

**Registered number: 02739808**

**HARRO FOODS LIMITED**

**Report and Financial Statements**

**9 months ended 31 December 2016**

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# **HARRO FOODS LIMITED**

## **Report and financial statements 9 months ended 31 December 2016**

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# **HARRO FOODS LIMITED**

## **Report and financial statements 9 months ended 31 December 2016**

### **Officers and professional advisers**

#### **Directors**

T Kanai  
A Kimura  
M Ichikawa  
A Kitanaka  
M Itazu

#### **Secretary**

M Stone

#### **Registered Office**

Oak Point  
Oakcroft Road  
Chessington  
KT9 1RH

#### **Bankers**

Bank of Tokyo-Mitsubishi UFJ  
Ropemaker Place  
25 Ropemaker Street  
London  
EC2Y 9AN

Sumitomo Mitsui Banking Corporation Europe  
99 Queen Victoria Street  
London EC4V 4EH

Mizuho Corporate Bank  
Mizuho House  
30 Old Bailey  
London  
EC4M 7AU

Barclays Bank PLC  
Level 27, 1 Churchill Place  
Canary Wharf  
London  
E14 5HP

#### **Solicitors**

Field Fisher Waterhouse  
35 Vine Street  
London  
EC3N 2AA

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
Cambridge

# HARRO FOODS LIMITED

## Strategic report

### Activities

The company's business is the wholesale of foodstuffs.

### Business review

The results for the 9 months ended 31 December 2016 are set out in the income statement on page 8. During the period, the company made a loss after taxation of £217,047 (year ended 31 March 2016: profit £318,118).

The market sector that the company is principally concerned with is the supply of goods to restaurants. In the company's experience this market has been quite resilient to the economic downturn of recent years. The company has one large supply contract which is important to maintain for its future profitability.

Monthly sales have increased by 8.3% compared to year ended 31 March 2016 but there was a reduction in gross profit margin in the 9 months ended 31 December 2016 to 19.8% (year ended 31 March 2016: 22.4%). Other operating income was reduced by 81%. These two negative factors caused the fall in operating profit from the year ended 31 March 2016 to become a loss in the 9 months ended 31 December 2016.

The fall in gross margin is attributed by the directors to the uncertainty around the BREXIT process, principally in the depreciation of sterling against other major currencies. The core business of the company continues favourably and still offers growth potential in the future. Distribution expenses, which the directors regard as a key KPI, reduced from 13.0% of sales in the year ended 31 March 2016 to 12.3% in the 9 months ended 31 December 2016.

The company invests in ensuring that it is aware of and complies with the rapidly changing regulations concerning food hygiene and safety. During the period, the company has replaced the ISO 22000 certification with BRC accreditation for its food safety management system.

On 7 January 2016 the company was acquired by Nishimoto Co. Ltd (see note 27 for the details). As a result of the acquisition and the changes in UK GAAP the company elected to transition to IFRS in the prior period. For the current period, the company elected to transfer to FRS101.

### Future developments

The competitive strength of the company has been increased due to the extension of the purchasing facility, by maintaining existing contracts and adding new contracts made possible by the change of ownership. The company will continue to use all its competitive strength to enable it to increase the level of business and profitability in the future.

### Events after the balance sheet date

The profitability of the business has recovered. The effect of sterling depreciation was a short term factor, which was overcome in 2017, and the gross margin has been restored to a higher, more normal level. The customer base has been widened so there is reduced risk to the business in losing a single supply contract.

The full long term impact of the UK leaving the EU is unknown, the directors perceive less risk because the vast majority of the company's sales are made in the UK, rather than if there was a large current volume of sales to other states within the EU.

On 29 September 2017 the company's ultimate holding company, Nishimoto Co Ltd, issued 1,850,000 shares for sale on the First Section of the Tokyo Stock Exchange.

### Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The company does not use derivative financial instruments for speculative purposes.

#### *Cash flow risk*

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company uses foreign exchange forward contracts arranged through high credit-rated banking groups to hedge these exposures.

# HARRO FOODS LIMITED

## Strategic report

### Financial risk management objectives and policies (continued)

#### *Credit risk*

The company's principal financial assets are bank balances and trade receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has contracted with an insurance company, with high credit-ratings assigned by international credit rating agencies, to mitigate the credit risk of conducting business with its customers. The Directors consider that the company has successfully reduced its credit risk as much as economically viable, and it continues to monitor its credit position and limits very closely.

#### *Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance. The company's position as a part of the Nishimoto Wismettac Group means that it has access to finance facilities both internal and external to the Group.

#### *Price risk*

The company is exposed to commodity price risk, due to both market conditions and foreign exchange rate variation. The company does not manage its exposure to commodity price risk due to cost benefit considerations.

#### **Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. During 2016 the company's net assets decreased slightly to £2,733,540 due to the trading loss made.

The company prepares forecasts and cash flow projections to identify the level of financial resources required for its future operations. The results are shared with the parent company, which has confirmed its continued support of the company's cash flow requirements via a signed letter of support. The company continues to have access to a £5m loan and overdraft facility, the security of the loan is guaranteed by the parent company.

The directors therefore have a reasonable expectation that the company will have access to adequate resources to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements

Approved by the Board of Directors  
and signed on behalf of the Board



M Ichikawa  
Managing Director

Date: 30/10/2017

# HARRO FOODS LIMITED

## Directors' report

The directors present their annual report and the audited financial statements for the 9 months ended 31 December 2016.

### Dividends

No dividend payment was made during the period (year ended 31 March 2016 - £522,000). This represented a distribution of £nil per £1 ordinary share (year ended 31 March 2016 - £0.87 per £1 ordinary share).

The directors do not recommend any dividend payments.

### Future developments and events after balance sheet date

Information regarding future developments and events after balance sheet date of the company are included in the Strategic Report.

### Directors

The directors who served during the period were as follows:

T Kanai  
A Kimura  
M Ichikawa  
A Kitanaka  
M Itazu  
Y Kuroda (resigned 25 March 2017)  
Mr T Nishida (resigned 30 September 2016)

### Auditor

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



Mototsugu Ichikawa

Managing Director

Date: 30/10/2017

## **HARRO FOODS LIMITED**

### **Directors' responsibilities statement**

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework". 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:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARRO FOODS LIMITED**

We have audited the financial statements of Harro Foods Limited for the 9 months ended 31 December 2016 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework."

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

### **Respective responsibilities of directors and auditor**

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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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. 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.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the 9 months 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARRO FOODS LIMITED (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



**Paul Adkins (Senior Statutory Auditor)**  
**for and on behalf of Deloitte LLP**  
Statutory Auditor  
Cambridge, United Kingdom

30<sup>th</sup> October 2017

## Harro Foods Limited

### Income statement

9 months ended 31 December 2016

	Note	9 months ended 31 December 2016 £	Year ended 31 March 2016 £
Revenue	4	18,605,999	22,911,166
Cost of sales		(14,915,732)	(17,770,581)
<b>Gross profit</b>		<b>3,690,267</b>	<b>5,140,585</b>
Other operating income		10,504	55,141
Distribution costs		(2,282,299)	(2,977,018)
Administrative expenses		(1,576,968)	(1,700,178)
<b>Operating (loss) profit</b>		<b>(158,496)</b>	<b>518,530</b>
Finance costs	8	(83,796)	(81,163)
<b>(Loss) profit before tax</b>		<b>(242,292)</b>	<b>437,367</b>
Tax	9	25,245	(119,249)
<b>(Loss) profit for the period</b>	5	<b>(217,047)</b>	<b>318,118</b>

All activities derive from continuing operations.

There are no comprehensive income or expenses other than the loss for the financial period and the profit for the preceding financial year. Accordingly, no statement of comprehensive income is given.


# Harro Foods Limited

## Balance Sheet

As at 31 December 2016

		31 December 2016 £	31 March 2016 £
<b>Non-current assets</b>	<b>Note</b>		
Property, plant and equipment	11	6,530,994	6,720,232
<b>Current assets</b>			
Inventories	12	3,860,890	2,742,100
Trade and other receivables	13	3,358,336	3,286,821
Cash and bank balances		1,271,585	2,185,044
		<u>8,490,811</u>	<u>8,213,965</u>
<b>Total assets</b>		<u>15,021,805</u>	<u>14,934,197</u>
<b>Current liabilities</b>			
Trade and other payables	17	3,246,896	2,681,712
Current tax liabilities		-	285,633
Borrowings	14	4,400,000	9,000,000
Derivative financial instruments	15	122,310	-
		<u>7,769,206</u>	<u>11,967,345</u>
<b>Net current assets (liabilities)</b>		<u>721,605</u>	<u>(3,753,380)</u>
<b>Non-current liabilities</b>			
Borrowings	14	4,500,000	-
Deferred tax liabilities	16	19,059	16,265
		<u>4,519,059</u>	<u>16,265</u>
<b>Total liabilities</b>		<u>12,288,265</u>	<u>11,983,610</u>
<b>Net assets</b>		<u>2,733,540</u>	<u>2,950,587</u>
<b>Equity</b>			
Share capital	18	600,000	600,000
Retained earnings	19	2,133,540	2,350,587
<b>Equity attributable to owners of the Company</b>		<u>2,733,540</u>	<u>2,950,587</u>

The financial statements of Harro Foods Limited (company registration number 02739808) were approved by the board of directors and authorised for issue on **30 October** 2017. They were signed on its behalf by:

  
Mototsugu Ichikawa  
Managing Director

## Harro Foods Limited

### Statement of changes in equity

As at 31 December 2016

	Share capital £	Retained earnings £	Total £
<b>Balance at 1 April 2016</b>	600,000	2,554,469	3,154,469
Profit for the year	-	318,118	318,118
<b>Total comprehensive income for the year</b>	-	318,118	318,118
Dividends (note 10)	-	(522,000)	(522,000)
<b>Balance at 31 March 2016</b>	600,000	2,350,587	2,950,587
Loss for the period	-	(217,047)	(217,047)
<b>Total comprehensive income for the period</b>	-	(217,047)	(217,047)
<b>Balance at 31 December 2016</b>	600,000	2,133,540	2,733,540

## Harro Foods Limited

### Cash flow statement

9 months ended 31 December 2016

	Note	9 months ended 31 December 2016 £	Year ended 31 March 2016 £
<b>Net cash from operating activities</b>	20	<u>(787,901)</u>	<u>824,748</u>
<b>Investing activities</b>			
Proceeds on disposal of property, plant and equipment		250	11,951
Purchases of property, plant and equipment		<u>(25,808)</u>	<u>(68,319)</u>
<b>Net cash used in investing activities</b>		<u>(25,558)</u>	<u>(56,368)</u>
<b>Financing activities</b>			
Dividends paid		-	(522,000)
Repayments of borrowings		(9,700,000)	(7,284,687)
New Group borrowings raised		<u>9,600,000</u>	<u>9,000,000</u>
<b>Net cash (used in)/from financing activities</b>		<u>(100,000)</u>	<u>1,193,313</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(913,459)</u>	<u>1,961,693</u>
<b>Cash and cash equivalents at beginning of period</b>		<u>2,185,044</u>	<u>223,351</u>
<b>Cash and cash equivalents at end of period</b>		<u><u>1,271,585</u></u>	<u><u>2,185,044</u></u>

# Harro Foods Limited

## Notes to the financial statements (continued)

9 months ended 31 December 2016

### 1. General information

Harro Foods Limited (the Company) is a Company incorporated in the United Kingdom under the Companies Act.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 and 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Nishimoto Co Ltd. The group accounts of Nishimoto Co Ltd are available to the public and can be obtained as set out in note 26. The registered office address of the parent Company preparing consolidated accounts is Onward Park Building, 3-10-5 Nihonbashi Chuo-Ku, Tokyo 103-0027 Japan.

The Company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

### Adoption of new and revised Standards

#### Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 <i>Disclosure Initiative</i>	<p>The Company has adopted the amendments to IAS 1 <i>Disclosure Initiative</i> for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.</p> <p>The adoption of these amendments has not resulted in any impact on the financial performance or financial position of the Company.</p>
Amendments to IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	<p>The Company has adopted the amendments to IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:</p> <ul style="list-style-type: none"><li>a) when the intangible asset is expressed as a measure of revenue; or</li><li>b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.</li></ul> <p>As the Company already uses the straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets, respectively, the adoption of these amendments has had no impact on the Company's financial statements.</p>

# **Harro Foods Limited**

## **Notes to the financial statements (continued)**

9 months ended 31 December 2016

### **2. Significant accounting policies**

#### **Basis of accounting**

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Nishimoto Co Ltd.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties, financial instruments and investment property that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

#### **Going concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 2 and 3.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company negotiates its own facilities with a range of banks, with the active participation and guarantee of its parent company. The company has access to a £5m loan and overdraft facility, the security of the loan is guaranteed by the company's parent company.

The directors, having assessed the responses of the directors of the company's parent, Nishimoto Co Ltd to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Nishimoto Wismettac group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Nishimoto Co Ltd, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. A signed letter of support from the parent company has been obtained indicating the parent's intention to continue supporting the cashflow requirements of the entity and guaranteeing its external borrowing for a period extending 12 months from the date of signing the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# Harro Foods Limited

## Notes to the financial statements (continued)

9 months ended 31 December 2016

### 2. Significant accounting policies (continued)

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

#### *Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The company as lessee*

Assets held under finance leases are recognised as assets of the company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

#### Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.



## **Harro Foods Limited**

### **Notes to the financial statements (continued)**

9 months ended 31 December 2016

#### **2. Significant accounting policies (continued)**

##### **Borrowing costs**

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### **Operating profit**

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

##### **Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

##### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

##### Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

##### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

##### Current tax and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

# Harro Foods Limited

## Notes to the financial statements (continued)

9 months ended 31 December 2016

### 2. Significant accounting policies (continued)

#### Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their historical cost amounts, being the original purchase cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation on buildings is charged to income. Freehold land is not depreciated. On the subsequent sale or scrappage of a property, the attributable surplus or loss is recognised in income.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	4%
Fixtures and equipment	10% - 30%
Motor vehicles	20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the FIFO method. Net realisable value represents the estimated selling price less all costs to be incurred in marketing, selling and distribution.

#### Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## **Harro Foods Limited**

### **Notes to the financial statements (continued)**

9 months ended 31 December 2016

#### **2. Significant accounting policies (continued)**

##### ***Financial Assets***

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### ***Financial assets at FVTPL***

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 22.

##### ***Loans and receivables***

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at historical cost less any impairment.

##### ***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

## **Harro Foods Limited**

### **Notes to the financial statements (continued)**

9 months ended 31 December 2016

#### **2. Significant accounting policies (continued)**

##### ***Impairment of financial assets (continued)***

For the financial assets held by the company objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the Company's past experience of collecting payments, an increase in the number of overdue receivables in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### ***Financial liabilities and equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

##### ***Financial liabilities***

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

##### ***Financial liabilities at FVTPL***

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## **Harro Foods Limited**

### **Notes to the financial statements (continued)**

9 months ended 31 December 2016

#### **2. Significant accounting policies (continued)**

##### ***Financial liabilities at FVTPL (continued)***

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 22.

##### ***Other financial liabilities***

Other financial liabilities, including borrowings, are measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

##### ***Derecognition of financial liabilities***

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

##### ***Derivative financial instruments***

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 15.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately as hedge accounting is not carried out.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

## **Harro Foods Limited**

### **Notes to the financial statements (continued)**

9 months ended 31 December 2016

#### **3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### ***Critical judgements in applying the company's accounting policies***

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

#### **Revenue recognition**

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 *Revenue* and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Company's liability in respect of returned goods, and the agreed limitation on the customer's ability to require credit notes or replacement goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current period is appropriate.

#### ***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

#### **Fair value measurements and valuation processes**

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available, which has been sufficient in the company's experience.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 15 and 22.

# Harro Foods Limited

## Notes to the financial statements (continued)

9 months ended 31 December 2016

### 4. Revenue

An analysis of the company's revenue is as follows:

	9 months ended 31 December 2016 £	Year ended 31 March 2016 £
Sales of goods	18,605,999	22,911,166
Property rental income	10,254	-
	<u>18,616,253</u>	<u>22,911,166</u>
Other operating income	250	55,141
	<u>18,616,503</u>	<u>22,966,307</u>

An analysis of the company's revenue by geographical market is set out below

	9 months ended 31 December 2016 £	Year ended 31 March 2016 £
United Kingdom	17,933,070	22,068,047
Europe	679,217	886,942
Rest of World	4,216	11,318
	<u>18,616,503</u>	<u>22,966,307</u>

### 5. Profit for the period

Profit for the period has been arrived at after charging/(crediting):

	9 months ended 31 December 2016 £	Year ended 31 March 2016 £
Net foreign exchange losses	41,899	60,571
Depreciation of property, plant and equipment	215,046	303,420
Gain on disposal of property, plant and equipment	(250)	(8,987)
Cost of inventories recognised as an expense	13,237,566	15,888,167
Write downs of inventories recognised as an expense	54,414	78,586
Staff costs (see note 7)	1,894,232	2,422,078
Impairment loss recognised on trade receivables	4,158	33,131
Reversal of impairment losses recognised on trade receivables (see note 13)	174	941
	<u>174</u>	<u>941</u>

# Harro Foods Limited

## Notes to the financial statements (continued)

9 months ended 31 December 2016

### 6. Auditor's remuneration

Fees payable to Deloitte LLP for the audit of the company's annual accounts were £47,850 (year ended 31 March 2016: £19,650), of which £17,500 was paid by the group (year ended 31 March 2016: £nil).

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

### 7. Staff costs

The average monthly number of employees (including executive directors) was:

	9 months ended 31 December 2016 Number	Year ended 31 March 2016 Number
Administration	9	9
Sales and Distribution	72	71
	<u>81</u>	<u>80</u>

Their aggregate remuneration comprised:

	9 months ended 31 December 2016 £	Year ended 31 March 2016 £
Wages and salaries	1,619,187	2,058,620
Social security costs	160,322	199,468
Other pension costs	114,723	163,990
	<u>1,894,232</u>	<u>2,422,078</u>

### 8. Finance costs

	9 months ended 31 December 2016 £	Year ended 31 March 2016 £
Interest on bank overdrafts and loans	<u>83,796</u>	<u>81,163</u>



## Harro Foods Limited

### Notes to the financial statements (continued)

9 months ended 31 December 2016

#### 9. Tax

	9 months ended 31 December 2016 £	Year ended 31 March 2016 £
Corporation tax:		
Current year tax credit (charge)	28,039	(108,006)
Adjustments in respect of prior years	-	(3,099)
	<u>28,039</u>	<u>(111,105)</u>
Deferred tax (note 16)	(2,794)	(8,144)
	<u>25,245</u>	<u>(119,249)</u>

Corporation tax is calculated at 20% (year ended 31 March 2016: 20%) of the estimated taxable profit for the period.

The charge for the period can be reconciled to the (loss) profit in the income statement as follows:

	9 months ended 31 December 2016 £	Year ended 31 March 2016 £
(Loss)/profit before tax on continuing operations	(242,292)	437,367
Tax at the UK corporation tax rate of 20% (year ended 31 March 2016: 20%)	48,458	(87,473)
Tax effect of expenses that are not deductible in determining taxable profit	(23,213)	(28,677)
Adjustments in respect of prior years	-	(3,099)
	<u>25,245</u>	<u>(119,249)</u>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 17% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 17%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

There are no comprehensive income or expenses other than the profit for the financial period and the preceding financial year and therefore no related tax amounts

There are no amounts relating to tax that have been recognised directly in equity.

# Harro Foods Limited

## Notes to the financial statements (continued)

9 months ended 31 December 2016

### 10. Dividends

	9 months ended 31 December 2016 £	Year ended 31 March 2016 £
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2016 equivalent to nil per £1 share (year ended 31 March 2016 - final dividend for the year ended 31 March 2015 - 87p per £1 share).	-	522,000

### 11. Property, plant and equipment

	Land and buildings £	Motor vehicles £	Fixtures fittings, tools and equipment £	Total £
<b>Cost</b>				
At 1 April 2015	5,571,310	478,582	1,667,380	7,717,272
Additions	-	-	68,319	68,319
Disposals	-	(87,884)	(27,767)	(115,651)
At 31 March 2016	5,571,310	390,698	1,707,932	7,669,940
Additions	-	-	25,808	25,808
Disposals	-	(86,322)	-	(86,322)
At 31 December 2016	5,571,310	304,376	1,733,740	7,609,426
<b>Accumulated depreciation and impairment</b>				
At 1 April 2015	61,612	345,505	351,858	758,975
Charge for the year	123,224	45,065	135,131	303,420
Eliminated on disposals	-	(86,440)	(26,247)	(112,687)
At 31 March 2016	184,836	304,130	460,742	949,708
Charge for the period	92,418	21,500	101,128	215,046
Eliminated on disposals	-	(86,322)	-	(86,322)
At 31 December 2016	277,254	239,308	561,870	1,078,432
<b>Carrying amount</b>				
At 31 December 2016	5,294,056	65,068	1,171,870	6,530,994
At 31 March 2016	5,386,474	86,568	1,247,190	6,720,232
At 1 April 2015	5,509,698	133,077	1,315,522	6,958,297

The Company's freehold land and buildings are stated at their historical cost amounts, being the fair value at the date of acquisition, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

# Harro Foods Limited

## Notes to the financial statements (continued)

9 months ended 31 December 2016

### 11. Property, plant and equipment (continued)

#### Impairment losses recognised in the period

No impairment assessment was performed in 31 December 2016 (31 March 2016: none) as there was no indication of impairment.

### 12. Inventories

	31 December 2016 £	31 March 2016 £
Finished goods	3,860,890	2,742,100

The cost of inventories recognised as an expense includes £54,414 (31 March 2016: £78,586) in respect of write-downs of inventory to net realisable value, and has been reduced by £nil (31 March 2016: £nil) in respect of the reversal of such write-downs.

### 13. Trade and other receivables

	31 December 2016 £	31 March 2016 £
Amount receivable for the sale of goods	3,124,538	3,163,186
Allowance for doubtful debts	(14,616)	(12,650)
	3,109,922	3,150,536
Other debtors	60,770	52,583
Corporation Tax	36,033	-
Prepayments	151,611	83,702
	3,358,336	3,286,821

#### Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period taken on sales of goods is 42 days (31 March 2016: 46 days). The Company has recognised an allowance for doubtful debts of 100% against all doubtful receivables, irrespective of age, based on continual review of the counterparty's status, based on all available information, including analysis of the latest financial position.

## Harro Foods Limited

### Notes to the financial statements (continued)

9 months ended 31 December 2016

#### 13. Trade and other receivables (continued)

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. The Company may not extend credit to a customer until it has had adequate experience of their trading performance. Limits attributed to customers are reviewed annually. Obtaining and maintaining insurance coverage against payment default is an important factor in determining the credit limit.

The Company does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Company has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 70 days (31 March 2016: 100 days).

Ageing of past due but not impaired receivables

	31 December 2016 £	31 March 2016 £
31-60 days	938	4,177
61-90 days	72	48
91-120 days	-	176
120 days plus	98	441
Total	<u>1,108</u>	<u>4,842</u>

Movement in the allowance for doubtful debts

	31 December 2016 £	31 March 2016 £
Balance at the beginning of the period	12,650	52,610
Impairment losses recognised	4,158	33,131
Amounts written off during the period as uncollectible	-	(71,855)
Amounts recovered during the period	(2,018)	(295)
Impairment losses reversed	(174)	(941)
Balance at the end of the period	<u>14,616</u>	<u>12,650</u>

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. There is a degree of concentration of credit risk due to a few customers being relatively large, though these are unrelated. This risk is mitigated by credit insurance policies the company has taken out to cover payment default by customers.

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £14,566 (31 March 2016: £12,426) due from companies which have been placed in liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds.

# Harro Foods Limited

## Notes to the financial statements (continued)

9 months ended 31 December 2016

### 13. Trade and other receivables (continued)

Ageing of impaired trade receivables

	31 December 2016 £	31 March 2016 £
61-90 days	-	-
91-120 days	1,860	-
121+ days	12,706	12,426
Total	14,566	12,426

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

### 14. Borrowings

	31 December 2016 £	31 March 2016 £
<b>Unsecured borrowing at amortised cost</b>		
Loans from related parties	5,500,000	9,000,000
Loans from banks	3,400,000	-
	8,900,000	9,000,000
<b>Total borrowings</b>		
Amount due for settlement within 12 months	4,400,000	9,000,000
Amount due for settlement after 12 months	4,500,000	-
	31 December 2016 £	31 March 2016 £
<b>Analysis of borrowings by currency:</b>		
Loans denominated in sterling	5,500,000	9,000,000
Loans from banks	3,400,000	-

Amounts repayable to related parties of the Company carry interest of 1.75% per cent (31 March 2016: LIBOR plus 1% per cent to LIBOR plus 0.6% per cent) per annum charged on the outstanding loan balances.

Amounts repayable to banks carry interest of between 0.77% and 0.83%. The bank loans are guaranteed by Nishimoto Co Limited.

## Harro Foods Limited

### Notes to the financial statements (continued)

9 months ended 31 December 2016

#### 15. Derivatives

	31 December 2016 £	31 March 2016 £
<b>Financial liabilities carried at fair value through profit or loss (FVTPL)</b>		
Forward foreign currency contracts	(122,310)	-

Further details of derivative financial instruments are provided in note 22.

#### 16. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £	General provision £	Total £
At 31 March 2016	(16,310)	45	(16,265)
Charge to profit or loss	(2,758)	(36)	(2,794)
At 31 December 2016	(19,068)	9	(19,059)

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31 December 2016 £	31 March 2016 £
Deferred tax liabilities	(19,059)	(16,265)

# Harro Foods Limited

## Notes to the financial statements (continued)

9 months ended 31 December 2016

### 17. Trade and other payables

	31 December 2016 £	31 March 2016 £
Trade creditors and accruals	2,916,433	2,588,705
Amounts owed to group undertakings	330,463	93,007
	<u>3,246,896</u>	<u>2,681,712</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days (31 March 2016: 45 days). The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

### 18. Share capital

	31 December 2016 £	31 March 2016 £
Authorised: 600,000 ordinary shares of £1 each	<u>600,000</u>	<u>600,000</u>
Issued and fully paid: 600,000 ordinary shares of £1 each	<u>600,000</u>	<u>600,000</u>

The Company has one class of ordinary shares which carry no right to fixed income.

### 19. Retained earnings

	£
Balance at 1 April 2015	2,554,469
Net profit for the year	318,118
Dividends (note 10)	(522,000)
Balance at 1 April 2016	<u>2,350,587</u>
Net loss for the period	(217,047)
Balance at 31 December 2016	<u>2,133,540</u>

## Harro Foods Limited

### Notes to the financial statements (continued)

9 months ended 31 December 2016

#### 20. Notes to the cash flow statement

	9 months ended 31 December 2016 £	Year ended 31 March 2016 £
(Loss) profit for the period	(217,047)	318,118
Adjustments for:		
Finance costs	83,796	81,178
Income tax (credit)/expense	(25,245)	119,249
Depreciation of property, plant and equipment	215,046	303,419
Gain on disposal of property, plant and equipment	(250)	(8,987)
Increase/(decrease) in provisions	1,966	(39,960)
	<u>58,266</u>	<u>773,017</u>
Operating cash flows before movements in working capital		
(Increase)/decrease in inventories	(1,118,790)	3,585
Decrease/(increase) in receivables	46,772	(12,955)
Increase in payables	544,274	142,279
	<u>(469,478)</u>	<u>905,926</u>
Cash generated by operations		
Income taxes paid	(234,627)	-
Interest paid	(83,796)	(81,178)
	<u>(787,901)</u>	<u>824,748</u>
Net cash from operating activities		

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the balance sheet position as shown.

#### 21. Operating lease arrangements

##### The company as lessee

	31 December 2016 £	31 March 2016 £
Lease payments under operating leases recognised as an expense in the period	<u>198,726</u>	<u>224,759</u>



# Harro Foods Limited

## Notes to the financial statements (continued)

9 months ended 31 December 2016

### 21. Operating lease arrangements (continued)

#### The Company as lessee (continued)

	31 December 2016 £	31 March 2016 £
Lease payments under operating leases recognised as an expense in the year	192,004	126,191

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2016 £	31 March 2016 £
Within one year	251,016	173,306
In the second to fifth years inclusive	317,448	319,536
	568,464	492,842

Operating lease payments represent rentals payable by the company for its vehicles (31 March 2016: vehicles). Leases are negotiated for an average minimum term of 3 years, the rentals are fixed for an average of 5 years, the option to extend is for a further 2 years.

### 22. Financial Instruments

#### Categories of financial instruments held at fair value

	31 December 2016 £	31 March 2016 £
<b>Financial liabilities at fair value</b>		
At fair value through profit or loss	(122,310)	-

#### Changes in value of financial instruments carried at fair value

Profit for the year has been arrived at after charging:

	31 December 2016 £	31 March 2016 £
Financial assets at fair value through profit or loss	122,310	38,933

# Harro Foods Limited

## Notes to the financial statements (continued)

9 months ended 31 December 2016

### 22. Financial Instruments (continued)

#### *Valuation techniques and assumptions applied for the purposes of measuring fair value*

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of derivative instruments are calculated using quoted prices. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

#### Cash flow hedges

#### *Forward foreign currency contracts*

The Company enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions. Hedge accounting is not applied.

The following table details the forward foreign currency contracts outstanding as at the year-end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	31		31		31	
	December 2016	31 March 2016	December 2016	31 March 2016	December 2016	31 March 2016
				£	£	£
<b>Less than three months</b>						
Sell Japanese Yen	128.0	n/a	127,000,000	-	107,680	-
Sell US Dollars	1.2325	n/a	1,870,000	-	8,833	-
Sell Euros	1.152	n/a	605,000	-	5,797	-
					122,310	-

### 23. Events after the balance sheet date

On 29 September 2017 the company's ultimate holding company, Nishimoto Co Ltd, issued 1,850,000 shares for sale on the First Section of the Tokyo Stock Exchange. The ultimate controlling party has not changed, see note 25.

### 24. Related party transactions

Transactions with related parties for management charges for services provided by the company's parent, this year Nishimoto Co Ltd, of £nil (31 March 2016: Services provided by previous parent, Itochu Europe Limited £65,100)

#### Trading transactions

During the period, the company entered into the following trading transactions with related parties:

	Sale of goods		Purchase of goods	
	31 December 2016	31 March 2016	31 December 2016	31 March 2016
	£	£	£	£
Itochu Corporation and subsidiaries	-	114,120	-	2,143,853
Nishimoto Co Ltd and subsidiaries	-	-	1,199,350	207,034

# Harro Foods Limited

## Notes to the financial statements (continued)

9 months ended 31 December 2016

### 24. Related party transactions (continued)

#### Trading transactions (continued)

The following amounts were outstanding in respect of trading transactions at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2016	31 March 2016	31 December 2016	31 March 2016
	£	£	£	£
Nishimoto Co Ltd and subsidiaries	-	-	330,463	67,855

Decisions made regarding purchases from either related parties or non-related parties were and are made by market considerations such as price, performance record, financial rating, and delivery and payment conditions.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

#### Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	31 December 2016	31 March 2016
	£	£
Short-term employee benefits	172,612	123,336
Other long-term benefits	-	8,990
	<u>172,612</u>	<u>132,326</u>

# Harro Foods Limited

## Notes to the financial statements (continued)

9 months ended 31 December 2016

### 24. Related party transactions (continued)

The directors' remuneration, analysed under the headings required by company law is set out below.

	31 December 2016 £	31 March 2016 £
<b>Directors' remuneration</b>		
Emoluments	154,048	69,156
Amounts receivable (other than shares and share options) under long-term incentive schemes	-	49,548
Company contributions to money purchase pension schemes	-	8,990
Other benefits provided for directors	18,564	4,632
Sums paid to third parties in respect of directors' services	-	106,492
	<u>172,612</u>	<u>238,818</u>
	<b>Number</b>	<b>Number</b>
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	-	1
	<u>£</u>	<u>£</u>
<b>Remuneration of the highest paid director:</b>		
Emoluments	97,257	123,336
Company contributions to money purchase schemes	<u>10,093</u>	<u>8,990</u>

The highest paid director did not exercise any share options in the period.

### 25. Controlling party

In the opinion of the directors, the company's ultimate parent company and ultimate controlling party is Nishimoto Co Ltd, a company incorporated in Japan. The parent undertaking of the smallest and largest group which includes the company and for which group accounts are prepared is Nishimoto Co. Ltd, a company incorporated in Japan. Copies of the group financial statements of Nishimoto Co. Ltd are available from Onward Park Building, 3-10-5 Nihonbashi Chuo-Ku, Tokyo 103-0027 Japan. The company's immediate controlling party is NTC Wismettac B.V., a company incorporated in the Netherlands.