
MARIGOLD HEALTH FOODS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020



MARIGOLD HEALTH FOODS LIMITED

COMPANY INFORMATION

| | |
|----------------------------|--|
| Directors | P J Tobin P M Langsam O T Aluko |
| Company secretary | O T Aluko |
| Registered number | 01300295 |
| Registered office | The Coalface 46 Clifton Terrace London England N4 3JP |
| Independent auditor | Nexia Smith & Williamson Statutory Auditor & Chartered Accountants 25 Moorgate London EC2R 6AY |

MARIGOLD HEALTH FOODS LIMITED

CONTENTS

| | Page |
|--|----------------|
| Strategic Report | 1 - 3 |
| Directors' Report | 4 |
| Directors' Responsibilities Statement | 5 |
| Independent Auditor's Report | 6 - 8 |
| Statement of Comprehensive Income | 9 |
| Balance Sheet | 10 |
| Statement of Changes in Equity | 11 |
| Statement of Cash Flows | 12 |
| Analysis of Net Debt | 13 |
| Notes to the Financial Statements | 14 - 29 |

MARIGOLD HEALTH FOODS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Principal activity

The principal activity of the Company during the year continues to be that of the wholesale of vegetarian and vegan foods, drinks, nutritional supplements, toiletries and other animal-free products.

Business review

We continued trading successfully for the first six months of the year growing at a rate of about 6% on the same period in 2018. Our growth was mainly coming from listing new innovative and often chilled, fresh, short shelf-life products and improving our daily service to our biggest London customers.

Then came a catastrophic event in the history of our company. On the morning of September 28th our distribution warehouse in north London was completely destroyed by fire. Thankfully, no one was injured or worse.

It proved impossible to continue our distribution business as we had no more chilled or ambient storage capacity and all our offices and IT systems were burnt to the ground. This is reflected in the Discontinued operations section of the accounts.

Fortunately, we were able to fulfil our obligations to both our staff and suppliers. We also had a number of significant one-off costs due to implementing mass redundancies and winding down equipment and service contracts after the fire. A rent review process was concluded in the period, which resulted in a retrospective rent charge amendment which was settled in full.

An insurance claim was agreed with our insurance company in January 2020, unfortunately the payment received fell short of our expectations, however we will make best use of the monies received to safeguard the future of the business.

Despite this we were still able to carry on business through marketing our own ambient branded range of cooking aids and meat substitutes. This represented about 15% of our previous overall turnover. These products are able to be packed, stored and transported through our sub-contracted partners. An office in a co-working space has gave us the capacity to perform most administrative functions with a much-reduced workforce.

Then came COVID-19 and a boom in demand in the area of home cooking. Thankfully, we were not overexposed in the locked down food service sector due to the fact that most of our sales were in retail formats. We were all safely able to work from home in this period.

Our main customers are now health food distributors and major UK supermarket retailers. We also have a small but growing export business. With this new focus we have seen the sales of our branded goods in this period grow by approximately 28%. The increased popularity of vegan diet and ethical eating has also contributed to this success. We are planning new product development in this area and we are confident that these trends will continue.

Principal risks and uncertainties

Brexit continues to be the greatest source of uncertainty. Most of our raw materials come in bulk from Europe. It is highly probable that we will see rising prices due to new potential duties payable from Europe and also the possible fall in value of the pound. The prospect of transport delays, extra administration, adapting to new labelling laws and higher tariff driven export prices creates a daunting scenario. Luckily our suppliers are very well established and we have very good long-term relationships with them all.

We are liable to continue paying rent and rates on our old warehouse when it is built again until June 2023. The process of rebuilding has not started and so we do not know when this will commence.

MARIGOLD HEALTH FOODS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

We have fewer customers than before but most of them are very well known to us and long established. We also have a smaller range of goods to depend on.

COVID-19

During the year ended 31 March 2020, the Company was not adversely affected by the global pandemic arising from COVID-19.

The pandemic is still a worry, but we are in an industry which should still be able to thrive as we supply basic ongoing necessities for a significant portion of the population.

Financial key performance indicators

Due to the fire the total turnover decreased from £39,684,390 to £24,892,432.

In terms of the continuing business, sales grew from £5,567,616 to £7,112,000.

Our gross profit margins have decreased during the year and our loss before tax is £1,010k, down from a profit of £1,328k.

Our cash holding has increased and is more than adequate for any normal contingencies.

Financial risk management

The Company's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency exchange rate risk. Given the size of the Company, the directors have not delegated to responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

Credit risk

The Company's credit risk is primarily attributable to its trade debtors. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Liquidity risk

The Company actively maintains short-term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions. The Company monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

The Company's financial liabilities (none of which are derivative financial liabilities) comprise trade creditors and other creditors which are measured at amortised cost. The trade creditors are all payable within one year.

Interest rate risk

The Company has interest bearing assets comprising of other debtors which earn interest at a fixed rate and cash and cash equivalents which earn interest at a variable rate. The Company has a policy of maintaining debt at fixed rates to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

MARIGOLD HEALTH FOODS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

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

Patrick Tobin

Patrick Tobin (Dec 21, 2020 14:47 GMT)

P J Tobin
Director

Date: 21/12/2020

MARIGOLD HEALTH FOODS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

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

Results and dividends

The loss for the year, after taxation, amounted to £909,567 (2019: *profit* £1,070,720).

The directors declared and received an interim dividend of £119,035 (2019: £119,035) during the year.

Directors

The directors who served during the year were:

P J Tobin
P M Langsam
O T Aluko

Future developments

We are working on a new vegan product development for launch in January.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

Patrick Tobin

Patrick Tobin (Dec 21, 2020 14:47 GMT)

P J Tobin
Director

Date: 21/12/2020

MARIGOLD HEALTH FOODS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

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

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARIGOLD HEALTH FOODS LIMITED

Opinion

We have audited the financial statements of Marigold Health Foods Limited (the 'Company') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows, the Analysis of Net Debt and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law 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 state of the Company's affairs as at 31 March 2020 and of its loss 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. 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 MARIGOLD HEALTH FOODS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report and financial statements, 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 our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion 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.

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 the Directors' Report.

We have nothing to report in respect of the following matters where 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 5, 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 MARIGOLD HEALTH FOODS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

Nexia Smith & Williamson

Chetan Mistry (Senior Statutory Auditor)

for and on behalf of

Nexia Smith & Williamson

Statutory Auditor

Chartered Accountants

25 Moorgate

London

EC2R 6AY

Date: 21/12/2020

MARIGOLD HEALTH FOODS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

| | Note | Continuing operations 2020 £ | Discontinued operations 2020 £ | Total 2020 £ | Continuing operations 2019 £ | Discontinued operations 2019 £ | Total 2019 £ |
|---|-------------|---|---|-----------------------------|---|---|-----------------------------|
| Turnover | 4 | 7,112,000 | 17,780,432 | 24,892,432 | 5,567,616 | 34,116,774 | 39,684,390 |
| Cost of sales | | (5,771,033) | (15,981,564) | (21,752,597) | (4,362,944) | (27,899,093) | (32,262,037) |
| Gross profit | | 1,340,967 | 1,798,868 | 3,139,835 | 1,204,672 | 6,217,681 | 7,422,353 |
| Distribution costs | | (146,019) | (1,971,620) | (2,117,639) | (171,892) | (2,495,957) | (2,667,849) |
| Administrative expenses | | (446,365) | (2,360,829) | (2,807,194) | (505,483) | (3,085,635) | (3,591,118) |
| Exceptional items | 5 | - | (1,343,758) | (1,343,758) | - | - | - |
| Other operating income | 6 | - | 2,103,873 | 2,103,873 | - | 150,434 | 150,434 |
| Operating (loss)/profit | 7 | 748,583 | (1,773,466) | (1,024,883) | 527,297 | 786,523 | 1,313,820 |
| Interest receivable and similar income | | 2,927 | 11,706 | 14,633 | 1,238 | 12,675 | 13,913 |
| (Loss)/profit before tax | | 751,510 | (1,761,760) | (1,010,250) | 528,535 | 799,198 | 1,327,733 |
| Tax on (loss)/profit | 11 | 100,683 | - | 100,683 | (102,806) | (154,207) | (257,013) |
| (Loss)/profit for the financial year | | 852,193 | (1,761,760) | (909,567) | 425,729 | 644,991 | 1,070,720 |

There was no other comprehensive (loss)/income for 2020 (2019: £Nil).

The notes on pages 14 to 29 form part of these financial statements.

MARIGOLD HEALTH FOODS LIMITED
REGISTERED NUMBER:01300295

BALANCE SHEET
AS AT 31 MARCH 2020

| | Note | 2020 £ | 2019 £ |
|---|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 13 | 17,605 | 988,081 |
| | | <u>17,605</u> | <u>988,081</u> |
| Current assets | | | |
| Stocks | 14 | 734,207 | 2,045,488 |
| Debtors: amounts falling due after more than one year | 15 | 228,447 | 152,953 |
| Debtors: amounts falling due within one year | 15 | 1,438,969 | 4,210,630 |
| Cash at bank and in hand | 16 | 5,093,502 | 4,159,351 |
| | | <u>7,495,125</u> | <u>10,568,422</u> |
| Creditors: amounts falling due within one year | 17 | (1,554,210) | (4,467,740) |
| Net current assets | | <u>5,940,915</u> | <u>6,100,682</u> |
| Total assets less current liabilities | | <u>5,958,520</u> | <u>7,088,763</u> |
| Provisions for liabilities | | | |
| Deferred tax | 18 | - | (101,641) |
| Net assets | | <u><u>5,958,520</u></u> | <u><u>6,987,122</u></u> |
| Capital and reserves | | | |
| Called up share capital | 19 | 1,876 | 1,876 |
| Capital redemption reserve | 20 | 1,876 | 1,876 |
| Share option reserve | 20 | 77,747 | 77,747 |
| Profit and loss account | 20 | 5,877,021 | 6,905,623 |
| Shareholders' funds | | <u><u>5,958,520</u></u> | <u><u>6,987,122</u></u> |

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

Patrick Tobin
Patrick Tobin (Dec 21, 2020 14:47 GMT)

P J Tobin
Director

Date: 21/12/2020

The notes on pages 14 to 29 form part of these financial statements.

MARIGOLD HEALTH FOODS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

| | Called up share capital | Capital redemption reserve | Share option reserve | Profit and loss account | Total equity |
|--|------------------------------------|---|---------------------------------|------------------------------------|---------------------|
| | £ | £ | £ | £ | £ |
| At 1 April 2018 | 1,876 | 1,876 | 77,747 | 5,953,938 | 6,035,437 |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 1,070,720 | 1,070,720 |
| Dividends: Equity capital | - | - | - | (119,035) | (119,035) |
| At 1 April 2019 | 1,876 | 1,876 | 77,747 | 6,905,623 | 6,987,122 |
| Comprehensive loss for the year | | | | | |
| Loss for the year | - | - | - | (909,567) | (909,567) |
| Dividends: Equity capital | - | - | - | (119,035) | (119,035) |
| At 31 March 2020 | 1,876 | 1,876 | 77,747 | 5,877,021 | 5,958,520 |

MARIGOLD HEALTH FOODS LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

| | 2020 £ | 2019 £ |
|---|------------------|------------------|
| Cash flows from operating activities | | |
| (Loss)/profit for the financial year | (896,252) | 1,070,720 |
| Adjustments for: | | |
| Depreciation of tangible assets | 76,422 | 134,542 |
| Impairments of fixed assets | 940,082 | - |
| Loss on disposal of tangible assets | 2,304 | - |
| Interest received | (14,633) | (13,913) |
| Taxation charge | (100,683) | 257,013 |
| Decrease/(increase) in stocks | 1,311,281 | (346,045) |
| Decrease in debtors | 2,708,528 | 367,487 |
| (Decrease)/increase in creditors | (2,691,344) | 470,486 |
| Corporation tax paid | (248,820) | (185,403) |
| Net cash generated from operating activities | 1,086,885 | 1,754,887 |
| Cash flows from investing activities | | |
| Purchase of tangible fixed assets | (48,332) | (217,992) |
| Interest received | 14,633 | 13,913 |
| Net cash used in investing activities | (33,699) | (204,079) |
| Cash flows from financing activities | | |
| Dividends paid | (119,035) | (119,035) |
| Net cash used in financing activities | (119,035) | (119,035) |
| Net increase in cash and cash equivalents | 934,151 | 1,431,773 |
| Cash and cash equivalents at the beginning of the year | 4,159,351 | 2,727,578 |
| Cash and cash equivalents at the end of the year | 5,093,502 | 4,159,351 |
| Cash and cash equivalents at the end of the year comprise: | | |
| Cash at bank and in hand | 5,093,502 | 4,159,351 |

MARIGOLD HEALTH FOODS LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2020**

| | At 1 April 2019 £ | Cash flows £ | At 31 March 2020 £ |
|--------------------------|-------------------------|-------------------|--------------------------|
| Cash at bank and in hand | 4,159,351 | 934,151 | 5,093,502 |
| Debt due within 1 year | (45,840) | 1,655 | (44,185) |
| | <u> </u> | <u> </u> | <u> </u> |

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. General information

Marigold Health Foods Limited is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 01300295). The registered office address is The Coalface, 46 Clifton Terrace, London, England, N4 3JP.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis.

The directors have carefully reviewed the future prospects of the Company and its future cash flows, including an assessment of the potential impact of the COVID-19 pandemic, however we operate in a sector that continues to operate with high level of demands in the current COVID-19 impacted environment. Having assessed the forecasts and considered the wider industry factors, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future being at least the next 12 months from signing of these financial statements.

2.3 Revenue

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

Sale of goods

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

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

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.4 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|---------------------------|--|
| Leasehold property | - Over the term of the lease |
| Motor vehicles | - Over 3 years |
| Fixtures & fittings | - Over 3 - 20 years |
| Improvements to leasehold | - Over the term of the lease from when asset is in use |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

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

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.6 Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Company's cash management.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

2.7 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

2.8 Dividends

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

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.9 Share-based payments

The Company has applied the requirements of FRS102 Section 26 'Share Based Payments'.

The Company issues equity-settled share-based payments to certain employees. Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period.

Fair value is measured by use of the Black Scholes pricing model. The expected live used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behaviour considerations.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

2.10 Operating leases: the Company as lessee

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

2.11 Employee benefits

Short term employee benefits including holiday pay and annual bonuses are accrued as services are rendered. Contributions to defined contribution pension schemes are charged to profit or loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments in the Balance Sheet.

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.12 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.13 Other operating income

Other operating income is recognised in profit or loss as the fair value of consideration received or receivable.

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.14 Provisions for liabilities

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

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.15 Taxation

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

The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss 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 is recognised in respect of all timing differences between taxable profits and total comprehensive income that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.16 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.17 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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

In preparing these financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Bad debt provisions

A trade debtors balance of £1,314,538 (2019: £3,949,847) is recorded in the Company's Balance Sheet. A full line by line review of trade debtors is carried out on a regular basis. Whilst every attempt is made to ensure that the debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Stock provisions

A stock balance of £734,207 (2019: £2,045,488) is recorded in the Company's Balance Sheet. Stocktakes are carried out on a regular basis, with provisions being made for damaged, slow moving or obsolete goods. Management ensure provisions are as accurate as possible, however, there remains a risk that the provision does not match the actual stock write off for damaged, slow moving or obsolete goods.

4. Turnover

The whole of the turnover is attributable to the principal activity of the Company being a wholesaler of vegetarian and vegan goods, drinks, nutritional supplements, toiletries and other animal free products.

Analysis of turnover by country of destination:

| | 2020 £ | 2019 £ |
|----------------------|-------------------|-------------------|
| United Kingdom | 24,457,946 | 39,002,944 |
| Republic of Ireland | 237,149 | 361,859 |
| Other European Union | 104,446 | 195,527 |
| Rest of the world | 92,891 | 124,060 |
| | <u>24,892,432</u> | <u>39,684,390</u> |

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

5. Exceptional items

| | 2020 £ | 2019 £ |
|----------------------|------------------|-----------|
| Impairment of assets | 939,246 | - |
| Other fire expenses | 404,512 | - |
| | <u>1,343,758</u> | <u>-</u> |

Impairment of assets relate to the fixed assets destroyed in the warehouse fire in the year.

Other fire expenses relate to demolition costs, legal fees and other costs directly resulting from the warehouse fire in the year.

Included within cost of sales is £2,042,120 relating to stock destroyed in the fire.

6. Other operating income

| | 2020 £ | 2019 £ |
|-----------------------------|------------------|----------------|
| Advertisement income | 97,873 | 138,434 |
| Rents receivable | 6,000 | 12,000 |
| Insurance claims receivable | 2,000,000 | - |
| | <u>2,103,873</u> | <u>150,434</u> |

7. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Depreciation of tangible fixed assets | 76,422 | 134,542 |
| Exchange losses | 9,814 | 6,506 |
| Other operating lease rentals | 325,568 | 538,357 |
| Defined contribution pension cost | 72,638 | 146,590 |
| Stock impairment excluding those relating to the fire referred to in note 5 | <u>106,766</u> | <u>216,853</u> |

MARIGOLD HEALTH FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

8. Auditor's remuneration

| | 2020 | 2019 |
|--|---------------|---------------|
| | £ | £ |
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 25,905 | 23,300 |

9. Employees

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

| | 2020 | 2019 |
|-------------------------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 3,053,128 | 2,757,362 |
| Social security costs | 260,258 | 987,251 |
| Cost of defined contribution scheme | 72,638 | 146,590 |
| | 3,386,024 | 3,891,203 |

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

| | 2020 | 2019 |
|----------------------------------|-------------|-------------|
| | No. | No. |
| Distribution and warehouse staff | 61 | 91 |
| Finance and administrative staff | 16 | 23 |
| Sales staff | 9 | 11 |
| | 86 | 125 |

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

10. Directors' remuneration

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Directors' emoluments | 227,219 | 209,299 |
| Company contributions to defined benefit contribution pension schemes | 5,702 | 8,678 |
| | <u>232,921</u> | <u>217,977</u> |

During the year retirement benefits were accruing to 2 directors (2019: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £107,528 (2019: £96,839).

During the year, 2 directors were granted a total interim dividend of £106,345 (2019: £106,345).

Key management are those persons who have authority and responsibility for planning, controlling and directing the activities of the Company. In the opinion of the directors, the Company's key management includes the director and members of senior management. The compensation paid or payable to key management for employee services relates to salaries and other short-term benefits including pension contributions of £260,703 (2019: £243,373).

11. Taxation

| | 2020 £ | 2019 £ |
|---|------------------|----------------|
| Corporation tax | | |
| Current tax on (loss)/profits for the year | 13,315 | 248,811 |
| Adjustments in respect of previous periods | 5 | (2,044) |
| Total current tax | <u>13,320</u> | <u>246,767</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (125,961) | 10,246 |
| Effect of tax rate change on opening balances | 11,958 | - |
| Total deferred tax | <u>(114,003)</u> | <u>10,246</u> |
| Taxation on (loss)/profit on ordinary activities | <u>(100,683)</u> | <u>257,013</u> |

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

11. Taxation (continued)

Factors affecting tax charge for the year

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

| | 2020 £ | 2019 £ |
|--|--------------------|------------------|
| (Loss)/profit on ordinary activities before tax | <u>(1,010,250)</u> | <u>1,327,733</u> |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%) | (191,948) | 252,269 |
| Effects of: | | |
| Remeasurement of deferred tax for changes in tax rates | 11,958 | - |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 200,352 | 219 |
| Capital allowances for year in excess of depreciation | (121,050) | 7,780 |
| Adjustment to opening deferred tax to average rate | - | 10,752 |
| Adjustments to tax charge in respect of prior periods | 5 | (2,049) |
| Adjust closing deferred tax to average rate of 19% | - | (11,958) |
| Total tax charge for the year | <u>(100,683)</u> | <u>257,013</u> |

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

| | 2020 £ | 2019 £ |
|------------------------|----------------|----------------|
| Interim dividends paid | <u>119,035</u> | <u>119,035</u> |

MARIGOLD HEALTH FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

13. Tangible fixed assets

| | Leasehold property £ | Motor vehicles £ | Fixtures & fittings £ | Total £ |
|-----------------------|----------------------------|------------------------|-----------------------------|-------------|
| Cost | | | | |
| At 1 April 2019 | 1,279,226 | 5,875 | 336,965 | 1,622,066 |
| Additions | 643 | - | 47,689 | 48,332 |
| Impairment | (1,279,869) | - | (361,764) | (1,641,633) |
| Disposals | - | - | (2,304) | (2,304) |
| At 31 March 2020 | - | 5,875 | 20,586 | 26,461 |
| Depreciation | | | | |
| At 1 April 2019 | 364,607 | 5,875 | 263,503 | 633,985 |
| Charge for the year | 51,925 | - | 24,497 | 76,422 |
| Impairment charge | (416,532) | - | (285,019) | (701,551) |
| At 31 March 2020 | - | 5,875 | 2,981 | 8,856 |
| Net book value | | | | |
| At 31 March 2020 | - | - | 17,605 | 17,605 |
| At 31 March 2019 | 914,619 | - | 73,462 | 988,081 |

14. Stocks

| | 2020 £ | 2019 £ |
|-------------------------------------|-----------|-----------|
| Finished goods and goods for resale | 734,207 | 2,045,488 |

MARIGOLD HEALTH FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

15. Debtors

| | 2020 £ | 2019 £ |
|-------------------------------------|------------------|------------------|
| Due after more than one year | | |
| Other debtors | 228,447 | 152,953 |
| | <u>228,447</u> | <u>152,953</u> |
| Due within one year | | |
| Trade debtors | 1,314,538 | 3,949,847 |
| Other debtors | 64,910 | 101,724 |
| Prepayments and accrued income | 47,159 | 159,059 |
| Deferred taxation | 12,362 | - |
| | <u>1,438,969</u> | <u>4,210,630</u> |

16. Cash and cash equivalents

| | 2020 £ | 2019 £ |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | 5,093,502 | 4,159,351 |
| | <u>5,093,502</u> | <u>4,159,351</u> |

17. Creditors: Amounts falling due within one year

| | 2020 £ | 2019 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 1,253,258 | 3,795,471 |
| Corporation tax | 13,315 | 248,811 |
| Other taxation and social security | 6,662 | 73,972 |
| Other creditors | 246,590 | 162,349 |
| Accruals and deferred income | 34,385 | 187,137 |
| | <u>1,554,210</u> | <u>4,467,740</u> |

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

18. Deferred taxation

| | 2020 £ | 2019 £ |
|----------------------------|-----------------|----------------|
| At beginning of year | 101,641 | 91,395 |
| Released to profit or loss | (114,003) | 10,246 |
| At end of year | (12,362) | 101,641 |

The deferred taxation balance is made up as follows:

| | 2020 £ | 2019 £ |
|--------------------------------|-----------------|----------------|
| Fixed asset timing differences | (12,362) | 101,647 |
| Short term timing differences | - | (6) |
| | (12,362) | 101,641 |

19. Called up share capital

| | 2020 £ | 2019 £ |
|---|--------------|--------------|
| Allotted, called up and fully paid | | |
| 1,576 B shares of £1.00 each | 1,576 | 1,576 |
| 200 C shares of £1.00 each | 200 | 200 |
| 100 D shares of £1.00 each | 100 | 100 |
| | 1,876 | 1,876 |

Each share is entitled to one vote in any circumstances and they all carry equal rights.

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

20. Reserves

Capital redemption reserve

This reserve is a statutory, non-distributable reserve which amounts have been transferred into following the purchase back of the Company's own shares.

Share option reserve

This reserve relates to the accumulated cost of share option agreements to the Company.

Profit & loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

21. Share-based payments

The Company operates equity settled share-based payment schemes.

All options are granted over ordinary shares and have a 10-year exercise life and are exercisable at employees' discretion.

The fair value of awards granted under the scheme is estimated on the date of grant using the Black Scholes valuation model. If the options remain unexercised after a period of up to 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Company before the options are exercised.

| | Weighted average exercise price (pence) 2020 | Number 2020 | <i>Weighted average exercise price (pence) 2019</i> | <i>Number 2019</i> |
|---|---|------------------------|---|------------------------|
| Outstanding at the beginning of the year | 887 | 256 | 887 | 256 |
| Outstanding at the end of the year | 887 | 256 | 887 | 256 |

MARIGOLD HEALTH FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

21. Share-based payments (continued)

| | 2020 Black Scholes | <i>2019 Black Scholes</i> |
|---|-----------------------------------|-----------------------------------|
| Option pricing model used | | |
| Weighted average share price (pence) | 887 | <i>887</i> |
| Exercise price (pence) | 887 | <i>887</i> |
| Weighted average contractual life (years) | 10 | <i>10</i> |
| Expected volatility | 25 | <i>25</i> |
| Expected dividend growth rate | 0 | <i>0</i> |
| Risk-free interest rate | 1 | <i>1</i> |

The total value of the option was recognised in the year ended 31 March 2017 as the options can be exercised at the employees' discretion.

22. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £72,638 (2019: £146,590). Contributions totalling £Nil (2019: £Nil) were payable to the fund at the reporting date.

23. Commitments under operating leases

At 31 March the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2020 £ | <i>2019 £</i> |
|--|-------------------|-------------------|
| Not later than 1 year | 2,760 | <i>746,707</i> |
| Later than 1 year and not later than 5 years | - | <i>2,137,892</i> |
| | 2,760 | <i>2,884,599</i> |

Due to the abatement clause within the operating lease, the rent charge has ceased as a result of the fire during the year and will not commence until the property is again accessible and fit for occupation. A contingent liability has been recognised, see note 24 for more details.

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

24. Contingent liabilities

During the year rental charges ceased on the Company's premises due to the fire that took place. Per the abatement clause, rental charges will commence once the property is accessible and fit for occupation. The current estimate of this is between June 2021 and September 2021. A potential liability of between £907,000 and £1,079,000 would arise between the current estimated rebuild date and the earliest break clause. In the current COVID-19 impacted environment there are some uncertainties as to the timing and quantum of the amounts payable.

In addition to this, the client obtained a letter of credit from HSBC of £36,400 in relation to goods purchased from an overseas supplier which were not received as at the year end. This amount has subsequently been paid by the Company on 21 April 2020.

25. Related party transactions

Transactions with directors

Included in other creditors at the year end are amounts due to two directors of £40,305 and £3,880 (2019: £42,305 and £3,535). In the year £108,000 was repaid by the Company and £106,345 was advanced by the Company. The loans are interest free, unsecured and repayable on demand.

Included in other debtors at the year end are amounts due from a director of £Nil (2019: £6,177). In the year £6,177 was repaid by the director to the Company. The loan is unsecured, repayable on demand and interest is charge at HMRC official rate of interest.

During the year, dividends of £100,000 and £6,345 (2019: £100,000 and £6,345) were paid to two directors of the Company.

Transactions with commonly owned entities

At the year end, the outstanding balance owed by a company controlled by a director of Marigold Health Foods Limited was £180,912 (2019: £195,070); £12,000 (2019: £56,000) included with debtors due within one year and £168,912 (2019: £139,070) included within debtors due after one year. The loan attracts interest at 5%, is unsecured and repayable monthly, with the final monthly repayment being on 1 March 2024. During the year, repayments of £23,000 (2019: £42,000) were made.

Marigold Health Foods Limited is owed £Nil (2019: £4,009) by the same company; included within trade debtors at the year end. Sales of £10,579 (2019: £47,425) and purchases of £193,596 (2019: £464,037) were made during the year.

26. Post balance sheet events

There have been no significant events affecting the Company since the year end.

27. Controlling party

The ultimate controlling party is P J Tobin, by virtue of their shareholding and directorship in the Company.