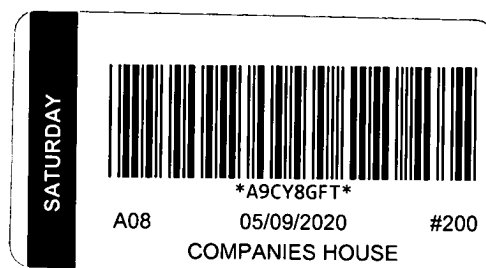
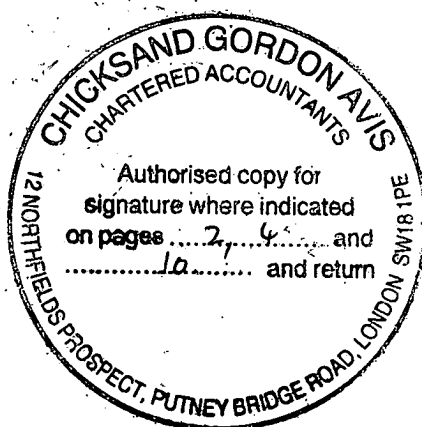


Company Registration No. 03864407 (England and Wales)

CEREALTO UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



CEREALTO UK LIMITED

COMPANY INFORMATION

Directors	L Angel Lopez M R Harfleet J M Gonzalez Serna	(Appointed 17 July 2019)
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Company number	03864407
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Registered office	Claylands Avenue Worksop Nottinghamshire S81 7BQ
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Auditor	Chicksand Gordon Avis Limited 12 Northfields Prospect Putney Bridge Road London SW18 1PE
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CEREALTO UK LIMITED

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CEREALTO UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

The statement of comprehensive income is set out on page 8, the turnover for the year is £19,832,206 (2018: £14,490,278) and there is a loss on ordinary activities before taxation of £15,076,606 (2018: £18,708,028 loss). This is a reflection of the focus in the completion of the start-up process for the manufacturing site where the company has made an investment that will allow the desired future growth with our identified key clients. The directors expect that the company will continue with the principal activities set out below.

The principal activity of the company is the manufacture and sale of biscuits and other snacks such as cereal bars and rice cakes to the food industry. The company's mission is to transform cereals into high-quality and innovative food products that are accessible for everyone.

Principal risks and uncertainties

The company is exposed to changes in health agenda and nutrition legislation. A greater focus in the promotion of healthy eating habits has led to an increase in the nutritional requirements for food and drinks in the UK. The company minimises exposure to this risk by focusing and investing in research and development that allows a wider offering in products that cater for specific nutritional needs and more healthy options such as gluten free products and reduced sugar content. The company encourage creativity and product innovation to stand out in the market and being one step ahead.

There is no evidence that Brexit is posing a high risk to the business, however there is awareness to keep monitoring Government agreements; to ensure adaptability and minimise risks should they arise.

Credit risk

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual agreements. Our business model is based on the creation of stable and long-lasting relationships with our stakeholders, beginning with our customers.

Foreign currency risk

The company's activity is mainly in British Pounds with some transactions made in Euros primarily with Group companies. As a result, the company's future cash flows arising from these transactions can be affected by movements in exchange rates. No hedging activity is undertaken to mitigate the risk as it is not considered significant. Close relationships with local growers to supply of raw materials aids with reduction of foreign exchange transactions.

Development and performance

The UK Food and Grocery Market is a mature market valued in excess of £185 Billion. Growth in part through inflation is predicted at £28 Billion in the next five years (IGD analysis).

Sector growth in the grocery market is coming from both online sales and the convenience stores, there has been a change in shopping habits over the last ten years which has meant more frequent visits for grocery shopping however the major market share rests within the large superstores.

The financial result for the twelve months ended December 2019 shows an increase in turnover of 24% with expected further growth in the short and medium term.

The company is focused on working alongside clients who share its business model and values which include fostering the development of employees and supporting farmers and local suppliers to grow together.

CEREALTO UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Key performance indicators

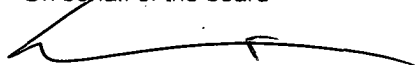
There are financial and non-financial Key Performance Indicators used by the company. Non-financial KPI's includes employment of staff that faces difficulties in accessing the labour market, as well as, Quality and Health and Safety.

Financial KPI's can be summarised as follows:

	2019	2018	Variance
	£'000	£'000	%
Turnover	19,832	14,490	37%
Operating profit / (loss)	(14,124)	(18,424)	23%
Profit / (loss) after tax	(15,077)	(18,708)	19%
Equity shareholders' funds	54,888	6,464	749%
Average number of employees	263	326	0%

The high increase in turnover is and will continue as the launch of products take place as scheduled. Operating losses are mainly driven from low efficiencies as the new production lines start production. Improvements in Operations around factory efficiencies are taking place as the process is gradually moving from start-up to business as usual.

On behalf of the board



L Angel Lopez

Director

30 June 2020

CEREALTO UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of the manufacture of food products.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

L Angel Lopez	
M R Harfleet	
Rut Aranda	(Resigned 17 July 2019)
Lorenza Tapia	(Resigned 17 July 2019)
Alfonso Arroyo Matia	(Resigned 17 July 2019)
J M Gonzalez Serna	(Appointed 17 July 2019)

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the 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 involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

In accordance with the company's articles, a resolution proposing that be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

CEREALTO UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

On behalf of the board



L Angel Lopez
Director

30 June 2020

CEREALTO UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

CEREALTO UK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CEREALTO UK LIMITED

Opinion

We have audited the financial statements of Cerealto UK Limited (the 'company') for the year ended 31 December 2019 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and 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 December 2019 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.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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.
-

CEREALTO UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CEREALTO UK LIMITED

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

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

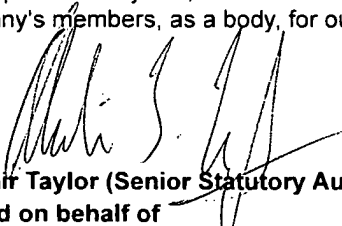
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Alastair Taylor (Senior Statutory Auditor)
for and on behalf of
Chicksand Gordon Avis Limited
Chartered Accountants
Statutory Auditor

30 June 2020

CEREALTO UK LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	19,832,207	14,490,278
Cost of sales		(12,157,953)	(11,919,563)
Gross profit		7,674,254	2,570,715
Administrative expenses		(22,050,793)	(21,431,375)
Other operating income		252,632	152,632
Operating loss	4	(14,123,907)	(18,708,028)
Interest payable and similar expenses	7	(952,699)	-
Loss before taxation		(15,076,606)	(18,708,028)
Taxation	8	-	-
Loss for the financial year		(15,076,606)	(18,708,028)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

CEREALTO UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
Loss for the year	(15,076,606)	(18,708,028)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(15,076,606)</u>	<u>(18,708,028)</u>

CEREALTO UK LIMITED


BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Fixed assets			
Intangible assets	9	3,494,964	3,401,601
Tangible assets	10	65,834,641	67,031,792
		<u>69,329,605</u>	<u>70,433,393</u>
Current assets			
Stocks	11	4,191,583	3,932,592
Debtors	12	1,825,973	1,267,822
Cash at bank and in hand		238,627	2,248,554
		<u>6,256,183</u>	<u>7,448,968</u>
Creditors: amounts falling due within one year	13	<u>(18,315,480)</u>	<u>(68,782,815)</u>
Net current liabilities		<u>(12,059,297)</u>	<u>(61,333,847)</u>
Total assets less current liabilities		<u>57,270,308</u>	<u>9,099,546</u>
Creditors: amounts falling due after more than one year	14	<u>(2,382,553)</u>	<u>(2,635,185)</u>
Net assets		<u><u>54,887,755</u></u>	<u><u>6,464,361</u></u>
Capital and reserves			
Called up share capital	17	107,705,076	44,205,076
Profit and loss reserves		(52,817,321)	(37,740,715)
Total equity		<u><u>54,887,755</u></u>	<u><u>6,464,361</u></u>

The financial statements were approved by the board of directors and authorised for issue on 30 June 2020 and are signed on its behalf by:

L Angel Lopez
Director


J M Gonzalez Serna
Director

Company Registration No. 03864407

CEREALTO UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2018		26,205,076	(19,032,687)	7,172,389
Year ended 31 December 2018:				
Loss and total comprehensive income for the year		-	(18,708,028)	(18,708,028)
Issue of share capital	17	18,000,000	-	18,000,000
Balance at 31 December 2018		44,205,076	(37,740,715)	6,464,361
Year ended 31 December 2019:				
Loss and total comprehensive income for the year		-	(15,076,606)	(15,076,606)
Issue of share capital	17	63,500,000	-	63,500,000
Balance at 31 December 2019		107,705,076	(52,817,321)	54,887,755

CEREALTO UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash absorbed by operations	20	(60,401,262)		(4,148,394)	
Interest paid		(952,699)		-	
Net cash outflow from operating activities		(61,353,961)		(4,148,394)	
Investing activities					
Purchase of intangible assets		(1,779,825)		(1,870,565)	
Purchase of tangible fixed assets		(2,679,060)		(9,845,381)	
Proceeds on disposal of tangible fixed assets		302,919		-	
Net cash used in investing activities		(4,155,966)		(11,715,946)	
Financing activities					
Proceeds from issue of shares		63,500,000		18,000,000	
Net cash generated from financing activities		63,500,000		18,000,000	
Net (decrease)/increase in cash and cash equivalents		(2,009,927)		2,135,660	
Cash and cash equivalents at beginning of year		2,248,554		112,894	
Cash and cash equivalents at end of year		238,627		2,248,554	

CEREALTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Cerealto UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Claylands Avenue, Worksop, Nottinghamshire, S81 7BQ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

CEREALTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development Costs	3 Years
-------------------	---------

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Leasehold	Evenly over length of lease
Plant and machinery	7% Straight line
Fixtures, fittings & equipment	10% Straight line
Computer equipment	20% Straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

CEREALTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

CEREALTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

CEREALTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end 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.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

CEREALTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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.

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019 £	2018 £
Turnover analysed by class of business		
Food products	19,003,291	14,256,900
Services to group companies	828,916	171,378
Other	-	62,000
	<u>19,832,207</u>	<u>14,490,278</u>
	2019 £	2018 £
Other significant revenue		
Grants received	<u>252,632</u>	<u>152,632</u>
	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	19,003,291	14,003,657
European Union	795,920	486,621
Other	32,996	-
	<u>19,832,207</u>	<u>14,490,278</u>

CEREALTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

4 Operating loss

	2019	2018
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(86,602)	284,336
Research and development costs	631,922	896,447
Government grants	(252,632)	(152,632)
Fees payable to the company's auditor for the audit of the company's financial statements	7,500	7,000
Depreciation of owned tangible fixed assets	3,574,332	2,513,251
Profit on disposal of tangible fixed assets	(1,041)	-
Amortisation of intangible assets	1,686,462	1,573,983
Stocks and direct costs recognised as an expense	12,157,953	11,919,563
Operating lease charges	1,353,885	1,291,671

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

2019	2018
Number	Number
263	326

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	8,745,405	6,956,960
Social security costs	995,494	1,258,384
Pension costs	383,411	369,346
	10,124,310	8,584,690

6 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	100,686	120,371

CEREALTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

7 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	952,699	-

8 Taxation

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Loss before taxation	(15,076,606)	(18,708,028)

9 Intangible fixed assets

	Development Costs £
Cost	
At 1 January 2019	5,578,398
Additions	1,779,825
At 31 December 2019	7,358,223
Amortisation and impairment	
At 1 January 2019	2,176,797
Amortisation charged for the year	1,686,462
At 31 December 2019	3,863,259
Carrying amount	
At 31 December 2019	3,494,964
At 31 December 2018	3,401,601

CEREALTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2019	16,309,502	47,827,015	5,914,990	316,582	70,368,089
Additions	27,365	2,491,251	2,506	157,938	2,679,060
Disposals	-	(318,504)	-	(4,312)	(322,816)
Transfers	(186,493)	705,258	(518,766)	-	(1)
At 31 December 2019	16,150,374	50,705,020	5,398,730	470,208	72,724,332
Depreciation and impairment					
At 1 January 2019	1,079,900	1,927,146	250,252	78,999	3,336,297
Depreciation charged in the year	870,357	2,300,428	352,887	50,660	3,574,332
Eliminated in respect of disposals	-	(17,773)	-	(3,165)	(20,938)
At 31 December 2019	1,950,257	4,209,801	603,139	126,494	6,889,691
Carrying amount					
At 31 December 2019	14,200,117	46,495,219	4,795,591	343,714	65,834,641
At 31 December 2018	15,229,602	45,899,869	5,664,738	237,583	67,031,792

11 Stocks

	2019 £	2018 £
Raw materials and consumables	1,548,228	1,429,050
Finished goods and goods for resale	2,643,355	2,503,542
	<u>4,191,583</u>	<u>3,932,592</u>

12 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	744,983	437,965
Amounts owed by group undertakings	659,397	231,118
Other debtors	139,473	317,693
Prepayments and accrued income	282,120	281,046
	<u>1,825,973</u>	<u>1,267,822</u>

CEREALTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

13 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,295,197	6,666,883
Amounts owed to group undertakings	8,255,120	-
Taxation and social security	198,558	(44,423)
Other creditors	4,979,334	57,755,202
Accruals and deferred income	3,587,271	4,405,153
	<u>18,315,480</u>	<u>68,782,815</u>

14 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Other creditors	<u>2,382,553</u>	<u>2,635,185</u>

There are no registered charges over company assets.

15 Deferred grants

As at 31 December 2019 the company had received grants of £3,000,000 for the acquisition of fixed assets (2018 - £3,000,000). The grant is recognised in the profit and loss account evenly over the useful economic life of these assets. In the year to 31 December 2019 a sum of £252,632 (2018 - £152,632) was recognised as income.

16 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>383,411</u>	<u>369,346</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

17 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
107,705,076 Ordinary shares of £1 each	<u>107,705,076</u>	<u>44,205,076</u>

During the year the company issued 63,500,000 Ordinary £1 shares at par value to provide additional capital to the company.

CEREALTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

18 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	<u>1,353,885</u>	<u>1,256,520</u>

19 Ultimate controlling party

The parent company of Cerealto UK Limited is Cerealto Spain Foods SAU, a company registered in Spain.

The ultimate controlling party is Grupo Siro Corporativo, S.L., a company registered in Spain.

20 Cash generated from operations

	2019 £	2018 £
Operating loss for the year	(14,123,906)	(18,708,027)
Adjustments for:		
Gain on disposal of tangible fixed assets	(1,041)	-
Amortisation and impairment of intangible assets	1,686,462	1,573,983
Depreciation and impairment of tangible fixed assets	3,574,332	2,513,251
Movements in working capital:		
(Increase) in stocks	(258,991)	(1,467,647)
(Increase)/decrease in debtors	(662,246)	579,896
(Decrease)/increase in creditors	<u>(50,615,872)</u>	<u>11,360,150</u>
Cash absorbed by operations	<u>(60,401,262)</u>	<u>(4,148,394)</u>

CEREALTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

21 Analysis of changes in net debt

	2019 £
Opening net funds	
Cash at bank and in hand	2,248,554
Changes in net debt arising from:	
Cash flows of the entity	(2,009,927)
Closing net funds as analysed below	<u>238,627</u>
Closing net funds	
Cash at bank and in hand	<u><u>238,627</u></u>