Company Registration No. 02893019

Kallo Foods Limited

Annual Report and Financial Statements

For the year ended 31 December 2021

Kallo Foods Limited

Annual report and financial statements 2021

Contents

Kallo Foods Limited

Annual report and financial statements 2021

Officers and professional advisers

Directors

E Vass
M Payling

Registered Office

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Station Approach
Camberley
GU17 9AB

Bankers

ABN AMRO Bank N.V.
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5 Aldermanbury Square
4th Floor
London
EC2V 7HR

Auditor

Constantin
Statutory Auditor
25 Hosier Lane
London
EC1A 9LQ
United Kingdom

Kallo Foods Limited

Strategic report

Matters covered in the Strategic report

The directors have chosen, in accordance with section 414C (11) of the Companies Act 2006, to set out information relating to the future developments and greenhouse gas emissions within the Strategic report, which would otherwise be required to be contained within the Directors Report.

Review of the business and future developments

The results for the year are set out in the income statement on page 12 and the financial position at the year end is set out in the balance sheet on page 13. The company uses a variety of financial and non-financial key performance indicators to manage the business.

Turnover has grown by 5% in 2021 compared to 2020, driven by our core brands of Clipper, Kallo, Whole Earth and Mrs Crimbles.

Gross margins in 2021 have recovered following the impact of the global pandemic causing surges in supply and demand, increasing to 28% from the 26% in 2020. The directors expect future developments to include further topline growth accompanied by margin improvements driven by a focused strategy on core brands and waste reduction policies.

The company's equity increased by £0.8m in 2021. This reflects strategic growth in the core brands and categories, offset by the £6.8m dividend declared as part of the reorganisation of the group.

The customer service level is a key indicator for the performance of the company and has improved to 93.6% in 2021 compared to 89.1% in 2020.

On 12th November 2021 the entire issued share capital of the company was transferred from Wessanen Great Britain Holdings Limited to it's new immediate parent company, Wessanen Nederland Holding BV, a fellow member of the Ecotone Group.

Business strategy

The company's strategy is to drive profitable revenue growth by focus on core brands and categories. The company has three drivers of growth; 1) cost savings and efficiencies to drive profit, 2) customer partnerships to drive distribution, and 3) A&P investment to drive brand growth. The directors are happy with the progress made during the year.

Risks and uncertainties

The company operates within the highly competitive retail multiples market place, where product portfolios need to be actively managed and strict customer requirements need to be adhered to. Fluctuating world commodity prices and the resulting effect on the products the company offers customers are a major challenge. In addition, fluctuations in the currencies in which products are bought and sold have the potential to impact on profitability significantly.

Subsequent events

There are no material subsequent events to report.

Brexit

At 1 January 2021 the United Kingdom left the European Union. There was minimal impact to the cross border supply chain due to the advance preparations of the company. Import/export delays were mitigated by working closely with European suppliers and sister companies. The direct monetary impact to the company was approximately £0.3m although new supply routes, packaging changes and further changes to legislation continue to affect the company.

COVID-19 Pandemic

The company coped with the high demand for food products during the height of the pandemic in while ensuring staff welfare was a priority. The company continues to monitor and adapt to the situation, following government advice and taking preventative actions, such as encouraging home or hybrid working where possible.

Section 172 statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of the Company's activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between stakeholders, the Directors consider what is most likely to promote the success of the Company for its members in the long term. Whilst the importance of giving due consideration to our stakeholders is not new, we are explaining in more detail how the Board engages with our stakeholders, thus seeking to comply with the requirement to include a statement setting out how our Directors have discharged this duty.

S172(1) (A) The likely consequences of any decision in the long term

The company's strategy is to drive profitable revenue growth by focus on core brands and categories. This year's budget and rolling three year plan were approved by the board following a comprehensive review of the strategic priorities and risks to the business. Input from consumer focus groups and customer and community feedback about the impact on the environment was taken into consideration.

S172(1) (B) The interests of the company's employees

Our employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. We run regular employee surveys, which determine the level of engagement and commitment of our employees and the underlying factors. This allows us to identify opportunities for improving our organisation, culture and people management. As a responsible employer, we are constantly striving to ensure that any workplace is a safe, healthy and pleasant environment. Our mission of Healthier Food, Healthier People and Healthier Planet also serves to promote the health of our employees. We aim to provide them with an environmentally friendly and healthy work environment. We participate in the Great Place to Work scheme as a means to ensure our culture is inclusive and motivational.

S172(1) (C) The need to foster the company's business relationships with suppliers, customers and others

We take a natural approach to business, which means we're open, honest, fair and responsible – with our suppliers, customers and everyone we work with. Examples of this can be seen by our valued UK partnerships which lie at the heart of our sustainability strategy and vision:

- Fairtrade Foundation supports the development of thriving farming and worker communities. It stands for better prices, decent working conditions and fair terms of trade for farmers and workers. We're proud that Clipper was the UK's first Fairtrade tea company and continues to lead the way in sustainable sourcing and best practice.
- The Soil Association is the UK's leading membership charity campaigning for healthy, humane and sustainable food, farming and land use to create a better world – one where people farm responsibly, eat healthily and live in balance with the environment. We work closely together to ensure we comply with the organic principles and practices it champions.
- The Roundtable on Sustainable Palm Oil (RSPO) works to transform the palm oil industry in collaboration with the global supply chain. Its vision is to change perceptions and make sustainable palm oil 'the norm'. Products that are certified by the RSPO, like our Whole Earth nut butters, abide to specific criteria to improve the impact of palm oil cultivation on the environment and communities.
- The B Corp movement is a global community of people using business as a force for good. We are a Certified B Corporation, in recognition of meeting the highest standards of verified social and environmental performance, transparency and accountability.

Kallo Foods Limited

Strategic report (continued)

Section 172 statement (continued)

S172(1) (D) The impact of the company's operations on the community and the environment

In addition to working on a reduction in packaging and ensuring efficiencies in the supply chain, the company has targeted waste reduction, diverting surplus product from landfill to charitable organisations.

The company continues to support Fair Trade organisations, celebrating 25 years of Fair Trade in 2019. The simple act of buying Fairtrade can make the world of difference to the lives of the people who pick tea, from helping to put a child through school, provide life-saving medical equipment or go towards someone's retirement. From a simple cuppa, it's the small things that can do a world of good. That's why Clipper Teas was the first ever UK tea to carry the Fairtrade mark 25 years ago, and today is the world's largest Fairtrade tea brand. As one of the founding Fairtrade brands, Clipper helped to set the standards for ethical tea production. Clipper is committed to buying tea on Fairtrade terms, bought directly from the tea estates it has a long-standing relationship with. It buys approximately 1,000 tonnes of Fairtrade tea every year which actively supports 114,000 tea producers and their families.

S172(1) (E) The desirability of the company maintaining a reputation for high standards of business conduct

The Company Code has been drawn up to provide a clear set of guiding principles on integrity and ethics in business conduct. It governs business decisions and actions throughout the company, applicable to both corporate actions and the behaviour of individual employees when conducting business on behalf of the company. The Whistleblower Policy aims to support compliance with applicable laws, integrity in financial management, a healthier and safer work environment and effective corporate governance.

We are committed to acting ethically and with integrity and transparency in all our business dealings, putting effective systems and controls in place to safeguard against any form of modern slavery taking place within the business or our supply chain.

S172(1) (F) The need to act fairly as between members of the company

As a wholly owned subsidiary of the Ecotone Group there are no circumstances in which the needs or desires of different members of the Company are in conflict. After weighing up all relevant factors, the Directors consider which course of action best leads to the success of the company and its long term strategy as set by the Ecotone Group, taking into consideration the impact on all stakeholders. In doing so, the Directors endeavour to act fairly as between the Company's various stakeholders but are not required to balance the shareholder's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

Approved by the Board of Directors
and signed on behalf of the Board

E Vass
Director

28th April 2022

Kallo Foods Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2021. The directors include the information on events subsequent to the balance sheet date and engagement with suppliers in the Strategic report on page 2 which are required by regulations to be disclosed in the Directors' report as the directors consider this information is of strategic importance to the company.

Principal activities

The principal activities of the company during 2021 were the blending and packing of tea, and the sales, marketing and distribution of organic and natural food products.

Dividends

There was a £6,837,769 interim dividend paid during the year (2020: £nil). The directors do not recommend the payment of a final dividend (2020: £nil).

Directors

The directors who held office during the year and since the year end, were as follows:

E Vass
M Payling

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Going concern

As set out in more detail in note 1 the financial statements have been prepared on the going concern basis.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks, primarily credit risk, cash flow risk and liquidity risk. The company uses derivative financial instruments to manage its foreign exchange risk but not for speculative purposes.

Credit risk

The company's principal financial assets are trade and other receivables and bank balances and cash.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made for expected 12 month credit losses and where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit terms are extended to customers only where the company is satisfied of the creditworthiness of the counterparty, either through the satisfactory results of credit checks or on the basis of historical experience of trading with the customer. Customer credit limits are monitored closely and continued trading with a customer may be discontinued when these are exceeded.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk with exposure spread over a large number of counterparties and customers.

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Directors' report (continued)

Financial risk management objectives and policies (continued)

Foreign exchange cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge the exposure.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of cash held on deposit with banks and careful management of its working capital.

The company also participates in the cash pool and treasury arrangements of its sister company Wessanen Finance BV. Further details of the group's financial risk management objectives and policies can be found in the group's financial statements, see note 22.

Energy and carbon reporting

We have reported on all sources of GHG emissions and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

GHG emissions and energy usage

GHG emissions and energy usage data for period 1 January 2021 to 31 December 2021		
	UK	**UK**
	2021	**2020**
Emissions from combustion of gas (Scope 1 – tonnes of CO_2e)	50	34
Emissions from combustion of fuel for transport purposes (Scope 1 – tonnes of CO_2e)	12	14
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO_2e)	372	358
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3 - tonnes of CO_2e)	181	124
Total gross CO_2e based on above	**615**	**530**
Energy consumption used to calculate emissions - kwh	2,138,452	1,794,716
Intensity ratio		
KPI Tonne CO2e/£M (Turnover)	5.59	5.03
KPI Kg CO2e/Tonne of Tea Produced	231	192

Reporting boundary and methodology

The financial control approach was used for collation of the above data. We have followed the 2019 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 to calculate the above disclosures.

Energy and carbon reporting (continued)

Energy efficiency actions taken

Actions for the forthcoming 12 months include:

- Track and reduce waste from 3.5% to 2.9% of financial value.
- Carry out voltage optimization on site electricity.
- Move compressors and intall air ring main to improve energy efficiency.
- Maintain waste to landfill at below 1%.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

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

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board

E Vass
Director

28th April 2022

Kallo Foods Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditor's report to the member of Kallo Foods Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Kallo Foods Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and,
- the related notes 1 to 22 (which include a statement of accounting policies).

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We 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 Financial Reporting Council's (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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Independent auditor's report to the member of Kallo Foods Limited (continued)

Responsibilities of directors

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

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

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Consumer Rights Act 2015, Consumer Protection Act 1987, Food Standard Act 1999, general food law, Code of practice, Food information regulation, Health and safety regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Independent auditor's report to the member of Kallo Foods Limited (continued)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house / external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in [the strategic report and] the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Thierry de Gennes, ACA (Senior Statutory Auditor)

For and on behalf of Constantin

Chartered Accountants and Statutory Auditor

25 Hosier Lane

London

EC1A 9LQ

Date: 28 April 2022

Kallo Foods Limited

Income statement
Year ended 31 December 2021

	Notes	2021 £	2020 £
Turnover	2	110,144,500	105,262,004
Cost of sales		(78,868,343)	(78,022,938)
Gross profit		31,276,157	27,239,066
Administrative expenses		(21,335,629)	(23,651,076)
Other operating income	2	6,764	6,735
Operating profit		9,947,292	3,594,725
Finance expense	6	(254,783)	(475,309)
Finance income	2,7	19,354	141,264
Profit before taxation	3	9,711,863	3,260,680
Tax	8	(2,068,746)	(352,328)
Profit after taxation for the financial year		7,643,117	2,908,352

All results for the year are from continuing operations.

The notes on pages 16 to 36 form part of these financial statements.

Kallo Foods Limited

Balance sheet
As at 31 December 2021

	Notes	2021 £	2020 £
Non-current assets			
Intangible assets	10	19,063,785	19,063,785
Property, plant and equipment	11	13,937,059	13,580,061
		33,000,844	32,643,846
Current assets			
Inventories	12	11,475,949	12,760,646
Trade and other receivables	13	18,289,215	21,929,942
Amounts owed by fellow group undertakings under cash sweeping arrangements	14	-	11,182,415
Other amounts owed by fellow group undertakings	14	16,092,977	-
Cash and cash equivalents		1,172,197	714,587
		47,030,338	46,587,590
Current liabilities			
Trade and other payables	15	(28,343,739)	(29,906,749)
Derivative liabilities	20	(116,043)	(117,897)
Amounts due to fellow group undertakings under cash sweeping arrangements	14	(11,407,566)	-
Provisions		(167,020)	(357,027)
		(40,034,368)	(30,381,673)
Net current assets		6,995,970	16,205,917
Total assets less current liabilities		39,996,814	48,849,763
Non-current liabilities			
Trade and other payables	15	(1,508,219)	(11,689,700)
Deferred tax liability	8	(1,280,528)	(733,371)
		(2,788,747)	(12,423,071)
Net assets		37,208,067	36,426,692
Equity			
Share capital	16	8,018,837	8,018,837
Share premium	17	1,609,333	1,609,333
Hedge reserve	18	(71,486)	(47,513)
Profit and loss account	19	27,651,383	26,846,035
Equity attributable to shareholder of the company		37,208,067	36,426,692

The notes on pages 16 to 36 form part of these financial statements.

The financial statements of Kallo Foods Limited, registered number 02893019 were approved by the Board of Directors.

Signed on behalf of the Board of Directors on 28th April 2022

E Vass, Director

Kallo Foods Limited

Statement of comprehensive income
As at 31 December 2021

	Note	2021 £	2020 £
Profit for the financial year		7,643,117	2,908,352
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment on cash flow hedges	20	1,854	336,737
Reclassification of fair value adjustment on cash flow hedges to profit or loss	20	(31,450)	(109,453)
Deferred tax credit/(charge) on fair value adjustment on cash flow hedges	8	5,623	(43,184)
Other comprehensive income for the year net of tax		(23,973)	184,100
Total comprehensive income for the year		7,619,144	3,092,452

Kallo Foods Limited

Statement of changes in equity
for the year ended 31 December 2021

	Notes	Share capital £	Share premium £	Hedge reserve £	Profit and loss account £	Total equity £
At 1 January 2020		8,018,837	1,609,333	(231,613)	23,937,683	33,334,240
Profit for the year	19	-	-	-	2,908,352	2,908,352
Other comprehensive income	8, 20	-	-	184,100	-	184,100
Total comprehensive income for the year		-	-	184,100	2,908,352	3,092,452
At 31 December 2020		8,018,837	1,609,333	(47,513)	26,846,035	36,426,692
Profit for the year	19	-	-	-	7,643,117	7,643,117
Other comprehensive income	8, 20	-	-	(23,973)	-	(23,973)
Total comprehensive income for the year		-	-	(23,973)	7,643,117	7,619,144
Dividends	9	-	-	-	(6,837,769)	(6,837,769)
At 31 December 2021		8,018,837	1,609,333	(71,486)	27,651,383	37,208,067

Notes to the financial statements
Year ended 31 December 2021

1. General information and accounting policies

Kallo Foods Limited ("Kallo" or the "Company") is a Company incorporated in the United Kingdom under the Companies Act.

The Company is a private Company limited by shares and is registered in England. The address of the Company's registered office is shown on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report and Directors' report on pages 2 to 7.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements under s400 of the Companies Act 2006, because it is included in the consolidated financial statements of the Ecotone group. The group accounts are available to the public and can be obtained as set out in note 22.

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets, revenue, leases and related party transactions.

Where relevant, equivalent disclosures have been given in the Ecotone group accounts. The group accounts of are available to the public and can be obtained as set out in note 22.

The financial statements have been prepared under the historical cost convention except for the revaluation of certain, financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies applied in the preparation of these financial statements set out below have been applied consistently in the current year and for comparative information in dealing with items which are considered material in relation to the company's financial statements except as noted below.

1. General information and accounting policies (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review, which forms part of the strategic report. The strategic report and the directors' report also describe the financial position of the company, including its cash flows and liquidity position; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The company is profitable, has net assets and net current assets, and meets its day to day working capital requirements through cash generated from its operating activities and retained earnings. The company also participates in the cash pool and treasury arrangements of its sister company Wessanen Finance BV. The directors, having assessed the responses of the directors of the company's ultimate parent company Ecotone HoldCo I S.A.S. to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Ecotone Group to continue as a going concern or its ability to continue with the current banking arrangements. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of cash available to it from these sources.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Goodwill and other intangible assets

Goodwill and other intangible assets acquired before 1 January 2014 have been measured at their amortised book value under previous UK GAAP at the date of transition to FRS 101. Goodwill on acquisition and intangible assets with indefinite useful economic lives acquired after 1 January 2014 are recognised as assets measured initially at their fair value at the date of acquisition (their cost), then subsequently less any accumulated impairment losses. Goodwill and intangible assets with indefinite useful economic lives are not amortised, but are tested annually for impairment. Company law requires goodwill to be written off over a finite period. Non-amortisation of goodwill, in accordance with International Financial Reporting Standards, is a departure from the requirements of company law for the overriding purpose of giving a true and fair view. If this departure from company law had not been made, the profit for the financial year would have been reduced by amortisation of goodwill. However, the amount of amortisation cannot reasonably be quantified other than by reference to an arbitrary assumed period for amortisation.

Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Freehold land is not depreciated. For all other property, plant and equipment, depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Buildings	-	from 10 to 30 years
Fixtures & other equipment	-	from 18 months to 5 years
Machinery	-	from 9 years to 15 years
Motor Vehicles	-	3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, determined on the same basis as other equivalent assets, commences when the assets are ready for their intended use.

1. General information and accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes the cost of goods and inward freight costs. Certain goods include cost of materials, direct labour and an attributable portion of manufacturing overheads based on normal activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Cost is calculated using the weighted average principle. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

1. General information and accounting policies (continued)

Turnover and finance income

Turnover represents amounts derived from the provision of natural food products to third party customers. Turnover is stated net of VAT and trade discounts and is recognised when the goods are physically delivered to the customer, which is the point at which the company has discharged its performance obligations under its terms of business.

Other operating income and Interest income are recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Cost of sales

Cost of sales includes the cost of goods purchased and inward freight as well as movements between opening and closing levels of inventory. The products manufactured at our factory in Beaminster are valued at standard cost, which includes an allocation of all direct and indirect related costs. The cost of sale of an item of inventory is recognised in profit and loss on the sale of the item such that the recognition of the cost is matched with recognition of the related turnover.

Leases

The Company applied IFRS 16 using the modified retrospective approach from 1 January 2019.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

1. General information and accounting policies (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within Non-current assets in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in profit or loss (see note 11).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

1. General information and accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date.

Post retirement benefits

The company operates a defined contribution (money purchase) pension scheme for employees and the assets of the scheme are held separately from those of the company. The pension cost charged to profit and loss represents the contributions payable by the company to the scheme in respect of the accounting period under the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Government grants

Grants from the government are recognised as receivable at their fair value when there is reasonable assurance that the grant will be received and the company will comply with all the attached conditions. Government grants receivable are recognised as income over the life of the asset to which they relate.

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

1. General information and accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value (which is normally the transaction price). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. It is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in profit or loss and is included in the 'Finance income' line item.

1. General information and accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

Lifetime expected credit losses represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit losses represents the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the conditions for lifetime expected credit losses are no longer met, the Company measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date, except for assets for which the simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the balance sheet.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

1. **General information and accounting policies (continued)**

Financial instruments (continued)

Financial liabilities

All financial liabilities other than derivative financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Debt instruments that have no stated interest rate or repayment date are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Derecognition of financial liabilities

The Company derecognises financial liabilities only when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details of the Company's use of derivatives are disclosed in note 20.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset due after one year or a liability due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

1. General information and accounting policies (continued)

Financial instruments (continued)

Hedge accounting

The Company designates certain derivatives as hedging instruments for foreign exchange risk on firm purchase commitments, which are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Company designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of 'Hedge reserve', limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Company expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

1. General information and accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. There are no critical accounting judgements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet 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 discussed below.

Key source of estimation uncertainty - Customer discounts, rebates and trade promotions

The company negotiates a range of discounts, retrospective rebate and trade promotion arrangements with its customers which result in the company making payments to its customers. These payments are recognised as deductions from invoiced sales in the calculation of statutory revenue and as liabilities within accruals. At the end of the reporting period, total trade spend accruals amounted to £8.8 million (2020: £10.8 million), and is a subset of total accruals as disclosed within note 15.

These arrangements can be conditional on the satisfaction of certain actions or performance conditions by the customer, including the achievement of agreed sales volume targets and the provision of benefits such as promotional product positioning. Judgement can be required to assess whether such conditions will be met and to estimate the amounts payable, based on historical and forecast performance. In most cases the arrangements that set out these terms are within or end at the same point as the company's financial year.

In addition while many of the company's customers have a practice of deducting amounts which they believe are due from the company in respect of these arrangements from unrelated payments made by the customer to the company for goods purchased, the terms of the arrangements do not meet the criteria for netting financial assets and financial liabilities. Amounts receivable from customers for goods purchases and amounts accrued for discount, rebate and trade promotion liabilities are therefore not offset until customers choose to make such deductions.

Key source of estimation uncertainty - Impairment of non-financial assets

At the end of the reporting period, management took into consideration external and internal indicators of impairment for their non-financial assets other than goodwill, and concluded that there were no indicators of impairment on the non-financial assets. The company is expected to remain cash generative in the coming year based on latest forecasts.

Management performed their annual goodwill impairment test in the fourth quarter of 2021. Based on management's test, it was noted that the recoverable amount of the cash-generating unit is significantly higher than the carrying amount of the unit, accordingly no impairment of goodwill was required. The results of the annual impairment test also indicated that a reasonably possible change in key assumptions would not cause the value in use to fall to the level of the carrying value.

The carrying values of intangible assets (including goodwill) and property, plant and equipment can be found within notes 10 and 11 respectively.

Kallo Foods Limited

Notes to the financial statements (continued)
Year ended 31 December 2021

2. Analysis of revenue

Revenue is attributable to the Company's principal activity and arises largely in the United Kingdom.

	2021			2020		
	UK	Rest of the world	Total	UK	Rest of the world	Total
	£	£	£	£	£	£
Revenue from sale of goods	79,794,526	30,349,974	110,144,500	81,267,536	23,994,468	105,262,004
Other operating income	6,764	-	6,764	6,735	-	6,735
Finance income	19,354	-	19,354	141,264	-	141,264
Total revenue	79,820,644	30,349,974	110,170,618	81,415,535	23,994,468	105,410,003

3. Profit before taxation

	2021	2020
	£	£
Profit before taxation is stated after charging/(crediting):		
Government grant income	(6,667)	(6,667)
Cost of inventories recognised as expense	78,785,448	78,272,360
Depreciation of owned property, plant and equipment (Note 11)	1,169,244	1,115,493
(Profit) on disposal of property, plant and equipment	(8,490)	-
Depreciation of right-of-use assets (Note 11)	197,081	206,863
Net foreign exchange (gains)	(109,050)	(54,103)
Staff costs (Note 5)	11,971,261	11,172,565
Fees payable to the company's auditor for the audit of the company's accounts	66,000	60,000

The external auditor did not undertake any non-audit services to the company in respect of the current financial year (2020: £Nil).

4. Remuneration of directors

	2021	2020
	£	£
Directors' emoluments	514,581	611,027
Pension contributions	14,648	16,840
	529,229	627,867
Highest paid director		
Emoluments	372,480	441,408
Company contributions to money purchase pension schemes	10,000	10,000
	382,480	451,408

In the current and previous financial period, there are no accrued lump sums under money purchase pension schemes in respect of the directors of the Company.

Notes to the financial statements (continued)
Year ended 31 December 2021

5. Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	**2020**
Sales, marketing and administration	89	87
Production	122	139
	211	226

The aggregate payroll costs of these persons were as follows:

	2021	**2020**
	£	**£**
Wages and salaries	10,391,239	9,623,920
Social security costs	1,151,047	1,070,275
Other pension costs	428,975	478,370
	11,971,261	11,172,565

6. Finance expense

	2021	**2020**
	£	**£**
Bank and other interest paid	28	7
Interest payable to fellow group undertakings	137,857	456,161
Unwinding of lease liabilities	65,685	19,141
Exchange losses on intercompany foreign currency borrowings less deposits (net)	51,213	-
	254,783	475,309

7. Finance income

	2021	**2020**
	£	**£**
Bank and other interest received	-	2,303
Interest receivable from fellow group undertakings	19,354	-
Exchange gains on intercompany foreign currency borrowings less deposits (net)	-	138,961
	19,354	141,264

8. Tax

	2021 £	2020 £
UK corporation tax		
Current tax on income for the period	1,514,960	325,291
Adjustment in respect of prior periods	1,006	6,074
	1,515,966	331,365
Deferred tax		
Reversal of timing differences	271,142	164,006
Adjustment in respect of prior periods	35,350	(143,043)
Change in future tax rate	246,288	-
	552,780	20,963
Total tax charge for the year	2,068,746	352,328

The charge for the year can be reconciled to the profit in the income statement as follows:

	2021 £	2020 £
Profit before tax	9,711,863	3,260,680
Current tax charge at 19% (2020: 19%)	1,845,254	619,529
Effects of:		
Expenses not deductible for tax purposes	28,864	45,887
Group relief claimed	(151,924)	(176,529)
Adjustments in respect of prior periods – current tax	1,006	6,074
Adjustments in respect of prior periods – deferred tax	35,350	(143,043)
Differences arising from different deferred tax rate	310,677	-
Movement in deferred tax not recognised	(481)	410
Total tax charge	2,068,746	352,328

In addition to the amount charged to profit or loss, the deferred tax movement on fair value adjustment on cash flow hedges amounting to a charge of £5,623 (2020: credit of £43,184) has been recognised in other comprehensive income.

Factors that may affect future current and total tax charges

The rate of UK corporation tax applicable to the period is 19%. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%.

Notes to the financial statements (continued)
Year ended 31 December 2021

8. Tax (continued)

Factors that may affect future current and total tax charges (continued)

The company expects its effective tax rate in future years to exceed the standard rate of corporation tax in the UK due primarily to non qualifying fixed asset additions and other items disallowed for tax purposes.

The deferred tax (liability)/asset set out below has been recognised in these financial statements to be utilised against future taxable profits as follows:

	2021		2020	
	Recognised £	Not recognised £	Recognised £	Not recognised £
Accelerated capital allowances	(1,297,338)	-	(744,558)	-
Other timing differences	-	8,942	-	6,902
Deferred tax on cashflow hedges	16,810	-	11,187	-
Capital losses	-	147,043	-	164,688
Deferred tax (liability)/asset	(1,280,528)	155,985	(733,371)	171,590

Capital losses and other timing differences not recognised are not expected to expire.

9. Dividends

	2021 £	2020 £
Interim dividend for the year ended 31 December 2021 (equivalent to £0.85 per share, 2020: £nil)	6,837,769	-

The directors do not recommend the payment of a final dividend in respect of the current financial year (2020: £nil).

10. Intangible assets

	Purchased goodwill £	Other intangibles £	Total £
Cost			
At 1 January and 31 December 2021	20,177,675	10,750,000	30,927,675
Amortisation			
At 1 January and 31 December 2021	8,013,890	3,850,000	11,863,890
Net book value			
At 31 December 2021	12,163,785	6,900,000	19,063,785
At 31 December 2020	12,163,785	6,900,000	19,063,785

Goodwill relates primarily to Clipper, Mrs Crimbles and Whole Earth, and other intangibles to the Mrs Crimbles brand acquired. The goodwill and intangible assets are assumed to have indefinite useful economic lives.

The recoverable amount of the single cash generating unit, calculated in the annual impairment test performed in the fourth quarter of 2021, is based on its value in use. Key assumptions used in the impairment test were sales growth rates, gross profit (margin) and the rates used for discounting the projected cash flows. These cash flow projections were determined using management's internal forecasts that cover a period of 5 years, based on financial plans as approved by the Company's management, after which a terminal value was calculated. For the terminal value calculation the long-term inflation rate of 2% was used (2020: 1.6%). The present value of estimated future cash flows has been calculated using a pre-tax discount rate of 11.33% (2020: 12.22%).

11. Property, plant and equipment

	Land £	Buildings, fixtures, and other equipment £	Machinery £	Motor vehicles £	Assets under construction £	Right-of-use assets – Buildings £	Right-of-use assets – Other equipment & machinery £	Total £
Cost								
At 1 January 2021	330,518	6,145,691	12,033,062	23,289	-	1,381,219	250,119	20,163,898
Additions	-	232,779	185,996	-	1,299,843	-	4,705	1,723,323
Disposals	-	-	(99,831)	-	-	-	(4,391)	(104,222)
At 31 December 2021	330,518	6,378,470	12,119,227	23,289	1,299,843	1,381,219	250,433	21,782,999
Depreciation								
At 1 January 2021	-	2,560,788	3,870,833	23,289	-	22,314	106,613	6,583,837
Charge for the year	-	353,973	815,271	-	-	138,046	59,035	1,366,325
Disposals	-	-	(99,831)	-	-	-	(4,391)	(104,222)
At 31 December 2021	-	2,914,761	4,586,273	23,289	-	160,360	161,257	7,845,940
Net book value								
At 31 December 2021	330,518	3,463,709	7,532,954	-	1,299,843	1,220,859	89,176	13,937,059
At 31 December 2020	330,518	3,584,903	8,162,229	-	-	1,358,905	143,506	13,580,061

The land and buildings included above are freehold, and had a net book value of £2,660,363 at the balance sheet date (2020: £2,735,568).

Right-of-use assets

The company has lease contracts for various office, equipment and machinery used in the operations. The average term is 5 years. Additions to the right-of-use assets during the 2021 financial year were £4,705 (2020: £1,381,219).

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Note	2021 £	2020 £
Depreciation expense on right-of-use assets		(197,081)	(206,863)
Interest expense (included in finance cost)	6	(65,685)	(19,141)
Expense relating to short-term leases (included in administrative expenses)		(6,168)	(9,900)
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)		-	(1,124)

The total cash outflow for leases in 2021 was £111,963 (2020: £182,803).

At 31 December 2021, the company was committed to £Nil (2020: £Nil) for short-term leases.

Notes to the financial statements (continued)
Year ended 31 December 2021

12. Inventories

	2021 £	2020 £
Raw materials	5,552,601	5,934,421
Finished goods	5,923,348	6,826,225
	11,475,949	12,760,646

13. Trade and other receivables

	2021 £	2020 £
Trade receivables	10,441,143	9,507,073
Other receivables	1,112,167	1,037,812
Amounts due from other group companies	6,627,548	11,201,603
Corporation tax receivable	-	57,251
Prepayments	108,357	126,203
	18,289,215	21,929,942

The amounts due from other group companies included within trade and other receivables are all interest free, unsecured and due within one year.

14. Other amounts due (to)/from fellow group undertakings

	2021 £	2020 £
Amounts due (to)/from other group companies under cash sweeping arrangements	(11,407,566)	11,182,415
Other amounts due from fellow group companies	16,092,977	-

The group uses ABN AMRO Bank as the main cash management provider and for a cross border European zero balancing cash pool. Through the cash pool, all balances are concentrated on a daily basis to the bank account of Wessanen Finance B.V. Included in amounts due (to)/from fellow group companies under cash sweeping arrangements is a liability of £11,407,566 (2020: asset £11,182,415), representing the funds in the group cash pool. The amounts are unsecured, repayable on demand and incur interest at a rate of 1.72%.

The Other amounts due from fellow group companies of £16,092,977 (2020: £nil) are unsecured, repayable on demand and attract interest receivable at a rate of 0.46%.

15. Trade and other payables

	2021 £	2020 £
Amounts falling due within one year		
Trade payables	13,791,241	12,147,682
Customer incentives	8,827,954	10,813,733
Amounts owed to other group companies	154,511	2,387,797
Other taxation and social security	300,505	280,539
Lease liabilities	179,727	46,487
Corporation tax payable	885,615	-
Accruals	4,204,186	4,230,511
Included in current liabilities	28,343,739	29,906,749
Amounts falling due after more than one year		
Amounts owed to other group companies	-	10,000,000
Lease liabilities	1,291,554	1,467,402
Deferred grant income	43,331	49,998
Accruals	173,334	172,300
Included in non-current liabilities	1,508,219	11,689,700

The amounts owed to other group companies included within trade and other payables due within one year are predominately interest free and unsecured. Amounts owed to other group companies due after more than one year incur interest at a rate of 5.38% and were repaid in full during the year.

The lease liabilities included above include an amount of £179,727 falling due within one year (2020: £46,487), an amount of £552,706 falling due between one and five years (2020: £635,013) and an amount of £738,848 falling due after more than five years (2020: £832,389), giving a total lease liability at the balance sheet date of £1,471,281 (2020: £1,513,889).

Deferred grant income has arisen as a result of the benefit received from an interest-free government loan received to erect freehold property improvements in prior years. The grant income is recognised as income over the useful life of the asset.

16. Called up share capital

	2021 £	2020 £
Authorised, allotted and fully paid		
"A" £1 ordinary shares	50,000	50,000
"B" £1 ordinary shares	8,334	8,334
"C" £1 ordinary shares	1,108,333	1,108,333
"D" £1 ordinary shares	6,852,170	6,852,170
	8,018,837	8,018,837

All shares have the same rights.

17. Share premium

Share premium arose from the issuance of ordinary shares at a premium.

18. Hedge reserve

The hedging reserve represents the cumulative portion of losses on hedging instruments deemed effective in cash flow hedges.

19. Profit and loss account

The profit and loss account represents the cumulative total of retained earnings less dividends paid or payable. The entire profit and loss account as of 31 December 2021 is available for distribution as dividends to the shareholder of the Company.

20. Financial commitments and contingencies

Guarantees

The company guarantees company credit cards for employees up to a value of £45,000 in total. There is also a joint guarantee with Wessanen Nederland Holding BV to guarantee raw materials held by our co-packer, Laiterie Saint Denis de l'Hotel relating to the production of Almond Breeze.

Forward currency contracts

At 31 December 2021, the company had contractual obligations in respect of outstanding foreign exchange contracts in Euro and in USD held for the purpose of hedging its exposure to changes in foreign exchange rates on forecast future inventory purchases. The obligations to buy Euro are £8,970,586 (2020: £6,589,731) and have a fair value liability of £140,808 (2020: fair value liability £107,459). The average contractual exchange rate for outstanding forward currency contracts is at Euro 1.19 / £1 (2020: Euro 1.1 / £1). The obligations to buy USD are £3,703,169 (2020: £596,398) and have a fair value asset of £24,765 (2020: fair value liability of £10,228). The average contractual exchange rate for outstanding forward currency contracts is at USD 1.34 / £1 (2020: USD 1.34 / £1).

Changes in fair value of financial instruments at fair value:

Recognised in profit or loss

	2021 £	2020 £
At 1 January	(117,897)	(454,634)
Fair value adjustments recognised in profit for the year	31,450	109,453
	(86,447)	(345,181)
Reclassification of fair value adjustment on cash flow hedges to profit and loss	(31,450)	(109,453)
Fair value adjustment on cash flow hedge	1,854	336,737
At 31 December	(116,043)	(117,897)

The fair values of derivative instruments are calculated using a discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The fair value of the derivative assets of the Company are included in Level 2 category of the fair value hierarchy.

21. Pension scheme

The company makes contributions to individual defined contribution pension schemes for the benefit of employees. The assets of the scheme are administered by trustees in funds independent from the assets of the company. The pension cost charged to profit and loss represents contributions paid by the company and amounted to £428,975 (2020: £478,370). At 31 December 2021 £64,040 of pension contributions were outstanding (2020: £63,087).

22. Immediate and ultimate parent company

The immediate parent company is Wessanen Nederland Holding BV, a company incorporated in The Netherlands. The only group in which the 2021 results of the group are consolidated is headed by Ecotone HoldCo I S.A.S (the ultimate parent company of the Group). The consolidated financial statements of Ecotone group have been deposited at the Trade Register of the French Chamber of Commerce (Company Registration number 850055351). The company Ecotone HoldCo I S.A.S is ultimately under the control of various shareholders. The main shareholders are PAI Partners S.A.S and Mr Charles Jobson and his family.