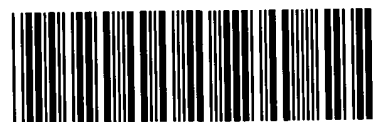


Grace Foods UK Limited

Annual report and financial statements
for the year ended 31 December 2015

Registered number 0094632

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Strategic report

The directors present their strategic report of the company for the year ended 31 December 2015.

Business review and principal activities

Grace Foods UK Limited's (the "company") has continued to act as a holding company and provide a warehousing and distribution facility to the GK Foods (UK) Limited group of companies.

The results for the company show an operating profit of £2,369,000 for the year (31 December 2014: £1,476,000 profit).

The net assets of the company as at 31 December 2015 were £10,969,000 (31 December 2014: £11,265,000).

During the year to 31 December 2015 the company has adopted FRS101. The financial impact of this change on shareholders funds on the transition date of 1 January 2014 is an increase of £157,000 (see note 22).

Principal risks and uncertainties

The management of the business and the execution of the company's strategy is subject to a number of risks.

There are several contracts and key agency agreements for the supply of key products and brands in the UK to which the company is a party, and these are managed to ensure that actions can be taken to mitigate any risks that arise.

The company operates in the retail and wholesale markets where there is strong competition. The directors maintain proactive marketing policies to ensure that its products and brands receive regular support in these markets.

Additionally as a holding company it carries the risk of impairment of its investments.

The company's holding company in the UK has appointed the GraceKennedy group internal audit team to carry out a program of audits based upon the company's assessment of its business risks and the internal controls that are currently in place.

Key Performance Indicators ("KPIs")

The directors of GK Foods (UK) Limited, the immediate parent undertaking, consider profitability, working capital and supply chain performance to be the key KPIs within the Group. The Group's operations are managed on an operating company basis using these KPIs. Profitability and working capital performance are deemed to be satisfactory and are shown within the financial statements. Supply chain performance has also been satisfactory in the year.

Strategic report (continued)

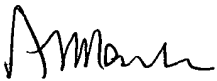
Creditor payment policy

For all trade creditors, it is the company's policy to:

- agree the terms of payment at the start of business with that supplier;
- ensure that suppliers are aware of the terms of payment; and
- pay in accordance with its contractual and other legal obligations.

Trade creditor days for the year ended 31 December 2015 were 56 days (31 December 2014: 60 days) based on the ratio of company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

By order of the Board



A R Martin
Company secretary
22 March 2016

Grace House
Bessemer Road
Welwyn Garden City
Hertfordshire
England
AL7 1HW

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015.

General information

Grace Foods UK Limited is a private limited company incorporated and domiciled in England and Wales. The registered address is Grace House, Bessemer Road, Welwyn Garden City, Hertfordshire, AL7 1HW.

The principal activity of the company during the year was that of holding company and provider of warehousing and distribution to the GK Foods (UK) Limited group of companies.

The immediate parent undertaking is GK Foods (UK) Ltd, incorporated in the UK.

The ultimate parent company and controlling party is GraceKennedy Limited.

Future outlook

The external commercial environment is expected to remain competitive for 2016. However, the directors remain confident that the company will be able to maintain its current level of performance in the future.

Dividends

Ten interim dividends amounting to £1,960,082 were paid between 10 March 2015 and 23 December 2015 (on 27 November 2014 and on 23 December 2014: £1,156,000). No dividend was paid in respect of intercompany debt waiver during 2015 (2014: £27,129,960).

Post balance sheet events

The directors do not consider there to be any important events affecting the company after the balance sheet date.

Political and charitable donations

The company made no political or charitable donations during the year (31 December 2014: £nil).

Financial instruments

The company uses forward contracts to manage the risk associated with fluctuating exchange rates on its purchases on a group basis. These forward contracts are transacted through a fellow group undertaking.

Directors' report (continued)

Directors

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

S Lankage
D Wehby
D Orane
M Ranglin
R Mack
A Polding
A Coult
A Reader
G Shirley (appointed 20 February 2015)

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Employees

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a role in maintaining its' performance. The group encourages the involvement of employee's by means of a performance based incentive scheme.

Directors' report (continued)

Employee involvement and communication

We have engaged colleagues with great ideas and strive to involve our people with matters impacting on them. We receive feedback through employee opinion surveys, which form an important strategic tool across the company, as they provide honest feedback that can drive business improvements. We value two-way communication, having a significant number of proactive employee forums in place, to ensure that we have an ongoing dialogue to involve colleagues with matters that are important to them. This is facilitated through elected employee representatives and, directly, in team meetings and larger briefings.

Financial risk management

The company is exposed to a variety of financial risk including currency risk.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee. The policies set by the directors are implemented by the company's finance department.

Currency risk

The group within which the company operates uses forward contracts to manage the risk associated with fluctuating exchange rates on its purchases on a group basis. These forward contracts are transacted through a fellow group undertaking.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report (continued)

Statement of directors' responsibilities (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each director in office at the date the directors' report is approved, confirms that:

- (a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the Board



A R Martin
Company secretary

22 March 2016

Grace House
Bessemer Road
Welwyn Garden City
Hertfordshire
England
AL7 1HW

Independent auditors' report to the members of Grace Foods UK Limited

Report on the financial statements

Our opinion

In our opinion, Grace Foods UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the income statement and the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on pages 5 and 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Robert Girdlestone (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
22 March 2016

Income Statement

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Other income	2.13	11,105	11,339
Dividend income		1,914	1,167
Distribution costs		(3,953)	(4,099)
Administrative expenses		(6,958)	(6,931)
Profit on disposal of available for sale financial asset			
– loss on disposal		(115)	-
– recycle of gains in other comprehensive income		376	-
Operating profit	5	2,369	1,476
Interest payable and similar charges	8	(9)	(14)
Profit on ordinary activities before income tax		2,360	1,462
Income tax expense on ordinary activities	9	(395)	(85)
Profit for the year		1,965	1,377

Statement of Comprehensive Income

For the year ended 31 December 2015

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Profit for the year	1,965	1,377
Other comprehensive income items that may be classified to profit and loss		
– change in value of available for sale financial assets	-	180
– reclassified to income statement on disposal of available for sale financial asset	(376)	-
– deferred tax	75	(36)
Other comprehensive (expense) / income, net of deferred tax	(301)	144
Total comprehensive income for the year	1,664	1,521

The notes on pages 12 to 25 form part of these financial statements.

The results for the year arise solely from continuing activities.

Statement of financial position

As at 31 December 2015

		31 December 2015 £'000	31 December 2014 £'000
	Note		
Fixed assets			
Property, plant and equipment	10	1,605	1,500
Investments	11	<u>11,475</u>	<u>11,459</u>
		13,080	12,959
Current assets			
Inventory	13	68	65
Other receivables	14	3,118	2,972
Available for sale financial assets	12	-	574
Cash at bank and in hand		<u>1</u>	<u>-</u>
		3,187	3,611
Creditors: amounts falling due within one year	15	<u>(5,298)</u>	<u>(5,305)</u>
Net current liabilities		<u>(2,111)</u>	<u>(1,694)</u>
Total assets less current liabilities		<u>10,969</u>	<u>11,265</u>
Net assets		<u><u>10,969</u></u>	<u><u>11,265</u></u>
Equity			
Ordinary shares	18	-	-
Other reserves		-	301
Retained earnings		<u>10,969</u>	<u>10,964</u>
Total shareholders' funds		<u><u>10,969</u></u>	<u><u>11,265</u></u>

The notes on pages 12 to 25 are an integral part of these financial statements.

These financial statements were approved by the board of directors and authorised for issue on 22 March 2016 and were signed on its behalf.



A. Reader
Director

Grace Foods UK Ltd
Registered number: 0094632

Statement of changes in equity

For the year ended 31 December 2015

	Note	Called up share capital £'000	Share premium £'000	Other Reserves £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2014	22	39,938	13,520	157	(15,585)	38,030
Profit for the year				-	1,377	1,377
Other comprehensive income for the year						
-Revaluation of available for sale asset, net of deferred tax				144	-	144
Total comprehensive income for the year				144	1,377	1,521
Recapitalisation		(39,938)	(13,520)	-	53,458	-
Dividends					(28,286)	(28,286)
Total transactions with owners, directly recognised in equity		(39,938)	(13,520)	-	25,172	(28,286)
Balance as at 31 December 2014		-	-	301	10,964	11,265
Balance as at 1 January 2015		-	-	301	10,964	11,265
Profit for the year				-	1,965	1,965
Other comprehensive expense for the year						
-Revaluation of available for sale asset, net of deferred tax, recycled to Income statement				(301)	-	(301)
Total comprehensive income for the year				(301)	1,965	1,664
Dividends					(1,960)	(1,960)
Total transactions with owners, directly recognised in equity		-	-	-	(1,960)	(1,960)
Balance as at 31 December 2015		-	-	-	10,969	10,969

Notes to the financial statements

For the year ended 31 December 2015

1. General information

Grace Foods UK Ltd is a holding company and provides warehousing, distribution and management services to the GK Foods (UK) Limited group of companies.

The company is a private company and is incorporated and domiciled in the UK. The registered address is Grace House, Bessemer Road, Welwyn Garden City, Hertfordshire, AL7 1HW.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Grace Foods UK Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the recognition of certain financial assets (note 2.6.3) at fair value, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by GraceKennedy Limited.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of GraceKennedy Limited.

These financial statements do not include certain disclosures in respect of:

- Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Impairment of assets.

The financial statements of GraceKennedy Limited can be obtained as described in note 21.

Notes to the financial statements (continued)

For the year ended 31 December 2015

2.1.1 Going concern

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.2 Consolidation

The company is a wholly owned subsidiary of GK Foods UK Limited and of its ultimate parent, GraceKennedy Limited. It is included in the consolidated financial statements of GraceKennedy Limited which are publically available. Therefore the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.4 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	%
– Long leasehold properties	over the life of the lease
– Vehicles 4 years	25%
– Furniture, fittings and equipment 5-8 years	15-20%
– Plant and machinery 10 years	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the income statement.

Notes to the financial statements (continued)

For the year ended 31 December 2015

2.4.1 Impairments

The carrying amount of the company's fixed assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2.5 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.6 Financial assets

2.6.1 Classification

The company classifies its financial assets only as loans and receivables and available for sale financial assets.

2.6.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise receivables and cash.

2.6.3 Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated to this category or not classified in any of the other categories. They are included in fixed assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available for sale financial assets are carried at fair value with remeasurements recognised in other comprehensive income. On disposal when the available for sale financial assets is recognised the cumulative gain or loss previously recognised in other comprehensive income is classified to profit or loss.

2.6.4 Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Notes to the financial statements (continued)

For the year ended 31 December 2015

2.7 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.9 Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred, using the effective interest rate method.

2.10 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the financial statements (continued)

For the year ended 31 December 2015

2.11 Employee benefits

The company operates a defined contribution pension plan.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.12 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.13 Other income

Other operating income represents amounts invoiced to group companies for distribution and administration services. This is recognised in the period which the services are provided.

2.14 Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.15 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.16 Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.17 Financial guarantees

Financial guarantees are initially recognised at fair value and are subsequently measured at the higher of (a) the amount determined in accordance with IAS 37 and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

Notes to the financial statements (continued)

For the year ended 31 December 2015

3. Critical accounting estimates and judgments

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment, and note 2.4 for the useful economic lives for each class of assets.

4. Financial instruments

The company has available for sale financial assets measured at fair value with changes in fair value recognised in other comprehensive income.

Notes to the financial statements (continued)

For the year ended 31 December 2015

5. Operating profit

Operating profit is stated after charging	2015 £'000	2014 £'000
Wages and salaries	3,159	3,160
Social security costs	302	273
Other pension costs	191	189
Staff costs	<u>3,652</u>	<u>3,622</u>
Loss on disposal of property, plant and equipment	13	-
Auditors' remuneration - audit	23	28
Auditors' remuneration - tax services	44	67
Auditors' remuneration - other services	34	33
Depreciation of owned tangible fixed assets	231	295
Hire of plant and machinery - operating leases	290	298
Hire of other assets - operating leases	971	936
Profit on disposal of available for sale financial asset		
– loss on disposal	115	-
– recycle of gains in other comprehensive income	<u>(376)</u>	<u>-</u>

6. Remuneration of directors

	2015 £'000	2014 £'000
Aggregate emoluments	602	392
Company contributions to money purchase pension schemes	130	85
	<u>732</u>	<u>477</u>

Number of directors

	2015	2014
Retirement benefits accruing to the following number of directors under:		
Money purchase schemes	<u>4</u>	<u>4</u>

Highest paid director

	2015 £'000	2014 £'000
Aggregate emoluments	262	240
Company contributions to money purchase pension schemes	38	38
	<u>300</u>	<u>278</u>

Notes to the financial statements (continued)

For the year ended 31 December 2015

7. Employees and directors

Employees

For the year ended 31 December 2015 and the prior year, all staff were employed by Grace Foods UK Limited, and salary costs of £3,652k (2014: £3,622k) have been recharged to other operating companies in the group.

The monthly average number of persons for whom costs were recharged (including executive directors) during the year, analysed by category, was as follows:

By activity	Number of employees	
	2015	2014
Sales and administration	43	42
Distribution	62	58
	<u>105</u>	<u>100</u>

8. Interest payable and similar charges

	2015 £'000	2014 £'000
Bank interest payable	9	14
	<u>9</u>	<u>14</u>

Notes to the financial statements (continued)

For the year ended 31 December 2015

9. Income tax

Tax expense included in profit or loss

	2015 £'000	2014 £'000
Current tax:		
– UK Corporation tax on profits for the year	42	(31)
– Adjustment in respect of prior periods	324	(4)
Total current tax	366	(35)
Deferred tax:		
Origination and reversal of timing differences	11	117
Adjustments in respect of previous years	1	11
Impact of change in tax rate	17	(8)
Total deferred tax	29	120
Tax on profit on ordinary activities	395	85
	2015 £'000	2014 £'000
Profit on ordinary activities before tax	2,360	1,462
Tax on profit at standard UK tax rate of 20.25% (2014: 21.49%)	478	314
Effects of:		
– Movement in capital loss	(53)	-
– Dividend not subject to tax	(387)	(251)
– Other timing differences	-	(34)
– Income not subject to tax	(2)	-
– Remeasurement of deferred tax – change in UK tax rate	17	(8)
– Adjustments to tax charge in respect of prior years	325	7
– Expenses not deductible for tax purposes	17	57
Tax charge	395	85

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

Further reductions to the UK Corporation tax rates were substantively enacted reducing the main tax rate from 20% to 19% from 1 April 2017.

Notes to the financial statements (continued)

For the year ended 31 December 2015

10. Property, plant and equipment

	Long leasehold properties £'000	Plant, equipment, fixtures and fittings £'000	Vehicles £'000	Total £'000
At 31 December 2014				
Cost	1,842	3,431	7	5,280
Accumulated depreciation	(981)	(2,792)	(7)	(3,780)
Net book amount	861	639	-	1,500
Year ended 31 December 2015				
Additions	-	348	-	348
Disposals at cost	-	(1,495)	(7)	(1,502)
Disposals accumulated depreciation	-	1,483	7	1,490
Depreciation	(73)	(158)	-	(231)
Closing net book amount	788	817	-	1,605
At 31 December 2015				
Cost	1,842	2,284	-	4,126
Accumulated depreciation	(1,054)	(1,467)	-	(2,521)
Net book amount	788	817	-	1,605

11. Investments

	31 December 2015 £'000	31 December 2014 £'000
Shares in group undertakings		
At 1 January	11,459	11,459
Additions	16	-
At 31 December	11,475	11,459

Principal subsidiary undertakings	% ordinary shares held	Nature of business	Country of incorporation
Enco Products Limited	100%	Distributor of speciality food	England and Wales
Chadha Oriental Foods Limited	100%	Distributor of oriental food	England and Wales
Funnybones Foodservice Limited	100%	Distributor of American, Cajun and Tex-Mex dishes	England and Wales
GraceKennedy Ghana Limited	100%	Distributor of speciality food	Ghana
GK Foods Limited	99%	Distributor of speciality food	Nigeria

Notes to the financial statements (continued)

For the year ended 31 December 2015

12. Available for sale financial asset

	31 December 2015 £'000	31 December 2014 £'000
At 1 January	574	394
Change in value of available for sale financial assets	-	180
Disposal	(574)	-
At 31 December	<u>-</u>	<u>574</u>

13. Inventory

	31 December 2015 £'000	31 December 2014 £'000
Raw materials and consumables	<u>68</u>	<u>65</u>
	<u>68</u>	<u>65</u>

14. Other receivables

	31 December 2015 £'000	31 December 2014 £'000
Amounts owed by group undertakings	1,781	2,007
Deferred tax (note 16)	197	150
Current tax	413	-
Prepayments	727	815
	<u>3,118</u>	<u>2,972</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15. Creditors: amounts falling due within one year

	31 December 2015 £'000	31 December 2014 £'000
Bank loans and overdrafts	3,921	3,363
Trade creditors	822	1,169
Taxation and social security	159	151
Other creditors	396	622
	<u>5,298</u>	<u>5,305</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the financial statements (continued)

For the year ended 31 December 2015

16. Provisions for liabilities

The company had the following provisions during the year:

	Deferred tax asset £'000	Total £'000
At 1 January 2014	306	306
Accelerated capital allowances	(109)	(109)
Movement on deferred tax relating to available for sale asset	(36)	(36)
Adjustment in respect of prior years	(11)	(11)
At 31 December 2014	<u>150</u>	<u>150</u>
At 1 January 2015	150	150
Movement on deferred tax relating to available for sale asset	75	75
Accelerated capital allowances	(28)	(28)
At 31 December 2015	<u>197</u>	<u>197</u>

Deferred tax

	31 December 2015 £'000	31 December 2014 £'000
Deferred tax assets due after more than 12 months	<u>197</u>	<u>150</u>
	<u>197</u>	<u>150</u>

17. Post-employment benefits

Defined contribution scheme

The company provides a defined contribution scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was:

	2015 £'000	2014 £'000
Current period contributions	<u>191</u>	<u>189</u>

Contributions amounting to £28,000 (31 December 2014: £42,000) were payable to the scheme at the end of the financial year and are included in creditors.

Notes to the financial statements (continued)

For the year ended 31 December 2015

18. Share capital

Ordinary shares of £0.25 each

	2015 No.	2015 £'000
Allotted and fully paid		
At 1 January	4	-
At 31 December	4	-

On 10 October 2014, by means of a Solvency Statement under Section 643 of the Companies Act 2006, the Company reduced its share capital. No rights were varied as a result of this capital reduction.

All shares rank pari passu in all respects.

19. Contingent liability

At 29 August 2007, the company, together with the parent undertaking and fellow subsidiary undertakings has guaranteed the borrowings of the parent undertaking and other fellow subsidiary undertakings. The guarantee is secured by a fixed and floating charge over the assets of the company. At 31 December 2014, the total guarantees outstanding amounted to £4,341,000 (31 December 2014: £9,249,000). The amount of any liability to be recognised under the company's accounting policy is immaterial.

20. Capital and other commitments

The company had the following future minimum lease payments under noncancellable operating leases for each of the following periods:

	31 December 2015		31 December 2014	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Not later than one year	743	8	991	208
Later than one year and not later than five years	3,716	243	3,468	36
Later than five years	4,955	-	5,946	-
	9,414	251	10,405	244

21. Controlling parties

The immediate parent undertaking is GK Foods (UK) Limited, incorporated in the UK.

The ultimate parent company and controlling party is GraceKennedy Limited.

The smallest and largest group in which the results of the company are consolidated is that headed by GraceKennedy Limited, incorporated in Jamaica. The consolidated financial statements of this company are available to the public and may be obtained from Chief Corporate Secretary, GraceKennedy Limited, 73 Harbour Street, Kingston, Jamaica.

Notes to the financial statements (continued)

For the year ended 31 December 2015

22. Transition to FRS 101

First time adoption of FRS 101 Reduced Disclosure Framework

This is the first time that the company has adopted FRS 101 having previously applied applicable UK accounting standards. The date of transition to FRS 101 was 1 January 2014.

The following tables summarise the effects on the company's equity and total comprehensive income of applying FRS 101 for the first time:

Reconciliation of equity at 1 January 2014

	£'000
Shareholders' funds as reported previously in accordance with applicable UK accounting standards	37,873
Transition adjustments:	
- Financial instruments	196
- Deferred tax	(39)
Shareholders' funds as reported in accordance with FRS 101	<u>38,030</u>

The financial instruments adjustment relates to the revaluation of the available for sale financial asset to its fair value.

Income statement for the year ended 31 December 2014

The company has no transition adjustments which affect the Income statement for 2014 and therefore no separate Income statement reconciliation has been presented.

Statement of comprehensive income

The effect of transitioning to FRS 101 on the statement of comprehensive income is shown below:

	£'000
Profit for the year as reported previously in accordance with applicable UK accounting standards	1,377
Other comprehensive income items that may be classified to profit and loss:	
- change in value of available for sale financial assets	180
- deferred tax	(36)
Other comprehensive income net of deferred tax	<u>1,521</u>

Reconciliation of equity at 31 December 2014

	£'000
Shareholders' funds as reported previously in accordance with applicable UK accounting standards	10,964
Transition adjustments:	
- Financial instruments	376
- Deferred tax	(75)
Shareholders' funds as reported in accordance with FRS 101	<u>11,265</u>