

Registered No: 01334487

MH Foods Limited

Annual report and Financial Statements

For the year ended 31 March 2020



MH Foods Limited

Registered No: 01334487

Directors

T A Atherton
A Braithwaite
A T Hinds
M Therrien

Company Secretary

I J Hinton

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Registered office

5 The Heights
Brooklands
Weybridge
Surrey
KT13 0NY
United Kingdom

MH Foods Limited

Registered No: 01334487

Contents

Strategic report	4
Directors' report	7
Directors' responsibilities statement	8
Independent auditor's report	9
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Notes to the financial statements	14

Strategic report

The Directors present their Strategic report for the year ended 31 March 2020.

Principal activities and future developments

MH Foods Limited ("the Company") is a private company limited by shares. Its principal activity continues to be the manufacture of cooking oil sprays.

The Company will continue to focus on growing sales of its branded products in the UK and overseas.

Business review

The profit after taxation for the year ended 31 March 2020 amounted to £7.1 million (2019: £8.4 million). A dividend of £4.0 million was declared and paid on 31 March 2020 (2019: £6.0 million).

Key performance indicators

Key performance indicators for the business are sales and profit before taxation. Turnover for 2020 was £17.1 million showing a decrease of 4.6% compared to 2019. Frylight revenue and profit before taxation was lower than prior year due to the increasingly competitive environment. The Company has no non-financial KPIs.

Principal risks and uncertainties

Details of the principal risks and uncertainties faced by the Company and the associated mitigating controls are set out below.

Although the Company has an on-going process for identifying, evaluating and managing the principal risks and uncertainties facing the Company, additional risks that are not presently known to management could also have an adverse effect on the Company. The risks and uncertainties referred to below are not intended to be an exhaustive analysis of all risks facing the Company.

Risk area and potential impact	Mitigating controls
Commercial risks Reduced profitability We operate in competitive markets. If we fail adequately to control our cost base, to compete effectively or are subject to higher input prices, which could result from Brexit, that cannot be recovered by raising selling prices without losing volumes, we could lose sales and profits.	We set ourselves the target of continually reducing our cost base and are able to invest in our supply chain to help achieve this. Despite challenging trading conditions we continue to invest in marketing our key brands. Our innovation programme continues to generate new products that reinforce our appeal to customers. We recognise the importance of strong customer relationships and the executive team plays an active part in maintaining and developing these. They are also involved in major customer negotiations. We conduct customer surveys to benchmark our performance and we continuously monitor the service and quality levels provided to our customers and consumers, and have procedures in place to react quickly to any issues. Our commitment to corporate responsibility is an important part of our overall proposition to some customers. We are reviewing the impact of Brexit on the business on a regular basis. This continues to be under review since the UK election in 2019.
Legal and compliance risks Compliance with laws Our sector is subject to a number of complex statutory requirements. There is a risk of fines or lawsuits and reputational damage if we fail to comply.	We have a strong in-house legal function supported by external advisers. We have undertaken Company-wide training in respect of competition law and actively monitor and adjust to on-going legal and regulatory changes. We have Business Conduct and Data Protection Policies and programmes designed to ensure that all relevant employees understand what is and is not permissible under the Bribery and Data Protection Acts and our regulatory permits.

Strategic report (continued)

Risk area and potential impact		Mitigating controls
<p>Operational risks</p> <p>Disruption to production</p> <p>An accident, a fire, product contamination, the failure of equipment or systems, a deliberate malicious act, lack of employees due to a pandemic and/or industrial action could disrupt production, affect food safety, cause injury, and/or cause reputational damage with adverse consequences. We are also reliant on information technology and are exposed to losses in the event that systems fail.</p>		<p>Plans are maintained to respond quickly to incidents and minimise any impact to the Company. Our business is committed to the health and safety of all our employees and maintains systems aimed at ensuring everyone is able to work safely at all times. The manufacturing site has a trained engineering resource, is supported by our major equipment suppliers and holds appropriate stocks of spare parts. It also has fire protection systems and regular fire drills. Our information technology systems are regularly backed up and duplicated in the majority of areas. Appropriate safeguards such as firewalls are in place to thwart cyber attacks and the robustness of those safeguards is regularly and routinely tested as part of our cyber security programme. We are also advised by a reputable insurance broker and maintain insurance cover for public and product liability, product recall and property damage and business interruption risks with reputable insurers. Regular employee engagement surveys enable us to maintain a good on-going understanding of staff satisfaction and to identify emerging issues or trends and understand the effectiveness of actions undertaken to manage them.</p>
<p>Disruption to utilities supplies</p> <p>The reliable supply of gas, electricity and water to the manufacturing site is essential to our ability to run our production processes. Disruption to those supplies for whatever reason affects our ability to produce products against plans and in some cases, may cause variability to product quality (not safety) affecting the returns which may be made for these products as they may have to be downgraded from premium quality.</p>		<p>Where possible we have installed back up equipment to deal with interruptions to the supply of utilities. However, in relation, notably, to water, we currently have no back up available to us if our external supply is restricted. We have designed processes to recycle as much water as possible in order to maximise re-use and reduce our reliance on external supply and we will continue to do so in the future.</p>
<p>Product quality</p> <p>Failure to maintain product quality could lead to reputational damage and loss of sales and profits.</p>		<p>We have well-established supply chains and a close working relationship with our suppliers. We have an independent quality team. Customer and consumer complaints are monitored at each weekly Executive Committee meeting and acted upon. Where possible we have liability caps in our contracts and using the advice of a reputable insurance broker we have product recall liability insurance in place with reputable insurers.</p>

MH Foods Limited

Registered No: 01334487

Strategic report (continued)

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's bank current account and also its intercompany loan balances, which are at floating rates based on Libor. The Company's exposure to interest rate fluctuations is continuously monitored.

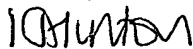
Commodity price risk

The Company is exposed to fluctuations in raw material prices. Prices are monitored regularly to reduce the impact of such risk.

Credit risk

The Company trades only with recognised creditworthy third parties. It is the Company policy that all customers who wish to trade on credit terms are subject to credit vetting procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debt is not significant.

Agreed by the Board and signed on its behalf by



I J Hinton
Company Secretary

28 January 2021

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2020.

Directors

The Directors of the Company were as follows:

T A Atherton	
A Brothwaite	(appointed 4 July 2019)
A T Hinds	
M Therrien	(appointed 15 April 2019)

Items disclosed in Strategic report

Future developments and exposure to interest rate, commodity price and credit risk are disclosed in the Strategic report on page 4.

Directors' and officers' indemnities and insurance

The Company maintains liability insurance for its Directors and Officers. The Directors, Company Secretary and other Officers of the Company are indemnified by the Company to the extent permitted by company law. That indemnity provision has been in place during the year and remains in force.

Dividends

A dividend of £4.0 million was declared and paid on 31 March 2020 (2019: £6.0 million). No dividends were paid post year end.

Going concern

It should be recognised that any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events which are inherently uncertain. Nevertheless, at the time of preparation of these accounts and after making appropriate enquiries and taking into consideration any impact of the COVID 19 pandemic on the Company's performance and future viability, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for a period of at least 12 months from the date of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Disclosure of information to auditors

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

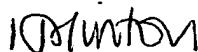
Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be reappointed as the Company's auditor.

Other matters

On 15 April 2019 the Company's ultimate parent undertaking Dairy Crest Group Limited, formerly Dairy Crest Group plc, was acquired by Saputo Inc. It was delisted from the London Stock Exchange on 16 April 2019 and was re-registered as a private limited company on 25 April 2019. It is now known as Dairy Crest Group Limited and the Group's ultimate UK parent is Saputo Dairy UK Limited.

The Company's ultimate parent undertaking and controlling party from 15 April 2019 is Saputo Inc., a company incorporated in Canada. Saputo Inc.'s registered office is 6869, Métropolitain Est, Montréal, Québec H1P 1X8, Canada.

Agreed by the Board and signed on its behalf by



I J Hinton
Company Secretary

28 January 2021

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

Independent auditor's report to the members of MH Foods Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of MH Foods Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other Information

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

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

We have nothing to report in respect of these matters.

Independent auditor's report (continued) to the members of MH Foods Limited

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements; and
- in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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



William Smith MA FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

28 January 2021

MH Foods Limited

Registered No: 01334487

Statement of comprehensive income
for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Turnover		17,122	17,939
Cost of sales		(7,788)	(7,951)
Gross Profit		9,334	9,988
Distribution costs		(286)	(291)
Administrative expenses		(2,164)	(2,175)
Operating Profit	2	6,884	7,522
Other interest receivable and similar income	4	56	52
Profit on ordinary activities before taxation		6,940	7,574
Tax credit on profit on ordinary activities	5	146	860
Profit for the year and total comprehensive income		7,086	8,434

MH Foods Limited

Registered No: 01334487

Statement of financial position
as at 31 March 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Tangible assets	7	1,924	1,864
Intangible assets	8	3	5
Investments	9	-	-
		<u>1,927</u>	<u>1,869</u>
Current assets			
Stocks	10	2,222	2,392
Debtors	11	6,282	3,032
Cash at bank and in hand		1,191	1,386
		<u>9,695</u>	<u>6,810</u>
Creditors			
Amounts falling due within one year	12	(2,239)	(2,435)
Net current assets		<u>7,456</u>	<u>4,375</u>
Total assets less current liabilities		<u>9,383</u>	<u>6,244</u>
Provisions for liabilities and charges			
Deferred taxation	13	(74)	(21)
Net assets		<u>9,309</u>	<u>6,223</u>
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		9,309	6,223
Total shareholders' equity		<u>9,309</u>	<u>6,223</u>

The financial statements were approved by the Board of Directors and signed on their behalf by:



T A Atherton
Director

28 January 2021

MH Foods Limited

Registered No: 01334487

Statement of changes in equity
for the year ended 31 March 2020

	<i>Notes</i>	<i>Ordinary Shares £000</i>	<i>Profit and loss account £000</i>	<i>Total Equity £000</i>
2020				
At 1 April 2019		-	6,223	6,223
Total comprehensive income		-	7,086	7,086
Equity dividends	6	-	(4,000)	(4,000)
At 31 March 2020		-	9,309	9,309
2019				
At 1 April 2018		-	3,789	3,789
Total comprehensive income		-	8,434	8,434
Equity dividends	6	-	(6,000)	(6,000)
At 31 March 2019		-	6,223	6,223

Notes to the financial statements

for the year ended 31 March 2020

1. Accounting policies

General information and basis of accounting

MH Foods Limited (the Company) is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is 5 The Heights, Brooklands, Weybridge, Surrey, KT13 0NY, United Kingdom.

The principal activities of the Company are set out in the strategic report on page 4.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Group has applied the amendments to FRS 102 issued by the FRC in December 2017 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2019.

MH Foods Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to share-based payments, financial instruments and presentation of a cash flow statement.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling, which is the functional currency of the company and rounded to the nearest £1,000.

The Directors have assessed that the Company has only one class of business and turnover is reported on that basis.

Going concern

At the time of preparation of these accounts and after making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for a period of at least 12 months from the date of the financial statements. For this reason they continue to adopt the going concern basis in preparing the accounts.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Critical areas of accounting judgment

There are no items that are considered by Management to be critical areas of accounting judgment.

Consolidated financial statements

The Directors have taken advantage of the exemption in CA 2006 Section 401 from preparing consolidated financial statements on the grounds that the Company's ultimate parent undertaking as at the balance sheet date publishes consolidated financial statements.

Cash flow statement

The Directors have taken advantage of the exemption in FRS 102.1.12 "Cash flow statements" from including a cash flow statement in the financial statements on the grounds that the Company is wholly-owned and its ultimate parent undertaking as at the balance sheet date publishes consolidated financial statements.

Turnover

Turnover on the sale of cooking oil spray is recognised on delivery. Turnover comprises the invoiced value of the sale of goods net of value added tax, rebates and discounts.

Interest

Interest is recognised on an accruals basis.

Dividends

In accordance with FRS 102.23.29.C dividends are recognised when the Shareholders' right to receive payment is established.

Notes to the financial statements (continued)

for the year ended 31 March 2020

1. Accounting policies (continued)

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Research and development

Expenditure on research and development is written off as incurred.

Investments

Investments are carried at lower of cost or net realisable value.

Intangible assets

Intangible assets comprise the capitalised website design costs which are carried at cost less accumulated amortisation and are amortised over 5 years on a straight-line basis.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The carrying values of tangible fixed assets are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. No depreciation is charged on assets in the course of construction.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, on a straight-line basis over the useful economic life of that asset as follows:

Freehold property	-	25 years
Plant & equipment	-	6 to 20 years
Fixtures & fittings	-	4 to 6 years

Stocks

Stock is valued at the lower of cost and net realisable value. The carrying value of stock is in line with its replacement cost.

Provisions

A provision is a liability of uncertain timing or amount that is recognised when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is more likely than not that payment will be required to settle the obligation and the amount can be estimated. If the effect is material, expected future cash flows are discounted using the current pre-tax rate that reflects the risks specific to the liability.

Provisions are estimates and the actual costs and timings of future cash flows are dependent on future events. Provisions are reviewed regularly by management, with any difference between the amounts previously recognised and current estimate or actual liability being recognised to the income statement.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

Financial instruments

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

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Notes to the financial statements (continued)

for the year ended 31 March 2020

1. Accounting policies (continued)

Financial Instruments (continued)

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Notes to the financial statements (continued)

for the year ended 31 March 2020

1. Accounting policies (continued)

Taxation (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. Operating profit

Operating profit is stated after charging/(crediting):

	2020 £000	2019 £000
Depreciation of owned fixed assets	216	184
Loss on disposal of fixed assets	9	5
Amortisation of intangibles	2	2
Operating lease rentals	4	5
(Gain)/loss on foreign currency translation	(1)	5

Auditor's remuneration

Remuneration of the auditor is further analysed as follows:

	2020 £000	2019 £000
Audit of the financial statements	6	6

Auditor's remuneration is borne by another Group undertaking.

There were no non-audit services in either year.

Notes to the financial statements (continued)

for the year ended 31 March 2020

3. Emoluments of directors and employees

Employees

The average number of staff employed by the Company during the period was:

	2020 No	2019 No
Office and management	11	11
Production	44	42
	<u>55</u>	<u>53</u>

Employees

Remuneration of employees including Directors:

	2020 £000	2019 £000
Wages and salaries	2,193	2,080
Social security costs	180	201
	<u>2,373</u>	<u>2,281</u>

Directors' remuneration

All of the Directors are Directors of other undertakings within the Saputo Inc. The Directors' remuneration for the year was paid by other undertakings as qualifying service in relation to the Company were minimal. The Directors do not believe that it is practical to apportion this amount between their services as Directors of the Company and their services as Directors of the fellow subsidiary undertakings.

In the year ending 31 March 2020 no remuneration was paid to any Director by the Company. In 2019, the total remuneration paid by the company to the Director of MH Foods Limited was £184,996 and aggregate value of company contributions to defined contribution pension schemes £5,556. In 2019 this director also received compensation for loss of office of £500,126 in respect of his services to the Company. This was paid by a Parent Company and not recharged to MH Foods Limited.

4. Interest receivable

	2020 £000	2019 £000
Loan to immediate parent undertaking	56	52
	<u>56</u>	<u>52</u>

5. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2020 £000	2019 £000
Current tax:		
Current tax charge on profits of the period	-	199
Adjustments in respect of previous periods	(199)	(1,059)
Total current tax charge/(credit)	<u>(199)</u>	<u>(860)</u>
Deferred tax:		
Deferred tax charge	11	-
Adjustments in respect of previous periods	35	-
Effect of changes in tax rates	7	-
Total deferred tax charge	<u>53</u>	<u>-</u>
Total tax charge/(credit) (note 5 (b))	<u>(146)</u>	<u>(860)</u>

Notes to the financial statements (continued)

for the year ended 31 March 2020

5. Tax (continued)

(b) Factors affecting current tax charge

The differences are reconciled below:

	2020 £000	2019 £000
Profit on ordinary activities before taxation	6,940	7,574
Profit on ordinary activities multiplied by the standard rate of Corporation		
Tax in UK of 19% (2019: 19%)	1,319	1,439
Effects of:		
Adjustment of respect of previous years	(164)	(1,059)
Non-deductible expenses	2	2
Profits offset by available group relief claimed for nil consideration	(782)	(672)
Profits offset by available tax relief	(528)	(570)
Adjustment for change in UK corporation tax rate	7	-
Total tax expense credit (note 5 (a))	(146)	(860)

Factors that may affect the future tax charges:

The resolution passed on 17 March 2020 under the Provisional Collection of Taxes Act 1968 introduced legislation to maintain the main rate of corporation tax at 19% from 1 April 2020, rather than the previously enacted reduction in the main rate of corporation tax to 17% from 1 April 2020. The 19% main rate of corporation tax has therefore been used to measure deferred tax assets and liabilities, including those previously accounted for at 17%.

6. Dividends

	2020 £000	2019 £000
Interim dividend for the year ended 31 March 2020 of £39,216 (2019: £58,824) per ordinary share	4,000	6,000

7. Tangible assets

	Freehold Property £000	Plant & Equipment £000	Assets in the course of construction £000	Total £000
Cost:				
At 1 April 2019	676	1,997	-	2,673
Additions	38	140	117	295
Disposals	-	(60)	-	(60)
At 31 March 2020	714	2,077	117	2,908
Depreciation:				
At 1 April 2019	260	549	-	809
Charge in the period	34	182	-	216
Disposals	-	(41)	-	(41)
At 31 March 2020	294	690	-	984
Net book amount:				
At 31 March 2020	420	1,387	117	1,924
At 31 March 2019	416	1,448	-	1,864

Notes to the financial statements (continued)

for the year ended 31 March 2020

8. Intangible assets

	<i>Internally generated £000</i>
Cost:	
At 1 April 2019 and 31 March 2020	56
Amortisation:	
At 1 April 2019	51
Charge in the period	2
At 31 March 2020	53
Net book amount:	
At 31 March 2020	3
At 31 March 2019	5

9. Investments

	<i>Shares in subsidiary undertaking £000</i>
At 31 March 2019 and 31 March 2020	-

The Company's subsidiary undertaking is as follows:

Company	Country of registration or incorporation	Class	Shares held %
Morehands IP Limited	England and Wales	Ordinary	100

The Company owns 100% of the issued share capital of Morehands IP Limited. This is a dormant company.

The principal place of operation and country of incorporation of all subsidiary undertakings is England and Wales.

The registered office of all subsidiary undertakings incorporated in England and Wales is 5 The Heights, Brooklands, Weybridge, Surrey, KT13 0NY.

10. Stocks

	<i>2020 £000</i>	<i>2019 £000</i>
Raw materials	652	842
Finished goods	1,570	1,550
	<u>2,222</u>	<u>2,392</u>

There were no provisions for inventory impairments during the year.

Notes to the financial statements (continued)

for the year ended 31 March 2020

11. Debtors

Amounts falling due within one year:

	2020 £000	2019 £000
Trade debtors	3,127	2,464
Amounts owed by parent undertakings*	2,717	425
Corporation tax	216	-
Other debtors	122	126
Prepayments and accrued income	100	17
	6,282	3,032

*In both the current years and prior years, the amounts shown above are unsecured loans and repayable on demand with an interest rate of 1% plus LIBOR.

12. Creditors

Amounts falling due within one year:

	2020 £000	2019 £000
Trade creditors	1,679	1,824
Corporation tax	-	199
Accruals and deferred income	560	412
	2,239	2,435

13. Deferred taxation

The movement in the deferred taxation provision during the period was:

	2020 £000	2019 £000
Provision brought forward	21	21
Charge to profit	53	-
Provision carried forward	74	21

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2020 £000	2019 £000
Excess of taxation allowances over depreciation on fixed assets	74	21
Provision carried forward	74	21

Refer to note 5 of the financial statements for details.

Notes to the financial statements (continued)

for the year ended 31 March 2020

14. Commitments under operating leases

Operating leases

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	2020 £000	2019 £000
Within one year	2	3
	<u>2</u>	<u>3</u>

15. Related party transactions

Group

As the Company is a wholly-owned subsidiary of Saputo Inc., it is exempt under the terms of FRS 102.33.1A "Related Party Disclosures" from disclosing transactions with other wholly-owned Group undertakings, joint ventures or associated companies. There were no other related party transactions in the period.

Key management personnel

Compensation of key management personnel of the Company:

	2020 £000	2019 £000
Short-term employee benefits	-	185
Total compensation paid to key management personnel*	<u>-</u>	<u>185</u>

* Further details relating to the prior year compensation of key management personnel are set out in note 3. This includes a description of pension arrangements, severance pay and any cash supplements paid.

16. Share capital

	2020 Number	2020 £	Allotted, called up and fully paid 2019 Number	2019 £
Ordinary shares of £1 each	102	<u>102</u>	102	<u>102</u>

17. Capital Commitments

The Company has future capital expenditure contracted on property, plant and equipment of £167,878 (2019: £25,974).

18. Parent undertakings

The Company's immediate parent undertaking is Dairy Crest Limited whose financial statements are available from its registered office at 5 The Heights, Brooklands, Weybridge, Surrey, KT13 0NY.

On 15 April 2019 the Company's ultimate parent undertaking Dairy Crest Group Limited, formerly Dairy Crest Group plc, was acquired by Saputo Inc. It was delisted from the London Stock Exchange on 16 April 2019 and was re-registered as a private limited company on 25 April 2019. It is now known as Dairy Crest Group Limited and the Group's immediate ultimate parent is Saputo Dairy UK Limited.

The Company's ultimate parent undertaking and controlling party from 15 April 2019 is Saputo Inc., a company incorporated in Canada. Saputo Inc's registered office is 6869, Métropolitain Est, Montréal, Québec H1P 1X8, Canada.

The largest and smallest group preparing consolidated accounts which includes MH Foods Limited is Saputo Inc.

19. Post balance sheet events

On 14 September 2020 the Company's immediate parent undertaking proposed to transfer the MH Foods site and its operations into its existing site in Kirkby, Liverpool. The Company's immediate parent undertaking subsequently entered into a consultation process with a group of elected employee representatives at MH Foods and Kirkby and the recognised trade union in Kirkby to review the proposal in more detail. The consultation has now been completed and the transfer will take place in due course.

There has been no disruption to the company as a result of the Covid-19 pandemic.