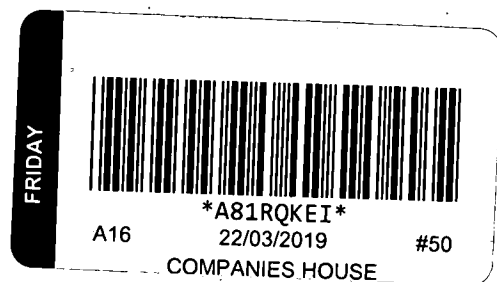


Registered No. 05183743

# **Ella's Kitchen (Brands) Limited**

## **Annual Report and Financial Statements**

For the year ended 30 June 2018



## Contents of the financial statements

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## **Company information**

**for the year ended 30 June 2018**

### **Directors**

DM Faltischek  
PJ Lindley      Resigned 06 April 2018  
ID Simon  
MNJ Cuddigan  
JM Langrock

### **Secretary**

N Keen

### **Auditors**

Ernst & Young LLP  
400 Capability Green  
Luton  
LU1 3LU

### **Registered Office**

Ella's Barn  
22 Greys Green Farm  
Rotherfield Greys  
Henley-on-Thames  
Oxfordshire  
RG9 4QG

## Strategic report

for the year ended 30 June 2018

The directors present their strategic report for the year ended 30 June 2018.

### REVIEW OF THE BUSINESS

The company's principal activities during the period continued to be the manufacture and sale of organic baby food in the UK and internationally. Sales are made direct to retailer or via distributors, depending on the market.

In our 12th year we continued to work to deliver profitable sales growth in all markets, through increased distribution and product portfolio. We have sustained our investment in team, IT and infrastructure to enable growth alongside increased complexity as the business develops.

The key performance indicators for the year were as follows:

	2018	2017	Change %
Revenue	£ 70,629,611	£ 65,725,945	+7.5
Gross Profit	£ 25,754,675	£ 22,929,383	+12.3
Operating profit	£ 10,393,122	£ 8,453,208	+22.9
Tiny Tummy Touch Points (TTTPs)*	149.6 million	133 million	+12.5
Customer complaints per million TTTPs	8.6	14.0	-38.6
Net Promoter Score**	66.6	61.5	+8.3

\* TTTP is a portion of food for an infant or equivalent for non-food items.

\*\*Net Promoter or Net Promoter Score (NPS) is a management tool we use to measure employee engagement.

Revenue increased by 7.5% over the previous year with UK sales increasing by 6% and international sales increasing by 13.4% (all international markets excluding the US and Canada). Sales of Ella's Kitchen products in the US and Canada are made through The Hain Celestial Group, Inc.

We have been working to a global target of 1,000 million Tiny Tummy Touch Points (TTTPs). Sales from Ella's Kitchen (Brands) Ltd contributed a further 149.6 million TTTPs this year, which meant we hit the global target of 1,000 million TTTPs during the year.

During FY18 we undertook a number of activities in line with our Mission to improve children's lives through developing healthy relationships with food. We also continued our work to build on our Veg for Victory campaign and raise awareness of the importance of vegetables in weaning by engaging with government and consumers. In May 2017, we announced our support of VEG POWER, a new marketing campaign aimed at increasing vegetable consumption among children in the UK. This year our Christmas campaign partnered with Save the Children. The money raised through the sales of our Jingle Belly Christmas Dinner pouch was donated to an early-intervention crisis grant programme, Eat, Sleep, Learn Play! We were able to make a real difference to the lives of 220 children in the UK by providing essential household items such as tables, high chairs and cookers; items that many of these families are unable to afford.

## Strategic report

for the year ended 30 June 2018

As our business continues to grow, we are now looking to cement our commitment to using business as a force for good to deliver positive change both for our consumers and wider society. We are working to build a three-year strategy to be launched in FY19 that will deliver tangible, measurable outcomes that support childhood nutrition in line with our Mission. We are currently working on developing the focus areas that will provide clear strategic focus for our work and provide a framework for uniting the wide range of activities that we currently undertake. This approach will allow us to be more targeted, build a clearer picture of our social impact and better communicate our activities.

Our people are our most important asset. Our success depends on their confidence, capability and performance. We were proud to be named as one of the 2018 Sunday Times Best Small Companies to work for for the third year running. We continue to use the Employee Net Promoter Score as our KPI to measure staff engagement. This is measured twice a year as part of our regular employee feedback process. In July 2018 the Net Promoter score was 66.

### Sustainability

We believe operating as ethically and responsibly as we can is not only the right thing to do, it is critical to our long term success as a business. As such, this year we reviewed our sustainability strategy - "Our Dream" to build on it and ensure that it was a fully robust strategy to take us forward to 2024.

To do this, we conducted a light touch materiality review to agree the priority areas for Our Dream going forwards. This involved speaking and surveying a number of internal and external stakeholders, including consumers, suppliers, retailers, employees and sustainability experts. As a result, we have updated our five priority areas which have become Packaging, Ingredients, Our People, Planet and Business Positive. We have put SMART targets against each commitment to enable us to better track and measure our progress. We will report against our targets annually in our new Good Stuff We Do online hub and report which will be launched in 2019.

This year we did a lot of work to explore our options for 100% recyclable packaging. This is not a challenge we can solve in isolation, which is why we are working closely with packaging experts, other businesses in our sector and the waste management industry as we develop our approach. We signed the WRAP UK Plastics Pact and one of our technical team now sits on the advisory board. This will ensure that we are fully involved in industry discussions and play a key role in shaping the agenda as we move towards a circular economy for plastics. We also saved 335,371 pouches from landfill through our partnership with TerraCycle - a 22% increase from FY17.

We continued to work with non-profit partners to donate our surplus stock to food banks, which is both reducing food waste and helping families in need. In addition, our team volunteered over 1,000 hours of their time to good causes in the community.

We were an active member of the B Corp community and we will continue to lead as advocates for the B Corp movement in FY19 with the development and launch of our new B the Change partner programme. This will incorporate our B Analytics measurement tool - which we tested and developed during FY18 and will allow us to measure social and environmental impact in our value chain, as well as recognise and celebrate best practice.

## Strategic report

for the year ended 30 June 2018

### PRINCIPAL RISKS & UNCERTAINTIES

Ella's Kitchen operates in many highly competitive grocery markets around the world. Competitive threats come from other branded baby food companies as well as own label products. Own label brands remain strong in a number of international markets, potentially negatively impacting sales. We mitigate these risks by investing in our innovation pipeline, bringing new products to market and maintaining strong relationships with our customers.

Despite these market challenges, Ella's Kitchen increased market share in the UK during the year, outperforming the market and growing its share of total ambient baby food by 2.25% to 28.23% in the 52 weeks ended 30<sup>th</sup> June 2018. This share number includes both wet baby and snacking products. Growth has been achieved through additional distribution and new product development.

Operating in the organic baby food market, we are subject to very stringent regulations covering raw material supply, packaging, finished product, labelling and marketing claims amongst other areas. In order to maintain our brand reputation and customer confidence it is important that we meet these regulations; delivering high quality products consistently. Failure to do so may result in litigation or legal proceedings which would expose the company both financially and have a negative impact to our brand.

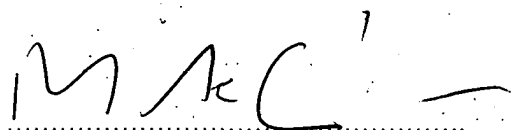
We have created a highly skilled internal technical team and established relationships with external bodies, such as our local enforcement authority, to ensure that all aspects of our finished products are compliant with relevant laws and regulations and meet our consumers' expectations.

With customers and suppliers in countries outside of the UK, exposure to foreign exchange movements is a key risk for the company. A significant proportion of the company's cost of sales is denominated in Euros or US dollars, while the majority of sales are made in sterling. When considered appropriate by management, Ella's Kitchen uses foreign exchange contracts to reduce exposure to the variability of future exchange rate movements and has a strategic focus on increasing exports into Europe to enhance the Euro revenue stream.

In the short and medium term the company faces additional risks related to Brexit and the resulting legal, regulatory and economic uncertainty. Ella's Kitchen may be faced with additional foreign exchange volatility, regulatory changes and customs restrictions or tariffs. The Directors are evaluating potential Brexit risk mitigation strategies for Ella's Kitchen and continue to monitor the actions of the UK Government and the EU carefully to make the best decisions about the ongoing supply chain for the business.

The Directors have a shared sense of passion and excitement for the future of Ella's Kitchen, with both entry into new markets and innovative new products on the horizon. We are confident in our ability to exceed ever-changing consumer expectations - delivering the healthier food they desire and being a business that operates with a purpose beyond profit alone.

ON BEHALF OF THE BOARD



Mr MNJ Cuddigan – Director

Date: 20 March 2019

## **Directors' report**

**for the year ended 30 June 2018**

The directors present their report and financial statements for the year ended 30 June 2018.

### **RESULTS AND DIVIDENDS**

The results for the company are set out in the primary financial statements (pages 11-13). A dividend amount of £15,500,000 was paid during the year.

### **PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The principal activity of the company was that of manufacture and distribution of children's and baby food.

### **DIRECTORS**

The directors who served the company throughout the year were as follows:

DM Faltischek

PJ Lindley      Resigned 06 April 2018

ID Simon

MNJ Cuddigan

JM Langrock

### **DISCLOSURE OF INFORMATION TO THE AUDITORS**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

### **GOING CONCERN**

The company's business activities, together with the factors likely to affect its future development, its financial position, its financial risk management objectives, details of its financial instruments and its exposure to competitive, credit and foreign currency risk are described in the business review on page 3.

The company has considerable financial resources and as a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the continued uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual reports and financial statements.

## **Directors' report** (continued)

for the year ended 30 June 2018

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the 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 Financial Reporting Standard 102: The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102). 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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

ON BEHALF OF THE BOARD



Mr MNJ Cuddigan – Director

Date: 20 March 2019



# **Independent auditor's report**

## **to the members of Ella's Kitchen (Brands) Limited**

### **Opinion**

We have audited the financial statements of Ella's Kitchen (Brands) Limited for the year ended 30 June 2018 which comprise the Statement of Total Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 21, 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 FRS 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 company's affairs as at 30 June 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 section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

# **Independent auditor's report**

## **to the members of Ella's Kitchen (Brands) Limited**

### **Other information**

The other information comprises the information included in the annual report (set out on pages 3 to 5) other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the 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 directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

# Independent auditor's report

to the members of Ella's Kitchen (Brands) Limited

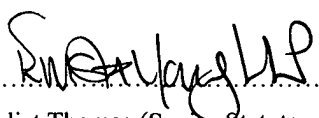
## Auditor's responsibilities for the audit of the financial statements

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

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

## Use of our report

This report is made solely to the 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.



.....

Juliet Thomas (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor  
Luton

Date: 20 March 2019

# Statement of Total Comprehensive Income

for the year ended 30 June 2018

	Notes	2018 £	2017 £
<b>Revenue</b>	2	70,629,611	65,725,945
Cost of sales		(44,874,936)	(42,796,562)
<b>Gross Profit</b>		25,754,675	22,929,383
Administrative expenses		(15,392,113)	(14,517,714)
Other operating income		30,560	41,539
<b>Operating profit</b>	5	10,393,122	8,453,208
Interest receivable and similar income	6	173,638	173,638
Interest payable and similar charges	7	(245,653)	(193,096)
<b>Profit on ordinary activities before taxation</b>		10,321,107	8,433,750
Tax on profit on ordinary activities	8	(1,919,174)	(1,710,305)
<b>Profit for the financial year</b>		8,401,933	6,723,445
<b>Other comprehensive income</b>			
Derivative cash flow hedges, net of tax		(51,767)	51,767
Reclassified from hedging reserve		-	-
<b>Total comprehensive income for the financial year</b>		8,350,166	6,775,212

## Continuing Operations

The Statement of Total Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 14 to 24 form part of these financial statements.

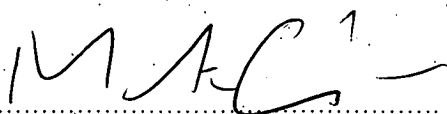
# Statement of Financial Position

as at 30 June 2018

Registered No. 05183743

		2018 £	2017 £
<b>Non-current assets</b>			
Tangible assets	9	269,692	398,002
Intangible assets	10	86,176	92,956
		<u>355,868</u>	<u>490,958</u>
<b>Current assets</b>			
Inventories	11	5,510,894	4,567,868
Trade and other receivables:			
Amounts falling due within one year	12	21,456,890	23,102,794
Amounts falling due after one year		5,875	5,875
Cash at bank and in hand		13,383,639	19,928,630
Deferred tax asset	15	44,131	30,015
		<u>40,401,429</u>	<u>47,635,182</u>
<b>Trade and other payables:</b> amounts falling due within one year	13	(21,841,137)	(22,060,146)
		<u>18,560,292</u>	<u>25,575,036</u>
<b>Net current assets</b>			
		<u>18,560,292</u>	<u>25,575,036</u>
<b>Net assets</b>		<u>18,916,160</u>	<u>26,065,994</u>
<b>Capital and reserves</b>			
Called up share capital	16	100	100
Profit and loss account	17	18,916,060	26,065,894
		<u>18,916,160</u>	<u>26,065,994</u>
<b>Total equity</b>	21	<u>18,916,160</u>	<u>26,065,994</u>

The financial statements were approved by the Board of Directors on 20 March 2019 and were signed on its behalf by:



Mr MNJ Cuddigan – Director

## Statement of Changes in Equity

for the year ended 30 June 2018

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 July 2016	100	19,290,682	19,290,782
Profit for the financial year	-	6,723,445	6,723,445
Other comprehensive expense for the financial year, net of tax	-	51,767	51,767
Total comprehensive income for the financial year	-	6,775,212	6,775,212
Balance at 30 June 2017	100	26,065,894	26,065,994
Profit for the financial year	-	8,401,933	8,401,933
Other comprehensive income for the financial year, net of tax	-	(51,767)	(51,767)
Total comprehensive income for the financial year	-	8,350,166	8,350,166
Dividends paid	-	(15,500,000)	(15,500,000)
Balance at 30 June 2018	100	18,916,060	18,916,160

## Notes to the financial statements

for the year ended 30 June 2018

### 1. Accounting policies

#### 1.1 Statement of compliance

Ella's Kitchen (Brands) Limited is a limited liability company incorporated in England. The Registered Office is Ella's Barn, 22 Greys Green Farm, Rotherfield Greys, Henley-on-Thames, Oxfordshire, RG9 4QG.

The company's financial statements have been prepared in compliance with FRS 102 for the year ended 30 June 2018.

The financial statements are prepared in sterling, which is the functional currency of the company.

#### 1.2 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key judgements that have had the most significant effect on amounts recognised in the financial statements are in relation to the level of provisions held for rebates.

#### 1.3 Going concern

The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern. The directors have made themselves aware of all relevant information and have prepared appropriate forecasts and on this basis are comfortable that there are no material uncertainties.

#### 1.4 Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following exemptions under the provisions of FRS 102:

- (i) The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv) to prepare a reconciliation of the number of equity shares outstanding at the beginning and at the end of the financial year;
- (ii) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d), to prepare a statement of cash flows;
- (iii) The requirements of Section 11 paragraphs 11.39 to 11.48(a) and Section 12 paragraphs 12.26 to 12.29A, regarding disclosures for financial liabilities and assets, as the equivalent disclosures required by FRS 102 are included in the consolidated financial statements of the group in which the entity is consolidated; and
- (iv) From disclosing the company key management personnel compensation, as required by Section 28; and the requirement of Section 33 Related Party Disclosures paragraph 33.9 to disclose related party transactions with other members of the Ella's Kitchen group.

#### 1.5 Revenue recognition

Revenue, which is stated net of value added tax, is defined as the amount invoiced to external customers during the year. This includes gross sales net of trade discounts, customer allowances, returns and promotions. Revenue is recognised at the time that the risks and rewards of ownership of the products are transferred to the customer.

## Notes to the financial statements

for the year ended 30 June 2018

### 1. Accounting policies (continued)

#### 1.6 Tangible fixed assets

Tangible assets are stated at cost or valuation less accumulated depreciation and impairments. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	-	33% on cost
Fixtures and fittings	-	25% on cost
Computer equipment	-	33% on cost
Building	-	33% on cost

#### 1.7 Intangible fixed assets

Intangible assets are stated at cost or valuation less accumulated amortisation and impairments. Amortisation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer software	-	33% on cost
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#### 1.8 Inventories

Inventories are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is determined on a first in first out (FIFO) basis.

#### 1.9 Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognised in the profit and loss account in the line which most appropriately reflects the nature of the item or transaction.

#### 1.10 Leasing commitments

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

#### 1.11 Pension costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

#### 1.12 Equity-settled share-based payments

Prior to the acquisition by The Hain Celestial Group, Inc., the company issued equity-settled share-based payments to certain employees. These options were cancelled and settled by Hain as part of the acquisition. Options in The Hain Celestial Group, Inc. have been granted to certain employees. The resulting charge is not material to the company.

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of the grant. The fair value so determined has been expensed on a straight line basis over the vesting period, based on the company's estimate of the number of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured using a Black-Scholes-Merton option pricing model. The key assumptions used in the model have been adjusted where appropriate, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.



## Notes to the financial statements

for the year ended 30 June 2018

### 1. Accounting policies (continued)

#### 1.13 Invoice discounting charges

The charges for Confidential Invoice Discounting are charged to the profit and loss account as they are charged by the lender except arrangement fees and transaction costs which are amortised over the term of the agreement.

#### 1.14 Derivative Instruments

The company has exposure to foreign exchange risk to the extent that its purchases are mostly denominated in foreign currency. The company enters into cash flow hedges in order to manage exposure to exchange rate fluctuations in the future.

The effective portion of the hedge is presented in the other comprehensive income (OCI) and any ineffective portion of the hedge is recognised in the income statement immediately. Once the hedging relationship ends, the amount within OCI is recognised in the income statement.

#### 1.15 Deferred Tax

Deferred tax is recognised in respect of all timing differences at the reporting date that are differences between taxable profit and total comprehensive income as stated in the financial statements. These timing differences relate to transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future, which have occurred at the reporting date.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### 2. Revenue

Revenue is attributable to the one principal activity of the company.

An analysis of Revenue by geographical market is given below:

	2018 £	2017 £
United Kingdom	56,047,418	52,864,065
Overseas	14,582,193	12,861,880
	<u>70,629,611</u>	<u>65,725,945</u>

## Notes to the financial statements

for the year ended 30 June 2018

### 3. Staff Costs

	2018 £	2017 £
Wages and salaries	5,222,293	4,559,568
Social security costs	686,638	551,988
Other pension costs	167,683	146,438
	<u>6,076,614</u>	<u>5,257,994</u>

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

	2018 £	2017 £
Administration	14	14
Operations	54	51
Management	3	3
	<u>71</u>	<u>68</u>

### 4. Directors' Emoluments

	2018 £	2017 £
Directors' remuneration	680,011	468,089
Directors' pension contributions to money purchase schemes	44,110	39,058
	<u></u>	<u></u>

The number of directors to whom retirement benefits were accruing was as follows:

	2018	2017
Money purchase schemes	2	2
	<u></u>	<u></u>

Information regarding the highest paid director is as follows:

	2018 £	2017 £
Remuneration	487,702	287,818
Pension contributions to money purchase schemes	27,500	17,940
	<u></u>	<u></u>

## Notes to the financial statements

for the year ended 30 June 2018

### 5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Hire of equipment	2,587	2,412
Operating leases – land & buildings	100,500	90,597
Operating leases – other	9,538	10,233
Depreciation - owned assets	200,310	245,892
Amortisation – intangibles	66,259	69,330
Loss on disposal of fixed assets	41,548	83,278
Foreign exchange differences	36,541	74,913
Audit fees	31,000	30,000
	<u>          </u>	<u>          </u>

### 6. Interest receivable and similar income

	2018 £	2017 £
Other interest received	-	-
Interest on intercompany loans	173,638	173,638
	<u>173,638</u>	<u>173,638</u>

### 7. Interest payable and similar charges

	2018 £	2017 £
Bank interest	-	-
Other interest	352	-
Interest on intercompany loans	245,301	193,096
	<u>245,653</u>	<u>193,096</u>

## Notes to the financial statements

for the year ended 30 June 2018

### 8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2018 £	2017 £
<i>Current tax:</i>		
UK Corporation tax at 19% (2017 – 19.75%)	1,955,166	1,705,338
Adjustment in respect of prior periods	8,139	10,335
<i>Total Current Tax</i>	<u>1,963,305</u>	<u>1,715,673</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(14,925)	(43,041)
Adjustment in respect of prior periods	(29,206)	37,673
<i>Tax expense in the income statement</i>	<u><u>1,919,174</u></u>	<u><u>1,710,305</u></u>

(b) Tax included in total other comprehensive income

The tax charge/(credit) is made up as follows:

	2018 £	2017 £
<i>Deferred tax:</i>		
Unrealised loss on derivatives	-	12,740
<i>Total tax charge/(credit)</i>	<u><u>-</u></u>	<u><u>12,740</u></u>

(c) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	10,321,107	8,433,750
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 – 19.75%)	<u>1,961,010</u>	<u>1,665,666</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	12,394	12,156
Intercompany debt restructuring	-	-
Adjustment in respect of prior year	(59,422)	30,993
Change in tax rate	5,192	1,490
<i>Total tax charge</i>	<u><u>1,919,174</u></u>	<u><u>1,710,305</u></u>

## Notes to the financial statements

for the year ended 30 June 2018

### 9. Tangible assets

	Plant & Machinery £	Fixtures & Fittings £	Computer Hardware £	Land & Buildings £	Totals £
<b>Costs</b>					
At 1 July 2017	386,777	184,810	70,712	154,643	796,942
Additions	93,522	19,226	800	-	113,548
Disposals	(109,273)	(26,743)	(40,330)	-	(176,346)
At 30 June 2018	371,026	177,293	31,182	154,643	734,144
<b>Depreciation</b>					
At 1 July 2017	(182,338)	(74,288)	(43,900)	(98,414)	(398,940)
Charge for the year	(87,999)	(43,951)	(16,810)	(51,550)	(200,310)
Eliminated on disposal	76,708	23,088	35,002	-	134,798
At 30 June 2018	(193,629)	(95,151)	(25,708)	(149,964)	(464,452)
<b>Net Book Value</b>					
At 30 June 2018	177,397	82,142	5,474	4,679	269,692
At 30 June 2017	204,439	110,522	26,812	56,229	398,002

## Notes to the financial statements

for the year ended 30 June 2018

### 10. Intangible assets

	Computer Software
	£
<b>Costs</b>	
At 1 July 2017	271,128
Additions	59,479
Disposals	(16,609)
At 30 June 2018	313,998
<b>Depreciation</b>	
At 1 July 2017	(178,172)
Charge for the year	(66,259)
Eliminated on disposal	16,609
At 30 June 2018	(227,822)
<b>Net Book Value</b>	
At 30 June 2018	86,176
At 30 June 2017	92,956

### 11. Inventories

	2018 £	2017 £
Raw materials and packaging	12,995	299
Finished goods	5,497,899	4,567,569
	<u>5,510,894</u>	<u>4,567,868</u>

The amount of impairment loss recognised in the year amounted to £270,086 (2017 £238,968).

The cost of inventory recognised as an expense in the year amounted to £41,756,529 (2017: £39,725,621).

## Notes to the financial statements

for the year ended 30 June 2018

### 12. Trade and other receivables

	2018	2017
	£	£
<b>Amounts falling due within one year:</b>		
Trade receivables	11,544,390	11,457,077
Amounts owed by group undertakings	8,709,052	10,207,917
Other debtors	767,211	772,471
Unrealised gain on cash flow hedge	-	64,507
Prepayments & accrued income	218,624	272,966
VAT	217,613	327,856
	<u>21,456,890</u>	<u>23,102,794</u>
<b>Amounts falling due after more than one year:</b>		
Other receivables	5,875	5,875
	<u>21,462,765</u>	<u>23,108,669</u>

Included within 'amounts owed by group undertakings' is a loan to Daniels Chilled Foods Ltd. for £8.5m. This loan is interest bearing at 2.04% and is repayable on demand.

### 13. Trade and other payables: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	4,947,361	5,003,347
Amounts owed to group undertakings	8,346,152	8,544,859
Social security and other taxes	124,034	132,309
Corporation tax	1,022,415	921,608
Other creditors	32,075	58,098
Deferred income	-	-
Accrued expenses	7,369,100	7,399,925
	<u>21,841,137</u>	<u>22,060,146</u>

## Notes to the financial statements

for the year ended 30 June 2018

### 14. Operating lease commitments

The following operating lease payments are committed to be paid:

	<i>Land and buildings</i>		<i>Other operating leases</i>	
	2018	2017	2018	2017
	£	£	£	£
Expiring:				
Within one year	130,340	90,597	9,242	660
Between one and five years	-	-	2,393	9,573
	<u>130,340</u>	<u>90,597</u>	<u>11,635</u>	<u>10,233</u>

### 15. Deferred tax

	2018	2017
	£	£
Deferred tax asset / (liability)		
Accelerated capital allowances	44,131	42,755
Cash flow hedge	-	(12,740)
	<u>44,131</u>	<u>30,015</u>
		Deferred Tax
		(liability)/
		asset
		£
Balance at 1 July 2017		30,015
Credit to Income Statement during the year		14,116
Transfer to Other Comprehensive Income		-
Deferred tax asset at 30 June 2018		<u>44,131</u>

### 16. Called up share capital

	2018		2017	
	No.	£	No.	£
Allotted, issued and fully paid				
Ordinary 'A' shares of £1 each	100	100	100	100



## Notes to the financial statements

for the year ended 30 June 2018

### 17. Reserves

	Profit and loss account £
At 1 July 2017	26,065,894
Total comprehensive income for the year	8,350,166
Dividends paid	(15,500,000)
At 30 June 2018	18,916,060

### 18. Related party transactions

The company has taken advantage of the exemption available under FRS 102 paragraph 33.11 not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

### 19. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Ella's Kitchen Group Limited, a company incorporated in the United Kingdom.

The directors consider the ultimate parent undertaking and controlling party to be The Hain Celestial Group, Inc.

The parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the company is a member is The Hain Celestial Group, Inc. Copies of the financial statements can be obtained from 1111 Marcus Ave, Lake Success, NY 11042.

### 20. Contingent liabilities

Co-packer and packaging suppliers for Ella's Kitchen group companies hold inventories of branded packaging for use in the manufacturing process. Ella's Kitchen group companies have a possible liability to purchase this stock should the co-packer not meet its contractual duties. It is considered that this would only arise if the company unexpectedly discontinued a large number of product lines at short notice. The directors consider the likelihood of this outcome as remote.

At 30 June 2018 the maximum obligation was of £2,186,329 (2017: £1,991,705).

### 21. Reconciliation of movements in shareholders' funds

	2018 £	2017 £
Profit for the financial year	8,401,933	6,723,445
Unrealised gain/(loss) on derivatives	(51,767)	51,767
Dividends paid	(15,500,000)	-
Total comprehensive income		
Net addition to shareholders' funds	(7,149,834)	6,775,212
Opening shareholder's funds	26,065,994	19,290,782
Closing shareholders' funds	18,916,160	26,065,994