

**REGISTERED NUMBER: 1585686**

**AAK (UK) LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

FRIDAY



\*A5G4F4GQ\*

A12

23/09/2016

#420

COMPANIES HOUSE

# **AAK (UK) Limited**

## **Directors' report and financial statements for the year ended 31 December 2015**

### **Contents**

Strategic' report for the year ended 31 December 2015	1
Directors' report for the year ended 31 December 2015	4
Independent auditors' report to the members of AAK (UK) Limited	7
Income statement for the year ended 31 December 2015	9
Statement of comprehensive income for the year ended 31 December 2015	9
Statement of financial position as at 31 December 2015	10
Statement of changes in equity for the year ended 31 December 2015	11
Notes to the financial statements for the year ended 31 December 2015	12

## **AAK (UK) LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

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

#### **REVIEW OF THE BUSINESS AND FUTURE OUTLOOK**

The company made a profit after tax for the financial year of £6,844,000 (2014 profit: £1,859,000) and accordingly £6,844,000 (2014: £1,859,000) has been transferred to reserves.

2015 has been yet another challenging year. Despite this, the company has seen improvement year on year. Vegetable oil prices remained lower during the year but general consumption in core markets is still lower than in previous years. AAK Foods, a division of the company, again performed well, delivering better results than 2014.

The company is a privately owned limited liability company and is part of a Group headed by AAK AB based in Sweden. The Group's core business of refining of vegetable oils for the food manufacturing, foodservice and bakery sectors continued to provide a diversified range of products. Performance of the core business was as expected despite continued difficult external economic pressures in UK and export markets. The business is working with some success to develop stronger partnerships with its customers providing added value and service in addition to providing the products required by customers in a changing market.

The outlook for 2016, given the current global economic position and 'Brexit' referendum in June 2016, remains hard to predict. The Group's strategy of supplying a diversified product range is expected to protect the business from the potential risk of a downturn in any specific product market. 2016 will be a year of continued consolidation and investment in the existing businesses, in the face of increasing UK competition.

#### **EXCEPTIONAL ITEMS**

During the year a restructuring programme continued at the company's Hull site with the ongoing implementation of lean manufacturing involving investment in more efficient plant which, in turn, is reducing manual handling needs. Expenditure on the restructuring programme in the year was £458,000 (2014: £885,000).

#### **ADOPTION OF FRS 101**

The company adopted Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) during the year, with a formal transition date of 1 January 2014. The effect of adopting FRS 101 is discussed in the Notes to the Financial Statements in Note 28 along with a reconciliation of the financial impact of the adoption of FRS 101.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competition from suppliers, both nationally and internationally. This risk is mitigated by having a strong relationship with key customers and striving to provide excellent customer service, and a high quality product. The costs of the company's key raw materials are subject to fluctuation based on international market prices and are monitored closely. Significant underlying price inflation, over a long period, is passed onto our customers.

**AAK (UK) LIMITED**  
**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)**

## **FINANCIAL RISK MANAGEMENT**

The company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Since our products are sold throughout the world, our sales revenues are exposed to market fluctuations in the exchange rates of the currencies involved. Moreover, the company buys its raw materials on international markets, so its cost of raw materials is exposed to market fluctuations in both the price of the raw materials and the exchange rates of the currencies involved.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out in association with the AAK AB (parent) central treasury function located in Sweden; the risks are managed locally in line with the procedures laid down by the group function.

### **Raw material price risks**

The company hedges both operational raw material price risk and the underlying operational currency risk when sales agreements are signed with customers.

Raw material prices fluctuate, so the Group as a whole has assigned a high priority to raw material procurement and to managing this exposure. Raw material procurement is managed centrally by the AAK AB's central procurement function, which continually monitors and controls raw material market exposure for the Group.

To maintain an effective organisation AAK AB's central procurement function is permitted to take limited price risks within the framework of the trading policy established by the Group's Board of Directors.

Forward contracts are used to manage raw material price risk.

### **Exposure to raw material price risk 31 December 2015**

<b>(Thousand tonnes)</b>	<b>Inventory</b>	<b>Sales Contracts</b>	<b>Purchase Contracts</b>	<b>Net Exposure</b>
	22	(121)	103	4

### **Exposure to raw material price risk 31 December 2014**

<b>(Thousand tonnes)</b>	<b>Inventory</b>	<b>Sales Contracts</b>	<b>Purchase Contracts</b>	<b>Net Exposure</b>
	25	(126)	105	4

### **Exposure to foreign currency risk**

A significant portion of the company's buying and selling of raw materials is denominated in foreign currency. Therefore sales contracts and raw material contracts in foreign currency give rise to transaction risk. AAK hedges all its currency transaction risks with forward exchange contracts.

**AAK (UK) LIMITED**  
**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)**

**Exposure to transaction risk 31 December 2015**

£ '000	Assets	Liabilities	Sales Contracts	Purchase Contracts	Currency Contracts	Net Exposure
USD	23	(16)	4	(50)	38	(1)
EUR	7	(8)	25	(20)	(5)	(1)
Total	30	(24)	29	(70)	33	(2)

**Exposure to transaction risk 31 December 2014**

£ '000	Assets	Liabilities	Sales Contracts	Purchase Contracts	Currency Contracts	Net Exposure
USD	33	(17)	6	(47)	25	-
EUR	8	(4)	19	(25)	2	-
Total	41	(21)	25	(72)	27	-

**Interest rate risk**

The company's borrowings are managed through AAK AB's central treasury function at a fixed rate of interest.

**Credit Risk**

Credit risk arises from exposure to outstanding receivables. The company's policy is to insure all its debt through credit insurance. The company also manages its credit exposure through defined credit limits with its trading counterparties.

**Liquidity Risk**

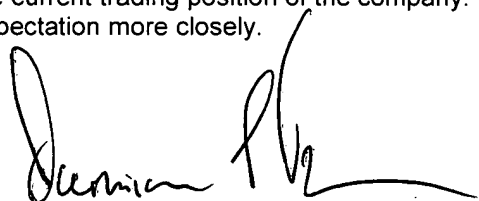
The business is subject to the risk that will not have sufficient borrowing facilities to fund its existing business and any future plans for growth. The company has access to facilities managed centrally via a Group Treasury function. The company manages its liquidity through both short and long term cash flow forecasts.

**KEY PERFORMANCE INDICATORS AND MANAGEMENT OF BUSINESS PERFORMANCE**

The key performance indicators that are monitored on a Group wide and regional basis are earnings before interest, return on capital employed and cash flow.

**Budgeting and forecast reviews**

Monthly results are reviewed against budget and significant variances are investigated to give the Board a clear view of the current trading position of the company. Forecasts are updated on a monthly basis to monitor performance against expectation more closely.



On behalf of the Board,

DP Taylor  
Director

King George Dock  
Kingston-Upon-Hull  
East Yorkshire  
Hull HU9 5PX  
22 September 2016

## **AAK (UK) LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

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

### **PRINCIPAL ACTIVITIES**

The principal activity of AAK (UK) Limited continued to be that of processing edible vegetable oils.

### **FUTURE DEVELOPMENTS**

Future developments are discussed in the Strategic Report on page 1.

### **DIVIDEND**

During the year a dividend of £nil was paid. (2014: £nil). The directors do not recommend the payment of a final dividend.

### **DIRECTORS**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

T A Stephenson  
D P Taylor

### **CHARITABLE CONTRIBUTIONS**

The company made charitable contributions amounting to £5,226 (2014: £13,025).

### **FINANCIAL INSTRUMENTS**

The company has two classes of financial instruments: forward raw material contracts and forward currency contracts. In December 2015 the company only had derivative financial instruments that were measured at fair value. The fair value of the derivative financial instruments is based on market value and the valuation methods applied are described in the accounting policies.

The Strategic Report on pages 1-3 outlines the company's exposure to price risk, credit risk, liquidity risk, interest rate and foreign currency risk.

### **RESEARCH AND DEVELOPMENT**

The company undertakes in house Research and Development and also works with customers and external partners to develop our products to meet the needs of our customers and the market. During the year £301,000 (2014: £209,000) was charged to the Income Statement in respect of Research and Development.

### **EMPLOYMENT OF DISABLED PERSONS**

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 of 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.

**AAK (UK) LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)**

**EMPLOYEE INVOLVEMENT**

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. The company issues a regular newsletter and holds periodic meetings where all staff are invited to attend. There are also communications screens and notice boards throughout the site, which are regularly updated. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its performance. The company encourages the involvement of employees by means of encouraging training and regular meetings between management and staff in order to provide a common awareness on the part of the staff of the financial and economic circumstances affecting the company's performance.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**AAK (UK) LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)**

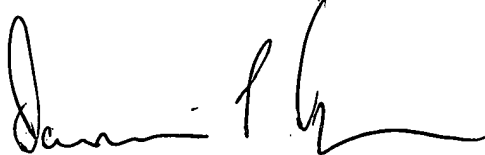
**DISCLOSURE OF INFORMATION TO AUDITORS**

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

**INDEPENDENT AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board,

A handwritten signature in black ink, appearing to read 'DP Taylor', written over a horizontal line.

DP Taylor  
Director

King George Dock  
Kingston-Upon-Hull  
East Yorkshire  
Hull HU9 5PX  
22 September 2016



## **AAK (UK) LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AAK (UK) LIMITED**

#### **REPORT ON THE FINANCIAL STATEMENTS**

##### **Our opinion**

In our opinion, AAK (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 Directors' 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 MATTERS 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.

## AAK (UK) LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AAK (UK) LIMITED (CONTINUED)

#### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

##### **Our responsibilities and those of the 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.

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 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.



Peter Adams (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Hull  
22 September 2016

**AAK (UK) LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	<i>Note</i>	<b>2015</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
<b>Revenue</b>	<b>5</b>		<b>241,627</b>		<b>257,441</b>
<b>Cost of sales</b>			<b>(213,935)</b>		<b>(233,978)</b>
<b>Gross profit</b>			<b>27,692</b>		<b>23,463</b>
Distribution costs		<b>(8,985)</b>		<b>(8,771)</b>	
Administrative expenses					
Excluding exceptional items	<b>6</b>	<b>(8,847)</b>		<b>(8,617)</b>	
Exceptional items	<b>10</b>	<b>(458)</b>		<b>(885)</b>	
Administrative expenses including exceptional items		<b>(9,305)</b>		<b>(9,502)</b>	
			<b>(18,290)</b>		<b>(18,273)</b>
<b>Operating profit</b>	<b>6</b>		<b>9,402</b>		<b>5,190</b>
Finance income	<b>11</b>		<b>-</b>		<b>9</b>
Finance costs	<b>11</b>		<b>(1,315)</b>		<b>(1,653)</b>
<b>Profit on ordinary activities before taxation</b>			<b>8,087</b>		<b>3,546</b>
Tax on profit on ordinary activities	<b>12</b>		<b>(1,243)</b>		<b>(1,687)</b>
<b>Profit for the financial year</b>			<b>6,844</b>		<b>1,859</b>

All results relate to continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

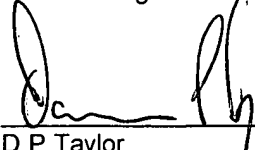
	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
<b>Profit for the financial year</b>	<b>6,844</b>	<b>1,859</b>
	<b>6,844</b>	<b>1,859</b>
<b>Total comprehensive income for the year</b>	<b>6,844</b>	<b>1,859</b>

**AAK (UK) LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015**

	Note	2015		2014	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	13		2,843		2,886
Property, plant and equipment	14		35,256		34,031
Investments in subsidiaries	15		5,287		5,287
			<u>43,386</u>		<u>42,204</u>
<b>Current assets</b>					
Inventories	16	21,707		26,246	
Trade and other receivables	17	81,281		63,759	
Cash and cash equivalents		215		197	
		<u>103,203</u>		<u>90,202</u>	
<b>Creditors: amounts falling due within one year</b>					
	18	<u>(70,329)</u>		<u>(62,757)</u>	
<b>Net current assets</b>			<u>32,874</u>		<u>27,445</u>
<b>Total assets less current liabilities</b>			<u>76,260</u>		<u>69,649</u>
<b>Creditors: amounts falling due after more than one year</b>					
	19		(30,000)		(30,000)
<b>Provisions for liabilities</b>					
	21		<u>(2,805)</u>		<u>(3,038)</u>
<b>Net assets</b>			<u>43,455</u>		<u>36,611</u>
<b>Capital and reserves</b>					
Called up share capital	22		23,600		23,600
Retained earnings			<u>19,855</u>		<u>13,011</u>
<b>Total shareholders' funds</b>			<u>43,455</u>		<u>36,611</u>

The notes on pages 12 to 39 are an integral part of these financial statements.

The financial statements on pages 9 to 39 were authorised for issue by the board of directors on 22 September 2016 and were signed on its behalf.

  
 Director  
 D P Taylor  
 AAK UK Limited  
 Registered number: 1585686

**AAK (UK) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital £'000	Retained Earnings £'000	Total Shareholders' funds £'000
<b>Balance at 1 January 2014</b>	<b>23,600</b>	11,152	34,752
Profit for the financial year	-	1,859	1,859
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	1,859	1,859
Balance at 31 December 2014	<b>23,600</b>	13,011	36,611
Balance at 1 January 2015	<b>23,600</b>	13,011	36,611
Profit for the financial year	-	6,844	6,844
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	6,844	6,844
<b>Balance as at 31 December 2015</b>	<b>23,600</b>	19,855	43,455

Retained earnings represent accumulated comprehensive income for the year and prior periods.

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**1 GENERAL INFORMATION**

AAK (UK) Limited (the "company") is part of a Group headed by AAK AB (the "Group") based in Sweden. The Group's core business is refining vegetable oils for the food manufacturing, foodservice and bakery sectors. The company sells to both UK and worldwide export markets. The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is King George Dock, Hull, HU9 5PX.

**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.

**Basis of preparation**

The financial statements of AAK (UK) Limited have been prepared in accordance with the Companies Act 2006 (the "Act") as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial assets and liabilities measured at fair value through profit or loss and in accordance with 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 exemption in the individual statements of qualifying entities that otherwise apply the recognition measurement and disclosure requirements if EU adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 26 gives details of the company's ultimate parent and from where its consolidated financial statements prepared in accordance with EU-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 into FRS 101 is 1 January 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 shareholders approved the adoption of FRS 101 on 10 September 2015.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The impact of these to the company's previously adopted accounting policies in accordance with UK GAAP on the shareholders equity at the date of transition and as at 31 December 2014 and on the profit or loss for the year ended 31 December 2014 is disclosed in note 28.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 7, 'Statement of cash flows'
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows)
  - 10 (f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 40A-D (requirement for a third statement of financial position)
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective.)
- IFRS 7 'Financial Instruments: Disclosures'
- Paragraphs 6 to 21 of IFRS 1, 'First time adoption of International Financial Reporting Standards' (requirement to present an opening Statement of Financial Position at the date of transition.)
- Paragraph 30 of IAS 1 'Presentation of Financial Statements' comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1
  - Paragraph 73(e) of IAS 16, Property Plant and Equipment
  - Paragraph 1189(e) of IAS 38, Intangible Assets

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 judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

**Going concern**

The company meets its day-to-day working capital requirements through its cash reserves and the Cash Pool facility administered by the Group. The cash pool is an arrangement whereby the balances of bank accounts held by AAK Group companies are aggregated together for the purposes of optimising interest received and improving liquidity management. The current economic conditions continue to create uncertainty particularly over the level of demand for the company's products. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show 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. The company therefore continues to adopt the going concern basis in preparing its financial statements. Further information on the company's borrowings is given in note 20.

**New and amended standards adopted by the company.**

The following standards have been adopted by the company for the first time for the financial year beginning on 1 January 2014 and have a material impact on the company:

IFRS 9 Financial Instruments, addresses the classification, measurement and recognition of financial assets and liabilities. The company has certain derivatives which it uses as hedging instruments to hedge the company's exposure to certain risks. These derivatives were required to be fair valued as the company previously adopted FRS26, however the hedged item was not. The company now designates these as hedges and therefore now both the hedging instrument and the hedged item are held at fair value with the subsequent gains and losses recognised in the income statement.

**Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities, as described below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue Recognition (continued)**

**Sale of goods**

Sales of goods are recognised on the date of dispatch. Sales of inventory located at customers' premises and available for customers' immediate use are recognised when notification is received that the product has been used.

Appropriate provision for returns and trade discounts are deducted from turnover. Revenue comprises sales of products and services to third parties at amounts invoiced net of trade discounts excluding taxes on turnover.

**Consolidation**

The company is a wholly owned subsidiary of AAK AB. It is included in the consolidated financial statements of AAK AB, which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

**Investments**

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within interest income or expenses in the period in which they arise.

**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 the 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. All other foreign exchange gains and losses are presented in the income statement within 'Administration expenses.'

**Intangible assets**

Goodwill representing the excess of fair value of the consideration over the fair value of the separable net assets acquired is capitalised and reviewed for impairment annually.



**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Trademarks are initially recorded at cost and amortised on a straight line basis over their estimated useful economic lives.

Computer software development costs, including external developers' fees, recognised as assets are amortised over their estimated useful lives which does not exceed seven years.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

**Impairment of non-financial assets**

Non-financial assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less the costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

**Financial assets**

**Classification**

The company classifies its financial assets in the following categories: at fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

**(b) Loans and receivables**

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 receivables comprise receivables and cash in the balance sheet.

**Recognition and measurement**

Purchases and sales of financial assets are recognised on the trade date, the date on which the company commits to buy or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all of the risks and rewards of ownership.

**Investments in subsidiary undertakings**

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, plant and equipment**

Land and buildings comprise mainly the refinery, factories, offices and warehousing. Land and buildings are shown at historical cost less subsequent accumulated depreciation for buildings. The company does not revalue its land and buildings.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other 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:

Freehold buildings	20 years
Short leasehold buildings	Over the period of the lease
Plant and machinery	10 – 15 years
Furniture, fixtures and fittings	3 – 7 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

**Hedge accounting policy**

Changes in fair value of a derivative that has been formally identified for hedging of fair value and meets the conditions for hedge accounting are recognised on the same line in the income statement as any change in fair value attributable to the hedged risk for the hedged asset or liability. The company applies hedging of fair value of raw materials and foreign currency in sales and purchase contracts. The gain or loss attributable to the ineffective portion is recognised with immediate effect in profit or loss in "Cost of sales".

**Forward contract position**

Company activities involve entering into forward contracts for the purchase and sale of commodities and foreign exchange. The contracted cost of open material and currency forward contracts are compared with the equivalent value of open forward sales contracts or open market value where applicable ('marked to market') with the difference being included within debtors or creditors as appropriate.

Fair valuation of all forward commodity contracts is appropriate on the basis that all forward contracts whether for sales or purchases can be settled with the other contracted party on a net cash settlement basis and the company has a practice of settling such contracts net.

The company has applied hedge accounting for raw materials and foreign currency sales and purchase contracts. Changes in fair value of derivatives are recognised in the income statement.

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventories**

Inventories are 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 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.

**Trade and other receivables**

Trade and other receivables are amounts due from customers for merchandise sold or services performed 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 rate method, less provision for impairments.

**Share Capital**

Ordinary shares are classified as equity.

**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 rate method.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

**Interest income**

Interest income is earned on positive balances held in the cash pool arrangement within the Group. The company does not have any interest receivable on loans.

When a loan receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

**Pension scheme**

The company operates non-contributory money purchase pension schemes through life assurance companies which hold fund contributions independent from company finances. Company pension contributions are accounted for on an accruals basis.

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 UK.

Deferred tax is recognised on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. 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 tax income 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 related 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.

**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.

The company does not have any leases that would be classified as finance leases.

**Provisions**

Provisions for environmental restoration, restructuring costs and legal claims 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. Reorganisation provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

### **3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances.

#### **Critical accounting estimates and assumptions**

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 amount of assets and liabilities within the next financial year are addressed below.

**a) 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 lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended where necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying value of the property, plant and equipment, and note 2 for the useful economic lives of each class of asset.

**b) Impairment of trade receivables**

The company makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 14 for the net carrying amount of the receivables and associated impairment provision.

**c) Inventory provisioning**

The company refines and manufactures oils, fats and sauces for food manufacture and as such the company's inventory has a finite shelf life. 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 use of raw materials. See note 16 for the net carrying amount of the inventory and the associated provision.

**d) Hedging**

Future contracts or fixed price contracts are used to hedge raw material price risk. Moreover, the company employs currency hedging on all of its transaction risks. This means that the gross contribution of every sales contract is hedged. As part of internal monitoring, the market value of all sales contracts and raw material purchase (including inventory) is valued with respect to both raw material prices and currency prices. The majority of purchase and sales contracts are for physical delivery and are deemed to be derivative instruments and are valued in the income statement.

### **4 FINANCIAL INSTRUMENTS**

Financial assets are recognised at fair value through profit or loss and are financial assets held for trading. A financial asset is classified under this category if it is acquired for the primary purpose of being sold shortly thereafter. Derivatives are classified as being held for trading. Assets in this category are classified as current assets as they are expected to be settled within 12 months.

A financial asset or liability is recognised in the balance sheet when the company enters a contract for the instrument (i.e. on the relevant business day).

A financial asset is derecognised when the rights to cash flow in the contract mature or the rights are transferred in a transaction that transfers essentially all the risks and remunerations from ownership to the assets transferred. This also applies to parts of financial assets.

A financial liability is removed from the balance sheet when the duty in the contract is performed or otherwise extinguished. This also applies to parts of financial liabilities.

A financial liability is recognised when the counterparty has performed and a contractual liability to pay arises, even if no invoice is received.

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**4 FINANCIAL INSTRUMENTS (continued)**

The company has the following financial assets measured at fair value through profit or loss:

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Derivative financial instruments	<b>13,645</b>	13,195

The company has the following financial liabilities measured at fair value through profit or loss:

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Derivative financial instruments	<b>9,742</b>	10,472

**Derivative financial instruments**

Derivative instruments are recognised in the balance sheet on the date of contract and at fair value, both initially and upon subsequent revaluation. The amounts recognised in the profit and loss account are shown above.

The company's derivative instruments consist of OTC or "over the counter" derivatives concluded with financial counterparties, listed as standard derivatives and sales and purchase contracts.

AAKs business model permits (enables) the net settlement of purchase and sales contracts entered into for physical delivery.

The majority of purchase and sales contracts for physical delivery are deemed to be derivative instruments and are valued at fair value in the income statement. The key assumptions used in valuing the derivatives are the market prices for the underlying commodities.

Forward currency contracts are measured at fair value against sterling for the following currencies: EUR, USD, SEK, DKK, NOK, AUD, RUB, SGD, CNY. The rates are obtained from financial data vendors such as Reuters and Bloomberg.

There are no impaired derivatives instruments (2014: £nil) and no past due derivative instruments (2014: £nil).

**5 REVENUE**

Revenue represents amounts invoiced during the year, excluding value added tax, analysed by geographical area as follows:

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
United Kingdom	<b>190,599</b>	199,947
Rest of Europe	<b>45,782</b>	51,931
Rest of the World	<b>5,246</b>	5,563
	<b><u>241,627</u></b>	<b><u>257,441</u></b>

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**6 OPERATING PROFIT**

Operating profit is stated after charging/(crediting) the following:	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs - see note 9	<b>20,808</b>	19,545
Reorganisation expense - see note 10	<b>458</b>	885
Depreciation of owned tangible fixed assets	<b>3,803</b>	3,562
Amortisation	<b>101</b>	58
Operating lease charges:		
- Plant and machinery	<b>504</b>	469
- Other	<b>870</b>	767
Net fair value (gains) / losses on forward contracts	<b>(1,652)</b>	545
Audit fees payable to the company's auditors – see note 7	<b>71</b>	56
Inventory recognised as an expense	<b>154,181</b>	172,857
Impairment of Inventory recognised as an expense	<b>357</b>	399
Foreign exchange (gains) / losses	<b>(207)</b>	174
Impairment of trade receivables recognised as an expense	<b>41</b>	91

**7 AUDITORS' REMUNERATION**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to the company's auditors and its associates for the audit of the company's financial statements	<b>64</b>	49
Fees payable to the company's auditors and its associates for the audit of financial statements on behalf of:		
Book&Claim Limited	<b>5</b>	5
AAK Hull Limited	<b>2</b>	2
Fees payable to the company's auditors and its associates in respect of:		
Taxation and compliance services	<b>38</b>	21
All taxation and advisory services not included above	<b>9</b>	9

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**8 REMUNERATION OF DIRECTORS**

	2015 £'000	2014 £'000
Aggregate emoluments	318	432
Company contributions to money purchase pension schemes	72	103
	<u>390</u>	<u>535</u>
	2015 Number	2014 Number
Members of money purchase pension scheme	<u>2</u>	<u>2</u>

During the year, one director exercised 2,500 stock options (2014: One director exercised 10,000 stock options).

**Highest paid director:**

The highest paid director's emoluments were as follows:

	2015 £'000	2014 £'000
Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	226	232
Company contributions to money purchase pension schemes	40	47
	<u>266</u>	<u>279</u>

**9 STAFF NUMBERS AND COSTS**

The monthly average number of employees, including directors, of the Company during the year, analysed by category, was as follows:

	2015 Number	2014 Number
Production	339	370
Sales	59	40
Administration	29	37
	<u>427</u>	<u>447</u>

The aggregate payroll costs of these employees were as follows:

	2015 £'000	2014 £'000
Wages and salaries	17,817	16,659
Social security costs	1,832	1,659
Other pension costs	1,159	1,227
	<u>20,808</u>	<u>19,545</u>



**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**10 EXCEPTIONAL ITEMS**

	2015 £'000	2014 £'000
Restructuring	<u>458</u>	<u>885</u>

During the year the restructuring programme continued at the Hull site with the ongoing implementation of lean manufacturing involving investment in more efficient plant which is reducing manual handling.

**11 INTEREST INCOME AND EXPENSE**

	2015 £'000	2014 £'000
<b>Finance income:</b>		
Bank interest	-	9
<b>Total finance income</b>	<u>-</u>	<u>9</u>
<b>Finance expense:</b>		
On overdrafts repayable within five years	(96)	(475)
On intergroup loans repayable within five years	(1,219)	(1,178)
Total interest expense on financial liabilities not measured at fair value through profit and loss	<u>(1,315)</u>	<u>(1,653)</u>
<b>Total finance expense</b>	<u>(1,315)</u>	<u>(1,653)</u>
<b>Net finance cost:</b>		
	2015 £'000	2014 £'000
Interest income	-	9
Interest expense	(1,315)	(1,653)
<b>Net finance cost</b>	<u>(1,315)</u>	<u>(1,644)</u>

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**12 TAX ON PROFIT ON ORDINARY ACTIVITIES**

Tax expense included in profit or loss	2015 £'000	2014 £'000
<b>Current tax</b> (see note below):		
UK corporation tax charge on profit for the year	1,921	1,060
Adjustments in respect of prior years	(445)	(28)
<b>Total current tax</b>	<u>1,476</u>	<u>1,032</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(330)	767
Adjustments in respect of prior years	404	(90)
Impact of change in tax rate	(307)	(22)
<b>Total deferred tax</b> (see note 21)	<u>(233)</u>	<u>655</u>
<b>Tax on profit on ordinary activities</b>	<u><u>1,243</u></u>	<u><u>1,687</u></u>

There is no tax expense or tax income included within other comprehensive income or equity.

**Factors affecting tax charge for the year:**

The tax expense for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%). The differences are explained below:

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	<u>8,087</u>	<u>3,546</u>
Profit multiplied by the standard rate of tax in the UK of 20.25 % (2014: 21.50%)	1,638	762
Effects of:		
Expenses not deductible for tax purposes	9	15
Non qualifying depreciation	53	38
Adjustments in respect of prior year	(41)	(118)
Impact of change in tax rate	(307)	(22)
Employee share scheme reliefs	(52)	(27)
Transfer pricing adjustments	(43)	(40)
Impact of transition to FRS 101	(14)	1,079
<b>Tax charge</b>	<u><u>1,243</u></u>	<u><u>1,687</u></u>

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

During the year the main rate of corporation tax reduced from 21% to 20% from 1 April 2015. The main rate of corporation tax will further reduce to 19% from 1 April 2017 and reduce again to 18% from 1 April 2019. The relevant deferred tax balances have been remeasured.

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**13 INTANGIBLE ASSETS**

	Trademarks	Negative Goodwill	Goodwill	Software	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2015	363	(888)	4,896	869	5,240
Additions	-	-	-	58	58
<b>At 31 December 2015</b>	<b>363</b>	<b>(888)</b>	<b>4,896</b>	<b>927</b>	<b>5,298</b>
Accumulated Amortisation:					
At 1 January 2015	363	(858)	2,675	174	2,354
Provided during the year	-	(5)	-	106	101
<b>At 31 December 2015</b>	<b>363</b>	<b>(863)</b>	<b>2,675</b>	<b>280</b>	<b>2,455</b>
Net Book Value:					
<b>At 31 December 2015</b>	<b>-</b>	<b>(25)</b>	<b>2,221</b>	<b>647</b>	<b>2,843</b>
At 31 December 2014	-	(30)	2,221	695	2,886

The software intangible assets include the company's contract management system which was created by an external development firm for the company's specific requirements. The asset is carried at £233,000 (2014: £233,000) and has a remaining amortisation period of 1 year (2014: 2 years) on a straight line basis.

Also included as software is the company's Planning and Scheduling software which is an off the shelf product. The asset is carried at £409,000 (2014: £447,000) and has a remaining amortisation period of 6 years (2014: 7 years) on a straight line basis.

There are no other individually material intangible assets.

Intangible asset amortisation is recorded in administrative expenses in the income statement.

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**14 PROPERTY PLANT AND EQUIPMENT**

	Freehold land and buildings	Short leasehold land and buildings	Plant and machinery	Furniture, Fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2015	4,062	10,667	111,964	8,837	135,530
Additions	50	75	3,796	1,107	5,028
<b>At 31 December 2015</b>	<b>4,112</b>	<b>10,742</b>	<b>115,760</b>	<b>9,944</b>	<b>140,558</b>
Accumulated Depreciation:					
At 1 January 2015	312	8,364	86,979	5,844	101,499
Provided during the year	49	293	3,013	448	3,803
<b>At 31 December 2015</b>	<b>361</b>	<b>8,657</b>	<b>89,992</b>	<b>6,292</b>	<b>105,302</b>
Net Book Value:					
<b>At 31 December 2015</b>	<b>3,751</b>	<b>2,085</b>	<b>25,768</b>	<b>3,652</b>	<b>35,256</b>
At 31 December 2014	3,750	2,303	24,985	2,993	34,031

None of the assets shown above have been revalued.

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**15 INVESTMENTS IN SUBSIDIARIES**

	<b>2015 £'000</b>
<b>Cost</b>	
At 1 January 2015 and 31 December 2015	<u>5,287</u>
<b>Net book value</b>	
At 31 December 2014 and 31 December 2015	<u><u>5,287</u></u>

## Subsidiary undertakings

<b>Name</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
Rowallan Creamery Limited	Holding company	Ordinary £1	100%
Allied Foods Limited	Non trading	Ordinary £1	100%
AarhusKarlshamn Limited	Non trading	Ordinary £1	100%
Nutritionelle Limited	Non trading	Ordinary £1	100%
Book&Claim Limited	Trading agent	Ordinary £1	100%

The aggregate of the share capital and reserves as at 31 December 2015 and the profit / loss for the year ended on that date for the subsidiary undertakings were as follows:

<b>Name</b>	<b>Aggregate of share capital and reserves</b>	<b>Profit / Result</b>
	<b>£'000</b>	<b>£'000</b>
Rowallan Creamery Limited	4,805	-
Allied Foods Limited	5,681	-
Nutritionelle Limited	10	-
Book&Claim Limited	7,301	1,673

AarhusKarlshamn Limited had aggregate share capital and reserves of £2 and no profit or loss in the year. The Directors believe the carrying value of the investments is supported by their underlying net assets.

The company received no dividends from subsidiary undertakings during the year (2014: £nil).

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**16 INVENTORIES**

	<b>2015</b> <b>£'000</b>	2014 £'000
Raw materials and consumables	<b>13,235</b>	17,451
Work in progress	<b>211</b>	286
Finished goods and goods for resale	<b>8,261</b>	8,509
	<b><u>21,707</u></b>	<b><u>26,246</u></b>

There is no significant difference between the replacement cost of raw materials and consumables, work in progress, finished goods and goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £376,000 (2014: £189,000).

**17 TRADE AND OTHER RECEIVABLES**

	<b>2015</b> <b>£'000</b>	2014 £'000
Trade receivables	<b>28,530</b>	33,982
Amounts owed by group undertakings	<b>33,910</b>	5,420
Amounts owed by group undertakings under forward contracts	<b>3,652</b>	2,907
Forward contract position (see note 2)	<b>9,994</b>	10,288
Other receivables and prepayments	<b>5,195</b>	11,162
	<b><u>81,281</u></b>	<b><u>63,759</u></b>

Trade receivables are stated after provisions for impairment of £nil (2014 £67,000).

Amounts owed by fellow group companies are interest free, carry no security and are repayable on demand.

**18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2015</b> <b>£'000</b>	2014 £'000
Trade creditors	<b>21,393</b>	19,487
Amounts owed to group undertakings	<b>23,454</b>	18,980
Amounts owed to group undertakings under forward contracts	<b>1,533</b>	2,438
Taxation and social security	<b>821</b>	210
Forward contract position	<b>8,209</b>	8,034
Accruals and other creditors	<b>14,919</b>	13,608
	<b><u>70,329</u></b>	<b><u>62,757</u></b>

Amounts owed to fellow group companies are interest free and repayable on demand.

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertakings (note 20)	<u><b>30,000</b></u>	<u><b>30,000</b></u>

The above amount relates to a loan from a group undertaking which is repayable on 30 June 2018 and carries a fixed interest rate of 4%. Interest is paid annually on 30<sup>th</sup> June.

**20 LOANS AND OTHER BORROWINGS**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertakings	<u><b>53,454</b></u>	<u><b>46,874</b></u>

Included in amounts owed to group undertakings is an amount of £30,000,000 which is explained in note 19.

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**21 PROVISIONS FOR LIABILITIES**

The provision for deferred tax consists of the following deferred tax liabilities (assets):

	2015 £'000	2014 £'000
Deferred tax assets due within 12 months	(35)	-
Deferred tax liabilities due within 12 months	135	135
<b>Total provision</b>	<b>100</b>	<b>135</b>

	2015 £'000	2014 £'000
Deferred tax assets due after more than 12 months	(23)	-
Deferred tax liabilities due after more than 12 months	2,728	2,903
<b>Total provision</b>	<b>2,705</b>	<b>2,903</b>

	2015 £'000	2014 £'000
Total deferred tax provision		
<b>Total provision</b>	<b>2,805</b>	<b>3,038</b>

Deferred tax liabilities	Accelerated capital allowances	Other	Total £'000
At 1 January 2014	2,265	118	2,383
Charged/ (credited) to the income statement	(133)	788	655
<b>At 31 December 2014</b>	<b>2,132</b>	<b>906</b>	<b>3,038</b>
Charged/ (credited) to the income statement	731	(964)	(233)
<b>At 31 December 2015</b>	<b>2,863</b>	<b>(58)</b>	<b>2,805</b>

There are no unutilised tax losses or unused tax credits. A deferred tax asset has been recognised because the business has consistently generated taxable trading profits in the past. The directors do not anticipate any changes to the performance of the business in the next few years and thus a deferred tax asset on trading items has been recognised.



**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**22 CALLED UP SHARE CAPITAL**

	2015 £'000	2014 £'000
<b>Authorised:</b>		
25,000 (2014: 25,000) Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
<b>Allotted, called up and fully paid:</b>		
23,600 (2014: 23,600) Ordinary shares of £1 each	<u>23,600</u>	<u>23,600</u>

All shares rank pari passu in all respects.

**23 DIVIDENDS**

There were no dividends paid on equity capital in the year (2014: £nil).

**24 CAPITAL AND OTHER COMMITMENTS**

As at 31 December, the company had the following capital commitments.

	2015 £'000	2014 £'000
Contracted for future capital expenditure not provided in the financial statements	<u>60</u>	<u>90</u>

The company had the following future minimum lease payments under non cancellable operating leases.

	2015		2014	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
<b>Expiry date:</b>				
No later than a year	870	503	701	515
Between two and five years	1,727	203	1,869	353
Later than five years	4,731	-	5,136	-
<b>Total</b>	<u>7,328</u>	<u>706</u>	<u>7,706</u>	<u>868</u>

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**25 POST EMPLOYMENT BENEFITS**

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
<b>Current year contributions</b>	<b>1,159</b>	<b>1,227</b>

**26 CONTROLLING PARTIES**

The immediate parent undertaking is AAK AB, a company incorporated in Sweden, the address of which is AAK AB, Skeppsgatan 19, SE-211 19 Malmö, Sweden.

The ultimate parent company and the smallest and largest group to consolidate these financial statements is also AAK AB. Copies of the AAK AB consolidated financial statements can be obtained from the company secretary at AAK AB, Skeppsgatan 19, SE-211 19 Malmö, Sweden.

The ultimate controlling party is AAK AB.

**27 SUBSIDIARY UNDERTAKINGS**

The following companies were subsidiary undertakings of the company at 31 December 2015. All are registered in England and Wales.

Company	Class of shares	Principal activity	Proportion held
Rowallan Creamery Limited	Ordinary £1	Holding company	100%
Allied Foods Limited	Ordinary £1	Non trading	100%
AarhusKarlshamn Limited	Ordinary £1	Non trading	100%
Nutritionelle Limited	Ordinary £1	Non trading	100%
Book&Claim Limited	Ordinary £1	Trading agent	100%

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**28 TRANSITION TO FRS 101****(a) Adoption of FRS 101**

The adoption of FRS 101 has introduced changes in the way in which the following balances are measured and presented:

- i) Goodwill
- ii) Intangible assets and software
- iii) Forward contracts and derivatives

**i) Goodwill**

The standard states that Goodwill has either a finite or indefinite useful life. It is not amortised if the estimated useful life is indefinite but is subject to annual impairment reviews. The effect of this is to remove the annual amortisation charge which recognises the diminution in the value of the Goodwill on a straight line basis over an estimated useful life of 20 years and to implement annual impairment reviews which will recognise the diminution in the value of the Goodwill through the Income Statement each year.

The impact on the Balance Sheet as at 31 December 2014 is an increase in the value of Goodwill of £245,000 (1 January 2014: £245,000) which is the amortisation that was charged in each year.

The impact on the Statement of Changes in Equity is £245,000 for the year ended 31 December 2014 (1 January 2014: £245,000).

**ii) Intangible assets and software**

The standard states that software must be presented as an intangible asset. The effect of this is to reclassify software from tangible fixed assets to intangible assets.

The impact on the Balance Sheet at 31 December 2014 is to transfer cost and accumulated depreciation of £869,854 and £174,831 respectively from tangible fixed assets to intangible assets (1 January 2014 £651,438 and £86,664 respectively).

There is no impact on the Statement of Changes in Equity for the year ended 31 December 2014 (1 January 2014: £nil).

**iii) Forward contracts and derivatives**

FRS 101 permits hedge accounting and for stock to be fair valued if it forms part of a designated hedge. The company has applied this treatment on transition to FRS 101.

The impact on the Balance Sheet as at 31 December 2014 is £538,000 (1 January 2014: £2,597,000) There is an associated Deferred Tax movement of £458,000 at 31 December 2014.

The impact on the Statement of Changes in Equity is £996,000 for the year ended 31 December 2014 (1 January 2014: £2,597,000).

The effect of the changes to accounting policy on the Income Statement and Statement of Comprehensive Income is shown in the following tables:

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**28 TRANSITION TO FRS 101 (Continued)****Impact of change in accounting policy on the Income Statement**

	UK GAAP for year ended 31 December 2015  £'000	Adoption of FRS 101  £'000	FRS 101 for year ended 31 December 2015 as presented £'000
<b>Revenue</b>	241,627	-	241,627
Cost of sales	(215,850)	1,915	(213,935)
Gross profit	25,777	1,915	27,692
Distribution costs	(8,985)	-	(8,985)
Administrative expenses			
Excluding exceptional items	(9,092)	245	(8,847)
Exceptional items	(458)	-	(458)
Administrative expenses including exceptional items	(9,550)	245	(9,305)
<b>Operating profit</b>	7,242	2,160	9,402
Finance costs	(1,315)	-	(1,315)
<b>Profit on ordinary activities before taxation</b>	5,927	2,160	8,087
Tax on profit on ordinary activities	(1,243)	-	(1,243)
<b>Profit for the financial year</b>	4,684	2,160	6,844

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**28 TRANSITION TO FRS 101 (Continued)**

**Impact of change in accounting policy on the Income Statement (continued)**

	UK GAAP for year ended 31 December 2014	Adoption of FRS 101	FRS 101 for year ended 31 December 2014 as presented
	£'000	£'000	£'000
<b>Revenue</b>	257,441	-	257,441
Cost of sales	(230,795)	(3,183)	(233,978)
Gross profit / (loss)	26,646	(3,183)	23,463
Distribution costs	(8,771)	-	(8,771)
Administrative expenses			
Excluding exceptional items	(8,862)	245	(8,617)
Exceptional items	(885)	-	(885)
Administrative expenses including exceptional items	(9,747)	245	(9,502)
	(18,518)	245	(18,273)
<b>Operating profit / (loss)</b>	8,128	(2,938)	5,190
Finance income	9	-	9
Finance costs	(1,701)	48	(1,653)
<b>Profit / (loss) on ordinary activities before taxation</b>	6,436	(2,890)	3,546
Tax on profit / (loss) on ordinary activities	(1,229)	(458)	(1,687)
<b>Profit / (loss) for the financial year</b>	5,207	(3,348)	1,859

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**28 TRANSITION TO FRS 101 (Continued)**

**Impact of change in accounting policy on the Statement of Comprehensive Income**

	<b>UK GAAP for the year ended 31 December 2015</b>	<b>Adoption of FRS 101</b>	<b>FRS 101 for the year ended 31 December 2015 as presented £'000</b>
	<b>£'000</b>	<b>£'000</b>	
Profit for the financial year	<b>4,684</b>	<b>2,160</b>	<b>6,844</b>
<b>Total comprehensive income for the year</b>	<b>4,684</b>	<b>2,160</b>	<b>6,844</b>

	<b>UK GAAP for the year ended 31 December 2014</b>	<b>Adoption of FRS 101</b>	<b>FRS 101 for the year ended 31 December 2014 as presented £'000</b>
	<b>£'000</b>	<b>£'000</b>	
Profit for the financial year	<b>5,207</b>	<b>(3,348)</b>	<b>1,859</b>
<b>Total comprehensive income for the year</b>	<b>5,207</b>	<b>(3,348)</b>	<b>1,859</b>

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**28 TRANSITION TO FRS 101 (Continued)**

**Impact of change in accounting policy on the Statement of Position**

	Notes	As previously stated	At 1 January 2014 Effect of transition	FRS 101 (as restated)
Fixed Assets				
Intangible assets:				
Goodwill		2,221	-	2,221
Negative goodwill		(35)	-	(35)
Software	ii)	-	565	565
Intangibles		2,186	565	2,751
Tangible assets	ii)	33,028	(565)	32,463
Investments		5,287	-	5,287
		40,501	-	40,501
Current Assets				
Inventories		30,222	-	30,222
Debtors		55,080	2,597	57,677
Cash at bank and in hand		452	-	452
		85,754	2,597	88,351
Creditors – amounts falling due within one year	iii)	(55,317)	(6,400)	(61,717)
Net current assets		30,437	(3,803)	26,634
Total assets less current liabilities	iii)	70,938	(3,803)	67,135
Creditors – amounts falling due after more than one year	iii)	(36,400)	6,400	(30,000)
Provision for other liabilities		(2,383)	-	(2,383)
Net Assets		32,155	2,597	34,752
Capital and reserves				
Called up share capital		23,600	-	23,600
Retained earnings		8,555	2,597	11,152
Total Equity		32,155	2,597	34,752

**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**28 TRANSITION TO FRS 101 (Continued)****Impact of change in accounting policy on the Statement of Position**

	Notes	As previously stated	At 31 December 2014 Effect of transition	FRS 101 (as restated)
<b>Fixed Assets</b>				
Intangible assets:				
Goodwill	i)	1,976	245	2,221
Negative goodwill		(30)	-	(30)
Software	ii)	-	695	695
Intangibles		1,946	940	2,886
Tangible assets	ii)	35,571	(1,540)	34,031
Investments		5,287	-	5,287
		42,804	(600)	42,204
<b>Current Assets</b>				
Inventories		26,246	-	26,246
Debtors		63,759	-	63,759
Cash at bank and in hand		197	-	197
		90,202	-	90,202
Creditors – amounts falling due within one year	iii)	(54,345)	(8,412)	(62,757)
Net current assets		35,857	(8,412)	27,445
Total assets less current liabilities		78,661	(9,012)	69,649
Creditors – amounts falling due after more than one year	iii)	(38,719)	8,719	(30,000)
Provision for other liabilities	iv)	(2,580)	(458)	(3,038)
Net Assets		37,362	(751)	36,611
<b>Capital and reserves</b>				
Called up share capital		23,600	-	23,600
Retained earnings		13,762	(751)	13,011
		37,362	(751)	36,611



**AAK (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**  
**(CONTINUED)**

**28 TRANSITION TO FRS 101 (Continued)**

i) Goodwill

The amount of amortisation reversed on transition to FRS 101 was £245k at 31 December 2014.

ii) Software and Tangible assets

The adjustment to transfer software from Tangible Fixed Assets to Intangible assets was £695k at 31 December 2014. At 1 January 2014 the transfer from Tangible Fixed Assets to Intangible Assets was £565,000.

On transition to FRS 101 certain finance leases were reclassified as operating leases. The effect was to reduce the value of Tangible assets at 31 December 2014 by £845,000.

iii) Debtors and Creditors: Amounts falling due in less than one year

The transition to FRS 101 means that forward contracts can now be fair valued. The adjustment at 1 January 2014 is £2,597 in Debtors and £538k at 31 December 2014 in Creditors: amounts falling due in less than one year.

The transition to FRS 101 also means that certain intercompany loans have been reclassified from long term to current. The amount of loans reclassified at 31 December 2014 was £8,207,000 (1 January 2014 £6,400,000)

Further to the adjustment to Tangible assets in (ii) above, on transition certain finance leases have been reclassified as operating leases. The effect is that at 31 December 2014, Creditors – amounts falling due within one year has reduced by £333,000 and Creditors – amounts falling due after more than one year has reduced by £512,000.

iv) Deferred tax

The deferred tax adjustment calculated on the fair value of forward contracts in (iii) above is £458k.