

**P A S (Grantham) Limited**  
**Annual report and financial statements for**  
**the financial year ended 30 June 2016**

**Registered number: 1568027 (England and Wales)**



# P A S (Grantham) Limited

## Annual report and financial statements for the financial year ended 30 June 2016

### Contents

	<b>Page</b>
Directors and advisers .....	1
Strategic report for the financial year ended 30 June 2016.....	2
Directors' report for the financial year ended 30 June 2016.....	4
Independent auditors' report to the members of P A S (Grantham) Limited .....	6
Statement of Comprehensive Income for the financial year ended 30 June 2016.....	8
Balance sheet as at 30 June 2016.....	9
Statement of Changes in Equity for the financial year ended 30 June 2016.....	10
Accounting policies for the financial year ended 30 June 2016 .....	11
Notes to the financial statements for the financial year ended 30 June 2016 .....	15

# **P A S (Grantham) Limited**

## **Directors and advisers**

### **Directors**

J Legard  
S S Chelley  
A D McCain

### **Company secretary and registered office**

J Legard  
Easton  
Nr Grantham  
Lincolnshire  
NG33 5AY

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
2 Humber Quays  
Wellington Street West  
Hull  
HU1 2BN

### **Bankers**

Citibank NA  
Citigroup Centre  
25 Canada Square  
Canary Wharf  
London  
E14 5LB

### **Solicitors**

Eversheds  
Bridgewater Place  
Water Lane  
Leeds  
LS11 5DR

# P A S (Grantham) Limited

## Strategic report for the financial year ended 30 June 2016

The directors present their strategic report of the company for the financial year ended 30 June 2016.

### Review of the business

The company's profit for the financial year ended 30 June 2016 is £756,000 (2015: £1,860,000).

### Business environment

The company supplies products principally into the frozen retail grocery trade. This is a very competitive market with resultant pressure on margins, and the company aims to differentiate itself through a focused offering with innovative product introductions.

The directors are satisfied with the financial position of the company at the end of the year.

### Strategy

The company aims to achieve profitable growth and the necessary shareholder returns required by meeting customer requirements at the lowest cost.

### Key performance indicators (KPIs)

The Board monitors the progress we are making overall by reference to three KPIs. Performance during the financial year, together with historical trend data, is set out in the table below:

	2016	2015	
Growth in sales %	9.4	(0.7)	Year on year sales growth expressed as a percentage.
Operating profit %	1.3	3.7	Operating profit is profit before tax, investment income and interest expressed as a percentage of sales.
Return on net assets %	3.6	8.7	Return on net assets (RONA) is profit after tax but before interest expressed as a percentage of average net assets in the year

Performance in the year reflects the growth in added value business during a challenging end to the potato crop year, and the directors believe that the company continues to have the strategies in place to promote profitable growth

### Future outlook

The commercial environment is expected to remain competitive with continued pressure on prices and margins but the directors remain confident that the strategy employed will continue to meet the company's objectives.

# **P A S (Grantham) Limited**

## **Strategic report for the financial year ended 30 June 2016 (continued)**

### **Principal risks and uncertainties**

Risks are formally reviewed by the Board and appropriate processes are put in place to monitor and mitigate them.

The key risks and uncertainties affecting the company relate to price competition from other manufacturers and raw material procurement. These are considered and mitigated by matching pricing and cost strategies to customer needs.

### **Financial risk management**

The company's operations expose it to a variety of financial risks. McCain Foods Group Inc., the company's ultimate parent undertaking, has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company (and the group) by monitoring levels of debt finance and the related finance costs for the group as a whole.

On behalf of the Board



J Legard  
Director

6<sup>th</sup> December 2016

# **P A S (Grantham) Limited**

## **Directors' report for the financial year ended 30 June 2016**

The directors present their report and the audited financial statements of the company for the financial year ended 30 June 2016.

### **Principal activities**

The principal activity of the company is the manufacture and sale of frozen french fries and potato products.

### **Dividends**

An interim dividend of £5,000,000 has been paid in respect of the financial year ended 30 June 2016 (2015: £nil). The directors do not propose the payment of a final dividend (2015: £nil).

### **Charitable and political contributions**

The contributions made by the company during the financial year for charitable purposes amounted to £1,222 (2015: £785). There were no political contributions (2015: £nil).

### **Directors**

The directors who held office during the financial year and up to the date of signing of the financial statements are given below:

A D McCain  
S S Chelley  
J Legard

In accordance with the articles of association, A D McCain retires by rotation and, being eligible, offers themselves for re-election.

### **Directors' indemnities**

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.

### **Employment of disabled persons**

The company's policy is to support the employment of disabled persons where suitable jobs are available, to retain wherever possible those who become disabled during their employment and to assist with the training and career development of disabled persons.

### **Employee involvement**

The company operates consultative committees at which employees are provided with information on matters of concern to them. A briefing system is also used to inform employees of matters which affect them directly in their own place of work. All employees are informed of developments in McCain group companies around the world through a group newspaper. Employees are consulted on a regular basis so that the views of employees can be taken into account in making decisions that are likely to affect their interests.

### **Future developments**

As disclosed within the Strategic Report, the commercial environment is expected to remain competitive with continued pressure on prices and margins, but the directors remain confident that the strategy employed will continue to meet the company's objectives.

### **Financial risk management**

The company's management of financial risk is detailed within the Strategic Report.

# P A S (Grantham) Limited

## Directors' report for the financial year ended 30 June 2016 (continued)

### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware.

Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent auditors

PricewaterhouseCoopers LLP were appointed as auditors during the year. They have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next board meeting.



On behalf of the Board

J Legard

Director

6<sup>th</sup> December 2016

# **P A S (Grantham) Limited**

## ***Independent auditors' report to the members of P A S (Grantham) Limited***

### **Report on the financial statements**

---

#### **Our opinion**

In our opinion, P A S (Grantham) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2016 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 balance sheet as at 30 June 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include 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.



## **P A S (Grantham) Limited**

### ***Independent auditors' report to the members of P A S (Grantham) Limited (continued)***

---

#### **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, 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 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**

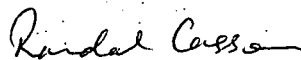
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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



Randal Casson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Hull  
6 December 2016

# P A S (Grantham) Limited

## Statement of Comprehensive Income for the financial year ended 30 June 2016

	Note	2016 £'000	2015 £'000
Revenue	2	72,382	66,149
Cost of sales		(68,304)	(60,426)
<b>Gross profit</b>		<b>4,078</b>	<b>5,723</b>
Other operating expenses	3	(3,148)	(3,294)
<b>Operating profit</b>	7	<b>930</b>	<b>2,429</b>
Finance income	8	4	-
Finance costs	9	-	(24)
<b>Profit on ordinary activities before taxation</b>		<b>934</b>	<b>2,405</b>
Income tax expense on ordinary activities	10	(178)	(545)
<b>Profit for the financial year</b>		<b>756</b>	<b>1,860</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the financial year</b>		<b>756</b>	<b>1,860</b>

### Continuing operations

All items in the above statement derive from ongoing operations.

# P A S (Grantham) Limited

## Balance sheet as at 30 June 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Property plant and equipment	12	15,966	17,268
		<b>15,966</b>	17,268
<b>Current assets</b>			
Inventory	13	4,786	3,676
Trade and other receivables	14	11,132	13,168
Cash and cash equivalents		145	1,202
		<b>16,063</b>	18,046
Creditors: amounts falling due within one year	15	(12,754)	(11,726)
<b>Net current assets</b>		<b>3,309</b>	6,320
<b>Total assets less current liabilities</b>		<b>19,275</b>	23,588
Provisions for liabilities	16	(1,018)	(1,087)
<b>Net assets</b>		<b>18,257</b>	22,501
<b>Equity</b>			
Called up share capital	17	-	-
Retained earnings		18,257	22,501
<b>Total shareholders' funds</b>		<b>18,257</b>	22,501

The financial statements on pages 8 to 25 were approved by the Board of directors on <sup>6<sup>th</sup></sup> December 2016 and were signed on its behalf by:

*J. Legard*

J Legard  
Director

P A S (Grantham) Limited – Registered Number 1568027

# P A S (Grantham) Limited

## Statement of Changes in Equity for the year ended 30 June 2016

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 July 2014	-	20,641	20,641
<b>Profit and total comprehensive income for the year</b>	-	<b>1,860</b>	<b>1,860</b>
<b>At 30 June 2015</b>	-	<b>22,501</b>	<b>22,501</b>
At 1 July 2015	-	22,501	22,501
<b>Profit and total comprehensive income for the year</b>	-	<b>756</b>	<b>756</b>
Dividends (note 11)	-	(5,000)	(5,000)
<b>Total transactions with owners recognised directly in equity</b>	-	<b>(5,000)</b>	<b>(5,000)</b>
<b>At 30 June 2016</b>	-	<b>18,257</b>	<b>18,257</b>

# **P A S (Grantham) Limited**

## **Accounting policies for the financial year ended 30 June 2016**

### **General information**

The principal activity of the company during the year was the supply of products principally into the frozen retail grocery trade, and is expected to remain so for the foreseeable future. The company is a subsidiary of McCain Foods (G.B.) Limited, and is incorporated and domiciled in the UK. The address of its registered office is Easton, Nr. Grantham, Lincolnshire, NG33 5AY. The financial statements were authorised for issue by the board of directors on 5 December 2016, and the balance sheet was signed on the board's behalf by J Legard.

### **Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis and under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below, and, unless otherwise stated, these policies have been consistently applied to all the periods presented.

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 "Reduced Disclosure Framework (FRS 101) and, the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 21 gives details of the company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

These are the first financial statements of the company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 1 July 2014. The company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 101 as explained in Note 22.

The principle disclosure exemptions adopted by the company in accordance with FRS 101 are as follows:

- Statement of cash flows;
- IFRS 13 fair value disclosures;
- IAS 1 information on management of capital;
- IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 disclosure of key management personnel compensation;
- IAS 24 disclosures in respect of related party transactions entered into between fellow group companies (the company has no other related party transactions); and
- Roll-forward reconciliations in respect of share capital (IAS 1), property, plant and equipment (IAS 16) and Intangible assets (IAS 38).

### **Going Concern**

The directors have reviewed the budgets and forecast for the company and expect that the company will continue to be profitable and generate a positive cash inflow. The company also has access to the available resources via the group cash pool facility if required. The directors therefore have a reasonable expectation that the company has adequate financial resources to meet its obligations as they fall due for a period of at least 12 months from the signing of the financial statements and continue in existence for the foreseeable future.

For this reason, the directors continue to adopt the going concern basis for the preparation of the financial statements.

# P A S (Grantham) Limited

## Accounting policies for the financial year ended 30 June 2016 (continued)

### Foreign currencies

Earnings of foreign operations are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency either at daily rates or at the average rate of exchange prevailing during the month the transaction occurs. Monetary assets and liabilities are translated at the period end rate and any resulting gains and losses are included in the net income of the foreign operation.

### Property, plant and equipment

The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned.

The annual depreciation rates used for this purpose are:

	Annual rate %
Freehold buildings	2.5 - 5
Plant, equipment and motor vehicles	4 - 33

Freehold land and capital work in progress are not depreciated.

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the income statement in the period of de-recognition.

### Impairment

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

# **P A S (Grantham) Limited**

## **Accounting policies for the financial year ended 30 June 2016 (continued)**

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of manufactured products comprises all direct expenditure and production overheads based on the normal level of activity. The cost of goods purchased for resale and engineering spares is determined on a first in first out basis. Net realisable value is the price at which the inventories can be sold in the normal course of business after allowing for the costs of realisation. Where necessary, provision is made for obsolete, slow moving and defective inventories. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### **Trade and other receivables**

Trade and other receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet bank overdrafts are shown in current liabilities.

### **Current and deferred income tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

# **P A S (Grantham) Limited**

## **Accounting policies for the financial year ended 30 June 2016 (continued)**

### **Pension obligations**

The company is a member of a multi-employer plan. Because of the nature of the information available to the company, it is not possible for the company to obtain sufficient information to enable it to account for the plan as a defined benefit plan. Accordingly, the company accounts for the plan as a defined contribution plan.

Where the plan is in deficit and where the company has agreed with the plan, to participate in a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised, £nil (2015: £nil) is the net present value of the contributions payable under the agreement, that relate to the deficit, and the company expenses such amounts in profit or loss. The unwinding of the discount is recognised as a finance cost.

### **Revenue**

The company recognises revenue when significant risks and benefits of ownership are transferred, which is usually when the goods are shipped or delivered. Sales incentives and allowances are deducted in arriving at sales. Historical experience and estimates of annual performance measures are used to determine sales allowances.

### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

### **Loans receivable and payable**

Loans receivable are recorded at the actual amounts paid.

Loans payable are recorded at the proceeds received.

### **Finance income and finance costs**

Interest receivable and similar income include interest receivable on funds invested.

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised within Comprehensive income as they accrue, using the effective interest method.

### **Dividend distribution**

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

### **Share capital**

Ordinary shares are classified as equity.



# P A S (Grantham) Limited

## Notes to the financial statements for the financial year ended 30 June 2016

### 1 Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

*(i) Useful economic lives of property, plant and equipment and intangible assets*

The annual depreciation charge for property and plant and equipment assets are sensitive to changes in the estimates 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.

*(ii) Inventory provisioning*

The company supplies products principally into the frozen retail grocery trade, and is subject to changing industry and consumer demands. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required.

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

*(iii) Impairment of trade receivables*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

*(iv) Taxation*

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

# P A S (Grantham) Limited

## Notes to the financial statements for the financial year ended 30 June 2016 (continued)

### 2 Revenue

The analysis by geographical area of the company's revenue by destination is set out below:

	2016 £'000	2015 £'000
<b>Revenue by destination</b>		
United Kingdom	67,222	60,682
Rest of Europe	5,160	5,467
	<b>72,382</b>	<b>66,149</b>

All of the company's revenue originates in the United Kingdom and is wholly attributable to the principal activity of the company.

### 3 Other operating expenses

	2016 £'000	2015 £'000
Distribution costs	254	694
Administrative expenses	2,894	2,600
	<b>3,148</b>	<b>3,294</b>

Administrative expenses include £36,000 (2015: £34,000) in respect of fees payable to the auditors for the audit of the annual financial statements.

# P A S (Grantham) Limited

## Notes to the financial statements for the financial year ended 30 June 2016 (continued)

### 4 Directors' emoluments

The emoluments of Mr A D McCain are paid by the ultimate parent company, McCain Foods Group Inc. (Canadian), and are disclosed in the financial statements of that company. They do not relate to his services as a director to this company.

The emoluments paid to the remaining directors were:

	2016	2015
	£'000	£'000
Aggregate emoluments (including benefits in kind and annual incentive payments)	349	347

Aggregate emoluments disclosed above include amounts paid to the highest paid director, as follows:

	2016	2015
	£'000	£'000
Aggregate emoluments	213	238
Defined benefit pension schemes:		
Accrued pension at end of year	-	-

All directors except Mr A D McCain are members of a group defined benefit pension scheme.

### 5 Employee information

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

	2016	2015
	Number	Number
Production	297	287
Selling and distribution	3	8
Administration	10	11
	310	306

# P A S (Grantham) Limited

## Notes to the financial statements for the financial year ended 30 June 2016 (continued)

### 6 Employee costs

	2016 £'000	2015 £'000
Wages and salaries	10,161	8,805
Social security costs	880	751
Other pension costs	623	667
	11,664	10,223

### 7 Operating profit

	2016 £'000	2015 £'000
<b>Operating profit is stated after charging/(crediting):</b>		
Depreciation of owned tangible fixed assets	2,172	2,655
Auditors' remuneration for		
- Audit	36	34
Profit on disposal of tangible fixed assets	(2)	(3)
Hire of plant and machinery - operating leases	18	41

### 8 Finance income

	2016 £'000	2015 £'000
On loans to group undertakings	4	-
	4	-

# P A S (Grantham) Limited

## Notes to the financial statements for the financial year ended 30 June 2016 (continued)

### 9 Finance costs

	2016 £'000	2015 £'000
On loans from group undertakings	-	24
	-	24

### 10 Income tax

	2016 £'000	2015 £'000
<b>Current tax</b>		
UK corporation tax	229	597
Adjustment in respect of prior years	18	(21)
Total current tax	247	576
<b>Deferred tax</b>		
Origination and reversal of timing differences	2	(49)
Effect of reduction in future tax rate	(53)	-
Adjustment in respect of prior years	(18)	18
Total deferred tax	(69)	(31)
<b>Total tax charge</b>	178	545

The tax assessed for the year is lower than (2015: higher than) the standard rate of corporation tax in the UK 20% (2015: 20.75%).

	2015 £'000	2015 £'000
Profit on ordinary activities before taxation	934	2,405
Profit on ordinary activities before taxation multiplied by the standard rate of UK tax of 20% (2015: 20.75%)	187	499
Expenses not deductible for tax purposes	44	49
Adjustment in respect of prior years	-	(3)
Effect of reduction in future tax rate	(53)	-
<b>Total tax charge</b>	178	545

# P A S (Grantham) Limited

## Notes to the financial statements for the financial year ended 30 June 2016 (continued)

### 10 Income tax (continued)

Finance (No. 2) Act 2015 introduced measures to reduce the UK corporation tax rate to 19% from 1 April 2017, and to 18% from 1 April 2020. As at the balance sheet date, these reductions had been "substantively enacted", and hence in accordance with accounting standards have been taken into account within the company's financial statements at 30 June 2016. The rate changes will impact the amount of future tax payments to be made by the company.

On the 16 March 2016, the Chancellor announced an additional planned reduction to 17% from 1 April 2020; however, this reduction has not been substantively enacted at the balance sheet date.

### 11 Dividends

	2016 £'000	2015 £'000
Interim dividend paid to ordinary shareholders at rate of £50,000 (2015: £nil) per share paid	5,000	-
	5,000	-

A dividend of £nil was proposed at the balance sheet date (2015: £nil).

# P A S (Grantham) Limited

## Notes to the financial statements for the financial year ended 30 June 2016 (continued)

### 12. Property plant and equipment

	Freehold land and buildings	Plant, equipment and motor vehicles	Capital work in progress	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 July 2015	9,581	43,304	1,212	54,097
Additions	-	11	894	905
Transfers	191	1,676	(1,867)	-
Disposals	-	(218)	-	(218)
<b>At 30 June 2016</b>	<b>9,772</b>	<b>44,773</b>	<b>239</b>	<b>54,784</b>
<b>Accumulated depreciation</b>				
At 1 July 2015	(2,903)	(33,926)	-	(36,829)
Charge for the financial year	(396)	(1,776)	-	(2,172)
Disposals	-	183	-	183
<b>At 30 June 2016</b>	<b>(3,299)</b>	<b>(35,519)</b>	<b>-</b>	<b>(38,818)</b>
<b>Net book value</b>				
<b>At 30 June 2016</b>	<b>6,473</b>	<b>9,254</b>	<b>239</b>	<b>15,966</b>
At 30 June 2015	6,678	9,378	1,212	17,268

### 13 Inventories

	2016	2015
	£'000	£'000
Raw materials and consumables	2,150	1,574
Work in progress	914	664
Finished goods and goods for resale	1,722	1,438
	<b>4,786</b>	<b>3,676</b>

There is no significant difference between the replacement cost of raw materials and finished goods and their carrying amounts.

Inventories are stated after provisions for impairment of £899,000 (2015: £668,000). The total value of inventory recognised in cost of sales in the year was £37,194,000 (2015: £40,356,000).

# P A S (Grantham) Limited

## Notes to the financial statements for the financial year ended 30 June 2016 (continued)

### 14 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	5,279	6,201
Amounts owed by parent undertaking	4,200	3,142
Amounts owed by group undertakings	680	3,223
Corporation tax	153	-
Other receivables	577	411
Prepayments and accrued income	243	191
	11,132	13,168

Amounts owed by group undertakings include £680,000 (2015: £568,000) which are unsecured, interest free and payable on commercial terms, and £nil (2015: £2,655,000) which bears interest at a commercial rate of 0.2%. (2015: 0.22%),

Trade receivables are stated after provisions for impairment of £nil (2015: £nil).

### 15 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	8,666	7,741
Amounts owed to parent undertaking	1,222	819
Amounts owed to group undertakings	290	-
Corporation tax	-	389
Taxation and social security	253	198
Other creditors	80	250
Accruals and deferred income	2,243	2,329
	12,754	11,726

Amounts owed to the parent undertaking are unsecured, interest free and payable on commercial terms.

Amounts owed to the group undertakings include £191,000 (2015: £nil) which are unsecured, interest free and payable on commercial terms, and £99,000 (2015: £nil) which bears interest at a commercial rate of 1.64% (2015: 1.51%),



# P A S (Grantham) Limited

## Notes to the financial statements for the financial year ended 30 June 2016 (continued)

### 16 Provisions for liabilities

	2016	2015
Deferred tax	£'000	£'000
At 1 July	1,087	1,118
Credited to the statement of comprehensive income	(69)	(31)
At 30 June	1,018	1,087

#### Deferred taxation

Provision for deferred taxation is made in the financial statements as follows:

	Amount provided 2016 £'000	Amount provided 2015 £'000
Excess of capital allowances over depreciation	1,004	1,055
Other timing differences	14	32
	1,018	1,087

Deferred taxation is based on corporation tax rates of 19% and 18% (2015: 20%) dependent upon when the liability is expected to unwind.

### 17 Called up share capital

	2016 £	2015 £
<b>Authorised</b>		
100 (2015: 100) ordinary shares of £1 each	100	100
<b>Allotted, called up and fully paid</b>		
100 (2015: 100) ordinary shares of £1 each	100	100

# P A S (Grantham) Limited

## Notes to the financial statements for the financial year ended 30 June 2016 (continued)

### 18 Financial commitments

At 30 June, the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016	2016	2015	2015
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Expiring within one year	-	7	-	24
Expiring between two and five years	-	10	-	17
Expiring in more than five years	-	-	-	-
	-	17	-	41

The company is also committed under contracts in the normal course of business for the forward purchase of potatoes of £6,552,000 (2015: £7,900,000).

### 19 Pension and similar obligations

The company is a member of a defined benefit funded pension scheme in the United Kingdom operated by the parent company McCain Foods (G.B.) Limited.

The contributions paid by the company to the above scheme are accounted for as though to a defined contribution scheme. This arises since the share of assets and liabilities relating to the company cannot be separately identified.

Full details of the scheme are given within the financial statements of the parent company. As at 30 June 2016, the deficit within the scheme, net of deferred tax, amounted to £23million (2015: surplus £1.5million).

The pension cost for the financial year represents contributions payable by the company to the scheme and amounted to £623,000 (2015: £667,000).

# **P A S (Grantham) Limited**

## **Notes to the financial statements for the financial year ended 30 June 2016 (continued)**

### **20 Contingent liabilities**

The company has given an unlimited composite cross guarantee to The Royal Bank of Scotland plc in respect of all monies owed to the bank by the company's immediate parent company, McCain Foods (G.B.) Limited. At 30 June 2016 the maximum liability under this arrangement amounted to £nil (2015: £nil).

### **21 Ultimate parent undertaking and controlling party**

The immediate parent undertaking is McCain Foods (G.B.) Limited, a company registered in Luxembourg.

The ultimate parent undertaking and controlling party is McCain Foods Group Inc, a company incorporated in Canada.

McCain Foods Group Inc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 June 2016. The consolidated financial statements of McCain Foods Group Inc are available from 107 Main Street, Florenceville, New Brunswick, E7L 1B2, Canada.

McCain Luxembourg Holdings Sarl is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of McCain Luxembourg Holdings Sarl can be obtained from 46A Avenue J.F. Kennedy, Luxembourg, Luxembourg – L1855.

### **22 Explanation of transition to FRS 101 from old UK GAAP**

As stated in the accounting policies, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out on pages 11 to 14 have been applied in preparing the financial statements for the year ended 30 June 2016, and the comparative information presented in these financial statements for the year ended 30 June 2015. The transition date to FRS 101 is 1 July 2014.

In preparing its FRS 101 balance sheet, the Company has not adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). There have been no material changes as a result of changes in accounting policies, and there have been no changes in equity.