Naturhouse Health, S.A. (Sole-Shareholder Company) and Subsidiaries

Consolidated Financial Statements, Explanatory Notes and Directors' Report for the years ended 31 December 2013, 2012 and 2011,
in accordance with International Financial Reporting Standards
as adopted by the European Union (IFRS-EU),
together with Auditors' Report

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Sole Shareholder of Naturhouse Health, S.A. (Sole-Shareholder Company) at the request of the Sole Director:

1. We have audited the consolidated financial statements of Naturhouse Health, S.A.U. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated statements of financial position at 31 December 2013, 2012 and 2011 and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and notes to the consolidated financial statements for the years then ended. The Parent's sole director is responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying consolidated financial statements for 2013, 2012 and 2011 present fairly, in all material respects, the consolidated equity and consolidated financial position of Naturhouse Health, S.A.U. and Subsidiaries at 31 December 2013, 2012 and 2011, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in conformity with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable in Spain.

3. Without qualifying our audit opinion, we draw attention to Note 2-b to the accompanying consolidated financial statements, which indicates that the accompanying consolidated financial statements for 2013, 2012 and 2011 are the first that the Parent's sole director has prepared in accordance with EU-IFRSs, in the context of the transaction relating to the stock-market flotation of Naturhouse Health, S.A.U., which generally require that financial statements present comparative information. In this regard, for comparison purposes the Parent's sole director presents, in addition to the consolidated figures for 2013, 2012 and 2011 for each item in the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, the figures for 2010, which were obtained by applying the EU-IFRSs in force at 31 December 2013. Also, as indicated in Note 2-b, the accompanying consolidated financial statements are the first consolidated financial statements prepared by the Group, since it was previously not required to prepare consolidated financial statements because it was consolidated together with its subsidiaries in a higher group, which issued consolidated financial statements.

4. Without qualifying our audit opinion, we draw attention to Note 19 to the accompanying consolidated financial statements, which indicates that the Group carries out a significant volume of transactions and has significant balances with related parties. In any analysis of these consolidated financial statements, this circumstance should be taken into account.

5. The accompanying consolidated directors' report for 2013, 2012 and 2011 contains the explanations which the Parent's sole director considers appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2013, 2012 and 2011. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Naturhouse Health, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Javier Pont
September 29, 2014

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Naturhouse Health S.A.U. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2013, 2012 AND 2011

(Thousands of euros)

ASSETS	Notes	31/12/2013	31/12/2012	31/12/2011	31/12/2010 (*)	01/01/2010 (*)
NON-CURRENT ASSETS:						
Intangible assets	7	93	119	84	59	49
Property, plant and equipment	8	7,109	6,815	7,186	5,646	5,992
Non-current financial assets	10.1	584	4,206	9,360	15,731	22,101
Deferred tax assets	17.3	534	954	617	256	211
Total non-current assets		8,320	12,094	17,247	21,692	28,353
CURRENT ASSETS:						
Inventories	11	2,694	2,421	2,240	2,250	2,014
Trade receivables		3,142	3,604	3,733	3,316	3,383
Trade receivables from related parties	19.1	16	693	1,574	50	104
Current tax assets and other tax receivables	17.1	226	809	121	170	20
Other current assets		278	315	263	171	199
Investments in related parties	10.2 and 19.1	25,659	33,172	25,617	28,048	37,080
Current financial assets	10.3	1,944	987	569	-	-
Cash and cash equivalents	12	3,426	5,016	2,643	5,363	3,392
Total current assets		37,385	47,017	36,760	39,368	46,192
TOTAL ASSETS		45,705	59,111	54,007	61,060	74,545

EQUITY AND LIABILITIES	Notes	31/12/2013	31/12/2012	31/12/2011	31/12/2010 (*)	01/01/2010 (*)
EQUITY:						
Capital and reserves-						
Subscribed capital	13	375	300	300	300	300
Share premium	13	2,149	-	-	-	-
Reserves		539	6,472	5,474	5,378	6,451
Translation differences	13	124	117	6	44	-
Profit for the year		8,544	3,774	7,336	7,922	-
Interim dividend		-	-	-	(2,800)	-
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		11,731	10,663	13,116	10,844	6,751
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	13	875	1,085	1,395	439	202
Total equity		12,606	11,748	14,511	11,283	6,953
NON-CURRENT LIABILITIES:						
Provisions	14	743	586	549	377	219
Non-current borrowings	15	5,865	4,581	6,248	10,544	20,759
Deferred tax liabilities	17.5	402	173	129	105	94
Total non-current liabilities		7,010	5,340	6,926	11,026	21,072
CURRENT LIABILITIES:						
Current borrowings	15	14,687	28,537	20,692	27,852	33,720
Financial liabilities with related parties	19.1	1,350	1,597	3,151	2,055	4,556
Trade and other payables	16	3,229	3,688	3,443	3,464	4,143
Suppliers, related parties	19.1	5,451	7,220	3,632	3,609	3,184
Current tax liabilities and other tax payables	17.1	1,372	981	1,652	1,771	917
Total current liabilities		26,089	42,023	32,570	38,751	46,520
TOTAL EQUITY AND LIABILITIES		45,705	59,111	54,007	61,060	74,545

(*) Included for comparison purposes only.

The accompanying Notes 1 to 23 to the consolidated financial statements and Appendices I and II are an integral part of the consolidated statements of financial position at 31 December 2013, 2012 and 2011.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Naturhouse Health S.A.U. and Subsidiaries

CONSOLIDATED INCOME STATEMENTS FOR YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

(Thousands of euros)

	Notes	2013	2012	2011	2010 (*)
Revenue	**18.1**	59,881	57,787	61,689	61,961
Procurements	**18.2**	(20,042)	(20,115)	(21,752)	(23,147)
Gross profit		**39,839**	**37,672**	**39,937**	**38,814**
Other operating income		1,658	1,817	1,575	847
Staff costs	**18.3**	(13,705)	(13,139)	(13,154)	(10,765)
Other operating expenses	**18.5**	(13,976)	(14,489)	(14,222)	(13,576)
Operating profit before depreciation and amortisation, impairment and other profit (loss)		**13,816**	**11,861**	**14,136**	**15,320**
Depreciation and amortisation	**7 and 8**	(1,183)	(1,082)	(871)	(716)
Impairment losses and gains/(losses) on disposal of non-current assets		203	242	(18)	27
OPERATING PROFIT		**12,836**	**11,021**	**13,247**	**14,631**
Finance income	**18.4**	**1,545**	**2,242**	**1,792**	**1,941**
Dividends from other companies		31	691	333	379
Other finance income		1,514	1,551	1,459	1,562
Finance costs	**18.4**	**(1,162)**	**(1,463)**	**(1,214)**	**(1,452)**
Third party borrowings		(1,162)	(1,463)	(1,214)	(1,452)
Impairment and gains/(losses) on disposal of financial instruments	**18.4**	**(210)**	**(5,600)**	**(1,863)**	**(3,207)**
Exchange differences	**18.4**	**3**	**(1)**	**(1)**	**(4)**
FINANCIAL PROFIT (LOSS)		**176**	**(4,822)**	**(1,286)**	**(2,722)**
Share of profit (loss) of companies accounted for using the equity method		**-**	**-**	**-**	**-**
CONSOLIDATED PROFIT BEFORE TAX		**13,012**	**6,199**	**11,961**	**11,909**
Income tax expense	**17.2**	(4,560)	(2,583)	(4,319)	(3,995)
NET PROFIT FROM CONTINUING OPERATIONS		**8,452**	**3,616**	**7,642**	**7,914**
CONSOLIDATED NET PROFIT		**8,452**	**3,616**	**7,642**	**7,914**
Profit (loss) attributable to non-controlling interests		92	158	(306)	8
NET PROFIT FOR THE YEAR ATTRIBUTED TO THE PARENT	**13**	**8,544**	**3,774**	**7,336**	**7,922**
Earnings per share (in thousands of euros per share):					
- Basic		**8.54**	**4.72**	**9.17**	**9.90**
- Diluted		**8.54**	**4.72**	**9.17**	**9.90**

(*) Included for comparison purposes only.

The accompanying Notes 1 to 23 to the consolidated financial statements and Appendices I and II are an integral part of the consolidated income statements for the years ended 31 December 2013, 2012 and 2011.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Naturhouse Health S.A.U. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011
(Thousands of euros)

	Share capital	Share premium	Reserves	Translation differences	Profit/(loss) for the year	Interim dividend	Non-controlling interests	Total equity
Balance at 1 January 2010 (*)	**300**	**-**	**6,451**	**-**	**-**	**-**	**202**	**6,953**
Income and expense recognised in equity	-	-	-	44	7,922	-	19	**7,985**
Transactions with the Sole Shareholder:			-					
- Payment of dividends	-	-	-	-	-	(2,800)	-	**(2,800)**
- Other distributions to the Sole Shareholder	-	-	(1,065)	-	-	-	-	**(1,065)**
Transactions with non-controlling interests:			-					
- Capital increase	-	-	(8)	-	-	-	8	**-**
Changes in the scope of consolidation	-	-	-	-	-	-	100	**100**
Other changes in equity	-	-	-	-	-	-	110	**110**
Balance at 31 December 2010 (*)	**300**	**-**	**5,378**	**44**	**7,922**	**(2,800)**	**439**	**11,283**
Income and expense recognised in equity	-	-	-	(19)	7,336	-	278	**7,595**
Distribution of 2010 profit	-	-	5,122	-	(7,922)	2,800	-	**-**
Transactions with the Sole Shareholder:			-					
- Other distributions to the Sole Shareholder	-	-	(979)	-	-	-	-	**(979)**
- Contributions from the Sole Shareholder	-	-	1,167	-	-	-	-	**1,167**
Changes in the scope of consolidation	-	-	(5,214)	(19)	-	-	678	**(4,555)**
Balance at 31 December 2011	**300**	**-**	**5,474**	**6**	**7,336**	**-**	**1,395**	**14,511**
Income and expense recognised in equity	-	-	-	111	3,774	-	(143)	**3,742**
Distribution of 2011 profit	-	-	7,336	-	(7,336)	-	-	**-**
Transactions with the Sole Shareholder:			-					
- Payment of dividends	-	-	(4,800)	-	-	-	-	**(4,800)**
- Other distributions to the Sole Shareholder	-	-	(1,614)	-	-	-	-	**(1,614)**
Transactions with non-controlling interests:			-					**-**
- Payment of dividends	-	-	-	-	-	-	(290)	**(290)**
Changes in the scope of consolidation	-	-	76	-	-	-	123	**199**
Balance at 31 December 2012	**300**	**-**	**6,472**	**117**	**3,774**	**-**	**1,085**	**11,748**
Income and expense recognised in equity	-	-	-	7	8,544	-	(102)	**8,449**
Distribution of 2012 profit	-	-	3,774	-	(3,774)	-	-	**-**
Transactions with the Sole Shareholder:			-					
- Payment of dividends	-	-	(7,000)	-	-	-	-	**(7,000)**
- Other distributions to the Sole Shareholder	-	-	(2,492)	-	-	-	-	**(2,492)**
Changes in the scope of consolidation	75	2,149	(215)	-	-	-	(108)	**1,901**
Balance at 31 December 2013	**375**	**2,149**	**539**	**124**	**8,544**	**-**	**875**	**12,606**

(*) Included for comparison purposes only.

The accompanying Notes 1 to 23 and Appendices I and II are an integral part of the consolidated statements of changes in equity for the years ended 31 December 2013, 2012 and 2011.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Naturhouse Health S.A.U. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

(Thousands of euros)

	2013	2012	2011	2010 (*)
A- PROFIT FOR THE YEAR	**8,452**	**3,616**	**7,642**	**7,914**
B- OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY				
Items that will not be reclassified subsequently to profit or loss:	-	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Due to measurement of financial instruments				
a) Available-for-sale financial assets	(84)	(5,589)	(1,864)	(3,208)
Due to translation of financial statements denominated in foreign currency	(3)	126	(47)	71
Tax effect	25	1,677	559	962
C- TRANSFER TO PROFIT AND LOSS				
Due to measurement of financial instruments	84	5,589	1,864	3,208
a) Available-for-sale financial assets	(25)	(1,677)	(559)	(962)
Tax effect				
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR (A+B+C)	**8,449**	**3,742**	**7,595**	**7,985**
Total comprehensive income attributable to:				
- The Parent	8,551	3,885	7,317	7,966
- Non-controlling interests	(102)	(143)	278	19
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	**8,449**	**3,742**	**7,595**	**7,985**

(*) Included for comparison purposes only.

The accompanying Notes 1 to 23 and Appendices I to II are an integral part of the consolidated statements of comprehensive income for the years ended 31 December 2013, 2012 and 2011

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Naturhouse Health S.A.U. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

(Thousands of euros)

	Notes	2013	2012	2011	2010 (*)
CASH FLOWS FROM OPERATING ACTIVITIES		**7,452**	**8,820**	**7,720**	**8,840**
Profit for the year before tax		**13,012**	**6,199**	**11,961**	**11,909**
Adjustments for:		**(1,206)**	**4,729**	**2,280**	**3,622**
- Amortisation and depreciation expenses (+)	7 and 8	1,183	1,082	871	716
- Impairment of property, plant and equipment and inventories (+/-)	8 and 11	(11)	(11)	(67)	53
- Change in provisions (+/-)		157	37	172	158
- Gains/(losses) on derecognition and disposals of non-current assets (+/-)	7 and 8	(203)	(242)	18	(27)
- Impairment and gains/(losses) on derecognition and disposals of financial instruments (+/-)	18.4	210	5,600	1,863	3,207
- Finance income (-)	18.4	(1,545)	(2,242)	(1,792)	(1,941)
- Finance costs (+)	18.4	1,162	1,463	1,214	1,452
- Exchange gains/(losses) (+/-)	18.4	(3)	1	1	4
- Other income and expenses		(2,156)	(959)	-	-
Changes in working capital		**(1,715)**	**3,078**	**(893)**	**(416)**
- Inventories (+/-)	11	(52)	(175)	521	(294)
- Trade and other receivables (+/-)		1,321	1,009	(1)	121
- Other current assets (+/-)		(10)	(82)	10	(122)
- Trade and other payables (+/-)		(2,974)	2,127	(1,409)	(231)
- Other current liabilities (+/-)		-	199	(14)	110
Other cash flows from operating activities		**(2,639)**	**(5,186)**	**(5,628)**	**(6,275)**
- Interest paid (-)		(1,162)	(1,463)	(1,214)	(1,452)
- Interest received (+)		141	895	393	419
- Income tax received (paid) (+/-)		(1,618)	(4,618)	(4,807)	(5,242)
CASH FLOWS FROM INVESTING ACTIVITIES		**10,628**	**(7,660)**	**1,983**	**11,847**
Payments for investments (-)		**(1,731)**	**(10,147)**	**(7,854)**	**(1,903)**
- Investments in related parties and business units	3.c and 10.2	(354)	(7,825)	(5,670)	-
- Intangible assets and property, plant and equipment	7 and 8	(420)	(1,113)	(989)	(655)
- Other financial assets		(957)	(1,209)	(1,195)	(1,248)
Proceeds from disposal (+)		**12,359**	**2,487**	**9,837**	**13,750**
- From related parties	10.2	7,513	-	2,431	9,032
- Intangible assets and property, plant and equipment		399	614	47	307
- Other financial assets		4,447	1,873	7,359	4,411
CASH FLOWS FROM FINANCING ACTIVITIES		**(19,685)**	**1,088**	**(12,430)**	**(18,783)**
Proceeds from and payments for equity instruments		**181**	**-**	**-**	**100**
- Issue of equity instruments (+)		181	-	-	100
Proceeds from and payments for financial liabilities		**(12,866)**	**6,178**	**(12,430)**	**(16,083)**
- Issue:					
Bank borrowings (+)		-	19,500	-	-
Other borrowings (+)		-	-	-	11
- Redemption and repayment of:					
Bank borrowings (-)		(12,866)	(13,196)	(12,421)	(16,094)
Other borrowings (-)		-	(126)	(9)	-
Dividends paid and remuneration of other equity instruments		**(7,000)**	**(5,090)**	**-**	**(2,800)**
- Dividends (-)		(7,000)	(5,090)	-	(2,800)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**15**	**125**	**7**	**67**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,590)**	**2,373**	**(2,720)**	**1,971**
Cash and cash equivalents at beginning of year		5,016	2,643	5,363	3,392
Cash and cash equivalents at end of year		3,426	5,016	2,643	5,363

(*) Included for comparison purposes only.

The accompanying Notes 1 to 23 and Appendices I and II are an integral part of the consolidated statements of cash flows for the years ended 31 December 2013, 2012 and 2011.

Naturhouse Health, S.A. (Sole-Shareholder Company) and Subsidiaries

Consolidated Financial Statements, Explanatory Notes and Directors' Report for the years ended 31 December 2013, 2012 and 2011, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), together with Auditors' Report

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Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Naturhouse Health, S.A. (Sole-Shareholder Company) and Subsidiaries

Explanatory Notes to the Consolidated Financial Statements
for the years ended
31 December 2013, 2012 and 2011

1. Description and corporate purpose of the Group companies

Naturhouse Health, S.A. (Sole-Shareholder Company), formerly Housediet, S.L.U., (hereinafter, the "Company" or the "Parent"), was incorporated for an indefinite period, in Barcelona on July 29, 1991. Its registered office is at calle Botánica 57-61, in L'Hospitalet de Llobregat, Barcelona, and the Company is registered with the tax identification number A-01115286.

Its corporate purpose, per its articles of association, is the exportation and wholesale and retail sale of all manner of products related with healthy eating, medicinal herbs and natural cosmetics, as well as the preparation, promotion, creation, publishing, sale and distribution of all kinds of magazines, books and leaflets relating to the marketing of dietary products, medicinal herbs and natural cosmetics. This activity is performed mainly through the Company's own stores and franchises. In addition to the activities that it carries out directly, the Company is the head of a group of subsidiaries which engage in the same activity, and which constitute, together with the Parent, the Naturhouse Health Group (hereinafter, the "Group" or the "Naturhouse Group"). Note 3 and Appendix I detail the main data relating to the subsidiaries in which the Parent has direct and indirect ownership interests included in the scope of consolidation.

The Naturhouse Group currently conducts its business mainly in Spain, Italy, France and Poland.

Pursuant to current regulations, Naturhouse Health, S.A.U. is not obliged to prepare consolidated financial statements since it belongs to the Kiluva Group, whose Parent is Kiluva, S.A., with registered address at Calle Claudio Coello 91, Madrid. Kiluva, S.A. prepares the consolidated financial statements.

The Parent is fully owned by Kiluva, S.A. Accordingly, it is a Sole-Shareholder company.

On 17 June 2014, the Sole Shareholder of Housediet S.L.U., Kiluva, S.A., approved the transformation of Housediet, S.L.U. into a public limited company (sociedad anónima) and change in its company name to Naturhouse Health, S.A.U.

2. Basis of presentation of the financial statements

a) Basis of presentation

The consolidated financial statements of Naturhouse Health, S.A.U. and Subsidiaries, which were prepared from the accounting records of the Parent and the other companies that make up the Group, were authorised for issue by the Sole Director of the Parent on 18 September 2014.

These consolidated financial statements for the years ended 31 December 2013, 2012 and 2011 were prepared for the first time in accordance with International Financial Reporting Standards, as approved by the European Union (IFRS-EU), in conformity with the Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, taking into account all the mandatory accounting policies and rules and measurement bases, and in conformity with the Commercial Code, the Spanish Corporate Enterprises Act and other applicable commercial legislation. These consolidated financial statements were prepared from the individual accounting records of the Parent and of each of the consolidated companies (detailed in Appendix I), and present fairly the Group's consolidated equity, consolidated financial position and consolidated results of operations, and its consolidated equity and consolidated cash flows in accordance with IFRS-EU and the remaining applicable financial reporting regulatory framework.

In accordance with IFRS, these consolidated financial statements include the following consolidated Group statements:

- Consolidated Statement of Financial Position
- Income Statement
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows

As the accounting principles and measurement bases used to prepare the Group's 2013, 2012 and 2011 consolidated financial statements (under IFRS-EU) are not exactly the same as those applied by certain Group entities (local GAAP), the adjustments and reclassifications necessary to standardise the principles and criteria used and to ensure compliance with IFRS-EU were made on consolidation.

The consolidated financial statements were prepared on the basis of the principle of uniformity of recognition and measurement. Should a new standard become effective that modifies the existing measurement bases, it shall be applied in accordance with the transition criterion contained therein.

Some amounts on the consolidated income statement and consolidated statement of financial position have been grouped together for the purpose of clarity, and they are duly broken down in the Notes to the consolidated financial statements.

The distinction in the statement of financial position between current and non-current items has been made on the basis of whether assets are realised and liabilities fall due within one year or more.

Furthermore, the consolidated financial statements include all the information considered necessary for their correct presentation under Spanish commercial law.

The figures contained in all of the accounting statements which make up the consolidated financial statements (consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows) and the notes thereto, are expressed in thousands of euros, unless indicated otherwise.

In order to present the different items that make up the consolidated financial statements on a uniform basis, the accounting policies and measurement bases used by the Parent have been applied to all the companies included in the scope of consolidation.

b) Adoption of International Financial Reporting Standards

2011 is the first year in which the Group has presented its consolidated financial statements in accordance with IFRSs (adopting 1 January 2010 as the transition date to IFRSs to include comparative data for 2010), to the extent that the Parent is performing various procedures related with a potential placement and listing of its shares on the Spanish market (see Note 23).

The consolidated financial statements of the Naturhouse Group for the years ended 31 December 2013, 2012 and 2011 are the first prepared in accordance with IFRSs. The main options taken by the Naturhouse Group in relation to the application of IFRSs are as follows:

- Present the consolidated statement of financial position classifying items as current or non-current.

- Present the consolidated income statement by nature.

- Present the consolidated cash flow statement using the indirect method.

- Present consolidated income and expenses in two separate statements: the consolidated income statement and the consolidated statement of comprehensive income.

In accordance with IFRS 1, a first-time adopter of IFRS must comply with each International Accounting Standard (IAS), IFRS and interpretation effective at the date of transition, requiring their retrospective application in most cases. However, IFRS 1 grants optional exemptions to the retrospective application if it is impracticable, or if the costs of complying are likely to exceed the benefits to users of financial statements. Accordingly, with respect to the First-time Adoption of International Financial Reporting Standards (IFRS 1), the Naturhouse Group elected the option not to recalculate business combinations that occurred before the date of transition to IFRSs, and considered as the transition cost of the assets, the consolidated carrying amount presented in accordance with the Spanish General Accounting Plan (Plan General Contable, see Note 3.c). Lastly, the cumulative translation differences of all foreign operations were considered to be nil at the date of transition to IFRSs.

To prepare consolidated financial statements for the first time under IFRS, the financial statements of all the Group companies for 2013, 2012, 2011 and 2010 in accordance with local accounting standards considered for Kiluva, S.A.'s consolidated financial statements were obtained, and the necessary adjustments and reclassifications made to standardise the principles and criteria used and to ensure compliance with IFRS-EU. There were no material differences between the local accounting standards of the main countries where are incorporated the Parent and its subsidiaries and IFRS.

IFRS 1 also requires that the first set of consolidated financial statements prepared under IFRSs include a reconciliation of equity at the beginning and end of the latest period, with equity at the beginning and end of the comparative period to which these consolidated financial statements refer reported in accordance with local GAAP (Spanish GAAP in the case of the Group). IFRS 1 also requires the reconciliation of income for the comparative period with that of the same period in accordance with local GAAP. Since the Naturhouse Group has not presented consolidated financial statements in previous years (as it was exempt from this obligation for being consolidated in the accounts of a larger group, whose parent is submitted to the legislation of a Member State of the European Union), the aforementioned reconciliation was not performed.

The main accounting principles and measurement bases adopted by the Naturhouse Group are detailed in Note 5.

Standards and interpretations effective in 2013, 2012 and 2011

The accounting standards, amendments and interpretations which became effective in 2013 were taken into account in the preparation of these consolidated financial statements.

Adoption of the following standards has had no material impact on either the presentation or disclosures of the consolidated financial statements.

New standards, amendments and interpretations **(Approved for use in the European Union)**		**Mandatory application for annual periods beginning on or after:**
Amendment of IAS 12 Income tax - Deferred Taxes arising on Investment Property (published in December 2010).	Provides guidance on the calculation of deferred taxes arising on investment property measured using the fair value model in IAS 40.	Annual periods beginning on or after 1 January 2013 (IASB original date: 1 January 2012)
IFRS 13 Fair Value Measurement (published in May 2011)	Establishes guidance for fair value measurement.	Annual reporting periods beginning on or after 1 January 2013
Amendment of IAS 1 Presentation of Other Comprehensive Income (published in June 2011)	Minor amendment regarding the presentation of Other Comprehensive Income	Annual reporting periods beginning on or after 1 July 2012
Amendment of IAS 19 Employee Benefits (published in June 2011)	The amendments mainly affect defined benefit plans, as one of the fundamental changes is the elimination of the "corridor approach".	Annual reporting periods beginning on or after 1 January 2013
Amendment to IFRS 7 Offsetting Financial Assets and Financial Liabilities (published in December 2011)	Introduces new disclosures on the offsetting of financial assets and financial liabilities under IAS 32	Annual reporting periods beginning on or after 1 January 2013
Improvements to IFRS 2009-2011 Cycle (published in May 2012)	Minor amendments to certain standards	Annual reporting periods beginning on or after 1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (published in October 2011)	The IFRS Interpretations Committee deals with the accounting treatment of the waste removal costs incurred in surface mining activity.	Annual reporting periods beginning on or after 1 January 2013

Standards and interpretations issued but not yet effective

At the date of authorisation for issue of these consolidated financial statements, the following standards, amendments and interpretations had been issued by the International Accounting Standard Board (IASB) but had not yet become effective, either because their effective date is after the date of the consolidated financial statements or because they had yet to be adopted by the European Union (IFRS–UE):

New standards, amendments and interpretations		**Mandatory application for annual periods beginning on or after:**
Approved for use in the European Union		
IFRS 10 Consolidated financial statements (published in May 2011)	Replaces the current consolidation requirements of IAS 27.	Annual reporting periods beginning on or after 1 January 2014 (1)
IFRS 11 Joint Arrangements (published in May 2011)	Replaces IAS 31 on Interests in Joint Ventures.	Annual reporting periods beginning on or after 1 January 2014 (1)
IFRS 12 Disclosure of Interests in Other Entities (published in May 2011)	A single standard that sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.	Annual reporting periods beginning on or after 1 January 2014 (1)
IAS 27 Separate Financial Statements (Revised) (published in May 2011)	Revises IAS 27 which, after the issue of IFRS 10, deals only with separate financial statements.	Annual reporting periods beginning on or after 1 January 2014 (1)
Transition rules: Amendments to IFRS 10, 11 and 12 (published in June 2012)	Clarification of the transition rules of these standards.	Annual reporting periods beginning on or after 1 January 2014 (1)
Investment entities: amendments to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Exception to consolidation for parent companies that meet the definition of investment entities.	Annual reporting periods beginning on or after 1 January 2014
Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities (published in December 2011)	Further clarifications of the rules for offsetting financial assets and financial liabilities under IAS 32	Annual reporting periods beginning on or after 1 January 2014
Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (published in May 2013)	Clarifies when certain disclosures are required and broadens those required when recoverable amount is based on fair value less costs of disposal	Annual reporting periods beginning on or after 1 January 2014

New standards, amendments and interpretations		Mandatory application for annual periods beginning on or after:
Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (published June 2013)	The amendments determine in which cases and under what criteria the novation of a derivative does not make the interruption of hedge accounting necessary.	Annual reporting periods beginning on or after 1 January 2014
IFRIC Interpretation 21 Levies (published in May 2013)	Interpretation on when to recognise a liability for levies charged for participation by an entity in an activity on a specified date.	Annual reporting periods beginning on or after 17 June 2014[(2)]
Not approved for use in the European Union		
IFRS 9 Financial instruments: Classification and Measurement (published in November 2009 and October 2010) and subsequent amendments of IFRS 9 and IFRS 7 on effective date and transition disclosures (published in December 2011) and hedge accounting and other amendments (published in November 20013)	Replaces the requirements for the classification, measurement and derecognition of financial assets and financial liabilities under IAS 39.	Not defined
IFRS 15 Revenue from Contracts with Customers (published in May 2014)	New standard on revenue recognition (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31)	Annual reporting periods beginning on or after 1 January 2017
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (published in November 2013)	The amendments permit contributions to be recognised as a reduction in the service cost in the period in which payment for the related service is made if certain requirements are met	Annual reporting periods beginning on or after 1 July 2014
Improvements to the IFRS 2010-2012 Cycle and 2011-2013 Cycle (published in December 2013)	Minor amendments to certain standards	Annual reporting periods beginning on or after 1 July 2014
Amendments to IAS 16 and IAS 38 - Acceptable Methods of Depreciation and Amortisation (published in May 2014)	Clarifies acceptable methods of depreciation of property, plant and equipment and amortisation of intangible assets.	Annual reporting periods beginning on or after 1 January 2016

New standards, amendments and interpretations		Mandatory application for annual periods beginning on or after:
Amendments to IFRS 11 - Recognition of Acquisitions of interests in Jointly Controlled Operations (published in May 2014)	Specifies how to recognise acquisitions of interests in Jointly Controlled Operations whose activity constitutes a business.	Annual reporting periods beginning on or after 1 January 2016

(1) The European Union has postponed the mandatory effective date by one year. The original application date by the IASB was 1 January 2013.

(2) The European Union endorsed IFRIC 21 (Official Journal of the EU, 14 June 2014), replacing the original effective date established by the IASB (1 January 2014) with that of 17 June 2014.

The Group has not considered the early application of the aforementioned standards and interpretations. It will do so if and when they are approved by the European Union.

The Parent's Sole Director has assessed the potential impacts of the future application of these standards and considers that they will not have a material effect on the Group's consolidated financial statements, except as detailed below.

The main change in IFRS 10 is the amendment of the current definition of control. The new definition of control consists of three elements: power over an investee, exposure or rights to variable returns from the investment, and the ability to use power over the investee to affect those returns. The Parent's Sole Director has reviewed the potential impacts of the future application of these standards, and considers that they will not have a significant effect on the consolidated financial statements.

The fundamental change envisaged by IFRS 11 with respect to the current standard is the removal of the option to account for jointly controlled entities using proportionate consolidation. Instead, these must be accounted for using the equity method (as compared with the current option granted by IAS 31 of choosing between equity accounting or proportionate consolidation). This will entail reclassifying all the assets and liabilities of each of the previously proportionately consolidated entities to "Investments in associates" in the consolidated statement of financial position. Accordingly, the effect of its application on equity would be neutral. This new standard is not expected to have a significant effect on the Group's consolidated financial statements, since none of its companies are proportionately consolidated.

c) Functional currency

The accompanying consolidated financial statements are presented in euros as this is the currency of the main economic area in which the Group operates. Foreign operations are recognised in accordance with the policies described in Note 5.l.

d) Responsibility for the information provided and accounting estimates and judgements

The preparation of consolidated financial statements under IFRS requires the Parent's Sole Director to make certain accounting estimates and considers certain elements of judgement. These estimates and associated assumptions are reviewed on an ongoing basis and based on historical experience and other factors, including expectations regarding future events, that are considered to be reasonable under the circumstances. While the estimates considered were performed based on the best available information at the date of authorisation for issue of these consolidated financial statements, in accordance with IAS 8, any future modification to these estimates would be applied prospectively from that date. The effects of changes in estimates are recognised in the consolidated income statement for the related period.

The main estimates and judgements used in preparing the consolidated financial statements were as follows:

- The useful lives of items of property, plant and equipment and intangible assets (see Notes 5.a and 5.b).

- Impairment losses on non-financial assets (see Note 5.c).

- Assessment of the occurrence and quantification of litigation, commitments, and contingent assets and liabilities at year-end (see Notes 5.h and 14)

- Estimate of the appropriate impairment for bad debts and inventory obsolescence (see Notes 5.e and 5.f).

- Assumptions used to calculate the fair value of available-for-sale financial assets or other financial instruments (see Note 5.e).

- Estimate of the income tax expense and recoverability of the deferred tax assets (see Notes 5.k and 17).

e) Comparative information

As required by IAS 1, the information relating to 2010 contained in these notes to the consolidated financial statements is presented for comparison purposes only with the information relating to 2011.

f) Materiality

In determining the information to be disclosed in these notes on different items in the consolidated financial statements or other matters, the Group has taken account of their materiality in relation to the consolidated financial statements for 2013, 2012 and 2011.

3. Basis of consolidation

In 2013, 2012 and 2011, the reporting period of the separate financial statements of all the companies included in the consolidation scope was the same as, or temporarily brought into line with, that of the Parent. In order to uniformly present the items included in these consolidated financial statements, accounting standardisation criteria have been applied to the separate financial statements based on the Parent's accounting policies. These consolidated financial statements were prepared using the following methods:

a) Subsidiaries

Subsidiaries are companies over which the Parent has the ability to exercise effective control. Effective control is evidenced in general, although not exclusively, by the direct or indirect ownership of 50% or more of the voting rights of the subsidiaries or, when this percentage is lower or nil, by virtue of shareholder agreements that grant the Parent control. In accordance with IAS 27, control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Appendix I to these notes to the consolidated financial statements contains relevant information on these entities.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Therefore, all material balances and results of transactions carried out between consolidated companies have been eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used into line with those applied by the Group.

In addition, the share of third parties in:

- The equity of their investees is presented within the Group's equity under “Equity attributable to shareholders of the Parent” in the consolidated statement of financial position (see Note 13).

- The profit or loss for the year is presented under “Profit (loss) attributable to non-controlling interests” in the consolidated income statement (see Note 13).

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

As is common practice, the accompanying consolidated financial statements do not include the tax effect which, if any, may arise as a result of the inclusion of the profit or loss and reserves of the consolidated companies in the Parent, since it is considered that reserves will not be transferred which are not taxed at source and that they will be used as funds at each company.

No subsidiary was included in the consolidated financial statements using equity method of accounting or proportionate consolidation.

b) Translation of financial statements in currencies other than the euro

The financial statements of subsidiaries in currencies other than the euro included in the consolidation process are translated by applying the year-end exchange rate to all their assets and liabilities, with the exception of the equity, which is measured at the historical exchange rate.

Profit and losses are translated at the average exchange rate for the year. The difference arising from applying the aforementioned translation process is recognised in the consolidated statement of comprehensive income as “Translation differences”.

c) Changes in the scope of consolidation

Business combinations of entities or businesses under common control are excluded from the scope of IFRS 3. A business combination between entities or businesses under common control is a business combination in which all the entities or businesses combining are ultimately controlled by the same party or parties, both before and after the business combination, and this control is not transitory.

For business combinations that will be described below (as well as for the ones described in Note 23), for which common control existed, the Group and its sole shareholder established as a rule to set the value of the assets and liabilities acquired, for which no specific guidance exists under IFRS, its boking value. The carrying amount was obtained from book value under the Spanish General Accounting Plan (PGC) in the audited consolidated financial statements of the sole shareholder Kiluva, S.A. and converted to IFRS. For these transactions under common control, as indicated below, the differences between the consolidated carrying amount under the PGC and under IFRS are not material.

2013-

The following changes in the Group's consolidation scope occurred during 2013:

<u>Merger of Naturhouse Health, S.A.U. (formerly, Housediet, S.L.U) and Kiluva Diet, S.L.U (Spain):</u>

On 29 July 2013, an agreement was reached to merge the Parent, Naturhouse Health, S.A.U., with Kiluva Diet, S.L.U., through the absorption of the latter by the former, with the dissolution without liquidation of the absorbed company and the full transfer *en bloc* by way of universal succession of all the assets, rights and obligations comprising its equity to the absorbing company.

In accordance with the merger agreement approved by the Sole Shareholder of both companies at that date, Kiluva, S.A., all the transactions performed by the absorbed company were considered to have been performed for accounting purposes by the absorbing company from 1 January 2013 onwards.

As a result of this merger, the Parent's share capital increased by €75 thousand through the issuance of 200 shares of €375 par value each, with a share premium of €10.7 thousand for each share, for a total of €2,149 thousand.

Also, as a result of this merger, the Group included an additional 50% stake in Housediet, S.A.R.L. held by Kiluva Diet, S.L.U. in the scope of consolidation Accordingly, at 2013 year-end, the Group owned all the shares of Housediet, S.A.R.L. (Note 13). Housediet, S.A.R.L. was fully consolidated in 2012 and 2011 as the Parent had control over the company at those dates.

The Group did not apply IFRS 3 since the transaction involved a business combination of entities under the common control of Kiluva, S.A. The difference between net book value assets acquired and liabilities assumed (€2,041 thousand) and the cost of the business combination agreed between the parties (€2,226 thousand) was €185 thousand, recognised as a negative impact on the Group's consolidated equity. The assets and liabilities of Kiluva Diet S.L.U. recognised in the accompanying consolidated statement of financial position at the acquisition date were as follows:

	1/1/2013
Intangible assets	4
Property, plant and equipment	1,228
Non-current financial assets	1,005
Deferred tax assets	26
Non-current assets	**2,263**
Inventories	221
Trade and other receivables	181
Other assets	27
Cash and cash equivalents	181
Current assets	**610**
Total assets	**2,873**

	1/1/2013
Non-current borrowings	150
Deferred tax liabilities	156
Non-current liabilities	**306**
Current borrowings	150
Suppliers, related parties	80
Trade and other payables	296
Current liabilities	**526**
Total liabilities	**832**
Net assets acquired	**2,041**
Cost of the combination	**2,226**

As indicated above, this transaction, in which there was common control, was measured at predecessor carrying value. Carrying amount was obtained from book value under the Spanish General Accounting Plan (PGC) in the audited consolidated financial statements of the sole shareholder Kiluva, S.A. and subsequently converted to IFRS.

2012-

In 2012, the changes in the Group's consolidation scope were as follows:

<u>Capital increase at Naturhouse, GmbH (Germany):</u>

In 2012, Naturhouse, GmbH increased capital by €200 thousand, which was subscribed by S.A.S, Naturhouse, a related party of the Naturhouse Group's Sole Shareholder. As a result of this increase, the Group reduced its ownership interest in this subsidiary from 96% at 2011 year-end to 56% at 2012 year-end.

This transaction, in which there was common control, was measured at predecessor carrying value. Carrying amount was obtained from book value under the Spanish General Accounting Plan (PGC) in the audited consolidated financial statements of the sole shareholder Kiluva, S.A. and converted, as appropriate, to IFRS. The differences between consolidated carrying amount under the PGC and under IFRS are not material.

2011-

In 2011, the changes in the Group's consolidation scope were as follows:

<u>Liquidation of Housediet, LLC. (USA):</u>

On 15 June 2011, investee Housediet, LLC was liquidated. The impact on the Group's equity of this liquidation was insignificant.

<u>Acquisition of Kiluva Portuguesa – Nutriçao e Dietética, LDA (Portugal):</u>

On 12 May 2011, the Group acquired a 71% equity interest in Kiluva Portuguesa – Nutriçao e Dietética, LDA. This acquisition was performed through the Group companies Naturhouse Health, S.A.U. and Naturhouse, S.R.L., which acquired the 28% owned by Félix Revuelta Fernández, majority shareholder of Kiluva, S.A.,

and the 43% held by Kiluva, S.A., respectively. The total amount of the purchase by the Group was €7,120 thousand (acquisition cost).

Unlike the previous transactions, this one, which was under common control, was measured initially at the fair value of the consideration received based on an independent valuation report calculated using discounted future cash flows. The difference between the carrying amount of assets acquired and liabilities assumed, of €1,781 thousand, and the fair-value of the business combination, of €7,120 thousand, was recognised as a negative impact on the Group's consolidated equity of €5,339 thousand.

Accordingly, the Group became the owner of all the assets and liabilities of the Portuguese company acquired at 2011 year-end, and integrated seven-months of the 2011 results generated by this company.

Acquisition of Naturhouse, Sp. zo.o.(Poland):

In September 2011, all the shares of Naturhouse, Sp. zo.o (Poland) were acquired by the Parent from Kiluva, S.A. As a result, the Group became the owner of all the assets acquired and liabilities assumed from the company at 2011 year-end, for a net amount of €760 thousand, and integrated four months of the 2011 results generated by this company. The Group did not apply IFRS 3 as the transaction involved a business combination under common control of Kiluva, S.A.

The difference between the assets acquired at book value and liabilities assumed, of €760 thousand, and the cost of the business combination agreed between the parties, of €676 thousand, had a positive impact on the Group’s equity of €84 thousand.

This transaction, which was under common control, was measured at predecessor carrying value. This carrying amount was obtained from book value under the Spanish General Accounting Plan (PGC) in the audited consolidated financial statements of the sole shareholder Kiluva, S.A. and converted, as appropriate, to IFRS. The differences between consolidated carrying amount under the PGC and under IFRS are not material.

4. Distribution of profit

The distribution of profit proposed by the Parent's Sole Director and submitted for approval by the Sole Shareholder is as follows:

	Thousands of euros			
	2013	2012	2011	2010
Basis of distribution:				
Profit for the year	4,697	1,927	5,204	5,039
	4,697	**1,927**	**5,204**	**5,039**
Distribution:				
To legal reserve	15	-	-	-
To offset prior years' losses	-	-	-	2,200
To voluntary reserves	-	-	5,204	39
To dividends	4,682	1,927	-	2,800
Total	**4,697**	**1,927**	**5,204**	**5,039**

In 2012 and 2013, the Parent distributed dividends with a charge to reserves amounting to €4,800 thousand and €5,073 thousand, respectively.

In 2012, dividends amounting to €290 thousand were distributed to non-controlling interests.

In 2010, an interim dividend of €2,800 thousand was approved and paid.

Therefore, dividends distributed and paid, and approved dividend distributions in the past four years, as well as the dividend per share paid and approved for distribution are as follows:

	2013	2012	2011	2010
Dividends:				
Dividends distributed and paid (in thousands of euros)	7,000	4,800	-	2,800
Dividend distributions approved (in thousands of euros)	9,755	6,727	-	2,800
Number of shares	1,000	800	800	800
Dividend per share distributed and paid (in thousands of euros)	7.0	6.0	-	3.5
Dividend per share distribution approved (in thousands of euros)	9.8	8.4	-	3.5

5. Accounting policies

As indicated in Note 2, the Group applied accounting policies in line with IFRS and their related interpretations published by the IASB (International Accounting Standards Board) and the IFRS Interpretations Committee (IFRSIC), adopted by the European Commission for their application in the European Union (IFRS-EU).

a) Intangible assets

As a general rule, intangible assets are measured initially at acquisition or production cost, and subsequently, at cost less any accumulated amortisation and, where appropriate, any accumulated impairment losses incurred in line with the criteria described in Note 5.c. These assets are amortised over their useful lives.

Research and development

The nature of the Group's business is not intensive in significant expenditures in research and development (R&D), not generating more spending on R&D than the corresponding registration of the trademark and the product formula in the health department. The Group's policy is to expense research and development costs currently, considering that they do not meet the criteria for capitalisation under IAS 38 and as their amounts are not material (most research and development activity is carried out by Group suppliers).

The expenses recognised in the 2013, 2012 and 2011 consolidated income statements were €22 thousand, €21 thousand and €17 thousand, respectively.

Leaseholds

Amounts paid for rights to lease premises in the acquisition of new stores. These rights are amortised on a straight-line basis over a five-ten year period.

Intellectual property

Amounts paid to acquire ownership or usage rights in its different forms and the expenses incurred in the registration of the trademark developed by the Group. The Group has no significant patents. Intellectual property is amortised on a straight-line basis over its useful life, estimated at between five-ten years.

Computer software

Licenses for computer software acquired from third parties or computer programmes prepared internally, and capitalised on the basis of the costs incurred to acquire or develop them and prepare them for use.

Computer software is amortised on a straight-line basis over its useful life, at a rate of between 20% and 33% a year.

Maintenance costs relating to computer software incurred during the year are recognised in the consolidated income statement.

b) Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or production cost, and are subsequently reduced by the related accumulated depreciation and by any impairment losses, recognised as indicated in Note 5.c.

Upkeep and maintenance costs relating to property, plant and equipment are taken to the consolidated income statement for the period in which they are incurred. Conversely, costs incurred that increase capacity or efficiency or extend the useful life of the assets are capitalised as part of the cost of the related assets.

Replacements or renewals are recorded as an addition to property, plant and equipment and the units replaced or renewed are derecognised.

Borrowing costs incurred during the construction or production period prior to the entry into service of the assets are capitalised, arising both from specific financing sources aimed expressly at acquiring fixed assets, and from general financing sources in line with the guidelines established for qualifying assets under IAS 23. In 2013, 2012 and 2011, no borrowing costs were capitalised as an addition to assets.

The years of useful life estimated by the Group for each group of items is as follows:

	Years of estimated useful life
Buildings	33.33
Other fixtures, tools and furniture	8.33 - 30
Information technology equipment	3 - 4
Transport equipment	6.25 - 10

All items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets.

"Investment property" includes the additions to plant and transport equipment, which have not entered into service. Investment property in progress is transferred to investment property in operation when the assets are ready to be put in use.

Items of property, plant and equipment are derecognised when they are sold or when no future economic profit is expected to be obtained from their continuing use. The gain or loss arising on the disposal or derecognition of an item of property, plant and equipment is determined as the difference between the proceeds from the sale and the carrying amount of the asset, and is recognised in the consolidated income statement.

Investments made by the Group in leased premises (or assigned for use), which cannot be separated from the leased asset (or assigned for use), are depreciated on a straight-line basis over their useful life, which is the lower of the duration of the lease agreement (or of the transfer), including the renewal period when there is evidence which demonstrates that it is going to occur, and the economic life of the asset.

c) Impairment of non-financial assets

When there is any indication of decline in value, the Group performs an impairment test to estimate the possible loss of value that may reduce the recoverable amount of the assets to below their carrying amount.

Assets that are subject to depreciation and amortisation are submitted to annual impairment tests whenever an event or change in their circumstances may indicate that their carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount exceeds its recoverable amount.

An asset’s recoverable amount is the higher of its fair value less costs to sell and value in use.

The Group did not have intangible assets or goodwill of material amounts at 31 December 2013, 2012 and 2011, and therefore they were not tested for impairment.

The main items of property, plant and equipment are land and buildings, which were appraised by independent third parties in 2013 and the appraisal value obtained is greater than net book value.

For other property, plant and equipment, the Group evaluate annually the existence of impairment indicators (or within interim periods if impairment indicators may arise), and it has been determined that at the financial statement’s date, there are no evidences that the value recoverable from such assets is less than its book value, so the Group has not booked any impairment loss.

d) Operating and finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially the risks and rewards of ownership to the Group, which usually has an option of acquiring the asset at the end of the lease under the conditions agreed when the transaction was arranged. All other leases are classified as operating leases.

At the inception of the lease, the Group recognises assets and liabilities on finance leases in the consolidated statement of financial position at the market value of the leased asset or, if lower, at the present value of the minimum lease payments. The implicit interest rate of the lease agreement is used to calculate the present value of the lease payments. The cost of assets acquired under finance leases is recognised in the consolidated statement of financial position in accordance with the nature of the leased asset.

When the Group acts as lessee, operating leases are charged to the consolidated income statement on a straight-line basis over the term of the agreement, regardless of the form stipulated in this agreement for their payment. In the event incentives are stipulated in the agreement by the lessor, consisting of payments to be made by it which should correspond to the lessee, the income arising therefrom is taken to the consolidated income statement as a reduction in the costs of this agreement on a straight-line basis in the same way as such costs.

Leases do not have grace periods or compensatory clauses which generate a future payment commitment obligation which could have a significant impact on these financial statements.

e) Financial instruments

Financial assets and liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes one of the parties to the contractual terms of the instrument.

The measurement bases applied by the Group to its financial instruments in 2013, 2012 and 2011 were as follows:

Financial assets

The financial assets held by the Group are classified into the following categories:

- Loans and receivables
- Available-for-sale financial assets

Their classification depends on the type and purpose of the financial asset and is determined at the time of initial recognition.

1. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, etc.) are measured at amortised cost, applying the effective interest rate method, less any impairment.

Interest income is recognised by applying the effective interest rate method, except for short-term receivables falling due within 12 months, since in this case, the effect of discounting is immaterial.

The effective interest rate method is used to calculate the amortised cost of a debt instrument and to allocate interest income throughout the related period. The effective interest rate is that that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group recognises the corresponding provisions for the difference between the recoverable amount of the accounts receivable and the carrying amount at which they are recognised.

2. *Available-for-sale financial assets*

Available-for-sale financial assets include equity instruments which are not classified as loans and receivables, held-to-maturity investments or financial assets held for trading.

All the available-for-sale financial assets held by the Group at 31 December 2013, 2012 and 2011 correspond to shares of listed companies.

Initial measurement

Financial assets are initially recognised at the fair value of the consideration given plus directly attributable transaction costs.

Subsequent measurement

Loans and receivables and held-to-maturity investments are measured at amortised cost, using the effective interest rate method. Loans and receivables in the consolidated statement of financial position maturing in under 12 months from the consolidated statement of financial position date are classified as current.

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in the consolidated statement of comprehensive income until the asset is disposed of or is determined to be (permanently) impaired, at which time the cumulative gains or loss previously recognised in equity is reclassified to profit or loss. An asset is presumed to be permanently impaired if its market value has fallen by over 40% or has fallen and failed to recover for a year and a half.

At least at each reporting date, the Group tests its financial assets not measured at fair value for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the consolidated income statement.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the cash flows from the financial assets or transfers substantially all the risks and rewards of ownership of the financial asset. However, the Group does not derecognise financial assets which it sells while retaining substantially all the risks and rewards of ownership, instead recognising a financial liability equal to the consideration received.

Financial liabilities

Financial liabilities include debts and payables by the Group that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, while not having commercial substance, cannot be classed as derivative financial instruments.

Debts and payables are initially recognised at the fair value of the consideration received less directly attributable transaction costs, Subsequently, these liabilities are measured at amortised cost, considering the effective interest rate.

The Group derecognises financial liabilities once the resulting obligations have been extinguished.

f) Inventories

Inventories are measured at the lower of acquisition or production cost and net realisable value.

Net realisable value represents the estimated selling price less all estimated costs of completion and the costs to be incurred in the marketing, sale and distribution of the product.

The Group uses the weighted average cost method to allocate the value of its inventories.

The Group recognises the appropriate impairment losses and records them as an expense in the consolidated income statement when the net realisable value of inventories is lower than their acquisition cost (or production cost).

g) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, demand deposits at banks and other highly liquid instruments with an original maturity of three months or less.

h) *Provisions and contingencies.*

In preparing the consolidated financial statements, the Group's Sole Director distinguishes between:

Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to give rise to a cash outflow, but which are uncertain as to their amount and/or timing.

Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not within the Group's control.

Provisions are recognised in the accompanying consolidated statement of financial position when it is considered more likely than not that the corresponding obligation will have to be settled.

Contingent liabilities are not recognised in the financial statements, but rather are disclosed in the notes to the consolidated financial statements, unless they are considered remote.

Provisions are recognised at the present value of the best estimate of the consideration required to settle or transfer the present obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as a finance cost on an accrual basis.

The compensation receivable from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will be received, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Group is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised, if any.

i) *Termination benefits*

Under prevailing legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. The accompanying consolidated financial statements recognise no provision in this regard, because no situations of this kind are expected.

J) *Commitments to employees*

Non-current liabilities for benefits are recognised in the accompanying consolidated statement of financial position at the present value of the obligations assumed at the reporting date by the Italian subsidiary Naturhouse, S.R.L. (Note 14). The Group recognises as an accrued income or expense for long-term benefits, the net cost of the services provided in the year, and that related to any reimbursement and the effect of any reduction or settlement of the commitments acquired. The Group considered the effect of updating this provision, and the related financial impact on profit or loss and consolidated equity to be immaterial.

k) *Income tax and deferred taxes*

The Spanish income tax expense/revenue and analogous taxes applicable to consolidated foreign operations are recognised in the consolidated income statement, except when they are generated by a transaction the gains/losses on which are taken directly to consolidated equity, in which instance the corresponding tax is also recognised in equity.

Income tax represents the sum of current tax payable and the change in recognised deferred tax assets and liabilities.

Tax currently payable is based on taxable profit for the year of the consolidated companies. Consolidated taxable profit for the year differs from profit before tax as reported in the consolidated income statement because items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible are excluded. The Group's current tax is calculated using tax rates that have been enacted at the reporting date.

In Spain, Naturhouse Health S.A.U. files consolidated tax returns, as permitted by the Corporate Income Tax Law, and Kiluva, S.A is the Parent of tax Group no. 265/09, which includes all its subsidiaries that meet the requirements in the legislation governing the taxation of the consolidated profit of corporate groups in Spain.

Deferred tax assets and liabilities include temporary differences identified on tax items that are expected to be either payable or recoverable arising from differences between the carrying amounts of the assets and liabilities and their tax amounts, as well as tax loss carryforwards and unused tax credits. These amounts are measured by applying to the corresponding temporary difference or tax asset, the tax rate at which the asset is expected to be realised or the liability is expected to be settled.

Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised, and the deferred tax assets do not arise from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss). The remaining deferred tax assets (unused tax losses and credits) are only recognised if it is considered likely that the consolidated companies will have sufficient taxable profits in the future against which the unused losses and credits may be utilised.

The deferred tax assets and liabilities recognised are reassessed at each reporting date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

l) *Foreign currency*

The Group's consolidated financial statements are presented in euros, which is the Parent's functional currency. On preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currency), are recognised at the exchange rates prevailing at the transaction date. At the end of each reporting period, monetary items denominated in foreign currencies are translated to euros at the rates prevailing on the closing date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date on which the fair value was determined. Non-monetary items valued at historical cost in a foreign currency are not re-translated.

Exchange differences on monetary items are recognised in the consolidated income statement in the year in which they arise.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated to euros using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless the rates fluctuate significantly during this period, in which case, the exchange rates at dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

m) Revenue recognition

Revenues are recognised to the extent that it is probable that the Group will obtain economic benefits and if such revenue can be reliably measured, regardless of the date on which the payment is made. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria should also be met before posting revenue:

<u>Sale of goods</u>

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement nor effective control over the goods sold;
- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;

Revenue from the sale of goods represents between 95% and 98% of the Group's total revenue in the last three years (see Note 18.1).

Goods are sold mainly to franchise customers or directly to end customers (consumers) through the Group's own stores.

Product returns by franchise or end customers are not significant.

<u>Rendering of services</u>

Revenue obtained by the Group from the rendering of services relates primarily to the annual fee charged directly to franchisees and the amount under "master franchise" agreements charged to a third party so that the third party can operate certain of the Group's franchises in certain countries. Master franchise agreements are normally signed for a period of seven years, with amounts ranging from €50,000 to €300,000, included in a single invoice.

In accordance with IAS 18, the Group recognises all the revenue from the master franchise when it has transferred the risks and rewards of the agreement. In general, this is when the first franchise covered by the master franchise agreement is opened.

<u>Other operating income</u>

The Group mainly recognises under this item costs re-invoiced to related parties and, to a lesser extent, income from the photovoltaic plants it owns (see Note 8).

Dividend and interest income

Dividends from investments are recognised when the right of the shareholder to receive the payment has been established (provided that it is probable that the associated economic benefits will flow to the Group and the amount of the revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

n) Expense recognition

Expenses are recognised in the consolidated income statement when there is a decrease in the future economic benefits related to a reduction in an asset or an increase in a liability that can be measured reliably. This means that the recognition of expenses takes place simultaneously with the recognition of the increase in the liability or the reduction in the asset.

An expense is recognised immediately when a payment does not generate future economic benefits, or when the necessary requirements for it to be recognised as an asset have not been met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

The Group's main expenses relate to supplies (purchases of finished goods from suppliers), other operating expenses (leases, advertising, transport, services received from the Sole Shareholder and independent professional services) and staff costs (salaries and wages, employee benefits expenses and termination benefits).

As indicated in Note 19.2, most purchases of finished goods are from related parties.

ñ) Related party transactions

The Group carries out trade transactions with related parties (sales, rendering and receiving services, and leases, see Note 19.2), as defined in IAS 24, at market prices.

The Sole Director of the Parent and his tax advisors (BDO) consider that there are no material risks in this connection that might give rise to significant liabilities in the future. In addition, most related party transactions involve companies included in the tax group.

Fair value accounting adjustments are made for non-trade transactions with related parties not carried out at market prices (see Note 13.f).

There are other occasional transactions with related parties measured at carrying amount (see Note 3.c).

o) Environmental information

Environmental assets are deemed to be assets used on a lasting basis in the Group's activities, whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of pollution in the future.

These assets are measured in the same way as other items of property, plant and equipment; at acquisition or production cost.

The Group depreciates these items using the straight-line method, based on the estimated number of remaining years of useful life of the different assets.

Environmental expenses relating to the management of the environmental impacts of the Group's operations, and to the prevention of pollution relating to its activities and/ or the treatment of waste and discharges, are taken to the consolidated income statement on an accrual basis, regardless of when the resulting monetary or financial flow arises.

By their nature, the Company's business activities do not have significant environmental impact.

p) Segment information

The business segments presented in these notes to the consolidated financial statements are included consistently, based on the internal information available, by the Parent’s Sole Director. The operating segments are the components of the Naturhouse Group that engage in business activities from it may earn revenues and incur expenses, including ordinary revenue and expenses relating to transactions with other components of the same group. In relation to the segments, financial information is regularly available and the operating results are evaluated by the Parent’s Sole Director in deciding how to allocate resources and in assessing performance.

In the Group's consolidated financial statements, the Parent’s Sole Director has considered the following segments: Spain, Italy, France, Poland and other countries (Note 22).

q) Consolidated statement of cash flows

The following terms are used in the consolidated statement of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of the Group's businesses, and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings not included in operating activities.

r) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the number of Parent shares held as treasury shares by Group companies.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Parent after adjusting for the effect attributable to dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the potential ordinary shares into ordinary shares of the Parent. Conversion is considered to take place at the beginning of the period or at the time of the issue of the potential ordinary shares if these were issued during the year.

6. Risk exposure

Financial risks

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk, liquidity risk and cash flow interest rate risk.

1. Credit risk

As a general rule, the Group places cash and cash equivalents with financial institutions with high credit ratings. Likewise, it adequately monitors the accounts receivable on an individual basis to determine potential insolvency situations.

The Group's main financial assets are cash balances, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in respect of its financial assets.

The Group's credit risk resides mainly in its trade payables. Amounts are shown in the consolidated statement of financial position net of provisions for bad debts, estimated by the Group's management on the basis of prior years' experience and of their assessment of the prevailing economic situation. The detail of impairment allowances under "Trade and other receivables" in the accompanying consolidated statement of financial position at 31 December 2013, 2012 and 2011 is as follows:

	Thousands of euros			
	31/12/2013	31/12/2012	31/12/2011	31/12/2010
Provision for bad debts	(212)	(268)	(207)	(42)

Therefore, the Group's credit risk is not significantly concentrated, with exposure spread over a large number of customers, markets and countries, and entailing insignificant amounts.

However, the Group's Financial Management considers this risk to be a key aspect in the daily management of its business, focusing all its efforts on the adequate control and supervision of the performance of accounts receivable and bad debts, especially in those sectors of activity with a high risk of insolvency.

The Group has established a customer acceptance policy based on a frequent assessment of the liquidity and solvency risks and the establishment of credit limits for its debtors. Also, the Group performs frequent analyses of the age of the debt with commercial customers to cover possible insolvency risks.

The average collection period ranges between 30 and 60 days per country. The significant balances with third parties which are more than 365 days past due have been provisioned in full.

2. Liquidity risk

In order to guarantee liquidity and meet all payment commitments arising from its activities, the Group has the available cash shown its statement of financial position, as well as the financing and credit lines described in Note 15.

In the current market climate which, in recent financial years has been marked mainly by a significant financial crisis which has led to a widespread shrinkage of credit, the Group has maintained a proactive policy with respect to liquidity risk management, centred mainly on preserving its liquidity.

In this regard, the Group manages its liquidity risk by maintaining sufficient cash and marketable securities, and by having available funding through an adequate amount of credit facilities and sufficient capacity to settle its market positions.

Furthermore, it has always endeavoured to use its available liquidity to manage its payment obligations and debt commitments in advance.

The Group mainly earmarks its cash surpluses to the current account held with the Sole Shareholder of its Parent, Kiluva, S.A. (see Note 19.1).

The future payment schedule for financial liabilities is included in Note 15.

3. Market risk relating to interest rates and exchange rates:

The Group's operating activities are mostly unaffected by fluctuations in market interest rates.

The Group is exposed to interest rate risk mainly through long-term borrowings. Instruments issued at floating rates expose the Group to interest rate risk on cash flows. At 2013, 2012, 2011 and 2010 year-end, all of its borrowings bore variable interest.

Based on the net financial debt drawn down at 2013, 2012, 2011 and 2010 year-end, the effect on finance costs of a one-point fluctuation in average interest rates would be as follows:

2013

Change in interest rates	+1%	-1%
Change in finance costs (thousands of euros)	171	(171)

2012

Change in interest rates	+1%	-1%
Change in finance costs (thousands of euros)	281	(281)

2011

Change in interest rates	+1%	-1%
Change in finance costs (thousands of euros)	243	(243)

2010

Change in interest rates	+1%	-1%
Change in finance costs (thousands of euros)	330	(330)

However, the Group did not consider it necessary to cover these interest rate fluctuations; accordingly, it did not enter into any financial derivatives in 2013, 2012, 2011 and 2010.

With respect to exchange rate risk, the Group does not operate on a significant basis abroad in countries with currencies other than the euro. Accordingly, its exposure to exchange rate risk on foreign currency transactions is not material.

Capital management

The Group manages its capital to ensure that the Group companies are able to continue operating as profitable businesses. The Group's capital structure consists of debt, which comprises the loans and credit facilities, and cash and liquid assets detailed in Note 15, and equity, comprising capital and reserves, as detailed in Note 13. In this connection, the Group is committed to maintaining leveraging levels consistent with the growth, solvency and profitability targets.

The Parent's Management, responsible for the management of financial risks, reviews the capital structure periodically.

The net financial debt/operating profit before depreciation and amortisation, impairment and other profit (loss) ratio at 31 December 2013, 2012, 2011 and 2010 was 1.2, 2.3, 1.7 and 2.2 times, respectively. To calculate the aforementioned ratio, the Company considered the non-current and current borrowings net of cash and cash equivalents in the consolidated statement of financial position to be net financial debt.

7. Intangible assets

The changes in "Intangible assets" in the consolidated statement of financial position in 2013, 2012, 2011 and 2010 were as follows:

Cost	Thousands of euros				
	Leaseholds	Intellectual property	Computer software	Other intangible assets	Total
Balance at 1 January 2010	7	7	29	6	49
Additions	-	-	22	-	22
Disposals	-	-	(3)	-	(3)
Balance at 31 December 2010	**7**	**7**	**48**	**6**	**68**
Changes in the scope of consolidation	-	38	6	7	51
Additions	-	9	28	4	41
Translation differences	-	(22)	(1)	-	(23)
Balance at 31 December 2011	**7**	**32**	**81**	**17**	**137**
Additions	6	15	9	45	75
Disposals	-	-	(5)	-	(5)
Translation differences	-	7	1	-	8
Balance at 31 December 2012	**13**	**54**	**86**	**62**	**215**
Changes in the scope of consolidation	-	-	4	-	4
Additions	-	10	8	-	18
Disposals	-	(27)	(2)	-	(29)
Translation differences	-	(16)	-	-	(16)
Balance at 31 December 2013	**13**	**21**	**96**	**62**	**192**

Accumulated amortisation	Euros				
	Leaseholds	Intellectual property	Computer software	Other intangible assets	Total
Balance at 1 January 2010	**-**	**-**	**-**	**-**	**-**
Charges	(1)	-	(11)	-	(12)
Amounts used	-	-	3	-	3
Balance at 31 December 2010	**(1)**	**-**	**(8)**	**-**	**(9)**
Charges	(4)	(4)	(30)	(6)	(44)
Amounts used	-	(5)	-	-	(5)
Translation differences	-	3	2	-	5
Balance at 31 December 2011	**(5)**	**(6)**	**(36)**	**(6)**	**(53)**
Charges	(3)	(26)	(16)	(1)	(46)
Amounts used	-	7	1	(2)	6
Translation differences	-	(2)	-	(1)	(3)
Balance at 31 December 2012	**(8)**	**(27)**	**(51)**	**(10)**	**(96)**
Charges	(1)	(26)	(10)	(1)	(38)
Amounts used	-	18	1	-	19
Translation differences	-	15	1	-	16
Balance at 31 December 2013	**(9)**	**(20)**	**(59)**	**(11)**	**(99)**

Net carrying amount	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	01/01/2010
Leaseholds	4	5	2	6	7
Intellectual property	1	27	26	7	7
Computer software	37	35	45	40	29
Other intangible assets	51	52	11	6	6
Total intangible assets	**93**	**119**	**84**	**59**	**49**

8. Property, plant and equipment

The changes in 2013, 2012, 2011 and 2010 in the various items of property, plant and equipment and in their related accumulated depreciation were as follows:

	Thousands of euros						
Cost	Land and natural resources	Buildings	Other fixtures, tools and furniture	Data processing equipment	Transport equipment	Construction in progress and advances	Total
Balance at 1 January 2010	**825**	**572**	**4,770**	**174**	**232**	**-**	**6,573**
Additions	-	-	621	-	20	4	645
Disposals	(288)	(148)	(14)	(80)	(51)	-	(581)
Balance at 31 December 2010	**537**	**424**	**5,377**	**94**	**201**	**4**	**6,637**
Changes in the scope of consolidation	261	692	396	111	75	1	1,536
Additions	-	7	906	35	-	-	948
Disposals	-	-	(58)	(24)	(49)	-	(131)
Translation differences	-	(10)	(39)	(1)	(2)	-	(52)
Transfers	-	(2)	2	-	-	-	-
Balance at 31 December 2011	**798**	**1,111**	**6,584**	**215**	**225**	**5**	**8,938**
Additions	-	28	703	305	-	2	1,038
Disposals	-	(17)	(549)	(35)	(65)	(3)	(669)
Translation differences	-	(10)	16	-	1	-	7
Balance at 31 December 2012	**798**	**1,112**	**6,754**	**485**	**161**	**4**	**9,314**
Changes in the scope of consolidation	52	12	1,144	15	5	-	1,228
Additions	-	2	369	9	12	10	402
Disposals	-	(64)	(299)	(27)	(15)	-	(405)
Translation differences	-	(2)	(23)	(1)	(1)	-	(27)
Balance at 31 December 2013	**850**	**1,060**	**7,945**	**481**	**162**	**14**	**10,512**

Accumulated depreciation	Thousands of euros				
	Buildings	Other fixtures, tools and furniture	Data processing equipment	Transport equipment	Total
Balance at 1 January 2010	**-**	**-**	**-**	**-**	**-**
Charges	(27)	(589)	(14)	(74)	(704)
Amounts used	5	146	5	133	289
Balance at 31 December 2010	**(22)**	**(443)**	**(9)**	**59**	**(415)**
Charges	(37)	(653)	(61)	(76)	(827)
Amounts used	-	-	23	18	41
Translation differences	3	16	-	1	20
Balance at 31 December 2011	**(56)**	**(1,080)**	**(47)**	**2**	**(1,181)**
Charges	(32)	(852)	(106)	(46)	(1,036)
Amounts used	8	195	25	57	285
Translation differences	(6)	-	-	(1)	(7)
Balance at 31 December 2012	**(86)**	**(1,737)**	**(128)**	**12**	**(1,939)**
Charges	(38)	(893)	(167)	(47)	(1,145)
Amounts used	37	163	5	14	219
Translation differences	1	9	-	1	11
Transfers	21	(64)	43	-	-
Balance at 31 December 2013	**(65)**	**(2,522)**	**(247)**	**(20)**	**(2,854)**

Impairment	Thousands of euros		
	Land and natural resources	Buildings	Total
Balance at 1 January 2010	**(454)**	**(127)**	**(581)**
Amounts used	4	1	5
Balance at 31 December 2010	**(450)**	**(126)**	**(576)**
Amounts used	4	1	5
Balance at 31 December 2011	**(446)**	**(125)**	**(571)**
Amounts used	9	2	11
Balance at 31 December 2012	**(437)**	**(123)**	**(560)**
Amounts used	9	2	11
Balance at 31 December 2013	**(428)**	**(121)**	**(549)**

Net carrying amount	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	01/01/2010
Land and natural resources	422	361	352	87	371
Buildings	874	903	930	276	445
Other fixtures, tools and furniture	5,423	5,017	5,504	4,934	4,770
Data processing equipment	234	357	168	85	174
Transport equipment	142	173	227	260	232
Construction in progress and advances	14	4	5	4	-
Total property, plant and equipment	**7,109**	**6,815**	**7,186**	**5,646**	**5,992**

Additions and disposals in 2013, 2012, 2011 and 2010 basically relate to renovation and refurbishment work carried out at the Group's own stores and offices.

The change in the scope of consolidation in 2013 refers to the merger between Naturhouse Health, S.A.U. (formerly, Housediet, S.L.U) and Kiluva Diet, S.L.U (Spain).

The changes in the scope in 2011 refer mainly to the inclusion of Kiluva Portuguesa - Nutriçao e Dietetetica, Ltd and Naturhouse Sp. zo.o.

At 31 December 2013, 2012 and 2011, photovoltaic panels and other non-current assets with a net carrying amount of €2,594 thousand, €1,763 thousand and €1,825 thousand, respectively, were included under “Other fixtures, tools and furniture”. These assets are depreciated on a straight-line basis like any other of the Group's assets not directly related to its business. In 2014, the Parent is negotiating their sale to the Sole Shareholder at the same amount as carrying amount (see Note 23). At 31 December 2013, 2012 and 2011, these assets did not meet the requirements of IFRS 5 for classification as "Non-current assets held for sale".

At 31 December 2013, 2012, 2011 and 2010, items of property, plant and equipment with an original cost (gross carrying amount) of €3,072 thousand, €2,404 thousand, €2,414 thousand and €2,021 thousand, respectively, were held under finance lease arrangements, and guarantee the bank debt assumed by these agreements (see Note 9).

It is Group policy to take out insurance policies to cover the potential risks which might affect its items of property, plant and equipment. At 31 December 2013, 2012 and 2011, the Parent's Sole Director considers that all these risks had been adequately covered.

The detail of the Parent's property, plant and equipment located abroad at 31 December 2013, 2012, 2011 and 2010 was as follows:

	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	01/01/2010
Cost:					
Land and buildings	1,169	1,233	1,216	161	161
Other fixtures, tools and furniture	2,671	2,768	2,583	942	714
Data processing equipment	147	153	119	5	5
Transport equipment	98	90	89	39	19
Total cost	**4,085**	**4,244**	**4,006**	**1,148**	**899**
Accumulated depreciation	**(1,656)**	**(1,317)**	**(951)**	**(222)**	**-**
Total net value	**2,429**	**2,927**	**3,055**	**926**	**899**

The impairment recognised relates to the recognition at market value of certain assets (less than its book value), mainly of a property owned by the Group in Tenerife, and based on appraisals made by independent third parties during 2010 and 2013. In 2014, that property has been sold to a related party of the Naturhouse Group's Sole Shareholder (see Note 23).

9. Leases

Finance leases

At 2013, 2012, 2011 and 2010 year-end, the Group had recognised the following leased assets in its capacity as lessee (in thousands of euros):

2013

Item	Duration of the agreement in months	Euros				
		Original cost	Payments made (*)		Payments outstanding (*)	
			Prior years	Present year	Current payments outstanding	Non-current payments outstanding
Land and buildings	120-144	1,363	961	103	61	238
Plant	84	1,596	1,096	244	256	-
Transport equipment	48	113	98	11	4	-
Total		**3,072**	**2,155**	**358**	**321**	**238**

2012

Item	Duration of the agreement in months	Euros				
		Original cost	Payments made (*)		Payments outstanding (*)	
			Prior years	Present year	Current payments outstanding	Non-current payments outstanding
Land and buildings	120-144	1,363	854	107	103	299
Plant	84	928	558	122	142	106
Transport equipment	48	113	60	38	11	4
Total		**2,404**	**1,472**	**267**	**256**	**409**

2011

Item	Duration of the agreement in months	Euros				
		Original cost	Payments made (*)		Payments outstanding (*)	
			Prior years	Present year	Current payments outstanding	Non-current payments outstanding
Land and buildings	120-144	1,363	730	124	107	402
Plant	84	928	423	135	122	248
Transport equipment	36-48	123	27	35	38	23
Total		**2,414**	**1,180**	**294**	**267**	**673**

2010

Item	Duration of the agreement in months	Euros				
		Original cost	Payments made (*)		Payments outstanding (*)	
			Prior years	Present year	Current payments outstanding	Non-current payments outstanding
Land and buildings	120	990	454	96	89	351
Plant	84	928	289	134	135	370
Transport equipment	36	103	12	23	23	45
Total		**2,021**	**755**	**253**	**247**	**766**

(*) Lease payments made and outstanding only include the part of the payment related to the cost of the asset and not the related interest.

The net carrying amount of the assets associated with finance lease agreements at 2013, 2012, 2011 and 2010 year-end is as follows:

	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	01/01/2010
Land and buildings	615	539	547	226	226
Plant	1,517	776	807	839	870
Transport equipment	-	63	83	102	-
Total	**2,132**	**1,378**	**1,437**	**1,167**	**1,096**

At 31 December 2013, 2012, 2011 and 2010, according to the agreements in force, the Group had entered into leases with the following minimum lease payments including purchase options, excluding the effect of shared expenses, future increases in line with the CPI or contractually agreed rent increases:

Finance leases Minimum lease payments	Thousands of euros 31/12/2013	 31/12/2012	 31/12/2011	 31/12/2010
Less than 1 year	321	256	267	247
1 to 5 years	238	409	643	756
5 years +	-	-	30	10
Total	**559**	**665**	**940**	**1,013**

At 2013 year-end, the finance leases related mainly to two Group premises in Tenerife (Spain) and in Lisbon (Portugal), and to the related photovoltaic panels located in the provinces of Barcelona, Guadalajara and Las Palmas (Spain).

According to the Parent's Sole Director, the Group will exercise the purchase option on expiry of the finance lease agreements entered into in relation with the aforementioned premises and photovoltaic panels, in force at 31 December 2013.

Operating leases

At 31 December 2013, 2012, 2011 and 2010, according to the agreements in force, the Group had entered into leases with the following minimum lease payments, excluding the effect of shared expenses, future increases in line with the CPI or contractually agreed rent increases (in thousands of euros):

Minimum lease payments	Thousands of euros 31/12/2013	 31/12/2012	 31/12/2011	 31/12/2010
Less than 1 year	2,443	2,568	2,529	2,270
1 to 5 years	2,410	3,435	4,210	5,617
5 years +	231	247	605	904
Total	**5,084**	**6,250**	**7,344**	**8,791**

The operating leases relate mainly to the lease of offices, warehouses and stores owned by the Group. The Group has various leases with a related party of its Sole Shareholder, Tartales, S.L.U., as described in Note 19.2.

The cost of these leases is recognised under “Other operating expenses” in the accompanying consolidated income statement, amounting to €3,253 thousand in 2013, €3,288 thousand in 2012, €3,067 thousand in 2011 and €2,536 thousand in 2010.

10. Financial assets

10.1. Non-current financial assets

The detail of "Non-current financial assets" at 31 December 2013, 2012, 2011 and 2010 is as follows:

	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	01/01/2010
Equity instruments:					
- Available-for-sale assets	42	3,840	8,994	15,417	21,878
- Other equity instruments	103	-	-	-	-
Other financial assets:					
- Long-term deposits and guarantees given	439	366	366	314	223
Total	**584**	**4,206**	**9,360**	**15,731**	**22,101**

Fair value of financial instruments: Valuation techniques and assumptions used to measure fair value

Financial instruments are grouped into three levels based on the degree to which their fair value is observable.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3: valuation techniques that use inputs for the asset or liability that are not based on observable market data (non-observable inputs).

The amount recognised in "Available-for-sale assets" in the accompanying consolidated statement of financial position relates exclusively to the portfolio of equity instruments, Level 1 financial instruments in equities quoted on official markets measured at fair value.

Likewise, in 2013, equity instruments measured at cost were included, relating to the investment held by the Group in Twinat, S.R.L. and Twinat Sp. zo.o, of Italy and Poland, respectively. Incorporated in 2013, these companies were idle throughout the year. The Groups holds 51% of the voting rights in both companies, and has not consolidated them since the Sole Director considers that their effect on the accompanying consolidated financial statements is immaterial. Furthermore, these investments were sold to the Sole Shareholder in 2014, at the same cost at which they were recognised (€103 thousand) (see Note 23).

Available-for-sale assets

The detail of the net carrying amount of the Group's main holdings at 31 December 2013, 2012, 2011 and 2010 is as follows:

	Thousands of euros			
	31/12/2013	31/12/2012	31/12/2011	31/12/2010
Sniace, S.A.	-	-	-	5,666
Banco Popular Español, S.A.	-	971	3,393	3,612
Fomento de Construcciones y Contratas, S.A.	-	1,031	2,204	2,163
Natraceutical, S.A.	-	-	-	1,922
Banco de Sabadell, S.A.	-	709	1,013	1,020
Caixabank, S.A.	-	652	938	796
Other	42	477	1,446	238
Total	**42**	**3,840**	**8,994**	**15,417**

The changes in this heading at 2013, 2012, 2011 and 2010 year-end are as follows:

2013

	Thousands of euros				
	31/12/2012	Additions due to changes in the scope (Note 3.c)	Additions	Disposals	31/12/2013
Available-for-sale assets	27,142	7,277	-	(29,784)	4,635
Portfolio impairment	(23,302)	(6,460)	(50)	25,219	(4,593)
Total	**3,840**	**817**	**(50)**	**(4,565)**	**42**

In 2013, the Group received dividends amounting to €31 thousand from equity investments (see Note 18.4). Disposals in 2013 related to sales made to third parties.

2012

	Thousands of euros			
	31/12/2011	Additions	Disposals	31/12/2012
Available-for-sale assets	26,699	791	(348)	27,142
Portfolio impairment	(17,705)	(5,597)	-	(23,302)
Total	**8,994**	**(4,806)**	**(348)**	**3,840**

In 2012, the Group received income from equity investments amounting to €691 thousand (see Note 18.4). Disposals in 2012 related to sales made to third parties.

2011

	Thousands of euros				
	31/12/2010	Additions due to changes in the scope (Note 3.c)	Additions	Disposals	31/12/2011
Available-for-sale assets	49,965	4,182	1,153	(28,601)	26,699
Portfolio impairment	(34,548)	(2,166)	(1,408)	20,417	(17,705)
Total	**15,417**	**2,016**	**(255)**	**(8,184)**	**8,994**

In 2011, the Group received dividends amounting to €333 thousand from equity investments (see Note 18.4). Disposals in 2011 relate to sales made to third parties, except sales with a cost of €27,761 thousand made to the Sole Shareholder.

2010

	Thousands of euros			
	1/1/2010	Additions	Disposals	31/12/2010
Available-for-sale assets	53,040	1,157	(4,232)	49,965
Portfolio impairment	(31,162)	(3,386)	-	(34,548)
Total	**21,878**	**(2,229)**	**(4,232)**	**15,417**

In 2010, the Group received dividends amounting to €379 thousand from equity investments (see Note 18.4). Disposals in 2010 related to sales made to third parties.

Portfolio impairment

Gains or losses arising from changes in fair value of these available-for-sale investments are recognised directly in the Group's equity until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

A fall in the asset's quoted price of more than 40% over a period of a year and a half without recovering, irrespective of an impairment loss recognised before meeting these thresholds, is considered evidence of impairment.

The quoted prices of these assets have fallen by nearly 40% or more over the past four years. Accordingly, the Group has recognised the impairment losses previously recognised in equity in profit and loss for the year.

The difference between the portfolio impairment recognised and the valuation adjustments recognised in the statement of comprehensive income relates to gains or losses obtained on the sale of the shares.

Certain titles to securities recognised under this heading are pledged to the credit facilities described in Note 16 which, in turn, are guaranteed by the Parent's Sole Shareholder.

10.2. Investments in related parties

The balance of “Investments in related parties” in the accompanying consolidated statement of financial position amounted to €25,659 thousand, €33,172 thousand, €25,617 thousand and €28,048 thousand in 2013, 2012, 2011 and 2010, respectively, and relates to the centralised cash management system held by the Parent with Kiluva, S.A. (see Note 19.1). Under the agreed terms, this current account did not earn interest at market rates. Therefore, the Group recognised at market interest as finance income under “Other Distributions to the Sole Shareholder” (see Note 13.f).

The fair value of the interest was calculated using the average interest on the Group's loans and credit policies, of between 3.7% and 4.9% annual, in the last three financial periods (see Note 15).

The amount recognised as finance income in this connection in 2013, 2012 and 2011 was €1,404 thousand, €1,347 thousand and €1,399 thousand, respectively.

The Parent's Sole Director considers the balances fully recoverable and that they will be settled upon the successful placement of Parent shares in the primary Spanish market explained in Note 23.

10.3. Current financial assets

The detail of "Current financial assets" at 2013, 2012, 2011 and 2010 year-end are as follows:

	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	01/01/2010
Bank deposits	1,902	945	527	-	-
Other short-term investments	42	42	42	-	-
Total	**1,944**	**987**	**569**	-	-

The amount recognised under “Bank deposits” relates mainly to deposits arranged with financial institutions maturing at under one year (but over three months), which earn interest at market rates.

The carrying amount of the Group's financial assets does not differ significantly from their fair value.

11. Inventories

The breakdown of “Inventories” in the accompanying consolidated statements of financial position at 31 December 2013, 2012, 2011 and 2010 is as follows:

	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	01/01/2010
Merchandise	2,694	2,421	2,240	2,250	2,014

Changes in impairment allowances under “Inventories” in the accompanying consolidated statement of financial position were as follows:

	Thousands of euros						
	01/01/2010	Charges	31/12/2010	Reversal	31/12/2011	31/12/2012	31/12/2013
Impairment of inventories	4	58	62	(62)	-	-	-

Impairment allowances recognised related mainly to the obsolescence of certain products stored by the Group. The criteria followed by the Group to calculate the need to recognise such allowances is detailed in Note 5.f.

12. Cash and cash equivalents

Most of the balances in the accompanying consolidated statements of financial position at 31 December 2013, 2012, 2011 and 2010 relate to the amount deposited in current accounts and financial deposits of less than three months which, as of those dates, were held by the Group with financial institutions. These accounts are mainly denominated in euros, unrestricted and earn interest at market rates. The amount of cash in banks is insignificant.

13. Equity

a) Share capital

At 31 December 2013, the Parent’s share capital comprised 1,000 fully subscribed and paid registered shares with a par value of €375 each (800 registered shares of €375 par value each at 31 December 2012, 2011 and 2010). At the 2013, 2012, 2011 and 2010 year-ends, Kiluva, S.A. owned all the Parent's shares. The Company has contracts and performs transactions with its Sole Shareholder as detailed in Note 19, and complied with all the reporting requirements with respect to its sole-shareholder status.

In 2013, the Parent's Sole Shareholder approved the merger agreement between Naturhouse Health, S.A.U. and Group company Kiluva Diet, S.L.U (see Note 3.c). As a result of this merger, the Parent's share capital increased by €75 thousand through the issue of 200 shares with a par value of €375, with a share premium of €2,149 thousand (€10.7 thousand per share).

b) Legal reserve

Under the Consolidated Text of Spanish Corporate Enterprise Act (Ley de Sociedades de Capital), public limited liability companies must earmark an amount equal to 10% of profit for the year to the legal reserve until this reserve represents at least 20% of share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Except as mentioned above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

c) Equity attributable to non-controlling interests

The detail of this heading in the consolidated statement of financial position at 31 December 2013, 2012, 2011 and 2010 is as follows:

	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	01/01/2010
Housediet S.A.R.L.	-	108	96	99	-
Kiluva Portuguesa –Nutriçao e Dietetica, Lda.	547	586	1,012	-	-
Naturhouse, Gmbh	126	119	3	2	2
Housediet, Llc	-	-	-	21	35
Zamodiet México, S.A de C.V.	202	272	284	317	165
Total	**875**	**1,085**	**1,395**	**439**	**202**

Movements in 2103, 2012, 2011 and 2010 in this heading in the accompanying consolidated statements of financial position were as follows:

	Thousands of euros
Balance at 1 January 2010	**202**
Profit/(loss) attributable to non-controlling interests	(8)
Translation differences	27
Changes in the scope of consolidation	108
Other changes in equity	110
Balance at 31 December 2010	**439**
Profit/(loss) attributable to non-controlling interests	306
Translation differences	(28)
Changes in the scope of consolidation	678
Balance at 31 December 2011	**1,395**
Profit/(loss) attributable to non-controlling interests	(158)
Translation differences	15
Changes in the scope of consolidation	123
Dividends	(290)
Balance at 31 December 2012	**1,085**
Profit/(loss) attributable to non-controlling interests	(92)
Translation differences	(10)
Changes in the scope of consolidation	(108)
Balance at 31 December 2013	**875**

d) Translation differences

The breakdown of “Translation differences” in the consolidated statements of financial position at 31 December 2013, 2012, 2011 and 2010 is as follows:

	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	01/01/2010
Housediet, Llc	-	-	-	19	-
Naturhouse Franchising Co, Ltd	-	6	1	-	-
Naturhouse, Sp. zo.o.	112	94	-	-	-
Zamodiet México, S.A de C.V.	12	17	5	25	-
Total	**124**	**117**	**6**	**44**	-

e) *Earnings/(loss) per share*

Basic earnings/(loss) per share amounts are calculated by dividing profit/loss attributable to equity holders of the Parent by the average number of ordinary shares outstanding during the year. At 2013, 2012, 2011 and 2010 year-end, earnings/(loss) per share were as follows:

	2013	2012	2011	2010
Number of shares	1,000	800	800	800
Average number of shares	1,000	800	800	800
Consolidated net profit of the Parent (thousands of euros)	8,544	3,774	7,336	7,922
Number of treasury shares	-	-	-	-
Total shares outstanding	1,000	800	800	800
Earnings/(loss) per share (in thousands of euros per share)				
- Basic	8.54	4.72	9.17	9.90
- Diluted	8.54	4.72	9.17	9.90

No financial instruments existed which may dilute earnings/(loss) per share.

f) *Other distributions to the Sole Shareholder*

The amounts recognised under "Other distributions to the Sole Shareholder" relate to the recognition of certain transactions with the Sole Shareholder which had been recognised in the separate financial statements at prices other than market prices, since it belonged to the same tax consolidation group. Consequently, these transactions were re-assessed in the consolidated income statement, recognising them at market prices, also considering their tax effect, and considering the "Other distributions to the Sole Shareholder" account to be a balancing entry. The most relevant transaction re-assessed relates to the accrued interest of the Sole Shareholder's account receivable for centralised cash management (see Note 10.2).

14. Provisions and contingencies

a) *Non-current provisions*

The balance of other non-current provisions relates to a commitment held by the Group with certain employees of the Italian subsidiary, Naturhouse S.R.L. This TFR ("*Trattamento di fine rapporto*") end-of-contract indemnity obligation may be settled on the date of termination of the employment relationship, regardless of whether the termination is voluntary or otherwise. From 1 January 2007 onwards, following the regulatory change in Italy, the reserve set up for the TFR until 31 December 2006 remains at the Company, and is re-assessed with the parameters of Law 297/82, and the withholding taxes from each employee salary are paid by the company to the INPS (Italian Social Security entity). This commitment has not been externalised. The cost is recognised under "Staff costs" in the consolidated income statement and amounted to €186 thousand, €203 thousand and €227 thousand in 2013, 2012 and 2011, respectively.

b) Contingencies

At 2013 and 2012 year-end, the Group disputed a trade payable amounting to €2.4 million and €2.2 million, respectively, with related party Zamodiet, S.A. The liability is recognised in under "Suppliers, related parties". The Parent's Sole Director, together with its legal advisers, considers that the resolution of this lawsuit will not have an impact on the Naturhouse Group's equity, since this debt is guaranteed by the Parent's Sole Shareholder. The Group is involved in other ongoing lawsuits of lesser importance, the maximum amount of which in no case would be material.

Therefore, the Parent's Sole Shareholder does not consider that any significant liabilities will arise as a result of the events described in the previous paragraphs.

15. Borrowings

Details of the Group's current and non-current borrowings at 31 December 2013, 2012, 2011 and 2010 are as follows:

2013

	Thousands of euros			
	Initial amount or limit	Maturity		Total
		Current	Non-current	
Bank borrowings:				
Loans	34,800	8,626	5,614	14,240
Finance leases (Note 10)	3,262	321	238	559
Credit facilities	7,000	5,485	-	5,485
Discounted bills	2,100	245	-	245
Bank borrowings, subtotal	**47,162**	**14,677**	**5,852**	**20,529**
Other financial liabilities	-	10	13	23
TOTAL	**47,162**	**14,687**	**5,865**	**20,552**

2012

	Thousands of euros			
	Initial amount or limit	Maturity		Total
		Current	Non-current	
Bank borrowings:				
Loans	34,800	18,544	4,159	22,703
Finance leases (Note 10)	2,403	256	409	665
Credit facilities	14,225	9,373	-	9,373
Discounted bills	3,700	267	-	267
Interest	-	81	-	81
Bank borrowings, subtotal	**55,128**	**28,521**	**4,568**	**33,089**
Other financial liabilities	-	16	13	29
TOTAL	**55,128**	**28,537**	**4,581**	**33,118**

2011

	Thousands of euros			
	Initial amount or limit	Maturity		Total
		Current	Non-current	
Bank borrowings:				
Loans	31,526	5,047	5,558	10,605
Finance leases (Note 10)	2,403	267	673	940
Credit facilities	16,025	14,888	-	14,888
Discounted bills	5,488	312	-	312
Interest	-	175	-	175
Bank borrowings, subtotal	**55,442**	**20,689**	**6,231**	**26,920**
Other financial liabilities	-	3	17	20
TOTAL	**55,442**	**20,692**	**6,248**	**26,940**

2010

	Thousands of euros			
	Initial amount or limit	Maturity		
		Current	Non-current	Total
Bank borrowings:				
Loans	40,736	9,133	9,769	18,902
Finance leases (Note 10)	2,021	247	766	1,013
Credit facilities	17,730	17,341	-	17,341
Discounted bills	4,950	350	-	350
Interest	-	779	-	779
Bank borrowings, subtotal	**65,437**	**27,850**	**10,535**	**38,385**
Other financial liabilities	-	2	9	11
TOTAL	**65,437**	**27,852**	**10,544**	**38,396**

Loans

The Group has been granted various loans by different credit institutions, in which both the Sole Shareholder and related parties Finverki, S.L.U., Tartales, S.L.U. and Kiluva Diet, S.L.U. (merged with the Parent in 2013) act as guarantors. No additional guarantees were granted with respect to these loans.

The detail, by maturity, of the loans held by the Group (at their nominal amount), is as follows:

	Thousands of euros			
Maturity	31/12/2013	31/12/2012	31/12/2011	31/12/2010
2011	-	-	-	9,133
2012	-	-	5,047	4,767
2013	-	18,544	3,153	2,869
2014	8,626	3,557	2,405	2,133
2015	3,729	602	-	-
2016	1,885	-	-	-
Total	**14,240**	**22,703**	**10,605**	**18,902**

Certain loans indicated above include certain maturity clauses and an early repayment obligation ("covenants"). At 2013 and 2012 year-end, certain covenants were breached. Accordingly, the accompanying consolidated statement of financial position included the debt associated therewith maturing at long term within current liabilities, amounting to €10,078 thousand and €709 thousand, respectively.

The reason for the breach of covenants in 2012 was failure by the guarantors to have positive equity at the end of the year. One company had negative equity at 31 December 2012.

The lender banks did not exercise the maturity and mandatory early repayment clause and in 2013 and 2014 the equity of these companies was restored. No breaches of covenants are expected in the coming financial period.

Credit facilities

At 2013 year-end, the aforementioned facilities were secured by the financial investments described in Note 10.1, and the Parent's Sole Shareholder, Kiluva, S.A. acted as guarantor. Likewise certain investments of the Sole Shareholder and of its related party Finverki, S.L.U., were pledged to guarantee the aforementioned credit facilities.

The credit facilities signed by the Group may be tacitly renewed each year, except in the event of a claim filed by either party in the advance notice period agreed upon. Accordingly, they were recognised under current liabilities. The policies in force at 2013 year-end were agreed upon under this arrangement until 2016.

Average interest on loans and credit facilities

The average interest on loans and credit facilities in 2013, 2012, 2011 and 2010 was 4.34%, 4.87%, 3.72% and 3.13% annual, respectively.

The carrying amount of the Group's financial debt does not differ significantly from its fair value.

16. Trade and other payables

The breakdown of "Trade and other payables" under current liabilities in the accompanying consolidated statements of financial position at 31 December 2013, 2012, 2011 and 2010 is as follows:

	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	1/01/2010
Suppliers	1,089	1,347	1,421	1,608	2,382
Other payables	835	1,073	1,012	1,327	1,492
Personnel (salaries payable)	1,126	885	856	409	199
Advances from customers	-	203	-	-	4
Current accruals	179	180	154	120	66
Total	**3,229**	**3,688**	**3,443**	**3,464**	**4,143**

The carrying amount of trade and other payables does not differ significantly from their fair value.

Salaries payable relates mainly to the accrual of summer pay and to variable remuneration of certain Group employees.

Disclosures on deferred payments to suppliers. Additional provision three. “Disclosure requirement” set out in Law 15/2010 of 5 July.

The information required under Additional Provision Three of Law 15/2010, of 5 July, is as follows:

	Payments made and outstanding at the reporting date (in thousands of euros)					
	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
Payments made within the statutory limit	5,673	42%	8,987	78%	18,938	85%
Other	7,815	58%	2,566	22%	3,315	15%
Total payments in the year	**13,488**	**100%**	**11,553**	**100%**	**22,253**	**100%**
Weighted average payment days	76		89		95	
Weighted average days past due	16		14		10	
Deferrals at the reporting date exceeding the statutory limit	74		75		93	

The figures in the preceding table on payments to suppliers refer to those of consolidable companies whose nature make them trade creditors because they are suppliers of goods and services. Therefore, they include the figures relating to “Payable to suppliers” and “Other payables” under current liabilities in the accompanying consolidated statement of financial position.

The weighted average payment days is calculated by multiplying each supplier payment in the year over the statutory payment period by the number of days over the period and dividing the sum of these amounts by the total amount of payments made in the year past the statutory limit.

The maximum statutory payment period applicable to the Group under Law 3/2004 of 29 December establishing measures to combat late payment in commercial transactions, and in accordance with the transitional provisions established in Law 15/2010, of 5 July, is 85 days between the date on which this law took effect and 31 December 2011. Between 1 January 2012 and 31 December 2012, it was 75 days. Between 1 January 2013 and 31 December 2013, it was 60 days.

This law was amended by Law 11/2013 of 26 July, which established since its application date a maximum legal period of 30 days except when an agreement exists between the parties establishing a maximum period of 60 days.

17. Tax matters

17.1 Current tax receivables and payables

The detail of current balances with the tax authorities at 31 December 2013, 2012, 2011 and 2010 is as follows:

Balances receivable

	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	01/01/2010
VAT recoverable	167	131	90	170	20
Taxation authorities, other receivables	-	21	2	-	-
Income tax receivable	59	657	29	-	-
Total other receivables from public authorities	**226**	**809**	**121**	**170**	**20**

Balances payable

	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	1/1/2010
VAT payable	133	160	144	111	40
Taxation authorities, withholding tax	349	370	397	273	157
Social Security, payables	421	400	387	253	46
Income tax payable	415	9	714	1,131	670
Taxation authorities, other taxes payable	54	42	10	3	4
Total other payables to public authorities	**1,372**	**981**	**1,652**	**1,771**	**917**

17.2 Reconciliation of accounting profit to the corporate income tax expense

At 31 December 2013, 2012, 2011 and 2010, the Group did not file consolidated tax returns. Accordingly, "Income tax expense" in the consolidated income statement reflects the amount of the individual tax returns of each of the Group companies from the date of inclusion in the scope of consolidation of each of them. However, the Group's Parent Naturhouse Health S.A.U. files consolidated tax returns, and the Sole Shareholder, Kiluva, S.A., is the head of the consolidated tax Group.

The income tax expense included in the accompanying consolidated income statement is calculated on the basis of consolidated profit before tax, increased or decreased by the permanent differences between taxable profit and accounting profit and the consolidation adjustments. The corresponding tax rate based on the legislation applicable to each company is applied to this adjusted accounting profit. The tax relief and tax credits earned in the year are deducted and the positive or negative differences between the estimated tax charge calculated for the prior year's accounting close and the subsequent tax settlement at the payment date are added to or deducted from the resulting tax charge.

The reconciliation of consolidated profit before tax to the resulting income tax expense is as follows:

	Thousands of euros			
	2013	2012	2011	2010
Consolidated profit before tax	13,012	6,199	11,961	11,909
Permanent differences and consolidation adjustments	357	59	1,688	750
Adjusted profit	**13,369**	**6,258**	**13,649**	**12,659**
Tax rate	*30%*	*30%*	*30%*	*30%*
Income after applying tax rate	**4,011**	**1,877**	**4,095**	**3,798**
Tax credits	**-**	**-**	**-**	(96)
Tax rate differences	(379)	290	(246)	(126)
Other adjustments	928	416	470	419
Total income tax expense	**4,560**	**2,583**	**4,319**	**3,995**

Other adjustments in 2013 related mainly to the derecognition of capitalised tax credits of the Portuguese subsidiary, totalling €505 thousand.

Permanent differences and consolidation adjustments in 2011, amounting to €1,163 thousand, relate mainly to the sale of shares of the Portuguese company to the Group's Sole Shareholder (see Note 10.1).

The various companies calculate income tax expense in accordance with their respective tax legislations. The main tax rates applicable to the Group are as follows:

Country	Tax rate
Spain	30%
France	33.33%
Italy	31.4%
Poland	34%
Portugal	25%
Mexico	40%
UK	23%
Germany	30%

The detail of current and deferred tax expense is as follows:

	Thousands of euros			
	2,013	**2012**	**2011**	**2010**
Deferred tax expense/(revenue)	555	(293)	192	(34)
Current tax expense/(revenue)	4,005	2,876	4,127	4,029
Total corporate income tax expense	**4,560**	**2,583**	**4,319**	**3,995**

The differences between current tax expense/(income) and the movement in deferred taxes relate to changes in the consolidation scope.

17.3 Deferred tax assets recognised

At 31 December 2013, 2012, 2011 and 2010, the breakdown of this heading was as follows:

	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	1/1/2010
Temporary differences (deferred tax assets):					
Impairment of financial assets	-	610	347	-	11
Impairment of property, plant and equipment	227	168	170	172	174
Tax effect of consolidation adjustments	215	158	93	71	26
70% depreciation and amortisation limit	53	-	-	-	-
Depreciation and amortisation for accounting purposes exceeding the tax limit	26	9	3	12	-
Others	13	9	4	1	-
Total deferred tax assets	**534**	**954**	**617**	**256**	**211**

These deferred tax assets have been recognised in the consolidated statement of financial position as the Parent's Sole Director considers that, based on the best estimates of future results for the Group, including certain tax planning measures, it is likely that these assets will be recovered.

17.4 Deferred tax assets not recognised

The Group did not recognise certain deferred tax assets in the accompanying consolidated statement of financial position, since it considered that their future offset did not comply with the probability requirements envisaged in the accounting regulations.

The detail of these unrecognised deferred tax assets is as follows:

	Thousands of euros						Maturity
	31/12/2013		31/12/2012		31/12/2011		
	Base	Tax payable	Base	Tax payable	Base	Tax payable	
Tax credits generated in 2011	-	21	-	71	-	71	2029
Tax credits generated in 2012	-	11	-	115	-	-	2030
Tax credits generated in 2013	-	2	-	-	-	-	2031
2012 tax loss carryforwards	2,006	602	1,604	481	-	-	2030
Total unrecognised deferred tax assets		**636**		**667**		**71**	

In 2013, the deferred tax assets contributed by Kiluva Diet, S.L.U. were included in the Naturhouse Group (Note 3.c)

Unrecognised deferred tax assets relate mainly to the Group's Parent.

There were no unrecognised deferred tax assets at 31 December 2010 and 1 January 2010.

17.5 Deferred tax liabilities

The detail of "Deferred tax liabilities" at 31 December 2013, 2012, 2011 and 2010 is as follows:

	Thousands of euros				
	31/12/2013	31/12/2012	31/12/2011	31/12/2010	1/1/2010
Temporary differences (deferred taxes):					
Finance leases	402	173	129	105	94
Total deferred tax liabilities	**402**	**173**	**129**	**105**	**94**

17.6 Years open for review and tax audits

By their very nature, the Company's business activities are not exposed to significant tax risks.

Provisional tax returns are filed and prepayments are made on a regular basis, based on the transactions contained in the accounting records, but they are not considered to be definitive until the tax authorities have inspected them or the statute-of-limitations period has expired which, in Spain, is five years for corporate income tax and four years for the remaining taxes applicable to the Group.
Group companies have not been inspected and are not being inspected by the tax authorities for taxes in the last five periods, except:

- Inspection of the Parent for VAT for 2010 to 2012, having raised assessments in 2013 amounting to €31 thousand. These assessments have been signed in agreement and accounted for.

- Inspection of all taxes from 2008 to 2010 of the Polish subsidiary, having raised assessments for 2008 of 1,500 zlotys. These assessments were signed in agreement and accounted for. The inspections for 2009 and 2010 are still underway.

No additional material liabilities for the Group are expected to arise in the event of an inspection of the remaining years being inspected.

The Parent's Sole Director considers that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying consolidated financial statements.

18. Revenue and expenses

18.1 Revenue

The detail of the Group's "Revenue" in the years ended 31 December 2013, 2012, 2011 and 2010 is as follows:

	Thousands of euros			
	2013	2012	2011	2010
Sales of goods	57,479	56,362	60,442	60,738
Rendering of services	2,402	1,425	1,247	1,223
Total	**59,881**	**57,787**	**61,689**	**61,961**

18.2. Procurements

The detail of "Cost of merchandise sold" in 2013, 2012, 2011 and 2010 is as follows:

	Thousands of euros			
	2013	2012	2011	2010
Cost of merchandise sold:				
Purchases	20,315	20,296	21,804	23,325
Changes in inventories	(273)	(181)	10	(236)
Impairment of merchandise	-	-	(62)	58
Total	**20,042**	**20,115**	**21,752**	**23,147**

The detail, by origin, of purchases made by the Group in 2013, 2012, 2011 and 2010 is as follows:

	Thousands of euros			
	2013	2012	2011	2010
Spain	11,442	11,578	15,726	18,730
Europe	8,210	7,687	4,744	3,034
Others	663	1,030	1,334	1,561
Total purchases	**20,315**	**20,296**	**21,804**	**23,325**

18.3 Staff costs

Details of staff costs accrued during 2013, 2012, 2011 and 2010 are as follows:

	Thousands of euros			
	2013	2012	2011	2010
Wages, salaries and similar expenses	9,901	9,755	9,825	8,121
Employee benefits expense	3,006	2,927	3,072	2,455
Termination benefits	798	457	257	189
Total	**13,705**	**13,139**	**13,154**	**10,765**

18.4 Finance income and costs

The detail of the Group's financial profit/(loss) in 2013, 2012, 2011 and 2010 is as follows:

	Thousands of euros			
	2013	2012	2011	2010
Finance income	**1,545**	**2,242**	**1,792**	**1,941**
From equity investments				
In third parties	31	691	333	379
From marketable securities and other financial instruments				
In related companies (Note 19.2)	1,404	1,347	1,399	1,522
In third parties	110	204	60	40
Finance costs	**(1,162)**	**(1,463)**	**(1,214)**	**(1,452)**
Third-party borrowings	(1,162)	(1,463)	(1,214)	(1,452)
Exchange gains	**3**	**(1)**	**(1)**	**(4)**
Impairment and gains/(losses) on disposal of financial instruments	**(210)**	**(5,600)**	**(1,863)**	**(3,207)**
Financial loss	**176**	**(4,822)**	**(1,286)**	**(2,722)**

In 2013, 2012, 2011 and 2010, the Group received income from equity investments amounting to €31 thousand, €691 thousand, €333 thousand and €379 thousand, respectively, recognised under “Finance income - Dividends from other companies” in the accompanying consolidated income statement.

“Impairment and gains (losses) on the disposal of financial instruments” includes the impairment recognised by the Group in relation to losses in value of financial investments, so that the measurement thereof does not differ from their fair value at the end of each of the years and, to the gains and/or losses obtained from the sale of such instruments.

18.5 Other operating expenses

The detail of “Other operating expenses” in 2013, 2012, 2011 and 2010 is as follows:

	In thousands of euros			
	2013	**2012**	**2011**	**2010**
Leases	3,253	3,288	3,067	2,536
Repairs	302	155	182	138
Transport expenses	1,342	1,412	1,435	1,317
Utilities	646	651	652	470
Advertising				
Services received from the Sole Shareholder for	2,541	3,186	4,022	4,384
management fees and other services (Note 19.2)	2,802	2,504	2,345	2,214
Other external services	3,090	3,293	2,519	2,517
Total	**13,976**	**14,489**	**14,222**	**13,576**

19. Related party balances and transactions

The following are considered related parties:

- The Parent's Sole Shareholder, Kiluva, S.A., and all its related parties, as defined in IAS 24.

- Directors and managers of any Naturhouse Group company or of the Sole Shareholder, Kiluva, S.A., as well as their close relatives. "Directors" include members of the Board of Directors and "managers" those reporting directly to the Board of Directors or the Company's Chief Executive.

19.1 Related party balances

At 31 December 2013, 2012, 2011 and 2010, the Group held the following balances with related companies:

	Thousands of euros							
	Balances receivable				Balances payable			
Company	2013	2012	2011	2010	2013	2012	2011	2010
Current financial balances								
Kiluva, S.A	25,659	33,172	25,617	28,048	292	-	1,072	1,755
S.A.S Naturhouse	-	-	-	-	-	288	500	300
Natural person related parties	-	-	-	-	1,058	1,309	1,579	-
Total current financial balances	**25,659**	**33,172**	**25,617**	**28,048**	**1,350**	**1,597**	**3,151**	**2,055**
Current trade balances								
Gartabo, S.A	2	5	6	6	-	-	-	-
Girofibra, S.L	-	-	-	-	86	87	41	36
Ichem, Sp. zo.o.	-	-	-	-	1,742	1,265	681	453
Indusen, S.A	-	-	-	-	482	253	376	527
Kiluva Diet,S.L.U	-	42	4	-	-	2	-	39
Kiluva portuguesa Nutriçao e Dietética., LDA	-	-	-	26	-	-	-	-
Kiluva, S.A	-	-	1,528	-	61	695	-	-
Laboratorios Abad, S.L.U	-	-	-	-	81	20	-	-
Laboratorios Oxyjeune, S.L.U	-	-	-	-	-	-	21	-
Luair, S.L.U	-	-	-	-	-	-	-	177
S.A.S Naturhouse	14	646	18	-	468	1,075	345	-
Zamodiet, S.A	-	-	18	18	2,531	3,823	2,168	2,377
Total current trade balances	**16**	**693**	**1,574**	**50**	**5,451**	**7,220**	**3,632**	**3,609**
TOTAL	**25,675**	**33,865**	**27,191**	**28,098**	**6,801**	**8,817**	**6,783**	**5,664**

The current financial payables amounting to €1,058 thousand, €1,309 thousand and €1,579 thousand at the 2013, 2012 and 2011 year-ends, respectively, relate to the deferred payment in the acquisition in 2011 of the investments in Kiluva Portuguesa Nutriçao e Dietética, LDA, as detailed in Note 3.c. The aforementioned debt did not bear financial interest; however, its impact was not considered to be significant.

Also, the Group had an account receivable relating to the centralised cash management with its Sole Shareholder Kiluva, S.A., at 2013, 2012, 2011 and 2010 year-end. This account has not accrued interest at market rates as agreed between the parties, so the Group has re-assessed that transaction recognising a financial income at market rates considering the "Other distributions to Sole Shareholder" account to be a balancing entry (see Note 13.f). To calculate the fair value of the interest it has been considered the average interest rate on loans and credit facilities of the Group, which have ranged between 3.7% and 4.9% annually for the last 3 years (see Note 15). The amount booked as interest income for this concept amounted during the years 2013, 2012 and 2011 to €1,404 thousand, €1,347 thousand, and €1,399 thousand, respectively.

Lastly, the Group recognised the trade receivables and payables with related companies at short term.

19.2 Related party transactions

In 2013, 2012, 2011 and 2010, the Group carried out the following transactions with related parties:

	Thousands of euros			
Company	2013	2012	2011	2010
Sales				
Gartabo, S.A.	101	145	136	166
Kiluva Diet, S.L.U.	-	650	932	981
Kiluva Portuguesa Nutriçao e Dietética, LDA	-	-	-	196
S.A.S. Naturhouse	255	406	587	631
Naturhouse, Sp. zo.o.	-	-	-	127
Services rendered				
Gartabo, S.A.	1	2	4	4
Ichem, Sp. zo.o	-	-	132	-
Kiluva Diet, S.L.U	-	-	30	40
S.A.S. Naturhouse	1,813	1,926	959	221
Naturhouse, Sp. zo.o.	-	-	-	99
Zamodiet, S.A.	6	-	1	-
Total operating income	**2,176**	**3,129**	**2,781**	**2,465**

Company	Thousands of euros			
	2013	2012	2011	2010
Purchases				
Girofibra, S.L.	782	544	349	332
Ichem, Sp. zo.o	8,872	6,348	5,506	4,262
Indusen, S.A.	2,425	1,473	1,916	2,506
Kiluva Diet, S.L.U	-	415	845	1,195
Laboratorios Abad, S.L.U.	469	75	82	64
Laboratorios Oxyjeune, S.L.U.	4	87	178	1
S.A.S. Naturhouse	752	674	397	-
Zamodiet, S.A.	3,663	6,449	8,723	10,152
Services received				
Kiluva, S.A.	2,802	2,504	2,345	2,214
Laboratorios Abad, S.L.U.	122	-	-	-
Luair, S.L.U. (directly and indirectly)	214	146	140	443
S.A.S. Naturhouse	9	8	10	-
U.D. Logroñés, SAD	316	206	206	206
Related individuals	41	40	41	42
Leases				
Kiluva Diet, S.L.U.	-	8	8	8
Tartales, S.L.U.	1,225	1,201	1,142	1,307
Total operating expenses	**21,696**	**20,178**	**21,888**	**22,732**
Finance income				
Kiluva, S.A.	1,404	1,347	1,399	1,522
Total finance income	**1,404**	**1,347**	**1,399**	**1,522**

The services received from the Sole Shareholder relate to various contractual agreements relating to advisory services, and strategic, operating and financial support, as well as licenses to use certain brands. In 2014, the Group does not expect to receive these services from its Sole Shareholder (see Note 23).

It is also necessary to take into account the purchases and sales of investments from and to the Sole Shareholder and the natural person related parties indicated in Notes 3.c and 10.1.

19.3 ***Remuneration to the Sole Director and to the Parent's senior management***

In 2013 and 2012, the Parent's Sole Director did not earn any remuneration for discharging his duty as Sole Director. In 2011, the remuneration earned by the Sole Director totalled €240 thousand.

Also, the Sole Director has not been granted any advances or loans by the Group, except that indicated in Note 19.1, nor any guarantees or pension or life insurance commitments.

Remuneration earned in 2013 by the Parent's senior management for wages and salaries amounted to €1,270 thousand (€1,281 thousand and €1,128 thousand in 2012 and 2011, respectively).

The Group's senior management did not receive any significant remuneration in any other connection.

At 2013, 2012 and 2011 year-end, the breakdown of the Group's senior management was as follows:

	2013		2012		2011	
Category	Men	Women	Men	Women	Men	Women
Senior management	6	1	7	1	4	1

No advances or loans had been granted to senior management at the 2013, 2012 and 2011 year-ends, nor had they been granted any pension or life insurance commitments.

19.4 Information regarding conflicts of interest involving the Sole Director

At 31 December 2013, neither the Parent's Sole Director nor any individuals related thereto as defined in the Spanish Corporate Enterprises Act held any ownership interests in companies with the same, similar or analogous corporate purpose as that of the Group, except those indicated in Appendix II. Where applicable, this table also shows the positions held and duties performed in these companies:

20. Environmental information

In view of the business activities carried on by the Group, it does not have any environmental responsibilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. Accordingly, no specific disclosures were made in these notes to the consolidated financial statements.

21. Other disclosures

21.1 Personnel

The average number of employees in 2013, 2012, 2011 and 2010, by category, is as follows:

	Number of employees			
Category	2013	2012	2011	2010
Senior management	7	8	5	6
Other executive employees	15	15	16	14
Administrative staff and technicians	42	46	66	117
Salespersons, sellers and operators	288	321	346	184
Total	**352**	**390**	**433**	**321**

The breakdown, by category and gender, at 31 December 2013, 2012, 2011 and 2010 is as follows:

	2013		2012		2011		2010	
Category	Men	Women	Men	Women	Men	Women	Men	Women
Senior management	6	1	7	1	4	1	5	1
Other executive employees	11	5	12	5	11	3	12	4
Administrative staff and technicians	31	24	30	31	35	30	36	88
Salespersons, sellers and operators	50	258	51	257	51	279	37	151
Total	**98**	**289**	**100**	**294**	**101**	**313**	**90**	**244**

21.2 Audit fees

In 2014, Deloitte audited the Group's 2013, 2012 and 2011 consolidated financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, with its fees for these services totalling €115 thousand.

In 2013, 2012 and 2011, the fees for financial audit and other services provided by the Group Parent’s auditor, BDO Auditores, S.L., and by other auditors of certain investees (in thousands of euros) were as follows:

Description	**2013**	**2012**	**2011**
Audit services	49	50	42
Total audit and related services	**49**	**50**	**42**
Tax advisory services	24	27	38
Total professional services	**73**	**77**	**80**

22. Segment information

The Group, in line with IFRS 8, which establishes the obligation to apply and disclose segment reporting for those companies whose debt or equity instruments are traded in a public market, or for companies that files, or is in the process of filing, the consolidated financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

Basis of segmentation

For management purposes, the Group is currently formed by the following operating segments which comprise the following geographical areas:

- Spain
- France
- Italy
- Poland
- Other countries

The main activities performed by the Group are indicated in Note 1 to these consolidated financial statements. The Group does not perform different activities for significant amounts which involve the identification of additional operating segments.

The Parent's Sole Director identified these segments in line with the following criteria:

- That involve business activities in which revenue is generated and expenses incurred (including ordinary income and the costs arising from transactions with other components of the same entity)

- Whose operating results are regularly evaluated by the Parent's Sole Director in deciding how to allocate resources and in assessing performance.

- Diverse financial information is available.

Basis and methodology of business segment reporting

The segment information below is based on monthly reports prepared by Group management, generated using the same computer application that prepares all of the Group's accounting data.

Segment revenue relates to the revenue that is directly attributable to a segment plus the relevant proportion of the Group's general revenue that can be allocated to the segment on a reasonable basis.

Segment expenses are determined on the basis of the operating activities of a segment that are directly attributable to the segment plus the relevant proportion of the expenses that can be allocated on a reasonable basis to the segment.

Segment profit shown before any income tax and any adjustments relating to non-controlling interests.

The “Eliminations on consolidation” column in the consolidated income statement includes basically the eliminations of inter-segment sales and purchases, the dividends received by the Parent and the costs passed on by the Parent and other consolidation adjustments. This column in the consolidated statement of financial position includes basically the elimination of financial investments and inter-company receivables and payables.

The information contained in the 2013, 2012, 2011 and 2010 consolidated income statements, by segment, is as follows:

	Thousands of euros													
	Segments												Total	
	Spain		France		Italy		Poland		Other countries		Other and eliminations			
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
External sales	24,719	22,532	1,618	1,504	24,161	24,897	6,959	5,773	2,424	3,081	-	-	59,881	57,787
Inter-segment sales	1,691	1,752	-	-	-	-	-	-	-	-	(1,691)	(1,752)	-	-
Other operating income	175	138	704	753	505	709	87	104	399	318	(212)	(205)	1,658	1,817
Total revenue	**26,585**	**24,422**	**2,322**	**2,257**	**24,666**	**25,606**	**7,046**	**5,877**	**2,823**	**3,399**	**(1,903)**	**(1,957)**	**61,539**	**59,604**
Procurements	(8,925)	(8,493)	(662)	(633)	(7,387)	(8,216)	(2,811)	(2,291)	(878)	(1,134)	621	652	(20,042)	(20,115)
Staff costs	(6,025)	(4,773)	(1,043)	(1,046)	(5,016)	(5,563)	(913)	(906)	(708)	(851)	-	-	(13,705)	(13,139)
Depreciation and amortisation	(580)	(440)	(71)	(75)	(292)	(420)	(147)	(81)	(105)	(126)	12	60	(1,183)	(1,082)
Other operating expenses	(6,709)	(6,361)	(513)	(478)	(5,645)	(6,596)	(1,345)	(1,375)	(747)	(984)	983	1,305	(13,976)	(14,489)
Impairment losses and gains (losses) on disposal of assets	(12)	(37)	32	5	157	255	26	19	-	-	-	-	203	242
Profit from operations	**4,334**	**4,318**	**65**	**30**	**6,483**	**5,066**	**1,856**	**1,243**	**385**	**304**	**(287)**	**60**	**12,836**	**11,021**
Finance income	-	-	-	-	-	-	-	-	-	-	1,548	2,242	1,548	2,242
Finance costs	-	-	-	-	-	-	-	-	-	-	(1,372)	(7,064)	(1,372)	(7,064)
Financial loss	-	-	-	-	-	-	-	-	-	-	**176**	**(4,822)**	**176**	**(4,822)**
Profit/(loss) before tax	**4,334**	**4,318**	**65**	**30**	**6,483**	**5,066**	**1,856**	**1,243**	**385**	**304**	**(111)**	**(4,762)**	**13,012**	**6,199**

	Thousands of euros													
	Segments												Total	
	Spain		France		Italy		Poland		Other countries		Other and eliminations			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
External sales	30,827	41,767	461	231	26,491	19,268	1,137	-	2,773	695	-	-	61,689	61,961
Inter-segment sales	1,677	1,530	-	-	2	-	6	-	-	-	(1,685)	(1,530)	-	-
Other operating income	459	433	379	189	662	190	12	-	188	143	(125)	(108)	1,575	847
Total revenue	**32,963**	**43,730**	**840**	**420**	**27,155**	**19,458**	**1,155**	-	**2,961**	**838**	**(1,810)**	**(1,638)**	**63,264**	**62,808**
Procurements	(12,202)	(16,976)	(218)	(109)	(8,934)	(6,742)	(382)	-	(1,001)	(286)	985	966	(21,752)	(23,147)
Staff costs	(5,975)	(5,853)	(399)	(199)	(5,983)	(4,359)	(210)	-	(587)	(354)	-	-	(13,154)	(10,765)
Depreciation and amortisation	(466)	(474)	(31)	(15)	(319)	(217)	(31)	-	(98)	(60)	74	50	(871)	(716)
Other operating expenses	(8,476)	(10,504)	(196)	(98)	(5,297)	(3,301)	(346)	-	(643)	(312)	736	639	(14,222)	(13,576)
Impairment losses and gains (losses) on disposal of assets	(7)	27	-	-	-	-	-	-	(11)	-	-	-	(18)	27
Profit from operations	**5,837**	**9,950**	**(4)**	**(1)**	**6,622**	**4,839**	**186**	-	**621**	**(174)**	**(15)**	**17**	**13,247**	**14,631**
Finance income	-	-	-	-	-	-	-	-	-	-	1,792	1,941	1,792	1,941
Finance costs	-	-	-	-	-	-	-	-	-	-	(3,078)	(4,663)	(3,078)	(4,663)
Financial loss	-	-	-	-	-	-	-	-	-	-	**(1,286)**	**(2,722)**	**(1,286)**	**(2,722)**
Profit/(loss) before tax	**5,837**	**9,950**	**(4)**	**(1)**	**6,622**	**4,839**	**186**	-	**621**	**(174)**	**(1,301)**	**(2,705)**	**11,961**	**11,909**

“Other and eliminations” includes eliminations on consolidation, and finance income and costs considered as corporate income and costs not allocable to any specific segment. There was no inter-segment sharing of general income and expenses.

Details, by segment, of certain items in the consolidated statement of financial position at 31 December 2013, 2012 and 2011 are as follows:

	Thousands of euros													
	Segments												**Total**	
	Spain		France		Italy		Poland		Other countries		Other and eliminations			
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	**31/12/2013**	**31/12/2012**
ASSETS														
Other intangible assets	3	7	12	13	63	68	-	-	15	31	-	-	**93**	**119**
Property, plant and equipment	4,678	3,886	422	528	755	1,004	42	72	1,212	1,325	-	-	**7,109**	**6,815**
Total assets	**8,864**	**9,047**	**1,020**	**1,646**	**4,992**	**5,558**	**635**	**1,401**	**2,691**	**3,964**	**27,503**	**37,496**	**45,705**	**59,112**
Total liabilities	**7,162**	**6,424**	**753**	**1,432**	**3,899**	**5,187**	**554**	**621**	**461**	**1,017**	**20,270**	**32,682**	**33,099**	**47,363**

	Thousands of euros													
	Segments												**Total**	
	Spain		France		Italy		Poland		Other countries		Other and eliminations			
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	**31/12/2011**	**31/12/2010**
ASSETS														
Other intangible assets	14	19	2	-	43	40	-	-	25	-	-	-	**84**	**59**
Property, plant and equipment	4,128	4,445	496	-	1,111	736	50	-	1,401	465	-	-	**7,186**	**5,646**
Total assets	**7,947**	**10,064**	**769**	**198**	**5,174**	**7,681**	**1,308**	**-**	**4,823**	**892**	**33,986**	**42,225**	**54,007**	**61,060**
Total liabilities	**6,201**	**8,161**	**576**	**-**	**4,403**	**4,158**	**365**	**-**	**864**	**89**	**27,087**	**37,369**	**39,496**	**49,777**

“Other and eliminations” includes assets and liabilities considered corporate assets and liabilities not allocable to any specific segment; i.e. “Investments in related parties” and “Current financial assets", and “Non-current borrowings” and “Current borrowings”, respectively, as well as eliminations on consolidation.

Other segment information

None of the Group's customers represents more than 10% of revenue from ordinary activities.

Additions to intangible assets and property, plant and equipment, by segment, were as follows:

	In thousands of euros					
	Spain	France	Italy	Poland	Other	**Total**
2010	111	-	423	-	121	**655**
2011	167	4	683	24	112	**990**
2012	341	154	446	46	126	**1,113**
2013	216	31	119	49	5	**420**

23. Events after the reporting period

The Parent's Sole Director commenced various procedures in 2014 related with the potential placement and admission of trading of Parent shares in the Spanish Stock Exchanges. The most significant were as follows:

- In 2014, the Group and its Sole Shareholder cancelled most of the manage fee contracts and other service agreements they had in place over the past few years (see Note 19.2), effective for accounting purposes as of 1 January 2014.

- On 19 February 2014, through the Parent, Naturhouse Health, S.A.U., the Group acquired from its Sole Shareholder, Kiluva, S.A., 99 shares amounting to €2,275 thousand, of a total of 398 equity investments in Polish company Ichem, Sp. zo.o, thereby becoming the owner of an 24.9% interest in this company. The price of this transaction was determined based on the cost at which the Sole Shareholder had recognised this investment on its consolidated balance sheet. Following the acquisition, the Group still did not have control of the company in accordance with IFRS 10, as it neither held the majority of the voting rights in its governing body. However, in accordance with IFRS 11, joint control is considered to exist over this company (joint venture) as the Group has sufficient voting rights to veto any significant decision, and therefore decisions on significant activities require the Group's consent. Moreover, although the Group is one of the company's most important customers, purchases by the Group from Ichem, Sp. Zoo in 2013 and prior years represented no more than a third of the company's total revenue. Ichem's remaining shareholders are Zamodiet, S.A., with a 24.9% shareholding, and Polish individuals or legal entities, with a 50.2% shareholding, without any connection to Naturhouse. All product purchase transactions are carried out at market prices and, among the other activities this company carries out with third parties, the sale of pharmaceutical products and other food products, which represent the majority of its business, are noteworthy of mention. Other information related to this investee is as follows (figures at 31 December 2013 and in thousands of euros):

Name and registered office	Activity	Total Assets	Equity	Revenue	Profit
Ichem Sp. zo.o. Dostawcza 12 93-231 Łódź (Poland)	Preparation and sale of nutrition products	20,816	8,882	34,499	2,063

- On 5 June 2014, Naturhouse Health increased share capital through the issue of 266 new shares for a total nominal cash amount of €99,750 and a cash payment of €250 (a total of €100,000), which was fully subscribed by its sole shareholder, Kiluva, S.A., through a non-monetary contribution of all share capital of the French company S.A.S Naturhouse. The €99,750 for the capital increase, along with the cash payment of €250, relate to the acquisition cost of the ownership interest that Kiluva, S.A. held in the French company S.A.S Naturhouse on its individual balance sheet at 31 December 2013. However, for accounting purposes, this non-monetary contribution will be measured in Naturhouse Health's consolidated financial statements at the carrying amount of the assets and liabilities contributed by Kiluva, S.A. in the consolidated financial statements of Kiluva, S.A. on the date on which the transaction was carried out.

- On 16 June 2014, the Group sold the shares it held in two companies, Twinat, S.R.L. and Twinat Sp. Zo.o., to its Sole Shareholder for the same amount at which they were recognised (€103 thousand) (see Note 10.1).

- On 17 June 2014, the Parent increased capital by €2,525 thousand, with a charge to voluntary reserves, through the issue of new shares. Share capital post-increase stood at €3 million, divided into 60 million shares of €0.05 par value each. It also changed its company name and resolved to change into a public limited company.

- On 20 June 2014, the Parent acquired brands used in the ordinary course of business from its Sole Shareholder amounting to €2,331 thousand. In order to measure this transaction at fair value, the Group obtained a report from an independent expert, J. Isern Patentes y Marcas, S.L., on 17 June 2014, which used, as the valuation method, the future discount of a royalty of between 4% and 6.5%, depending on the brand and product, during ten years (the estimated useful life of the brands), using a discount rate of 6.65%. The brands will therefore be amortised on a straight-line basis over a useful life of ten years. This purchase was made, together with the related VAT, by offsetting the payables of the financial account held with the Sole Shareholder at that date.

- On 30 June 2014, the Parent sold assets not included in the Group's operations recognised under "Other fixtures, tools and furniture" to its Sole Shareholder for €1,036 thousand. The price of the sale was the same as the carrying amount at which the Group held the assets. Therefore, the sale had no impact on the Group's consolidated profit and loss.

- On 1 September 2014, the Parent sold the commercial premises it owned, which were recognised under "Land and natural resources" and "Buildings", to a related party of its Sole Shareholder for €310 thousand. The price of the sale was the same as the carrying amount at which the Group held the asset. Therefore, the sale had no impact on the Group's consolidated profit and loss.

24. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Consolidated Directors' Report

for the year ended 31 December 2013, 2012 and 2011

CONTENTS

1. Situation and business performance

The Naturhouse Group operates in the dietetics and nutrition sector. It has its own, exclusive business model, based on the Naturhouse method. At the end of 2013, the Group had an active presence in 24 countries through a network of 1,493 centres. Its main markets are Spain, Italy, France and Poland.

Naturhouse Health S.A.U. (formerly Housediet S.L.U.) is the Parent of the Group, which is wholly owned by its Sole Shareholder, Único, Kilua S.A. Fully consolidated companies in 2013 were: Naturhouse Health S.A.U. (Spain), Housediet S.A.R.L. (France), Naturhouse S.R.L. (Italy), Naturhouse Sp zo.o (Poland), Kiluva Portuguesa - Nutriçao e Dietética, Ltd (Portugal), Naturhouse Franchising Co, Ltd (UK), Naturhouse, Gmbh (Germany) and Zamodiet México S.A. de C.V. (Mexico).

2011, 2012 and 2013 featured strong commercial efforts to bolster the Group's position in existing markets, especially Spain, and penetrate new international markets.

In 2011, the Group embarked on its second corporate restructuring, with Naturhouse Health, S.A. acquiring a 28% stake and its Italian, subsidiary, Naturhouse, S.R.L. a 43% stake in Portuguese company Kiluva Portuguesa – Nutriçao e Dietética Lda. Also in 2011, Naturhouse Health S.A. acquired 100% of the shares of Polish company Naturhouse Sp. zo.o.

On 29 July 2013, Naturhouse Health, S.A.U. merged with Kiluva Diet, S.L.U., through the absorption of the latter by the former, with the dissolution without liquidation of the absorbed company and the full transfer *en bloc* by way of universal succession of all the assets, rights and obligations comprising its equity to the absorbing company.

In 2013, master franchise agreements were signed in the Philippines, Mauritius, Russia, Colombia and Panama.

Lastly, in the 2011, 2012 and 2013 period, an exercise was carried out to upgrade and optimise the logistics and management of the various head offices. In this respect, in 2011, the offices and warehouses of Naturhouse S.R.L. (Italy) were adapted. In 2013, in Spain the Group negotiated a decrease in rents for the Naturhouse centres, and relocated the head offices of Barcelona and the Azuqueca de Henares warehouse in Madrid to a single building located in L'Hospitalet del Llobregat (Barcelona), adopting the organisational structure and image of the rest of the Naturhouse subsidiaries.

2. Consolidated income statement highlights

Consolidated income statement

(Thousands of euros)	Ejercicio 2013	Ejercicio 2012	Ejercicio 2011
Revenue	59,881	57,787	61,689
Procurements	(20,042)	(20,115)	(21,752)
Gross profit	**39,839**	**37,672**	**39,937**
Other operating income	1,658	1,817	1,575
Staff costs	(13,705)	(13,139)	(13,154)
Other operating expenses	(13,976)	(14,489)	(14,222)
Operating profit before depreciation and amortisation, impairment and other profit (loss)	**13,816**	**11,861**	**14,136**
Depreciation and amortisation	(1,183)	(1,082)	(871)
Impairment and gains/(losses) on disposal of non-current assets	203	242	(18)
OPERATING PROFIT	**12,836**	**11,021**	**13,247**
Finance income	**1,545**	**2,242**	**1,792**
Dividends from other companies	31	691	333
Other finance income	1,514	1,551	1,459
Finance costs	**(1,162)**	**(1,463)**	**(1,214)**
Third-party borrowings	(1,162)	(1,463)	(1,214)
Impairment and gains/(losses) on disposal of financial instruments	**(210)**	**(5,600)**	**(1,863)**
Exchange differences	**3**	**(1)**	**(1)**
FINANCIAL PROFIT (LOSS)	**176**	**(4,822)**	**(1,286)**
Share of profit (loss) of companies accounted for using the equity method	**-**	**-**	**-**
CONSOLIDATED PROFIT BEFORE TAX	**13,012**	**6,199**	**11,961**
Income tax expense	(4,560)	(2,583)	(4,319)
NET PROFIT FROM CONTINUING OPERATIONS	**8,452**	**3,616**	**7,642**
CONSOLIDATED NET PROFIT	**8,452**	**3,616**	**7,642**

	2013	2012	2011
Average number of employees	352	390	433
Gross profit/revenue	67%	65%	65%
Operating profit/revenue	23%	21%	23%
Net profit/revenue	13%	6%	14%

- Revenue comprises two main items:
    1. Sale of goods. Relates to the sale of products through the Naturhouse channel (i.e. franchises, master franchises or propriety centres). Sales of goods represent the bulk of revenue, accounting for 95% in 2013.
    2. Rendering of services. Relates mainly to two items:
        a. Annual €600 fee paid by each franchise to the Group subsidiaries. This item represented 2% of revenue in 2013.
        b. Master franchise fee. This relates to the start-up fee billed by the Group to master franchisees for exclusive operation of the business in a new country. The fee is paid upfront the first year of operation of the business and grants the right to operate the Naturhouse channel for a period of seven years. The amount of the fee varies depending on the potential number of Naturhouse centres estimated for the given country. In 2013, master franchises were signed in Russia, Mauritius, the Dominican Republic, the Philippines and Panama. This item represented 1% of revenue in 2013.
    3. Sale of products to herbal medicine shops and other establishments outside the Naturhouse channel. This item represented 2% of revenue in 2013.

- Revenue rose 3.6% in 2013 to €59,881 thousand. The increase was mainly the result of:
    - A €2,187 thousand increase in sales in Spain. This reflects the negative impact of lower absolute sales in the year caused by the adverse macroeconomic environment in Spain, which was offset by the merger between Kiluva Diet and Naturhouse Health (2013 sales include Kiluva Diet S.L.U., but not 2012);
    - A drop in sales in Italy (€736 thousand), also caused by the adverse economic environment;
    - A €1,186 thousand increase in sales in Poland, underpinned by the good performance of Naturhouse's businesses in Eastern European countries.

- In 2012, revenue fell 6.3% to €57,787 thousand. The decrease was mostly caused by the fall in sales in Spain, which outweighed the increase in sales in Poland.

- The gross sales margin in the 2011-2013 period advanced by more than 1.5 percentage points, from 65% to 67%, driven by the addition of Polish supplier Ichem Sp. zo.o, which offers more competitive supply prices without sacrificing product quality. The contribution of this supplier to total Group purchases has increased gradually since the two began doing business in 2007 until now. Looking ahead to 2014, Ichem intends to add a new vial manufacturing machine in order to meet the Naturhouse Group's growing demand.

- "Other operating income" relates to income obtained from activities outside Naturhouse's core business. In 2013, this included:

- Charges for advertising services in Italy for €364,382. To provide franchises in a specific area with access to more costly advertising formats (e.g. regional television and radio), the Group often engages advertising services, subsequently re-invoicing the costs to the area's franchisees.
- Franchise insurance fees in Italy for €97,698. So franchisees in Italy can take advantage of cheaper insurance, the Group provides them with the option of coverage through its own insurance programme.
- Employee training and re-invoicing of staff costs between S.A.R.L Housediet (France) and S.A.S Naturhouse (France) for €700,000. Following S.A.S Naturhouse's integration in the Naturhouse Health Group in 2014, this income will no longer be received.
- Income from photovoltaic power generation of €132,000. This activity has no involvement with Naturhouse's business, and negotiations are underway to sell it to the Sole Shareholder, Kiluva S.A.

- Total headcount at 31 December 2013 was 387, of which 72% were directly employed at Naturhouse centres managed by the Group, comprising dieticians or shops assistants, and the remaining 28% staff in general management, administration and accounting, logistics, and marketing, technicians and salespeople.

  Staff costs represented 23% of revenue in 2012 and 2013 and 21% in 2011. The increase was due to the termination benefits recognised (see Note 18.3).

- The main item under "Other operating expenses" in 2013, representing 23% of the total expense", was the rent on Naturhouse's premises and distribution centres/offices in each country. This item is expected to decrease in 2014 for two reasons: (i) the organisational restructuring carried out in 2013 in Spain, which included the relocation of the Barcelona offices and the Azuqueca de Henares (Madrid) warehouse to a site in Hospitalet del Llobregat (Barcelona) and (ii) the renegotiation which led to lower rents of Naturhouse centres in Spain.

  The second most significant item under this heading includes services received from the Sole Shareholder (management fees) related to various contractual agreements in respect of advisory and strategic, operating and financial support, as well as licenses to use of certain brands. In 2014, the Group and its Sole Shareholder cancelled most of the management fee contracts and other service agreements they had in place over the past few years, with effect for accounting purposes from 1 January 2014.

  Another significant line item under "Other operating expenses" is transport costs. These costs represent 10% of the total and have a direct impact on revenue.

  Lastly, the Group's other major expense is advertising, accounting for 18% of the total in 2013. Noteworthy was the 3.5% decrease in advertising spend in 2013. A few years ago, the Company decided to earmark less for spending on the more costly advertising to promote the Naturhouse brand and focus on publicity initiatives to bring customers to Naturhouse centres. This type of advertising is more local and targets the individual needs of each market.

- In 2013, 2012 and 2011, the Group obtained dividends from equity investments amounting to €31 thousand, €691 thousand and €333 thousand, respectively, recognised under “Finance income - Dividends from other companies”. The Group also recognised finance income from related parties for €1,404 thousand, €1,347 thousand and €1,399 thousand euros, respectively, related to the market interest on the balance of "Investments in related parties" from centralised cash management for collections and payments held by the Parent with Kiluva S.A. The aim is to settle this receivable in 2014.

- “Impairment and gains/(losses) on disposal of financial instruments" includes impairment losses recognised by the Group on the value of quoted equity investments. The Group has gradually pared down its equity portfolio, leaving it with investment in just one company. It has no intention of making further financial investments of this type in the near future.

- The business performance described above resulted in a net profit/revenue margin of around 13%. This margin was lower in 2012, held back by the allowances made for the equity portfolio. Allowances totalled €5,600 thousand, recognised under "Impairment and gains (losses) on disposal of financial instruments". As the Group does not intend to make investments of this type in the near future, no provisions for equity investments should be made that would affect the Group's net profit or loss.

3. Consolidated statement of financial position

ASSETS (thousands of euros)	31/12/2013	31/12/2012	31/12/2011
NON-CURRENT ASSETS:			
Intangible assets	**93**	**119**	**84**
Property, plant and equipment	**7,109**	**6,815**	**7,186**
Non-current financial assets	**584**	**4,206**	**9,360**
Deferred tax assets	**534**	**954**	**617**
Total non-current assets	**8,320**	**12,094**	**17,247**
CURRENT ASSETS:			
Inventories	**2,694**	**2,421**	**2,240**
Trade receivables	**3,142**	**3,604**	**3,733**
Trade receivables from related parties	**16**	**693**	**1,574**
Current tax assets and other tax receivables	**226**	**809**	**121**
Other current assets	**278**	**315**	**263**
Investments in related parties	**25,659**	**33,172**	**25,617**
Current financial assets	**1,944**	**987**	**569**
Cash and cash equivalents	**3,426**	**5,016**	**2,643**
Total current assets	**37,385**	**47,017**	**36,760**
TOTAL ASSETS	**45,705**	**59,111**	**54,007**
EQUITY AND LIABILITIES (thousands of euros)	**31/12/2013**	**31/12/2012**	**31/12/2011**
EQUITY:			
Share capital and reserves-			
Subscribed capital	375	300	300
Share premium	2,149	-	-
Reserves	539	6,472	5,474
Translation differences	124	117	6
Profit/(loss) for the year	8,544	3,774	7,336
Interim dividend	-	-	-
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**11,731**	**10,663**	**13,116**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**875**	**1,085**	**1,395**
Total equity	**12,606**	**11,748**	**14,511**
NON-CURRENT LIABILITIES:			
Provisions	**743**	**586**	**549**
Non-current borrowings	**5,865**	**4,581**	**6,248**
Deferred tax liabilities	**402**	**173**	**129**
Total non-current liabilities	**7,010**	**5,340**	**6,926**
CURRENT LIABILITIES:			
Current borrowings	**14,687**	**28,537**	**20,692**
Financial liabilities with related parties	**1,350**	**1,597**	**3,151**
Trade and other payables	**3,229**	**3,688**	**3,443**
Suppliers, related parties	**5,451**	**7,220**	**3,632**
Current tax liabilities and other tax payables	**1,372**	**981**	**1,652**
Total current liabilities	**26,089**	**42,023**	**32,570**
TOTAL EQUITY AND LIABILITIES	**45,705**	**59,111**	**54,007**

- The balance of "Non-current financial assets" decreased between 2011 and 2013 owing to the disposal of quoted equity investments. The Group has no intention of making further financial investments of this type in the near future.

- "Inventories" shows a linear trend over the years at the Group. The policy is to maintain inventories in the warehouse equivalent to approximately 40-50 days of sales. The procurement system for Naturhouse centres, which place orders weekly or fortnightly, results in a large stock turnover at Naturhouse logistics centres.

- Changes in "Investments in related parties" in 2011, 2012 and 2013 relate to centralised cash management between the Naturhouse Group and the Parent, Kiluva. Naturhouse had a receivable of €25,659 thousand in this connection at year-end 2013. The Group expects this receivable to be settled by the Parent in 2014.

- Subscribed capital increased by €75,000 in 2013 owing to the merger with Kiluva Diet, S.L.U. (see Note 3c).

- The Group's current and non-current borrowings have declined, as follows:

  2011: €26,940 thousand

  2012: €33,118 thousand

  2013: €20,552 thousand

  Finance debt is trending down and the intention is for this to continue in 2014. The Group plans to repay €7.7 million of current borrowings represented by loans, €5.4 million by credit facilities and €0.4 million by finance leases in 2014. Meanwhile it does foresee any major investments that require significant bank borrowings.

4. Risk management and use of hedging instruments

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk relating to interest rates and exchange rates:

The Group's operating activities are mostly unaffected by fluctuations in market interest rates. The Group exposes itself to interest rate risk mainly through long-term borrowings. At 2013, 2012 and 2011 year-end, all of its borrowings bore variable interest. Nevertheless, the Group did not consider the need to hedge fluctuations in interest rates as its borrowings were not for significant amounts. Accordingly, it did not enter into any hedging instruments in any of the three years.

With respect to exchange rate risk, the Group does not operate on a significant basis outside the euro area. Accordingly, its exposure to exchange rate risk on foreign currency transactions is not material.

Credit risk

As a general rule, the Group places cash and cash equivalents with financial institutions with high credit ratings. Likewise, it adequately monitors the accounts receivable on an individual basis to determine potential insolvency situations.

The Group’s credit risk resides mainly in its trade payables. The concentration of credit risk is not significant, with exposure spread over a large number of customers, markets and countries.

Liquidity risk

In order to guarantee liquidity and meet all payment commitments arising from its activities, the Group has more than adequate credit and finance lines with solvent institutions. The Group's policy is to pro-actively manage liquidity risk, mostly preserving liquidity by maintaining sufficient cash and marketable securities, by having available funding through an adequate amount of credit facilities and by having sufficient capacity to unwind its market positions.

5. Risk factors

Group companies do business in a number of countries with different socio-economic circumstances and regulatory frameworks. The authorities of the countries where the Group operates may enact laws and regulations that cause operating costs to rise.

Negative impact of Europe's struggling economy. The deep financial and consumer crisis has had an adverse effect on new franchise openings because of the limited amount of funds lent by financial institutions and reduced purchases by end consumers, due among other things to the poor macroeconomic situation and rampant unemployment.

The competitive environment. The company competes with self-administered and other commercial weight-loss programmes of competitors, as well as food suppliers and distributors entering this market. Current and potential future increases in competition leading to the development of pharmaceutical products and other technological and scientific breakthroughs in the area of weight loss could have an adverse impact on the Group's business, results from operations and financial position.

6. R&D&i activities

The procedure followed by the Group regarding the research and development of new products is as follows:
The commercial, technical and marketing department decides on the need to consider broadening Naturhouse's product range or simply modifying some of its existing products. This need is then conveyed to one or more of its existing suppliers, depending on the product format (packages, vials or capsules). Suppliers draw up and present proposals to meet the Group's needs. If these meet commercial, technical and economic criteria, new products or formats are then launched. Accordingly, the Group does not generate any R&D&i expenditure beyond registering the brand and formula with the related health department.

The Group's largest supplier is Polish company Ichem Sp. zo.o, representing 57% of consolidated purchases in 2013. In 2014, the Group acquired a 24.9% stake in this company (see Events after the reporting period). The Group hopes to achieve the following benefits from this holding:

1. Faster launches of new products by sharing know-how in R&D
2. Guaranteed supply and reduced dependence on non-Group third-party manufacturers
3. Guaranteed product quality and competitiveness

This differentiates Naturhouse Health from its peers. The Company is present throughout the nutritional supplement value chain, from R&D and product manufacturing, to end sales and customer advisory services.

In addition to Ichem, the Group has dealings with two other large supplier groups, those in which Kiluva S.A., the Sole Shareholder of Naturhouse Health, holds interests (Indusen, Girofibra, Laboratorios Abad), which represented approximately 19% of total purchases in 2013, and those that are related to neither Naturhouse Health nor Kiluva S.A., which represented 24%.

7. Treasury shares

The Parent did not hold any treasury shares at 31 December 2013. No subsidiaries hold any shares or interests in the Parent.

8. Events after the reporting period

On 19 February 2014, Naturhouse Health, S.A. entered into a purchase-sale agreement with Kiluva S.A. under which the Company acquired from the Sole Shareholder the shares it holds representing a 24.5% stake in Ichem Sp. zo.o, a Polish food supplements manufacturer. As a result of this deal, the Group became vertically integrated with one of the manufacturers of the products sold by the Company.

In March 2014, Naturhouse Health S.A. signed master franchise agreements in Tunisia and Switzerland.

On 5 June 2014, the Sole Shareholder of Naturhouse Health, S.A. (Kiluva S.A.) increased the Company's capital. The capital increase was fully subscribed and paid by the Sole Shareholder through a non-cash contribution of the share capital of S.A.S. Naturhouse, until then wholly owned by Kiluva, S.A. S.A.S. Naturhouse owns 100% of Naturhouse Belgium, S.P.R.L. With this move, the operation of dietary and related product sale establishments and the sale and distribution of these products is concentrated in the Naturhouse Group. The SAS Naturhouse Group reported consolidated revenue and profit from operations before depreciation and amortisation, impairment losses and other profit (loss) (or EBITDA) of €11.8 million.

On 17 June 2014, the Sole Shareholder decided to carry out a stock split at the Parent by reducing the par value, and to subsequently increase capital with a charge to voluntary reserves. On the same date, it agreed to transform Housediet, S.L. from a limited liability company into a public limited company (sociedad anónima), change its name to Naturhouse Health, S.A.U. and change its registered address to calle Botánica in Hospitalet del Llobregat (Barcelona).

On 20 June 2014, Kiluva, S.A. transferred ownership of the brands it held to Naturhouse Health, S.A. in lieu of payment of the debt it owed the company, which amounted to €2,820,072.

9. Capital structure

At 31 December 2013, the Naturhouse Group did not have any restrictions on the use of the capital resources that, directly or indirectly, have or could have had a material impact on its operations, beyond any legal restrictions.

At 31 December 2013, share capital comprised 1,000 fully subscribed and paid registered shares with a par value of €375 each (800 registered shares of €375 par value each at 31 December 2012 and 2011). Likewise, at 2013, 2012 and 2011 year-end, Kiluva, S.A. owned all the Parent's shares.

10. Shareholder agreements and restrictions on transfers and voting

There are no shareholder agreements or bylaw-stipulated restrictions on the transfer of shares of the Parent, or legal or bylaw-stipulated restrictions on voting rights.

11. Governing bodies, Board

The Parent's governing body is the Sole Administrator approved at the shareholders' meeting held on 30 June 2011.

The Sole Shareholder of the Parent is Kiluva S.A.

12. Significant agreements

There are no significant agreements regarding a change of control of the Parent or between the Parent and the Administrator, managers or employees regarding compensation for resignation or termination benefits.

APPENDIX I

Consolidated companies

At 31 December 2013, 2012, 2011 and 2010, the fully consolidated subsidiaries and related information thereon are as follows:

<u>2013</u>

Company	Line of business	% ownership Direct
Naturhouse Health S.A.U. Calle Botánica 57-61 Hospitalet de Llobregat, Barcelona (Spain)	Sale of nutrition products medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 Rue Faubourg Bonnefoy 31500 Toulouse (France)	Sale of nutrition products medicinal herbs and natural cosmetics	100%
Kiluva Portuguesa –Nutriçao e Dietetica, Lda Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	Preparation and sale of nutrition products	71%
Naturhouse Franchising Co, Ltd 33 Church Road, Ashford Middlesex (Great Britain)	Sale of nutrition products medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Sale of nutrition products medicinal herbs and natural cosmetics	56%
Naturhouse, Sp. zo.o. Ul/Dostawcza, 12 93-231 Lozd (Poland)	Sale of nutrition products medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Sale of nutrition products medicinal herbs and natural cosmetics	100%
Zamodiet México S.A. de C.V. Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	Sale of nutrition products	51%

2012

Company		% ownership Direct
Naturhouse Health S.A.U. Calle Botánica 57-61 Hospitalet de Llobregat, Barcelona (Spain)	Sale of nutrition products medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 Rue Faubourg Bonnefoy 31500 Toulouse (France)	Sale of nutrition products medicinal herbs and natural cosmetics	50%
Kiluva Portuguesa –Nutriçao e Dietetica, Lda Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	Preparation and sale of nutrition products	71%
Naturhouse Franchising Co, Ltd 33 Church Road, Ashford Middlesex (Great Britain)	Sale of nutrition products medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Sale of nutrition products medicinal herbs and natural cosmetics	56%
Naturhouse, Sp. zo.o. Ul/Dostawcza, 12 93-231 Lozd (Poland)	Sale of nutrition products medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Sale of nutrition products medicinal herbs and natural cosmetics	100%
Zamodiet México S.A. de C.V. Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	Sale of nutrition products	51%

2011

Company		% ownership Direct
Naturhouse Health S.A.U. Calle Botánica 57-61 Hospitalet de Llobregat, Barcelona (Spain)	Sale of nutrition products medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 Rue Faubourg Bonnefoy 31500 Toulouse (France)	Sale of nutrition products medicinal herbs and natural cosmetics	50%
Kiluva Portuguesa –Nutriçao e Dietetica, Lda Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	Preparation and sale of nutrition products	71%
Naturhouse Franchising Co, Ltd 33 Church Road, Ashford Middlesex (Great Britain)	Sale of nutrition products medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Sale of nutrition products medicinal herbs and natural cosmetics	96%
Naturhouse, Sp. zo.o. Ul/Dostawcza, 12 93-231 Lozd (Poland)	Sale of nutrition products medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Sale of nutrition products medicinal herbs and natural cosmetics	100%
Zamodiet México S.A. de C.V. Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	Sale of nutrition products	51%

2010

Company		% ownership
		Direct
Naturhouse Health S.A.U. Calle Botánica 57-61 Hospitalet de Llobregat, Barcelona (Spain)	Sale of nutrition products medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 Rue Faubourg Bonnefoy 31500 Toulouse (France)	Sale of nutrition products medicinal herbs and natural cosmetics	50%
Housediet-LLC 9763 NH 41 Street Ste 102, Doral, FL 33139 (USA)	Sale of nutrition products medicinal herbs and natural cosmetics	87%
Naturhouse Franchising Co, Ltd 33 Church Road, Ashford Middlesex (Great Britain)	Sale of nutrition products medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Sale of nutrition products medicinal herbs and natural cosmetics	96%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Sale of nutrition products medicinal herbs and natural cosmetics	100%
Zamodiet México S.A. de C.V. Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	Sale of nutrition products	51%

The figures contained in the preceding tables were provided by the Group companies, and were translated to euros using year-end exchange rates at 31 December 2013, 2012, 2011 and 2010.

APPENDIX II: INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS IN RELATION TO SECTION 229 OF THE CORPORATE ENTPRISES ACT

2013

Sole Director and related parties	Company	Direct ownership	Duties or position
Félix Revuelta Fernández	Zamodiet, S.A.	2%	None
Kilian Revuelta Rodríguez	Zamodiet, S.A.	1%	Director
Félix Revuelta Fernández	Indusen, S.A.	0.50%	None
Félix Revuelta Fernández	Gartabo, S.A.	1%	None
Félix Revuelta Fernández	Ichem Sp.zo.o	-	Director
Kilian Revuelta Rodríguez	Ichem Sp.zo.o	-	Director
Vanesa Revuelta Fernández	Ichem Sp.zo.o	-	Director
Félix Revuelta Fernández	Natraceutical	-	Director

2012

Sole Director and related parties	Company	Direct ownership	Duties or position
Félix Revuelta Fernández	Zamodiet, S.A.	2%	None
Kilian Revuelta Rodríguez	Zamodiet, S.A.	1%	Director
Félix Revuelta Fernández	Indusen, S.A.	0.50%	None
Félix Revuelta Fernández	Gartabo, S.A.	1%	None
Félix Revuelta Fernández	Ichem Sp.zo.o	-	Director
Kilian Revuelta Rodríguez	Ichem Sp.zo.o	-	Director
Vanesa Revuelta Fernández	Ichem Sp.zo.o	-	Director
Félix Revuelta Fernández	Natraceutical	-	Director

2011

Sole Director and related parties	Company	Direct ownership	Duties or position
Félix Revuelta Fernández	Zamodiet, S.A.	2%	None
Kilian Revuelta Rodríguez	Zamodiet, S.A.	1%	Director
Félix Revuelta Fernández	Indusen, S.A.	0.50%	None
Félix Revuelta Fernández	Gartabo, S.A.	1%	None
Félix Revuelta Fernández	Ichem Sp.zo.o	-	Director
Kilian Revuelta Rodríguez	Ichem Sp.zo.o	-	Director
Vanesa Revuelta Fernández	Ichem Sp.zo.o	-	Director
Félix Revuelta Fernández	Natraceutical	-	Director
Félix Revuelta Fernández	Sniace	-	Director