholders' funds</b>		<u><u>13,083,277</u></u>	<u><u>10,668,730</u></u>

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**NATURAL BALANCE FOODS LIMITED**  
**Registered number:05083700**

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**Statement of Financial Position (continued)**  
**As at 31 December 2020**

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For the financial year ending 31 December 2020, the directors consider that the Company was entitled to exemption from the requirement to have an audit under the provisions of section 479A of the Companies Act 2006.

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

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



**I Maes**  
Director

Date: 22 November 2021

The notes on pages 10 to 28 form part of these financial statements.

**NATURAL BALANCE FOODS LIMITED**

**Statement of Changes in Equity  
For the Year Ended 31 December 2020**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	£	£	£	£
At 1 January 2020	1,206	299,794	10,367,730	10,668,730
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	2,414,547	2,414,547
<b>Total comprehensive income for the year</b>	-	-	2,414,547	2,414,547
<b>Total transactions with owners</b>	-	-	-	-
<b>At 31 December 2020</b>	<b>1,206</b>	<b>299,794</b>	<b>12,782,277</b>	<b>13,083,277</b>

**Statement of Changes in Equity  
For the Year Ended 31 December 2019**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	£	£	£	£
At 1 January 2019	1,206	299,794	9,824,774	10,125,774
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	2,129,594	2,129,594
<b>Total comprehensive income for the year</b>	-	-	2,129,594	2,129,594
Dividends: Equity capital	-	-	(1,586,638)	(1,586,638)
<b>Total transactions with owners</b>	-	-	(1,586,638)	(1,586,638)
<b>At 31 December 2019</b>	<b>1,206</b>	<b>299,794</b>	<b>10,367,730</b>	<b>10,668,730</b>

The notes on pages 10 to 28 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 2020

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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, 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 directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the point of approving this annual report and financial statements. The Company therefore continues to adopt the going concern basis in preparing the annual report and financial statements).

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

The Company is a subsidiary of Lotus Bakeries NV who is an ultimate parent company, is included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state (note 26) 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 following 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 33 Related Party Disclosures;
- the requirements of Section 7 Statement of Cash Flows; and
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of Lotus Bakeries NV as at 31 December 2020 and these financial statements may be obtained from Lotus Bakeries NV, Gentstraat 52, B- 9971 Lembeke, Belgium.

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## NATURAL BALANCE FOODS LIMITED

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### Notes to the Financial Statements For the Year Ended 31 December 2020

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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 profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents 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:

###### Sale of goods

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;
- 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.

##### 2.6 Operating leases: the Company as lessee

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

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## NATURAL BALANCE FOODS LIMITED

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### Notes to the Financial Statements For the Year Ended 31 December 2020

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#### 2. Accounting policies (continued)

##### 2.7 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible 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 profit or loss 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 profit or loss 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

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.

##### 2.11 Pensions

###### Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss 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.

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## NATURAL BALANCE FOODS LIMITED

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### Notes to the Financial Statements For the Year Ended 31 December 2020

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#### 2. Accounting policies (continued)

##### 2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 Statement of Financial Position 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.

##### 2.14 Tangible assets

Tangible 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.



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## NATURAL BALANCE FOODS LIMITED

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### Notes to the Financial Statements For the Year Ended 31 December 2020

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#### 2. Accounting policies (continued)

##### 2.14 Tangible assets (continued)

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.

The estimated useful lives range as follows:

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 profit or loss.

##### 2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 2.16 Stocks

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

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

##### 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.

##### 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.

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## NATURAL BALANCE FOODS LIMITED

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### Notes to the Financial Statements For the Year Ended 31 December 2020

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## 2. Accounting policies (continued)

### 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 profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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.

### 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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 2020

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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 17 for the net carrying amount of the debtors and associated impairment provision.

#### 4. Revenue

Analysis of revenue by country of destination:

	2020 £	2019 £
United Kingdom	34,474,340	40,616,152
Rest of Europe	5,588,607	3,023,514
United States of America	27,070	-
	<u>40,090,017</u>	<u>43,639,666</u>

All revenue is from the sale of goods.

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**NATURAL BALANCE FOODS LIMITED**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

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**5. Operating profit**

The operating profit - is stated after charging:

	2020	2019
	£	£
Depreciation of tangible assets	89,279	90,544
Amortisation of intangible assets, including goodwill	19,631	19,582
Exchange differences	22,242	12,395
Other operating lease rentals	-	40,000
	<u>          </u>	<u>          </u>

**6. Auditors' remuneration**

	2020	2019
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements - current year	-	45,200
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements - prior year	-	14,200
	<u>          </u>	<u>          </u>

**Fees payable to the Company's auditor and its associates in respect of:**

Taxation compliance services - current year	-	6,950
Taxation compliance services - prior year	-	1,500
Other tax advisory services	-	21,250
Auditor related assurance services	-	2,300
	<u>          </u>	<u>          </u>

In prior year, the Company was audited by Grant Thornton UK LLP. From the financial year ending 31 December 2020, the Company was entitled to an exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Further details on the parent and ultimate parent undertaking can be found in note 26.

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**NATURAL BALANCE FOODS LIMITED**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

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**7. Employees**

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

	2020 £	2019 £
Wages and salaries	3,687,062	3,365,709
Social security costs	357,819	341,283
Cost of defined contribution scheme	96,496	89,372
	<u>4,141,377</u>	<u>3,796,364</u>

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

	2020 No.	2019 No.
Selling and distribution	20	22
Sales	20	18
Admin	23	23
	<u>63</u>	<u>63</u>

**8. Directors' remuneration**

	2020 £	2019 £
Directors' emoluments	<u>339,316</u>	<u>414,412</u>

The highest paid director received remuneration of £160,500 (2019 - £207,205). 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 (2019 - £nil).

**9. Exceptional non-operating income**

	2020 £	2019 £
Exceptional income	<u>1,622,564</u>	<u>-</u>

Exceptional income for the year relates to gains realised by the sale of an international brand amounting to £2,450,208, a loss due to extraordinary result due to Covid amounting to £17,786 and write-off of intercompany loan of £809,858.

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**NATURAL BALANCE FOODS LIMITED**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

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**10. Interest payable and similar expenses**

	2020 £	2019 £
Finance leases and hire purchase contracts	<u>88,001</u>	<u>-</u>

**11. Taxation**

	2020 £	2019 £
<b>Corporation tax</b>		
Current tax on profits for the year	168,602	548,611
Adjustments in respect of previous periods	-	(49,076)
<b>Total current tax</b>	<u>168,602</u>	<u>499,535</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>22,733</u>	<u>-</u>
<b>Taxation on profit on ordinary activities</b>	<u>191,335</u>	<u>499,535</u>

## NATURAL BALANCE FOODS LIMITED

### Notes to the Financial Statements For the Year Ended 31 December 2020

#### 11. Taxation (continued)

##### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - *the same as*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>2,605,882</u>	<u>2,629,129</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	495,118	499,535
Effects of:		
Fixed asset differences	6,976	11,459
Capital allowances for year in excess of depreciation	-	(49,076)
Adjust closing deferred tax to average rate of 19%	-	(6,496)
Adjust opening deferred tax to average rate of 19%	-	8,719
Deferred tax not recognised	23,175	35,394
Adjustments to tax charge in respect of prior periods	(27,099)	-
Non-taxable income less expenses not deductible for tax purposes	150,643	-
Non-taxable income	(465,500)	-
Remeasurement of deferred tax for changes in tax rates	8,022	-
<b>Total tax charge for the year</b>	<u><u>191,335</u></u>	<u><u>499,535</u></u>

##### Factors that may affect future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2019: 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end.

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**NATURAL BALANCE FOODS LIMITED**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

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**12. Dividends**

	2020 £	2019 £
Dividends analysis - equity dividends	-	1,586,638

This is equivalent to £nil per ordinary share in issue (2019: £131.50 per ordinary share).

**13. Intangible assets**

	Software £
<b>Cost</b>	
At 1 January 2020	236,116
Disposals	(236,116)
At 31 December 2020	-
<b>Amortisation</b>	
At 1 January 2020	146,847
Charge for the year on owned assets	19,631
On disposals	(166,478)
At 31 December 2020	-
<b>Net book value</b>	
At 31 December 2020	-
At 31 December 2019	89,269



**NATURAL BALANCE FOODS LIMITED**

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**14. Tangible assets**

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost or valuation</b>				
At 1 January 2020	259,158	606,989	138,905	1,005,052
Additions	-	27,285	-	27,285
Disposals	-	(175,367)	(4,800)	(180,167)
At 31 December 2020	<u>259,158</u>	<u>458,907</u>	<u>134,105</u>	<u>852,170</u>
<b>Depreciation</b>				
At 1 January 2020	59,020	209,458	62,773	331,251
Charge for the year on owned assets	17,277	60,472	11,530	89,279
Disposals	-	(149,985)	(4,801)	(154,786)
At 31 December 2020	<u>76,297</u>	<u>119,945</u>	<u>69,502</u>	<u>265,744</u>
<b>Net book value</b>				
At 31 December 2020	<u>182,861</u>	<u>338,962</u>	<u>64,603</u>	<u>586,426</u>
At 31 December 2019	<u>200,138</u>	<u>397,531</u>	<u>76,132</u>	<u>673,801</u>

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

	2020 £	2019 £
Motor vehicles - Fork lift	<u>16,285</u>	<u>20,944</u>

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**NATURAL BALANCE FOODS LIMITED**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

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**15. Investments**

	Investments in subsidiary companies £
At 1 January 2020	5,573
Disposals	(5,573)
At 31 December 2020	-
<b>Net book value</b>	
At 31 December 2020	-
At 31 December 2019	5,573

**16. Stocks**

	2020 £	2019 £
Work in progress (goods to be sold)	-	38,000
Finished goods and goods for resale	2,501,755	4,666,439
	<u>2,501,755</u>	<u>4,704,439</u>

Stocks are stated after provisions for impairment of £nil (2019: £nil).

**NATURAL BALANCE FOODS LIMITED**

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**17. Debtors**

	2020 £	2019 £
<b>Debtors: amounts falling due after more than one year</b>		
Amounts owed by group undertakings	-	824,644
	<u>-</u>	<u>824,644</u>
	2020 £	2019 £
<b>Debtors: amounts falling due within one year</b>		
Trade debtors	5,957,528	4,777,711
Amounts owed by group undertakings	1,303,687	1,086,910
Amounts owed by joint ventures and associated undertakings	-	770,274
Other debtors	9,969	158,374
Prepayments and accrued income	130,678	514,230
	<u>7,401,762</u>	<u>7,307,499</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 (2019: £nil).

**18. Cash and cash equivalents**

	2020 £	2019 £
Cash at bank and in hand	7,726,303	3,068,690
	<u>7,726,303</u>	<u>3,068,690</u>

**19. Creditors: amounts falling due within one year**

	2020 £	2019 £
Trade creditors	3,940,738	5,084,365
Amounts owed to group undertakings	114,669	-
Corporation tax	123,588	-
Other taxation and social security	261,914	205,668
Obligations under finance lease and hire purchase contracts	-	3,355
Accruals and deferred income	624,313	666,983
	<u>5,065,222</u>	<u>5,960,371</u>

# NATURAL BALANCE FOODS LIMITED

## Notes to the Financial Statements For the Year Ended 31 December 2020

### 20. Financial Instruments

	2020 £	2019 £
<b>Financial assets</b>		
Cash at bank and in hand	7,726,303	3,068,890
Financial assets that are debt instruments measured at amortised cost	<u>7,271,084</u>	<u>7,459,539</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(4,679,720)</u>	<u>(5,754,703)</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 trade creditors, amounts due to group companies, accruals, obligations under finance leases and hire purchase contracts.

### 21. Deferred taxation

	2020 £
At beginning of year	(45,014)
Credited to profit or loss	(22,733)
<b>At end of year</b>	<u><u>(67,747)</u></u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	<u>(67,747)</u>	<u>(45,014)</u>

### 22. Called up share capital

	2020 £	2019 £
<b>Allotted, called up and fully paid</b>		
12,064 (2019 - 12,064) Ordinary shares of £0.10 each	<u>1,206</u>	<u>1,206</u>

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

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**NATURAL BALANCE FOODS LIMITED**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

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**23. 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.

**24. Commitments under operating leases**

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases relating to land, buildings and motor vehicles as follows:

	2020 £	2019 £
Not later than 1 year	157,016	154,605
Later than 1 year and not later than 5 years	8,064	600,000
Later than 5 years	-	279,419
	<u>165,080</u>	<u>1,034,024</u>

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**NATURAL BALANCE FOODS LIMITED**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

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**25. Related party transactions**

	<b>Sales £</b>	<b>Freight £</b>	<b>Recharge £</b>	<b>Cash £</b>	<b>VAT £</b>	<b>Closing balance £</b>
<b>2020</b>						
<b>Company name</b>						
Lotus Bakeries Corporate	-	-	365,439	(516,061)	-	183,381
Lotus Bakeries Schweiz AG	13,170	-	(112,709)	(13,585)	-	(112,709)
Natural Balance Foods US (Prior year: Lotus Bakeries Natural Foods)	547,614	-	-	(87,699)	-	496,712
Sweet Ninja Foods	460,840	-	(492,016)	(203,919)	8,377	543,556
Koninklijke Peijnenburg BV	5,576,045	-	-	(5,544,328)	-	623,494
Lotus Bakeries North America	25,114	-	110,610	(135,724)	-	-
Urban Fresh Foods Ltd	-	-	(112,978)	133,614	(22,596)	(1,960)
	<u>6,622,783</u>	<u>-</u>	<u>(241,654)</u>	<u>(6,367,702)</u>	<u>(14,219)</u>	<u>1,732,474</u>

# NATURAL BALANCE FOODS LIMITED

## Notes to the Financial Statements For the Year Ended 31 December 2020

	Sales £	Freight £	Recharge £	Cash £	VAT £	Closing balance £
<b>2019</b>						
<b>Company name</b>						
Lotus Bakeries Corporate	-	-	334,003	-	-	334,003
Lotus Bakeries Schweiz AG	7,735	820	12,942	(104,996)	1,235	415
Lotus Bakeries France	-	-	-	(4)	-	-
Lotus Bakeries Natural Foods	105,922	-	-	(115,103)	-	36,797
Sweet Ninja Foods	599,000	-	42,895	-	128,379	770,274
Koninklijke Peijnenburg BV	4,506,566	-	1,829	(4,289,802)	-	591,177

The Company has taken the exemption under FRS 102 to not disclose transactions with wholly owned group members.

The companies listed above, other than Sweet Ninja Foods Limited, are all related parties by virtue of them all sharing a common group parent, Lotus Bakeries NV.

Sweet Ninja Foods Limited is a related party by virtue of common directorship.

### 26. Controlling party

As at the year end 97.9% of the Company's share capital is owned by Lotus Bakeries International und Schweiz. 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 NV, Gentstraat 52, B- 9971 Lembeke, Belgium.