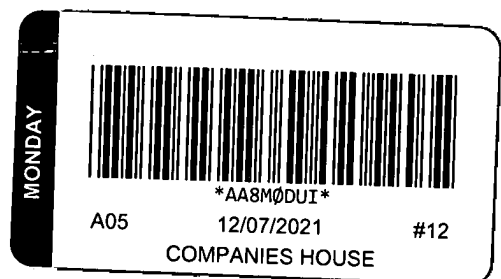


Yakult UK Limited

Annual report and financial statements

Registered number 03087710

31 December 2020



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Strategic Report

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

Principal activities

The principal activity of the company is the sale and distribution of Yakult, a probiotic health drink, in the UK and Ireland.

Business Review

The results for the year ended 31 December 2020 are set out on page 10. The profit before taxation for the year was £349,794 (2019: £296,047). The key indicator of “Bottles per day” exceeded the budget for the year due to the increase in Yakult’s year on year growth driven primarily by penetration increase.

The Active Health Drink category based on IRI Data, in which Yakult sits, showed an increase of 10.6% to £224.7m for the UK by the end of December 2020 (2019: £203.1m) on a like for like comparable basis. This compares to a 2.9% decline in the previous year. The category has increased principally due to the Covid-19 pandemic and consumers focusing on health, and more Grocery home consumption fuelled by the series of lockdowns imposed by the Government.

Yakult’s UK market share of the category increased to 12.2% (2019: 11.8%) on a like for like comparable basis in value terms. Kantar data shows Yakult total penetration grew by +15.5% yyr, indicating new customers are being attracted to the brand. At the same time the category growth in penetration is flat (-0.3% yyr), where growth is mainly driven by frequency of the same customers.

Yakult has a branch in Ireland and the Irish AHD category based on AC Nielsen data, saw a year of growth like the UK to €19.4m (2019: € 17.0m) on a like for like comparable basis, with Yakult’s market share in Ireland increasing to 11.1% (2019: 10.4%) in value terms.

Principal Risks and Uncertainties

Yakult operates in line with EFSA restrictions on product claims and this is considered one of the principal risks to the business. Yakult continues its advertising and communications in this environment to ensure compliance.

Yakult is seen as the premium brand offering in the AHD category. One of the main challenges Yakult faces is to tackle this by a continuous focus on messaging.

Yakult does not price promote and differentiates itself from other brands in the category using various communication channels. Yakult continues its renewed push since 2016 on messaging based on scientific heritage to increase its credibility and it’s focus on wellbeing to capture a larger proportion of the population. This is attracting consumers from outside of the category as well as encouraging switching from within the category from some segments.

Covid-19 Pandemic

As a business in the Grocery sector the company has not seen or expected to see any disruption to sales unlike other sectors of the retail trade affected by Covid-19 Pandemic. In fact, the category has seen a surge in sales as consumers seek products that could aid overall health. As such the Company is expecting continuing improvement in 2021 based on the strong growth realised in 2020, coupled with the measure of stability following the recent vaccine announcements in the latter part of 2020 and the consequent positive progress of immunisation programme. The caveat is that there is still caution on the many unknowns of the vaccine rollout covering its longevity and the efficacy as a protection against recent new and stronger mutants. Of course, continued Covid effects and slow-down of the economy could adversely affect consumers propensity to spend on the category and especially those brands at a higher price point, in the short term.

Brexit

The very end of 2020 saw the finality of the formal UK’s withdrawal into a No Tariff Trade Deal with the EU which commenced in earnest on the 1st January 2021. With a great relief to No tariff’s, businesses however, do face more administrative tasks in relation to customs paperwork. These are more troublesome between UK and NI via the application of the NI protocol to such an extent that recently the UK government has started discussions with the EU on how practical solutions can be found. With the new freedom’s the UK’s next challenge is securing Trade deals with other countries following the Trade deal with Japan at the end of 2020. Notably the focus is the US via the CPTPP announced in January 2021. Inevitably the progress of these deals are positives to the otherwise expected weakness in the economy due to the fallout following Covid, and the immediate negative impact of Brexit. A prolonged weak economy could eventually affect consumer confidence, and have an impact on the Grocery Basket, leading to a shrinkage of the AHD category.

The Company strives to be consistent in its response to the changes in the marketplace. It believes that it is well placed to benefit based on its credentials and differentiation from other products.

The Company is committed to raising the quality of life for people by expanding its contribution to the prevention of illness and disease. Yakult will continue to work with our retail partners and the end consumer alike to promote the brand and the products within it.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

As a business in the Grocery sector the company has not seen or expected to see any disruption to sales unlike other sectors of the retail trade affected by Covid-19 Pandemic. In fact, the category has seen a surge in sales as consumers seek products that could aid overall health. As such the Company is expecting continuing improvement in 2021 based on the strong growth realised in 2020, coupled with the measure of stability following the recent vaccine announcements in the latter part of 2020 and the consequent positive progress of immunisation programme. The caveat is that there is still caution on the many unknowns of the vaccine rollout covering its longevity and the efficacy as a protection against recent new and stronger mutant strains.

The Directors have prepared cash flow forecasts for a period of 21 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, which includes the assumption that the sales growth experienced through 2020 and 2021 to the date of approval of these financial statements will not continue, and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The Directors are content that the financial position as at 31 December 2020 of net assets £3,531,197 and a cash position of £2,827,505 provide sufficient resources for the forecast period.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis

Financial Risks

A risk to the Company remains, as ever, in ensuring the successful deployment of a communication strategy consistent with consumer trends in the AHD category, and working within a restrictive health claim legislative framework. The Directors' plan to mitigate this risk by working with our retail partners to ensure viability in our propositions, ensuring the product supplied to customers meets our quality standards and responding to a highly competitive market place.

The Company had net cash of £2,827,505 (2019:£ 2,494,178) at the balance sheet date. Operational needs are financed out of these deposits and operational cash flow. Surplus cash is placed on short term deposit at market rates. Interest receivable continues to be low, and is expected to be so in the current economic climate set by Bank of England policy on keeping the base rate at 0.75%.

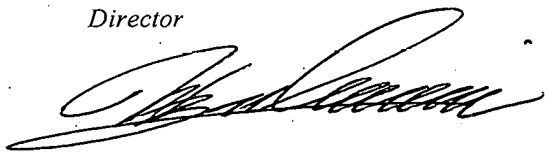
The bulk of the Company's transactions are denominated in Sterling with a small foreign exchange requirement to enable payment of non-UK based suppliers. The Irish operations generate sufficient Euros to fund suppliers in the Republic and thus provide a natural hedge. Any foreign currency is bought for matters of normal trade as and when required.

For all trade creditors it is the policy of the Company to make payment within agreed terms.

Average debtor days stand at 45 (2019: 44). The majority of the customer base is with the major retailers who make regular payments on a monthly basis and in some cases weekly. Bad debt risk is considered to be low.

By order of the board

H. Yoshimura
Director



Anteros
Odyssey Business Park
West End Road
Ruislip
HA4 6QQ

30th March 2021

Directors' report

Dividend

The Directors did not pay a dividend in 2020 (2019: Nil).

Directors

The Directors who held office during the year and since the end of the year were as follows:

H Matsubara
H Narita
H Yoshimura
Y Kawabata

Employees

The Company has an open approach to information and involvement of employees. There are monthly staff meetings to keep the Yakult employees up-to-date with business activities as well as a company Intranet with Yakult news articles regularly updated.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

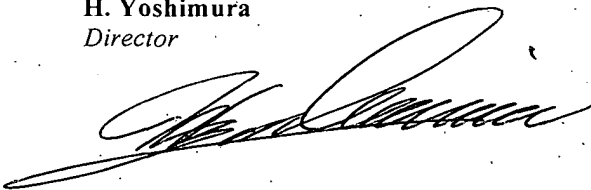
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

H. Yoshimura
Director



Anteros
Odyssey Business Park
West End Road
Ruislip HA4
6QQ

20th March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), FRS 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 and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP
15 Canada Square
London
E14 5GL

Independent auditor's report to the members of Yakult UK Limited

Opinion

We have audited the financial statements of Yakult UK Limited ("the company") for the year ended 31 December 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement in Changes of Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading monthly management minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual pairings to revenue accounts, with a specific focus on revenue around the year end, and cash transactions which were deemed to be out of line with our business understanding.
- Specific audit procedures related to revenue cut off at the period end to ascertain that income was recognised in the correct period in line with recognition criteria.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

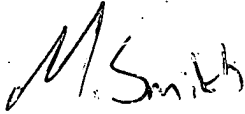
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Mark Smith
Senior Statutory Auditor
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London

E14 5GL

Date: 31 March 2021

Profit and Loss Account and Other Comprehensive Income
For the year ended 31/12/2020

| | <i>Note</i> | 2020 £ | 2019 £ |
|--|-------------|-------------------|-------------------|
| Turnover | 2 | 21,957,363 | 18,828,268 |
| Cost of sales | | (13,536,719) | (10,528,150) |
| Gross profit | | 8,420,644 | 8,300,118 |
| Distribution costs | | (1,093,974) | (1,002,657) |
| Administrative expenses | | (6,996,871) | (7,010,449) |
| Operating profit | | 329,799 | 287,012 |
| Interest receivable and similar income | | 4,233 | 9,513 |
| Interest payable and other charges | | 15,762 | (478) |
| Profit before taxation | | 349,794 | 296,047 |
| Tax on profit on ordinary activities | 6 | (58,998) | (56,738) |
| Profit for the financial year | | 290,796 | 239,309 |

All activities are classed as continuing.

Other Comprehensive Income
For the year ended 31/12/2020

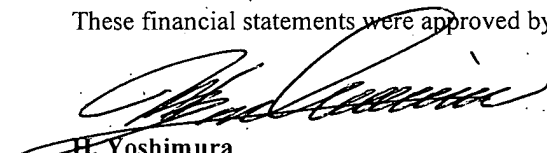
| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Profit for the year | 290,796 | 239,309 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 290,796 | 239,309 |

Notes on pages 13 to 21 form an integral part of financial statements

Balance Sheet
As at 31/12/2020

| | Note | 2020 | 2020 | 2019 | 2019 |
|---|------|-------------|-----------|-------------|-----------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 7 | | 12,548 | | 38,833 |
| Current assets | | | | | |
| Stocks | 8 | 205,300 | | 171,642 | |
| Debtors | 9 | 2,934,362 | | 2,783,696 | |
| Cash at bank and in hand | | 2,827,505 | | 2,494,178 | |
| | | | | | |
| | | 5,967,167 | | 5,449,516 | |
| Creditors: amounts falling due within one year | 10 | (2,448,463) | | (2,243,881) | |
| | | | | | |
| Net current assets | | | 3,518,704 | | 3,205,635 |
| | | | | | |
| Total assets less current liabilities | | | 3,531,252 | | 3,244,468 |
| Provisions for liabilities | | | | | |
| Deferred tax liability | 11 | (55) | | (4,067) | |
| | | | (55) | | (4,067) |
| | | | 3,531,197 | | 3,240,401 |
| Capital and reserves | | | | | |
| Called up share capital | 13 | 1,450,000 | | 1,450,000 | |
| Profit and loss account | | 2,081,197 | | 1,790,401 | |
| | | | | | |
| Shareholders' funds | | | 3,531,197 | | 3,240,401 |

These financial statements were approved by the board of Directors on 20 March 2021 and were signed on its behalf by:


H. Yoshimura
Director

Company registered number: 03087710

Notes on pages 13 to 21 form an integral part of financial statements

Statement of Changes in Equity

| | Called up Share Capital | Profit and loss account | Total equity |
|---|----------------------------|----------------------------|-------------------|
| | £ | £ | £ |
| Balance at 1st January 2019 | 1,450,000 | 1,551,092 | 3,001,092 |
| Total comprehensive income for the period | - | 239,309 | 239,309 |
| Dividend Paid in the year | - | - | - |
| Balance at 31st December 2019 | 1,450,000 | 1,790,401 | 3,240,401 |
| | <u> </u> | <u> </u> | <u> </u> |

| | Called up Share Capital | Profit and loss account | Total equity |
|---|----------------------------|----------------------------|-------------------|
| | £ | £ | £ |
| Balance at 1st January 2020 | 1,450,000 | 1,790,401 | 3,240,401 |
| Total comprehensive income for the period | - | 290,796 | 290,796 |
| Dividend Paid in the year | - | - | - |
| Balance at 31st December 2020 | 1,450,000 | 2,081,197 | 3,531,197 |
| | <u> </u> | <u> </u> | <u> </u> |

Notes on pages 13 to 21 form an integral part of financial statements.

Notes (continued)

Notes

(Forming part of the financial statements)

1. Accounting policies

Yakult UK Limited is a company limited by shares and incorporated and domiciled in the UK. The Registered office of Yakult UK Ltd is Anteros, Odyssey Business Park, West End Road, South Ruislip, Middlesex, HA4 6QQ.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *the Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

The Company's ultimate parent undertaking, Yakult Honsha Co, Ltd includes the Company in its consolidated financial statements. The consolidated financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from 1-19, Higashi, Shimbashi 1-chrome, Minato-ku, Tokyo 105-8660, Japan. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- ☐ Cash Flow Statement and related notes;
- ☐ Related party transactions with group companies.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis

1.2 Going Concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

As a business in the Grocery sector the company has not seen or expected to see any disruption to sales unlike other sectors of the retail trade affected by Covid-19 Pandemic. In fact, the category has seen a surge in sales as consumers seek products that could aid overall health. As such the Company is expecting continuing improvement in 2021 based on the strong growth realised in 2020, coupled with the measure of stability following the recent vaccine announcements in the latter part of 2020 and the consequent positive progress of immunisation programme. The caveat is that there is still caution on the many unknowns of the vaccine rollout covering its longevity and the efficacy as a protection against recent new and stronger mutant strains.

The Directors have prepared cash flow forecasts for a period of 21 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, which includes the assumption that the sales growth experienced through 2020 and 2021 to the date of approval of these financial statements will not continue, and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The directors are content that the financial position as at 31 December 2020 of net assets £3,531,197 and a cash position of £2,827,505 provide sufficient resources for the forecast period.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis

Notes (continued)

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.9 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- ☐ Leasehold improvements over the shorter of 5 years and the life of the lease
- ☐ Fixtures and fittings over 3 to 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. It comprises finished goods imported from Yakult Europe BV, in the Netherlands.

Notes (continued)

1 Accounting policies (continued)

1.7 Employee benefits

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year.

1.8 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to customers during the year. Turnover is recognised on delivery of goods to customers.

1.9 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. The company has a Branch in Ireland and the tax charge is included alongside the UK charge.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

Turnover arises from the principal activities of the company and occurs wholly in the UK and Ireland

| | 2020 | 2019 |
|---------------|-------------------|-------------------|
| | £ | £ |
| Sale of goods | 21,957,363 | 18,828,268 |
| | <u>21,957,363</u> | <u>18,828,268</u> |

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

| | 2020 | 2019 |
|---|---------------|---------------|
| | £ | £ |
| Audit of these financial statements | 45,800 | 41,300 |
| Amounts receivable by the company's auditor and its associates in respect of: | | |
| - Other services relating to taxation | 25,873 | 26,429 |
| | <u>25,873</u> | <u>26,429</u> |

Notes (continued)

4 Staff numbers and costs

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

| | 2020 | 2019 |
|----------------|-------|-------|
| Distribution | 16 | 16 |
| Administration | 3 | 4 |
| | <hr/> | <hr/> |
| | 19 | 20 |
| | <hr/> | <hr/> |

The aggregate payroll costs of these persons were as follows:

| | £ | £ |
|--|-----------|---------|
| Wages and salaries | 942,334 | 855,837 |
| Social security costs | 70,732 | 62,649 |
| Contributions to defined contribution plan | 75,362 | 75,049 |
| | <hr/> | <hr/> |
| | 1,088,428 | 993,535 |
| | <hr/> | <hr/> |

5 Directors' Remuneration

| | 2020 £ | 2019 £ |
|-------------------------|-----------|-----------|
| Directors' remuneration | 224,220 | 214,505 |
| | <hr/> | <hr/> |
| | 224,220 | 214,505 |
| | <hr/> | <hr/> |

Notes (continued)

6 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

| | 2020 £ | 2019 £ |
|--|----------------|----------------|
| <i>Current tax</i> | | |
| Current tax on income for the period | 62,972 | 58,451 |
| Prior year adjustment | 38 | 836 |
| | <u>63,010</u> | <u>59,287</u> |
| <i>Deferred tax (see note 11)</i> | | |
| Origination and reversal of timing differences | (4,012) | (2,549) |
| | <u>(4,012)</u> | <u>(2,549)</u> |
| Total deferred tax | (4,012) | (2,549) |
| | <u>58,998</u> | <u>56,738</u> |
| Total tax | 58,998 | 56,738 |

Analysis of current tax recognised in profit and loss

| | 2020 £ | 2019 £ |
|---|---------------|---------------|
| UK corporation tax | 61,449 | 56,584 |
| Foreign tax | 1,561 | 1,867 |
| Adjustment in respect of prior years | 38 | 836 |
| | <u>63,048</u> | <u>59,287</u> |
| Total current tax recognised in profit and loss | 63,048 | 59,287 |

Reconciliation of effective tax rate

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Profit for the year | 290,796 | 239,309 |
| Total tax expense | 58,998 | 56,738 |
| | <u>349,794</u> | <u>296,047</u> |
| Profit excluding taxation | 349,794 | 296,047 |
| Tax using the UK corporation tax rate of 19 % (2019 19%) | 56,759 | 53,421 |
| Tax using the IR corporation tax rate of 12.5% (2019 12.5%) | 1,556 | 1,861 |
| Capital Allowances in excess of depreciation for the year | 4,484 | 2,849 |
| Non-deductible expenses | 173 | 320 |
| Adjustment in previous years | 38 | - |
| Deferred-tax movements | (4,012) | (2,549) |
| | <u>58,998</u> | <u>56,738</u> |
| Total tax expense included in profit or loss | 58,998 | 56,738 |

Notes (continued)

Taxation (continued)

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2020 has been calculated at 19% (2019: 17%). In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have decreased.

7 Tangible Fixed Assets

| | Leasehold Improvements £ | Fixtures, fittings, tools and equipment £ | Total £ |
|----------------------------------|--------------------------------|--|------------|
| Cost | | | |
| Balance at 1 January 2020 | 167,125 | 136,208 | 303,333 |
| Acquisitions | - | 2,497 | 2,497 |
| Disposals | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2020 | 167,125 | 138,705 | 305,830 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation | | | |
| Balance at 1 January 2020 | 138,299 | 126,201 | 264,500 |
| Depreciation charge for the year | 23,425 | 5,357 | 28,782 |
| Disposals | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2020 | 161,724 | 131,558 | 293,282 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 1 January 2020 | 28,826 | 10,007 | 38,833 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2020 | 5,401 | 7,147 | 12,548 |
| | <hr/> | <hr/> | <hr/> |

8 Stocks

| | 2020 | 2019 |
|-------------------------------------|---------|---------|
| | £ | £ |
| Finished goods and goods for resale | 205,300 | 171,642 |
| | <hr/> | <hr/> |
| | 205,300 | 171,642 |
| | <hr/> | <hr/> |

Notes (continued)

9 Debtors

| | 2020 £ | 2019 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 2,593,276 | 2,356,829 |
| Amounts owed by group undertakings | 5,090 | 6,717 |
| Other debtors | 236,959 | 321,705 |
| Prepayments and accrued income | 99,037 | 100,645 |
| | <u>2,934,362</u> | <u>2,783,696</u> |

10 Creditors: amounts falling due within one year

| | 2020 £ | 2019 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 564,878 | 793,018 |
| Amounts owed to group undertakings | 1,246,207 | 824,741 |
| Taxation and social security | 38,113 | 31,458 |
| Pensions and similar obligations | 41 | 456 |
| Accruals and deferred income | 566,238 | 565,549 |
| Corporation Tax | 32,986 | 28,659 |
| | <u>2,448,463</u> | <u>2,243,881</u> |

11 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Assets 2020 £ | 2019 £ | Liabilities 2020 £ | 2019 £ | Net 2020 £ | 2019 £ |
|---|---------------------|-----------|--------------------------|----------------|------------------|-----------|
| Accelerated capital allowances | - | - | (4,067) | (6,616) | (4,067) | - |
| (Charged)/credited to the profit and loss account in the year | - | - | 4,012 | 2,549 | 4,012 | - |
| | <u>-</u> | <u>-</u> | <u>(55)</u> | <u>(4,067)</u> | <u>(55)</u> | <u>-</u> |
| Net tax assets / (liabilities) | - | - | (55) | (4,067) | (55) | - |

12 Pension Scheme

Defined contribution plan

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £75,362 (2019: £75,049). Outstanding employer contributions at year end amounted to £287 (2019: £316) within one year.

Notes (continued)

13 Capital and reserves

| | 2020 | 2019 |
|---|-----------|-----------|
| | £ | £ |
| <i>Allotted, called up and fully paid</i> | | |
| 145 ordinary shares of £10,000 each | 1,450,000 | 1,450,000 |
| | <hr/> | <hr/> |
| | 1,450,000 | 1,450,000 |
| | <hr/> | <hr/> |

14 Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | 2020 | 2019 |
|----------------------------|---------|---------|
| | £ | £ |
| Less than one year | 135,261 | 146,342 |
| Between one and five years | 428,416 | 55,527 |
| More than five years | 12,549 | - |
| | <hr/> | <hr/> |
| | 576,226 | 201,869 |
| | <hr/> | <hr/> |

The company revised their Office lease agreement in October 2020, and the rent disclosed above represents the non-cancellable lease rentals the Company will pay over the period of 5 years.

During the year £113,388 was recognised as an expense in the profit and loss account in respect of operating leases (2019: £144,004).

15 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Yakult Honsha Co, Ltd which is the ultimate parent company and incorporated in Japan

The largest and smallest group in which the results of the company are consolidated is that headed by Yakult Honsha Co, Ltd incorporated in Japan. The consolidated financial statements of the group are available to the public and may be obtained from 1-19, Higashi, Shimbashi 1-chrome, Minato-ku, Tokyo 105-8660, Japan.