

## Vestey Holdings Limited

Report and Financial Statements

Year Ended

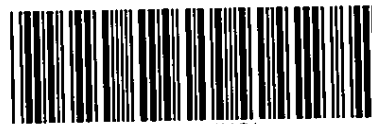
31 December 2015

Company Number 66076

Parent accounts for  
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# Vestey Holdings Limited

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

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<b>Country of incorporation of parent company</b>	United Kingdom
<b>Directors:</b>	G M W Vestey R J H Vestey C G Copland J A Scott
<b>Secretary and registered office:</b>	N Thornton, 29 Ullswater Crescent, Coulson, CR5 2HR
<b>Company number:</b>	66076
<b>Bankers:</b>	Barclays Bank plc
<b>Auditors.</b>	BDO LLP, 55 Baker Street, London, W1U 7EU

# Vestey Holdings Limited

## Strategic report for the year ended 31 December 2015

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### Business review

#### *Results for 2015*

The Group produced an excellent result for the year with earnings before interest, tax, depreciation and amortisation ("EBITDA") of £8.3m compared with a £5.9m profit in 2014. The profit before tax was £5.5m compared with £3.1m in 2014.

The profit for the year in 2014 includes an exceptional cost of £0.6m relating to legal costs in respect of the legal case against the Venezuelan government following their decision in December 2011 to illegally expropriate all of the Group's assets and operations in Venezuela. The case which is being heard by the ICSID, the International Court for Arbitration in New York, finally came to court in January 2015. Management remain confident of receiving a judgement against, and subsequent compensation from, the Venezuelan government. The legal costs for the ongoing case were paid in 2015 by Vestey Group Limited, the immediate parent undertaking.

The Vestey Foods Group of companies had an excellent year reporting a profit before tax of £8.3m well ahead of the budget of £5.3m and the profit in 2014 of £4.8m. All businesses, with the exception of Vestey Foods International, performed well with a decrease in turnover being more than offset by improved margins and reduced overheads.

Donald Russell Limited reported profits of £1.3m slightly behind budget but well ahead of the £0.9m reported in 2014 thanks to an increase in both turnover and gross profit. The business performed strongly during the important December period and has started 2016 well.

During the year Vestey Holdings Limited transferred £7.6m to Vestey Group Limited by way of a dividend (2014 £14.0m). £5.8m of the funds will be used by fellow direct subsidiary of Vestey Group Limited, Vestey Brothers Limited, for future investments, which is in addition to the £13.0m transferred out of the 2014 dividend.

In October 2015 Vestey Holdings Limited, through a newly incorporated subsidiary, acquired 100% of the shares of FineFrance UK Limited, a UK fine foods distribution business based in Portsmouth, London and Western-super-mare. The total consideration for the acquisition was £6.2m.

The Group had strong cash flow from trading in the year generating £15.7m of cash from operating activities. Following the consideration paid for TecFoods Limited and the dividend to Vestey Group Limited, the group had a net cash inflow of £2.2m, finishing the year with a net borrowing position of £1.2m compared to an opening borrowing position of £3.4m.

Trading in the first two months of 2016 has been well in excess of that budgeted, despite the sudden weakening of Sterling in January and February. The Group remain optimistic about the overall profitability in 2016.

In January 2015 the Group replaced its borrowing facilities from Barclays Bank and ABN Amro Bank with new secured financing facilities for its main Vestey Foods Group operating companies. The replacement started in December 2014 with a €6.0m facility for Vestey France SAS and continued in January 2015 with a £10.0m facility for Vestey Foods International Limited and VFI Worldwide Limited plus a £30.0m facility for Vestey Foods UK Limited. The replacement was completed in April by a facility for Vestey Production SAS. Each subsidiary now has substantial facilities available to it in order to fund its future expansion plans and with the cash generation in the year the Group has a substantial level of headroom.

The principal financial and other risks are discussed in Note 29.

# Vestey Holdings Limited

## Strategic report (continued) for the year ended 31 December 2015

### Business review (continued)

#### Key Performance Indicators

The Group uses a range of financial performance measures to monitor the management of the business effectively, the most significant of these are the key performance indicators (KPI's)

The main KPI's are turnover, gross margin, EBITDA, profit before taxation, average working capital as a percentage of turnover, net funds, return on average capital employed, stock days, debtor days and creditor days

The KPI's on operations for the year ended 31 December 2015, with comparatives for the year ended 31 December 2014, are set out below

	2015	2014
Turnover (£'000)	377,277	393,317
Gross margin	14.5%	13.1%
EBITDA (£'000) (note 5)	8,257	5,923
Profit before taxation (£'000)	5,515	3,085
Average working capital as a percentage of turnover	13.2%	14.3%
Net debt (£'000)	1,181	3,358
Average return on average capital employed	9.1%	6.5%
Average Stock days	48	52
Average Debtor days	37	38
Average Creditor days	22	22

The KPI's have been discussed in the results for 2015 above. However, where not discussed, we have the following comments

- Gross margin improved mainly on the back of falling commodity prices in pork and poultry supplemented by the strengthening of Sterling against the Euro in 2015
- Average working capital as a percentage of turnover has improved in the year, decreasing by 1.1% to 13.2% mainly as a result of continued improvement in the efficiency of stock control across the Group

#### On behalf of the Board



R J H Vestey

Chairman

11 April 2016

# **Vestey Holdings Limited**

## **Report of the directors for the year ended 31 December 2015**

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### **Results and dividends**

The profit and loss account is set out on page 7 and shows the profit for the year

The directors approved and paid a dividend during the year of £7.6m (2014 - £14.0m)

### **Principal activities**

The principal activities of Vestey Holdings Limited and its subsidiaries ("the Group") during the year were those of food distribution. The Group operates in seven countries in three main geographical regions: UK, Mainland Europe and the Middle East.

### **Principal risks and uncertainties**

The Group operates in an environment that has a number of operational and financial risks; details of these risks and how they are managed are detailed in note 29.

### **Directors**

The directors of the company during the year were

G M W Vestey

R J H Vestey

C G Copland

J A Scott

The Lord Vestey (resigned 26 January 2015)

C M Fisher (resigned 26 January 2015)

### **Employees**

The directors provide information to employees through the intermediary of senior managers and by means of management briefings and training. Managers are expected to be in touch with the views of the employees and to consider such views seriously. The Group does not operate any employee share schemes. It continues to be the policy of the Group to encourage employee efforts and to reward employees accordingly.

### **Disabled persons**

The company is committed to providing equal opportunities in employment. The employment of disabled persons is included in this commitment and the recruitment, training, career development and promotion of disabled persons are based on the aptitudes and abilities of the individual and the working conditions which apply. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

### **Qualifying third party indemnity provisions**

The company has arranged qualifying third party indemnity for all of its directors.

### **Policy and practice on the payment of creditors**

The company will follow its internal policies on best payment practice which is to ensure that all creditor payments are made when they fall due.

# Vestey Holdings Limited

## Report of the directors for the year ended 31 December 2015 (*continued*)

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### Directors' responsibilities

The directors are responsible for preparing the annual report, the strategic report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with European Union, International Financial Reporting Standards "EU IFRS" (International Accounting Standards and applicable law), and the company financial statements in line with United Kingdom Generally Accepted Accounting Practice. 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 group and company and of the profit or loss of the group 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 International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

### On behalf of the Board



R J H Vestey

Chairman

11 April 2016

# Vestey Holdings Limited

## Independent auditor's report

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VESTEY HOLDINGS LIMITED

We have audited the financial statements of Vestey Holdings Limited for the year ended 31 December 2015 which comprise the consolidated statement of profit and loss, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Vestey Holdings Limited

## Independent auditor's report (*continued*)

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### 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Scott McNaughton (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

11 April 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# Vestey Holdings Limited

## Consolidated statement of profit and loss for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000 As restated Note 2
<b>Revenue</b>	4	<b>377,277</b>	393,317
Cost of sales		(322,465)	(341,847)
<b>Gross profit</b>		<b>54,812</b>	51,470
Administrative expenses		(20,301)	(20,639)
Distribution expenses		(28,704)	(27,020)
Other operating income/(expenses)		420	(246)
<b>Profit from operations</b>	5	<b>6,227</b>	3,565
Finance expense	7	(1,097)	(1,363)
Finance income	7	385	883
<b>Profit before tax</b>		<b>5,515</b>	3,085
Taxation (expense)/income	8	(1,321)	309
<b>Profit</b>		<b>4,194</b>	3,394
<b>Profit for the year attributable to:</b>			
Owners of the parent		3,021	3,401
Non-controlling interest		1,173	(7)
		<b>4,194</b>	3,394

All amounts relate to continuing operations

The notes on pages 14 to 62 form part of these financial statements

# Vestey Holdings Limited

## Consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000 As restated Note 2
<b>Profit</b>		<b>4,194</b>	<b>3,394</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of defined benefit schemes	22	43	4,629
		<u>43</u>	<u>4,629</u>
<b>Items that will or may be reclassified to profit or loss:</b>			
Cash flow hedges		55	116
Exchange losses arising on translation of foreign operations		(417)	(782)
		<u>(362)</u>	<u>(666)</u>
<b>Other comprehensive income for the year, net of tax</b>		<b>(319)</b>	<b>3,963</b>
		<u>(319)</u>	<u>3,963</u>
<b>Total comprehensive income</b>		<b>3,875</b>	<b>7,357</b>
		<u>3,875</u>	<u>7,357</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		2,656	7,366
Non-controlling interest		1,219	(9)
		<u>3,875</u>	<u>7,357</u>

The notes on pages 14 to 62 form part of these financial statements

# Vestey Holdings Limited

## Consolidated statement of financial position at 31 December 2015

	Note	31 Dec 2015 £'000	31 Dec 2014 £'000 As restated Note 2	1 Jan 2014 £'000 As restated Note 2
<b>Assets</b>				
<b>Current assets</b>				
Inventories	13	36,960	45,891	49,659
Trade and other receivables	14	48,577	43,861	47,247
Deferred tax asset	18	-	761	-
Cash and cash equivalents	29	22,899	36,084	48,997
		<b>108,436</b>	<b>126,597</b>	<b>145,903</b>
<b>Non-current assets</b>				
Property, plant and equipment	9	11,727	13,465	15,060
Intangible assets	10	17,572	12,101	12,111
Investments in equity-accounted associates	33	-	111	175
Investments in joint operations	32	68	68	68
Employee benefit asset		-	-	833
		<b>29,367</b>	<b>25,745</b>	<b>28,247</b>
Total assets		<b>137,803</b>	<b>152,342</b>	<b>174,150</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	15	43,368	39,597	51,686
Loan and borrowings	16	21,878	36,797	33,265
Provisions	17	1,221	-	-
Corporation tax payable		267	224	41
		<b>66,734</b>	<b>76,618</b>	<b>84,992</b>
<b>Non-current liabilities</b>				
Loan and borrowings	16	2,202	2,644	3,181
Trade and other payables	15	1,018	1,037	7,099
Provisions	17	1,938	2,457	2,452
Deferred tax liability	18	145	98	90
		<b>5,303</b>	<b>6,236</b>	<b>12,822</b>
		<b>72,037</b>	<b>82,854</b>	<b>97,814</b>
<b>NET ASSETS</b>		<b>65,766</b>	<b>69,488</b>	<b>76,336</b>

The notes on pages 14 to 62 form part of these financial statements

# Vestey Holdings Limited

## Consolidated statement of financial position at 31 December 2015 (*continued*)

	Note	31 Dec 2015 £'000	31 Dec 2014 £'000 As restated Note 2	1 Jan 2014 £'000 As restated Note 2
<b>Issued capital and reserves attributable to owners of the parent</b>				
Share Capital	19	5,000	5,000	5,000
Share premium reserve	20	9,765	9,765	9,765
Cash Flow hedge reserve	20	20	(24)	(140)
Foreign exchange reserve	20	(1,232)	(780)	-
Retained earnings	20	51,116	55,602	61,572
		<hr/>	<hr/>	<hr/>
<b>Shareholder's funds</b>		<b>64,669</b>	69,563	76,197
Non-controlling interest		1,097	(75)	139
		<hr/>	<hr/>	<hr/>
		<b>65,766</b>	69,488	76,336
		<hr/>	<hr/>	<hr/>

The financial statements were approved and authorised for issue by the Board of Directors on 11 April 2016 and were signed on its behalf by

*Robin Vestey*

R J H Vestey  
Chairman

The notes on pages 14 to 62 form part of these financial statements

# Vestey Holdings Limited

## Consolidated statement of cash flows for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000 As restated
<b>Cash Flows from operating activities</b>			
Profit for the year		4,194	3,394
Adjustments for			
Depreciation of property, plant and equipment	9	2,031	2,358
Finance income	7	(385)	(883)
Finance expense	7	1,097	1,363
Share of post-tax losses of equity accounted associates		-	35
Gain on sale of property, plant and equipment		(97)	(65)
Corporation tax charge/(income)	8	1,321	(309)
		<b>8,161</b>	<b>5,893</b>
(Increase)/decrease in trade and other receivable		(4,661)	1,987
Decrease in inventories		9,454	4,096
Increase/(decrease) in trade and other payables		2,789	(12,043)
		<b>15,743</b>	<b>(67)</b>
<b>Cash generated from operations</b>			
Corporation tax paid		(593)	(325)
		<b>15,150</b>	<b>(392)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(1,029)	(1,152)
Sale of property, plant and equipment		870	220
Acquisition of subsidiary, net of cash acquired		(5,074)	-
Disposal of subsidiary, net of cash disposed		(9)	-
Disposal of associates		190	-
Purchase of minority shares		-	(29)
Interest received		154	855
		<b>(4,898)</b>	<b>(106)</b>
<b>Financing activities</b>			
Proceeds from Bank borrowing		20,631	4,164
Repayment of bank borrowing		(35,651)	(617)
Payments to finance lease creditors		(112)	(58)
Interest paid on bank borrowing		(884)	(1,265)
Dividends paid to non controlling minority shareholders		(47)	(223)
Dividends paid to parent undertaking		(7,550)	(14,000)
		<b>(23,613)</b>	<b>(11,999)</b>
		<b>(13,361)</b>	<b>(12,497)</b>
<b>Net increases in cash and cash equivalents</b>			
<b>Cash and cash equivalents at beginning of year</b>			
Exchange gains/(losses) on cash and cash equivalents		176	(416)
		<b>22,899</b>	<b>36,084</b>
<b>Cash and cash equivalents at the year end</b>			

The notes on pages 14 to 62 form part of these financial statements

# Vestey Holdings Limited

Consolidated statement of changes in equity  
for the year ended 31 December 2015

	Share capital £'000	Share premium £'000	Cash flow hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings (restated) £'000	Total attributed to equity holders of parent (restated) £'000	Non- controlling interest £'000	Total equity (restated) £'000
<b>31 December 2014</b>	<b>5,000</b>	<b>9,765</b>	<b>(24)</b>	<b>(780)</b>	<b>55,602</b>	<b>69,563</b>	<b>(75)</b>	<b>69,488</b>
<b>Comprehensive income for the year</b>								
Profit	-	-	-	-	3,021	3,021	1,173	4,194
Other comprehensive income	-	-	44	(452)	43	(365)	46	(319)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>(452)</b>	<b>3,064</b>	<b>2,656</b>	<b>1,219</b>	<b>3,875</b>
<b>Contributions by and distributions to owners</b>								
Dividends to majority shareholders	-	-	-	-	(7,550)	(7,550)	-	(7,550)
Dividend to Non-controlling interests	-	-	-	-	-	-	(47)	(47)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,550)</b>	<b>(7,550)</b>	<b>(47)</b>	<b>(7,597)</b>
<b>31 December 2015</b>	<b>5,000</b>	<b>9,765</b>	<b>20</b>	<b>(1,232)</b>	<b>51,116</b>	<b>64,669</b>	<b>1,097</b>	<b>65,766</b>

# Vestey Holdings Limited

Consolidated statement of changes in equity  
for the year ended 31 December 2015 (continued)

	Share capital £'000	Share premium £'000	Cash flow hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings (restated) £'000	Total attributed to equity holders of parent (restated) £'000	Non- controlling interest £'000	Total equity (restated) £'000
<b>31 December 2013</b>	5,000	9,765	(140)	-	61,572	76,197	139	76,336
<b>Comprehensive income for the year</b>								
Profit	-	-	-	-	3,401	3,401	(7)	3,394
Other comprehensive income	-	-	116	(780)	4,629	3,965	(2)	3,963
<b>Total comprehensive income for the year</b>	-	-	116	(780)	8,030	7,366	(9)	7,357
<b>Contributions by and distributions to owners</b>								
Dividends to majority shareholders	-	-	-	-	(14,000)	(14,000)	-	(14,000)
Dividend to Non-controlling interests	-	-	-	-	-	-	(205)	(205)
<b>Total contributions by and distributions to owners</b>	-	-	-	-	(14,000)	(14,000)	(205)	(14,205)
<b>31 December 2014</b>	5,000	9,765	(24)	(780)	55,602	69,563	(75)	69,488

# Vestey Holdings Limited

## Notes forming part of the consolidated financial statements for the year ended 31 December 2015

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### 1 Accounting policies

#### ***Basis of preparation***

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

Items in the consolidated financial statements of each of the Group entities are measured using the currency of the country that the entity is incorporated. The Company's functional currency is Pound Sterling. The consolidated financial statements are presented in Pound Sterling, which is the Group's presentation currency. See note 31 for details of the location of Group entities.

Amounts are rounded to the nearest £'000, unless otherwise stated.

These financial statements have been prepared for the first time in accordance with EU adopted International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively EU IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

#### ***Basis of measurement***

The consolidated financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial instruments – fair value through profit or loss
- Contingent consideration
- Net defined benefit liability

The principal accounting policies are:

#### ***Revenue***

Revenue from the sales of goods is recognised when, based on the individual transaction shipping terms, the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are generally delivered to the buyer.

Where the Group makes sales acting as an agent, where the counterparty risk remains within the customer, only the margin on the sale is recognised as revenue rather than showing the gross revenue and associated costs.

#### ***Basis of consolidation***

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 *(continued)*

### 1 Accounting policies *(continued)*

#### ***Basis of consolidation (continued)***

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Where the sale of an operation is completed in the year and the disposal has a material effect on the nature and focus of the operations, then the sale is defined as a discontinued operation. Results up to the date of sale are disclosed as part of the profit and loss account under the heading discontinued operations. Where the operation is sold after the financial year end, only the results up to the year end are included in the profit and loss account for that year as discontinued operations. In the subsequent year when the operation is sold, the results up to the date of sale along with the resulting profit or loss on disposal will be shown as discontinued operations in that year.

A subsidiary undertaking is excluded from the consolidation where there are severe long term restrictions which substantially hinder the exercise of the rights of the Group over the assets or the management of that business.

#### ***Non-controlling interests***

For business combinations the Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. The group has not elected to take the option to use fair value in acquisitions completed to date.

From 1 January 2013, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the group. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

No non-controlling interest is accounted for on non-wholly owned subsidiaries where there are restricted rights attached to the minority interest ownership of these subsidiaries, where there is an earn out and where there are put and call options for the minority shareholders to sell and the Group to buy the remaining shares. The deferred consideration for the remaining shares are based on the value of the earn out discounted over the earn out period.

#### ***Externally acquired intangible assets***

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

The significant intangible recognised by the Group is brands. Brands that are acquired outside of a business combination are included at cost and not amortised because they are assumed to have an indefinite useful economic life. An impairment review is conducted on an annual basis with a provision made for any impairment.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 1 Accounting policies (*continued*)

#### **Goodwill**

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired

For business combinations completed prior to 1 January 2013, cost comprised the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date were treated as an adjustment to cost and, in consequence, resulted in a change in the carrying value of goodwill

For business combinations completed on or after 1 January 2013, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, re-measured subsequently through profit or loss. For business combinations completed on or after 1 January 2013, direct costs of acquisition are recognised immediately as an expense

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date

#### **Impairment of non-financial assets (excluding inventories and deferred tax assets)**

Impairment tests on goodwill and brands with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed

#### **Associates**

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses)

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 1 Accounting policies (*continued*)

#### **Foreign currency**

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

On consolidation, the results of overseas operations are translated into GBP at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

#### **Financial assets**

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

#### **Hedging forward contract instruments**

This category relates to only in-the-money forward currency hedging contracts (see "Financial liabilities" section for out-of-the-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. Other than forward currency contracts which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

#### **Loans and receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 1 Accounting policies (continued)

#### *Financial assets (continued)*

##### *Loans and receivables (continued)*

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

#### *Financial liabilities*

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other than financial liabilities in a qualifying hedging relationship (see below), the Group's accounting policy for each category is as follows:

##### *Hedging forward contract instruments*

This category relates to only out-of-the-money forward currency hedging contracts (see "Financial assets" for in the money derivatives). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than forward currency contracts which are not designated as hedging instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

##### *Other financial liabilities*

Other financial liabilities include the following items:

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Financial liabilities (continued)*

##### *Invoice discounting*

Where funds have been received against the discount of sales invoices a separate presentation is adopted whereby the gross amount of the sales invoices discounted is shown on the balance sheet within trade debtors, until the funds are received from the customer, and a corresponding liability in respect of the proceeds advanced shown within bank loans. The amounts are shown gross because the Group retains the credit risk over the debtors.

##### *Hedge accounting*

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss
- The cumulative change in the fair value of the hedging instrument is expected to be between 80-125% of the cumulative change in the fair value or cash flows of the hedged item attributable to the risk hedged (i.e. it is expected to be highly effective)
- The effectiveness of the hedge can be reliably measured
- The hedge remains highly effective on each date tested. Effectiveness is tested quarterly

##### *Cash flow hedges*

The effective part of forward contracts designated as a hedge of the variability in cash flows of foreign currency risk arising from firm commitments, and highly probable forecast transactions, are measured at fair value with changes in fair value recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The Group uses such contracts to fix the cost of inventories and the income from foreign currency sales, in the functional currency of the Group entity concerned.

The cumulative gain or loss recognised in other comprehensive income is reclassified from the cash flow hedge reserve to profit or loss at the same time as the hedged transaction affects profit or loss. The two transactions are recognised in the same line item.

If a forecast transaction is no longer considered highly probable but the forecast transaction is still expected to occur, the cumulative gain or loss recognised in other comprehensive income is frozen and recognised in profit or loss in accordance with the policy set out in the paragraph above. Subsequent changes in the fair value of the derivative are recognised in profit or loss. If the Group closes out its position before the transaction takes place (even though it is still expected to take place) the cumulative gain or loss on changes in fair value of the derivative is similarly recognised in accordance with the policy set out in the paragraph above. If, at any point, the hedged transaction is no longer expected to occur, the cumulative gain or loss is reclassified from the cash flow hedge reserve to profit or loss immediately.

The effective portion of gains and losses on derivatives used to manage cash flow interest rate risk (such as floating to fixed interest rate swaps) are also recognised in other comprehensive income and accumulated in the cash flow hedge reserve. However, if the Group closes out its position early, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognised in profit or loss within finance expense or finance income.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

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### 1 Accounting policies (*continued*)

#### **Share capital**

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

#### **Defined contribution schemes**

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

#### **Defined benefit schemes**

Defined benefit scheme surpluses and deficits are measured at

- The fair value of plan assets at the reporting date, less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities, plus
- Unrecognised past service costs, less
- The effect of minimum funding requirements agreed with scheme trustees

*Remeasurements* of the net defined obligation are recognised directly within equity. The re-measurements include

- Actuarial gains and losses
- Return on plan assets (interest exclusive)
- Any asset ceiling effects (interest exclusive)

*Service costs* are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

*Net interest expense (income)* is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

For multi-employer defined benefit schemes where the assets and liabilities cannot be separately identified and the company's contributions to these defined benefit schemes are set in relation to current service only, it is accounted for as a defined contribution scheme. Contributions are charged to the profit and loss account when they become payable.

#### **Retirement medical benefit scheme**

The Group provides retirement medical benefits to certain retired employees. The Group continues to make a provision for the scheme liabilities in accordance with IAS 19 'Retirement Benefits'. Contributions are charged to the profit and loss account as they are paid.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

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### 1 Accounting policies (*continued*)

#### ***Other long-term service benefits***

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities

Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities

Where acquisitions incorporate deferred consideration to employees, a best estimate of this is provided unless in the opinion of the directors it cannot be measured with sufficient reliability. Provisions for deferred consideration are discounted using the appropriate borrowing rate available to the Group. Provisions for deferred consideration are reviewed annually and any adjustments taken as an amendment to the cost of investment and the carrying value of goodwill.

#### ***Leased assets***

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

#### ***Dividends***

Dividends are recognised when they become legally payable.

#### ***Taxation***

The charge for taxation is based on the results for the year. The tax charge differs from the expected statutory rate due to deferred tax timing differences because of differences between the treatment of certain items for taxation and accounting purposes, profits and losses in some overseas jurisdictions that cannot be offset against UK profits and losses and the fact that some UK subsidiary companies utilise brought forward tax losses.

#### ***Deferred taxation***

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 1 Accounting policies (*continued*)

#### *Deferred taxation (continued)*

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised

In respect of deferred tax assets arising from investment property measured at fair value, the presumption that recovery will be through sale rather than use has not been rebutted

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered)

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either

- The same taxable group company, or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered

#### *Property, plant and equipment*

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Freehold buildings	-	2% per annum straight line
Plant and machinery	-	20% per annum straight line
Fixtures and fittings	-	10% to 33% per annum straight line
Computer equipment	-	33% per annum straight line
Motor vehicles	-	25% per annum straight line

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the consolidated statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

#### *Inventories*

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is calculated on an average material cost basis along with an estimation of the associated labour and overhead costs. Net realisable value is based on estimated selling price less additional costs to completion.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

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### 1 Accounting policies (*continued*)

#### **Government grants**

Where retention of a government grant received on capital expenditure is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income and released over the life of that asset. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income.

#### **Provisions**

The group has recognised provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. In the case of leasehold dilapidations, the provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

### 2 First time adoption of IFRS

These financial statements, for the year ended 31 December 2015, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2014, the Group prepared its financial statements in accordance with UK generally accepted accounting practice (UK GAAP).

Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2015, together with the comparative period data as at and for the year ended 31 December 2014, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 January 2014, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP statement of financial position as at 1 January 2014 and its previously published UK GAAP financial statements as at and for the year ended 31 December 2014.

#### **Exemptions applied**

IFRS 1 *First-Time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain IFRS.

The Group has applied the following exemptions:

- IFRS 3 *Business Combinations* has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS, or of interests in associates and joint ventures that occurred before 1 January 2014. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities, which are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements. IFRS 1 also requires that the local GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or de-recognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2014.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 2 First time adoption of IFRS (continued)

- The Group has not applied IAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.
- Freehold land and buildings were carried in the statement of financial position prepared in accordance with UK GAAP on the basis of historical cost. The Group has elected to regard those values as deemed cost at the date of the revaluation since they were broadly comparable to fair value.
- The Group has elected to disclose the following amounts prospectively from the date of transition, (i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan, and (ii) the experience adjustments arising on the plan liabilities and the plan assets.
- Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2014.
- The Group has applied the transitional provision in IFRIC 4 *Determining Whether an Arrangement Contains a Lease* and has assessed all arrangements based upon the conditions in place as at the date of transition.
- The Group has designated unquoted equity investments held at 1 January 2014 as available-for-sale investments.
- The Group has elected to recognise all the unrecognised actuarial gains or losses on all employee benefit plans in accordance with previous GAAP as at 1 January 2014.
- The following requirements of IAS 27 are applied prospectively from 1 January 2014
  - To attribute total comprehensive income to non-controlling interests irrespective of whether this results in a deficit balance
  - To treat changes in a parent's ownership interest as equity transactions
  - To apply IAS 27 to loss of control of a subsidiary

### Estimates

The estimates at 1 January 2014 and at December 31, 2014 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of UKGAAP did not require estimation:

- Pensions and other post employment benefits

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2014, the date of transition to IFRS and as of December 31, 2014.

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 2 First time adoption of IFRS (continued)

### Group reconciliation of equity

		1 January 2014			31 December 2014		
	Note	UK GAAP £'000	Adjust- ments £'000	IFRS £'000	UK GAAP £'000	Adjust- ments £'000	IFRS £'000
<b>Assets</b>							
<b>Current assets</b>							
Inventories	A	42,623	7,036	49,659	40,129	5,762	45,891
Trade and other receivables	A, B	55,110	(7,863)	47,247	49,784	(5,923)	43,861
Deferred tax asset		-	-	-	761	-	761
Cash and cash equivalents	B	49,061	(64)	48,997	36,388	(304)	36,084
		<u>146,794</u>	<u>(891)</u>	<u>145,903</u>	<u>127,062</u>	<u>(465)</u>	<u>126,597</u>
<b>Non-current assets</b>							
Property, plant and equipment		15,060	-	15,060	13,465	-	13,465
Intangible assets	C, D	12,111	-	12,111	10,872	1,229	12,101
Investments in equity-accounted associates		175	-	175	111	-	111
Investments in joint operations		68	-	68	68	-	68
Employee benefit asset		833	-	833	-	-	-
		<u>28,247</u>	<u>-</u>	<u>28,247</u>	<u>24,516</u>	<u>1,229</u>	<u>25,745</u>
Total assets		<u>175,041</u>	<u>(891)</u>	<u>174,150</u>	<u>151,578</u>	<u>764</u>	<u>152,342</u>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Trade and other payables	B, E	51,803	(117)	51,686	39,619	(22)	39,597
Loan and borrowings		33,265	-	33,265	36,797	-	36,797
Corporation tax payable		41	-	41	224	-	224
		<u>85,109</u>	<u>(117)</u>	<u>84,992</u>	<u>76,640</u>	<u>(22)</u>	<u>76,618</u>
<b>Non-current liabilities</b>							
Loan and borrowings		3,181	-	3,181	2,644	-	2,644
Trade and other payables		7,099	-	7,099	1,037	-	1,037
Provisions	F	1,426	1,026	2,452	1,395	1,062	2,457
Deferred tax liability		90	-	90	98	-	98
		<u>11,796</u>	<u>1,026</u>	<u>12,822</u>	<u>5,174</u>	<u>1,062</u>	<u>6,236</u>
		<u>96,905</u>	<u>909</u>	<u>97,814</u>	<u>81,814</u>	<u>1,040</u>	<u>82,854</u>
NET ASSETS/(LIABILITIES)		<u>78,136</u>	<u>(1,800)</u>	<u>76,336</u>	<u>69,764</u>	<u>(276)</u>	<u>69,488</u>

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 2 First time adoption of IFRS (continued)

### Group reconciliation of equity (continued)

	Note	1 January 2014			31 December 2014		
		UK GAAP £'000	Adjust- ments £'000	IFRS £'000	UK GAAP £'000	Adjust- ments £'000	IFRS £'000
<b>Issued capital and reserves attributable to owners of the parent</b>							
Share Capital		5,000	-	5,000	5,000	-	5,000
Share premium reserve		9,765	-	9,765	9,765	-	9,765
Cash Flow hedge reserve	B	-	(140)	(140)	-	(24)	(24)
Foreign exchange reserve		-	-	-	(696)	(84)	(780)
Retained earnings	A,B	63,221	(1,649)	61,572	55,831	(229)	55,602
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		77,986	(1,789)	76,197	69,900	(337)	69,563
Non-controlling interest	A,B	150	(11)	139	(136)	61	(75)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets		78,136	(1,800)	76,336	69,764	(276)	69,488

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 2 First time adoption of IFRS (continued)

### Group reconciliation of total comprehensive income for the year ended 31 December 2014

	Note	UK GAAP £'000	Adjustments £'000	IFRS £'000
<b>Revenue</b>	A	399,447	(6,130)	393,317
Cost of sales	A	(348,104)	6,257	(341,847)
<b>Gross profit</b>		<b>51,343</b>	<b>127</b>	<b>51,470</b>
Administrative expenses	C,D,E	(21,892)	1,253	(20,639)
Distribution expenses		(27,020)	-	(27,020)
Other operating expenses		(210)	(36)	(246)
<b>Profit/(loss) from operations</b>		<b>2,221</b>	<b>1,344</b>	<b>3,565</b>
Finance expense	B	(1,427)	64	(1,363)
Finance income	B	857	26	883
<b>Profit/(loss) before tax</b>		<b>1,651</b>	<b>1,434</b>	<b>3,085</b>
Taxation (expense)/income		309	-	309
<b>Profit/(loss)</b>		<b>1,960</b>	<b>1,434</b>	<b>3,394</b>
<b>Profit/(loss) for the year attributable to:</b>				
Owners of the parent		1,971	1,430	3,401
Non-controlling interest		(11)	4	(7)
		<b>1,960</b>	<b>1,434</b>	<b>3,394</b>
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations		(696)	(86)	(782)
Net movement on cash flow hedges	B	-	116	116
Income tax effect				
Actuarial gains and losses on defined benefit plans	E	4,629	-	4,629
<b>Other comprehensive income for the year, net of tax</b>		<b>3,933</b>	<b>30</b>	<b>3,963</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>5,893</b>	<b>1,464</b>	<b>7,357</b>

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 2 First time adoption of IFRS (continued)

Notes to the reconciliation of equity as at 1 January 2014 and 31 December 2014 and total comprehensive income for the year ended 31 December 2014

As part of the conversion from UK GAAP to IFRS Management reassessed all accounting policies. Management has made the following changes:

#### A Revenue recognition

- The Group makes certain sales where Management has determined that the Group is acting as an agent, as the counterparty risk remains within the customer. Accordingly, Management has made the adjustment to only recognise the margin on the sale as revenue rather than showing the gross revenue and associated costs.
- Management have considered that the risks and rewards of owning certain products have not passed until later in the sales process. Management has made the adjustment to defer revenue on such sales and recognise the inventory on hand.

#### B Derivative financial assets and liabilities

The fair value of forward foreign exchange contracts is recognised under IFRS, and was not recognised under Local GAAP. The contracts, which were designated as hedging instruments under Local GAAP, have been designated as at the date of transition to IFRS as hedging instrument in cash flow hedges of either expected future sales for which the group has firm commitments or expected purchases from suppliers that are highly probable. The corresponding adjustment has been recognised as a separate component of equity, in the cash flow hedge reserve.

#### C Goodwill amortisation

Under UK GAAP, Goodwill arising on the acquisition of subsidiary undertakings is amortised through the consolidated statement of profit or loss over the directors' estimate of the length of time that the goodwill acquired will take to erode by the departure of key personnel, key suppliers or key markets which was estimated to be 15 years. Under IFRS Goodwill is not amortised, instead an annual impairment test is carried out on the carrying value of goodwill. £1,311,000 of amortisation has been added back to the consolidated statement of profit or loss in 2014.

#### D Acquisition Costs

Under UK GAAP, the legal and professional costs incurred on a subsidiary investment are capitalised as a cost of the investment, however under IFRS these costs are written off straight to the profit or loss account.

#### E Defined benefit assets and liabilities

Under UK GAAP, the Group administrative expenses paid through the scheme are deducted from the expected return from the scheme assets and included in the actuarial gains or losses from the scheme. Under IFRS, the administrative expenses are recognised in the consolidated statement of profit or loss.

#### F Contingent consideration provision

Under UK GAAP, the contingent liability relating to the purchase consideration of the minority shareholding in Donald Russell Holdings Limited had not been recognised as the start period for the 3 year earn-out had yet to be called. However, under IAS 37 a contingent liability for the purchase consideration needs to be recognised because it is contractual.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 3 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Judgements*

**Power to exercise significant influence** - The Group holds 50% of the voting rights in Purple FoodService Solutions Limited ("Purple"), however the company is purely a vehicle used by both shareholders to carry out its own business under the terms of the service contracts, therefore Purple is treated as a joint operation. More information is disclosed in note 32.

**Non-consolidation of Venezuelan entities** - Following the illegal expropriation of assets by the Venezuelan government on 4 December 2011 the Group ceased to have any day to day control over the activity of the farming operations of the company, ceased to have beneficial rights to the operations assets or income and ceased to have a liability over the current or past obligations relating to the operations. These entities have therefore not been consolidated.

#### *Estimates and assumptions*

- *Fair value measurement*

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy').

- *Level 1* Quoted prices in active markets for identical items (unadjusted)
- *Level 2* Observable direct or indirect inputs other than Level 1 inputs
- *Level 3* Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Financial instruments (note 30)
- Defined benefit schemes (note 22)
- Deferred share purchase consideration (note 17)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

- *Impairment of goodwill*

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. More information including carrying values is included in note 11.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 3 Critical accounting estimates and judgements (continued)

#### *Estimates and assumptions (continued)*

- *Defined benefit scheme assumptions*

The costs, assets and liabilities of the defined benefit schemes operating by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 22. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the consolidated statement of comprehensive income and the consolidated statement of financial position.

- *Income taxes*

The Group is subject to income tax in several jurisdictions. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

- *Deferred tax asset*

A deferred tax asset arising on unrelieved losses has been recognised under IAS 12 where there is a reasonable expectation that suitable taxable profits will be available in the short term against which the deferred tax asset can reverse. Where there is uncertainty as to whether suitable taxable profits will be available in the short term against which the deferred tax asset can reverse the deferred tax asset is not recognised.

### 4 Revenue

Revenue arises from:	2015 £'000	2014 £'000 As restated Note 2
Sale of goods	377,277	393,317

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 5 Expenses by nature

	2015 £'000	2014 £'000 As restated
Changes in inventories of finished goods and work in progress		
Raw materials and consumables used	319,626	338,609
Employee benefit expenses (see note 6)	23,936	25,096
Depreciation of tangible fixed assets		
- owned	1,970	2,306
- leased	60	52
Operating lease expense		
- Property	842	835
- Plant and machinery	700	475
- other	270	327
(Profit)/loss on disposal of property, plant and equipment	(97)	(97)
Fees payable to the company auditors and its associates for other services		
- Audit of the parent company and the consolidation	50	83
- Audit of subsidiary undertaking	85	107
- Audit of overseas subsidiary undertaking	53	76
- Taxation services	41	52
- Other services	49	8
	<hr/>	<hr/>
	2015 £'000	2014 £'000 As restated
Group EBITDA as defined in the Strategic report on page 1		
Profit from operations	6,227	3,565
Add		
Depreciation of tangible fixed assets		
- owned	1,970	2,306
- leased	60	52
	<hr/>	<hr/>
	8,257	5,923
	<hr/>	<hr/>

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 6 Employee benefit expenses

Group	2015 £'000	2014 £'000
Employee benefit expenses (including directors) comprise		
Wages and salaries	20,914	21,770
Defined contribution pension cost	539	538
Other-long term employee benefits	154	210
Social security contributions and similar taxes	2,329	2,590
	<u>23,936</u>	<u>25,108</u>
The average number of employees, including directors, during the year was	2015 Number	2014 Number
Management and administration	181	169
Selling and distribution	249	267
Production and storage	260	255
	<u>690</u>	<u>691</u>

### Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the company listed on page 3

	2015 £'000	2014 £'000
Salary	2,263	2,247
Employee benefits	141	144
	<u>2,404</u>	<u>2,391</u>

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 7 Finance income and expense

### Recognised in the profit and loss

Finance Income	2015 £'000	2014 £'000 As restated Note 2
Interest received on bank deposits	159	857
Ineffective portion of changes in fair value of cash flow hedges	154	26
Net foreign exchange gain	72	-
<b>Total finance income</b>	<b>385</b>	<b>883</b>
 Finance expense	 2015 £'000	 2014 £'000 As restated Note 2
Finance lease (interest portion)	4	11
Interest expense on financial liabilities measured at amortised cost	866	1,298
Ineffective portion of changes in fair value of cash flow hedges	96	36
Net foreign exchange loss	131	18
<b>Total finance expense</b>	<b>1,097</b>	<b>1,363</b>
 Net finance expense recognised in profit and loss	 <b>712</b>	 <b>480</b>

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 8 Tax expense

	2015 £'000	2014 £'000
<i>Corporation tax</i>		
Current tax	562	441
Adjustment to prior years' provisions	(12)	3
	<hr/>	<hr/>
Current tax	550	444
Deferred tax (Note 18)	771	(753)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	1,321	(309)
	<hr/>	<hr/>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	5,515	3,085
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	1,117	663
Effects of		
Expenses not deductible for tax purposes	410	468
Utilisation of brought forward tax losses	(1,008)	(1,017)
Tax losses arising in the year and not utilised	8	314
Other timing differences	23	16
	<hr/>	<hr/>
Current tax charge for year	550	444
	<hr/>	<hr/>

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 9 Property, plant and equipment

Group	Freehold property Admin- istration £'000	Freehold property Other £'000	Leasehold property £'000	Plant, machinery and equipment £'000	Total £'000
<i>Cost</i>					
At 1 January 2014	1,198	9,236	1,040	14,828	26,302
Additions	-	195	14	943	1,152
Disposals	-	(2)	-	(1,721)	(1,723)
Reclassification	-	(268)	-	268	-
Foreign exchange movements	-	(211)	-	(383)	(594)
<b>At 31 December 2014</b>	<b>1,198</b>	<b>8,950</b>	<b>1,054</b>	<b>13,935</b>	<b>25,137</b>
At 1 January 2015	1,198	8,950	1,054	13,935	25,137
Additions	-	-	-	1,029	1,029
Disposals	-	-	-	(1,946)	(1,946)
Reclassification	-	(65)	-	65	-
Acquired through business combinations	-	-	-	615	615
Disposed of through business combination	-	-	-	(41)	(41)
Foreign exchange movements	-	(152)	-	(263)	(415)
<b>At 31 December 2015</b>	<b>1,198</b>	<b>8,733</b>	<b>1,054</b>	<b>13,394</b>	<b>24,379</b>
<i>Depreciation</i>					
At 1 January 2014	30	2,416	578	8,218	11,242
Charge for the year	54	422	76	1,806	2,358
Disposals	-	(2)	-	(1,535)	(1,537)
Foreign exchange movements	-	(121)	-	(270)	(391)
<b>At 31 December 2014</b>	<b>84</b>	<b>2,715</b>	<b>654</b>	<b>8,219</b>	<b>11,672</b>
At 1 January 2015	84	2,715	654	8,219	11,672
Charge for the year	53	362	65	1,551	2,031
Disposals	-	-	-	(1,180)	(1,180)
Acquired through business combinations	-	-	-	423	423
Disposed of through business combination	-	-	-	(40)	(40)
Foreign exchange movements	-	(87)	-	(167)	(254)
<b>At 31 December 2015</b>	<b>137</b>	<b>2,990</b>	<b>719</b>	<b>8,806</b>	<b>12,652</b>
<i>Net book value</i>					
At 1 January 2014	1,168	6,820	462	6,610	15,060
At 31 December 2014	1,114	6,235	400	5,716	13,465
At 31 December 2015	<b>1,061</b>	<b>5,743</b>	<b>335</b>	<b>4,588</b>	<b>11,727</b>

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 9 Property, plant and equipment (*continued*)

The net book value of tangible fixed assets for the Group includes an amount of £367,000 (2014 - £427,000) in respect of assets held under finance leases and hire purchase contracts

In addition to the security held by banks on the finance leased assets, the banks also hold security over the Vestey Foods Production SAS freehold property in France, the property has a net book value of £1,239,000 (2014 - £1,351,000) compared to outstanding balance on the financing loan of £490,000 (2014 - £679,000)

### 10 Intangible assets - Group

	<b>Goodwill and Brands £'000</b>
<i>Cost</i>	
At 1 January 2014	27,805
Foreign exchange movements	(15)
	<hr/>
At 31 December 2014	<b>27,790</b>
	<hr/>
At 1 January 2015	27,790
Additions – externally acquired	5,467
Foreign exchange movements	4
	<hr/>
At 31 December 2015	<b>33,261</b>
	<hr/>
<i>Amortisation and impairment</i>	
At 1 January 2014	15,694
Foreign exchange movements	(5)
	<hr/>
At 31 December 2014	<b>15,689</b>
	<hr/>
At 1 January 2015	15,689
Foreign exchange movements	-
	<hr/>
At 31 December 2015	<b>15,689</b>
	<hr/>
<i>Net book value</i>	
At 1 January 2014	12,111
At 31 December 2014	12,101
At 31 December 2015	<b>17,572</b>
	<hr/>

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 11 Goodwill and impairment

The carrying amount of goodwill is allocated to the subsidiary operating companies as follows

Goodwill carrying amount	2015 £'000	2014 £'000 As restated Note 2
Donald Russell Limited	9,754	9,754
UAB Vestey Foods Baltics	1,194	1,188
Vestey Foods France SAS	308	317
Vestey Foods Benelux NV	225	231
FineFrance UK Limited	5,467	-
Other	130	141
	<b>17,078</b>	<b>11,631</b>

The recoverable amounts of all the above subsidiary operating companies have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five year period to 31 December 2020

For Donald Russell Limited, the major assumptions used are as follows

	2015 %	2014 %
Discount rate	9.8	9.8
Operating margin	2.9	3.7
Growth rate	9.3	8.7

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to the cash generating unit. Growth rates relate to the expected increase in turnover over the next 5 years. Beyond 2020 growth rates of 2% have been used which are based on economic data pertaining to the sector concerned.

If any one of the following changes were made to the above key assumptions, the carrying amount and recoverable amount for Donald Russell Limited would be equal

	% Change from	% To
Discount rate	9.8	11.5
Operating margin	2.9	2.2
Growth rate	9.3	2.0

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 12 Non Controlling interests

Donald Russell Limited is a 100% owned subsidiary of Donald Russell Holdings that has a 13% non-controlling interest (NCI) Vestey Foods France SAS is a subsidiary of Vestey Foods Group that has a 11% non-controlling interest Vestey Foods UK Limited is a 100% subsidiary of Vestey Foods UK Holdings Limited a company set up in January 2015 that has a 23.5% non-controlling interest Before the set up of the new Holding company, Vestey Foods UK Limited was a 100% owned subsidiary undertaking Vestey Foods International Limited is a 100% subsidiary of Vestey Foods International Holdings Limited a company set up in January 2015 that has a 24% non-controlling interest Before the set up of the new Holding company, Vestey Foods International Limited was a 100% owned subsidiary undertaking The NCI of all subsidiaries that are not 100% owned by the group are considered to be immaterial

## 13 Inventories

	Group 2015 £'000	Group 2014 £'000 As restated Note 2
Finished goods and goods held for resale	36,960	45,891

The replacement cost of finished goods and goods held for resale is not materially different to carrying value

## 14 Trade and other receivables

	2015 £'000	2014 £'000 As restated Note 2
Amounts falling due within one year		
Trade receivables	41,399	37,680
Less provision for impairment of trade receivables	(444)	(587)
Trade receivables net	40,955	37,093
Receivables from parent undertaking	146	994
Receivables from related parties	3,885	717
Other debtors	1,300	3,304
Prepayments	1,927	1,645
Derivative financial assets	364	108
Total trade and other receivables	48,577	43,861

The carrying value of trade and other receivables classified as loans and receivables approximates fair value

At 31 December 2015, £22,773,000 (2014 £1,650,000) of trade receivables had been sold to a provider of invoice discounting and debt factoring services. The Group is committed to underwrite any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the debtors repay or default. The proceeds from transferring the debts of £20,496,000 (2014 £1,485,000) are included in other financial liabilities until the debts are collected or the Group makes good any losses incurred by the service provider.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 14 Trade and other receivables (continued)

The Group does not hold any collateral as security

As at 31 December 2015 trade receivables of £12,440,000 (2014 £10,576,000) were past due but not impaired. They relate to the customers with no default history. The ageing analysis of these receivables is as follows:

	Group 2015 £'000	Group 2014 £'000
Up to 3 months	11,775	10,189
3 to 6 months	432	303
6 to 12 months	233	22
More than 12 months	-	62
	<b>12,440</b>	<b>10,576</b>

### 15 Trade and other payables

	2015 £'000	2014 £'000 As restated Note 2
<b>Current</b>		
Trade payables	21,338	22,334
Other payables	2,992	2,891
Accruals	17,986	13,284
Derivative financial liabilities	230	170
<b>Total financial liabilities, excluding loans and borrowings, classified as financial liabilities at amortised cost</b>	<b>42,546</b>	<b>38,679</b>
Other payables - taxation and social security	822	918
	<b>43,368</b>	<b>39,597</b>
<b>Non-Current</b>		
Deferred Income	674	874
Unfunded defined benefit scheme (Note 22)	344	163
	<b>1,018</b>	<b>1,037</b>
<b>Total Trade and other payables</b>	<b>44,386</b>	<b>40,634</b>

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 16 Loans and borrowings

	2015 £'000	2014 £'000 As restated Note 2
<b>Current</b>		
Bank Overdrafts		
- Secured	-	-
- Unsecured	673	34,605
Bank Loans		
- Secured	20,802	1,780
- Unsecured	300	300
Finance leases	103	112
	<b>21,878</b>	<b>36,797</b>
<b>Non-Current</b>		
Bank Loans		
- Secured	719	874
- Unsecured	1,350	1,650
Finance leases	133	120
	<b>2,202</b>	<b>2,644</b>
<b>Total loans and borrowings</b>	<b>24,080</b>	<b>39,441</b>

The currency profile of the Group's loans and borrowings is as follows

	2015 £'000	2014 £'000
GBP	17,147	32,681
EUR	6,643	6,118
Other	290	642
	<b>24,080</b>	<b>39,441</b>

The rate at which GBP denominated liabilities are payable is 1.75-2.0% (2014 1.75-2.0%) above LIBOR  
The rate at which Euro denominated liabilities are payable is 1.45-5.25% (2014 1.45-5.25%)

### Bank Borrowings

The secured bank loans are secured by corporate guarantees or against the individual subsidiary company assets that they are financing

The Group has £25,000,000 (2014 £19,400,000) of undrawn committed borrowing facilities available at 31 December 2015, for which all conditions have been met. The facilities which all expire within 1 year are annual facilities subject to renewal at various dates during 2016.

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 17 Provisions

	Deferred share consideration £'000 As restated Note 2
At 1 January 2015	2,457
Charge to profit and loss account	(98)
Other increases	800
Released in year	-
	<hr/>
At 31 December 2015	3,159
	<hr/>
Due within one year or less	1,221
Due after more than one year	1,938
	<hr/>
Total	3,159
	<hr/>

In 2015 total deferred consideration has increased by £702,000 (2014 – £5,000) against the total future earn out liability of £3,159,000 (2014 - £2,457,000) to the minority shareholders of Donald Russell Holdings and UAB Vestey Foods Baltics. At 31 December 2015 the outstanding deferred consideration liabilities due are

- Donald Russell Holdings Limited - The deferred consideration of £1,138,000 (2014 - £1,062,000) is for the purchase of the final 13.0% (2014 – 13.0%) of the shareholding and is payable 3 years after the earn-out period starts. The start of the earn-out period can only be called by the minority shareholder.
- UAB Vestey Foods Baltics - The deferred consideration of £1,221,000 (2014 - £1,395,000) is for the purchase of the final 35.0% of the shareholding and is payable in 2016.
- Finefrance Holdings Limited - The deferred consideration of £800,000 (2014 - £Nil) is for the purchase of the final 12.5% of the shareholding and is payable in 2019.

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 18 Deferred tax asset/(liability)

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2014 20%)

The movement on the deferred tax account is as shown below

Group	£'000
Balance at 1 January 2015	663
Recognition of deferred tax on utilised losses	(761)
Recognition of deferred tax on capital allowances in advance of depreciation	(10)
Acquired through business combinations	(37)
Balance at 31 December 2016	(145)

Deferred taxation provided in the financial statements and the potential un-provided deferred tax asset amounting to £3,364,000 (2014 - £3,723,000) is made up as follows

	Group Not Provided 2015 £'000	Group provided 2015 £'000	Group Not provided 2014 £'000	Group provided 2014 £'000
Unrelieved losses	2,295	-	2,790	761
Capital allowances in advance of depreciation	545	(145)	445	(98)
Other timing differences	69	-	33	-
	<u>2,909</u>	<u>(145)</u>	<u>3,268</u>	<u>663</u>
Advance corporation tax recoverable	455	-	455	-
	<u>3,364</u>	<u>(145)</u>	<u>3,723</u>	<u>663</u>

The material tax losses carried forward are approximately £10,739,000 (2014 - £15,808,000) in the UK. In addition there are capital losses carried forward of approximately £1,301,000 (2014 - £1,301,000) in the UK. These have not been provided against.

## 19 Share capital

	2015 £'000	2014 £'000
<i>Authorised</i>		
1,000,000 Ordinary shares of £10 each	10,000	10,000
<i>Allotted, called up and fully paid</i>		
500,000 Ordinary shares of £10 each	5,000	5,000

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 20 Reserves

The following describes the nature and purpose of each reserve within equity

Reserve	Description and purpose
<i>Share premium</i>	Amount subscribed for share capital in excess of nominal value
<i>Cash flow hedging reserve</i>	Gains/losses arising on the effective portion of hedging instruments carried at fair value in a qualifying cash flow hedge
<i>Foreign exchange reserve</i>	Gains/losses arising on retranslating the net assets of overseas operations into GBP
<i>Retained earnings</i>	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

## 21 Leases

The Group leases the majority of its motor vehicles, some of its machines and buildings. Such assets are generally classified as operating leases as although, in terms of the motor vehicles, the rental period amounts to the estimated useful economic life of the assets concerned the Group does not have the right to purchase the assets outright at the end of the minimum lease term.

### *Finance lease – lessee*

For some of the leased machinery (net carrying value £236,000 – 2014 £232,000) the Group does have the right to purchase the assets outright at the end of the minimum lease term for a notional amount, these are classified as Finance leases. Finance Leases are disclosed as £103,000 current liabilities (2014 £112,000) and £133,000 non-current liabilities (2014 £120,000).

### *Operating lease – lessee*

As at 31 December 2015, the Group had annual commitments under non-cancellable operating leases as set out below

Group	2015 Land and buildings £'000	2015 Other £'000	2014 Land and buildings £'000	2014 Other £'000
Operating leases which expire				
Within one year	249	828	217	559
In one to two years	119	45	22	55
In two to five years	185	55	248	35
After five years	121	1	109	1
	<u>674</u>	<u>929</u>	<u>596</u>	<u>650</u>

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 22 Defined benefit pension schemes

The Group operates a number of pension schemes, with assets held in separate trustee-administered funds. Valuations of each scheme are carried out by independent qualified actuaries at least every three years and the contributions to the schemes are paid in accordance with their recommendations.

The pension schemes are as follows:

- **Unfunded Defined Benefit Scheme**, which is a United Kingdom unfunded defined benefit scheme for certain past and current directors. The pension costs relating to this scheme are assessed in accordance with the recommendations of a professionally qualified actuary,
- **Vestey Group Limited Overseas Pension Scheme**, which is an overseas defined benefit scheme for expatriate workers employed overseas within the Group, and
- **Western United Group Pension Scheme**, which is a multi-employer scheme with a contracted-out defined benefit section, which is closed to future accrual, and a money purchase section.

Lane Clarke & Peacock completed actuarial valuations in respect of the year-ended 31 December 2012 for all schemes.

Expected contributions for the next accounting period are as follows: £Nil in respect of the Unfunded Defined Benefit Scheme, £Nil in respect of the Vestey Group Limited Overseas Pension Scheme, £Nil in respect of the closed defined benefit section of the Western United Group Pension Scheme and £336,000 in respect of the money purchase section of the Western United Group Pension Scheme.

The total pension costs for the Group charged in the 2015 profit and loss account amounted to £247,000 (2014 - £280,719), all of which is in respect of the money purchase section of the Western United Group Pension scheme and the Vestey Group Limited Overseas Pension Scheme.

The total actuarial gain for the Group charged to other operating income in 2015 amounted to £43,000 (2014 - £4,629,000), most of which related to the unfunded defined benefit scheme.

#### a) Unfunded defined benefit scheme

The Group operates an unfunded defined benefit scheme. This scheme provides promises to five executive employees, three of whom have left service. No company contributions are presently being paid in respect of these promises.

At 31 December 2015 a provision of £344,000 was included within pension liabilities (2014 - £163,000) in respect of this scheme. The charge to the profit and loss in 2015 in relation to this scheme was £224,000 (2014 - credit of £469,000).

The scheme is exposed to a number of risks, including:

- **Changes in bond yields**: a decrease in bond yields will increase the value placed on the Scheme's liabilities for accounting purposes.
- **Inflation risk**: A significant portion of the Plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although, in most cases, caps on levels of inflationary increases are in place to protect against extreme inflation).
- **Life expectancy**: The majority of the Plan's obligations are to provide for the life of the member, so increase in life expectancy will result in an increase in the liabilities.

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 22 Pension schemes (continued)

### a) Unfunded defined benefit scheme (continued)

In accordance with the requirements of FRS 17 the main financial assumptions are as follows

	2015	2014
Rate of inflation (%)	3.1	3.1
Rate of increase in salaries (%)	4.6	4.6
Rate of increase in pensions in payment (%)	3.1	3.0
Liquidity discount rate (%)	3.8	3.4
Mortality assumption - male (years)	90.9	90.7

The plan is an unfunded pension arrangement and thus does not hold any assets in respect of the liabilities

### Reconciliation of the Present value of the scheme liabilities

	2015 £'000	2014 £'000
<b>Balance at 1 January</b>	<b>(163)</b>	<b>(6,171)</b>
Current service cost	(219)	(226)
Curtailment cost	-	854
Interest cost	(5)	(159)
<b>Included in profit or loss</b>	<b>(224)</b>	<b>469</b>
Actuarial gain/(losses) due to change in financial assumptions	15	(180)
Actuarial gains due to liability experience	28	554
Settlements	-	5,088
<b>Included in other comprehensive income</b>	<b>43</b>	<b>5,462</b>
Benefits paid	-	77
<b>Balance at 31 December</b>	<b>(344)</b>	<b>(163)</b>

### Sensitivity analysis

The key assumptions used are discount rate, inflation and mortality. If different assumptions are used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions are as follows

Actuarial assumption	Reasonably possible change	Increase in liability £'000	Revised liability £'000
Discount rate	Decrease of 0.25%	(15)	(359)
Inflation rate assumption	Increase of 0.25%	(5)	(349)
Life expectancy	Increase by 1 year	(8)	(352)

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 22 Pension schemes (*continued*)

#### b) Vestey Group Limited Overseas Pension Scheme

Overseas former employees of the Group are members of a defined benefit scheme, the Vestey Group Limited Overseas Pension Scheme, which provides benefits based upon pensionable salary and length of service. The contribution rate is calculated on the projected unit method. In 2014 the assets and liabilities of the scheme were transferred to Vestey Group Limited for Nil consideration.

#### c) Western United Group Pension Scheme

The Western United Group Pension Scheme is a multi-employer scheme with a contracted-out defined benefit section, which is closed to future accrual, and a money purchase section.

As the Group's share of the underlying assets and liabilities of the defined benefit section cannot be separately identified, these pension assets and liabilities are not recognised in these financial statements and the scheme is therefore accounted for as a defined contribution scheme.

During 2014, the Trustees of the Western United Group Pension Scheme entered into a binding contract with Rothesay Life for them to take over the remaining liabilities of the contracted-out defined benefit section of the scheme. An IAS 19 valuation of the scheme at 31 December 2015 shows a fair value of the scheme assets of £459.5m and a present value of the insurance contract liabilities of £454.7m. The liabilities have been covered by way of two new "buy in" insurance contracts which were ultimately rolled into a single Bulk Purchase Annuity contract. This left a small residual asset balance outside of these insurance contracts and a small expected surplus of £5.7m, which has reduced further to £4.8m. The majority of the Scheme's assets are being held by Rothesay Life before the wind up of the Scheme (which is expected to be completed in 2016).

The level of Group participation in the scheme is minimal, however as Vestey Holdings Limited is the only cash generating Group company in the scheme it has always in the past held the risk of providing funding if the scheme is in deficit. The contract with Rothesay mitigates this risk as the liabilities of the scheme are now covered by insurance contracts.

These pension assets and liabilities are recognised in the consolidated financial statements of Western United Investment Company Limited, where the legal title to the assets and liabilities of the scheme are still held up to the point that the scheme is wound up.

### 23 Disposals

#### *Vestey Foods Korea Incorporated*

During the year, Vestey Foods Group Limited sold its 100% shareholding in Vestey Foods Korea Incorporated to the Managing Director for £85,000, giving rise to a £52,000 loss on disposal.

Vestey Foods Korea Incorporated had shareholders' funds of £131,000.

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 24 Business combinations during the period

### *FineFrance UK Limited*

During 2015, a newly incorporated UK company, FineFrance Holdings Limited was set up which is 87.5% owned by Vestey Holdings Limited. FineFrance Holdings Limited subsequently acquired all of the share capital of FineFrance UK Limited which is the 100% holding company for TecFoods Limited, a company that imports and sells to restaurants chilled and ambient fine foods mainly from France.

The total consideration for the acquisition of £6.2m comprises £5.4m, which was financed in cash and deferred consideration of £0.8m. The acquisition, which was accounted for under the acquisition method, has been consolidated as a 100% subsidiary based on the substance of the Group's interest in this entity. Purchased goodwill of £5.5m was generated on the acquisition. The directors believe that the book value of the assets and liabilities at acquisition are equal to the fair value.

The effective date of the acquisition was 23 October 2015, which was the date from which control of the company passed to the Group.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group.

	Book value and fair value to the Group £'000
Property, plant and equipment	192
Current assets	
Inventories	120
Trade and Other receivables	1,180
Cash	542
Total current assets	1,842
Current liabilities	
Trade and other payables	(907)
Corporation tax payable	(138)
Loans and borrowings	(239)
Total current liabilities	(1,284)
Net assets	750
Goodwill acquired	5,467
Consideration	6,217
Cash consideration	5,425
Deferred consideration	792
Total Consideration	6,217

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 24 Business combinations during the period (*continued*)

### *FineFrance UK Limited (continued)*

TecFoods Limited's current financial year started on 1 January 2015 and to the point of acquisition it reported the following

	Total £'000
Turnover	5,304
Operating profit	507
Profit before tax	501

TecFoods Limited earned a profit before tax for the Group of £0.2m in the two month period to 31 December 2015. The period from acquisition is included in the 2015 Group profit and loss account.

Cash flows from purchase of TecFoods Limited	Total £'000
Cash consideration	(5,425)
Net cash acquired	351
	<hr/>
	(5,074)
	<hr/>

The Deferred consideration for the remaining 12.5% in Fine France Holdings Limited is calculated at 12.5% of 6.2 times the average annual profit before tax for the 3 years to 31 December 2018, discounted to the present value.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 25 Related party transactions

At the end of the year deferred consideration has been provided for future earn-outs to the following minority shareholders, who are also directors or senior managers of those companies

- £349,000 (2014 - £399,000) payable to Daiva Slakaitiene, a 10% minority shareholder of UAB Vestey Foods Baltics,
- £349,000 (2014 - £399,000) payable to Virginus Slakaitis, a 10% minority shareholder of UAB Vestey Foods Baltics,
- £279,000 (2014 - £318,000) payable to Migle Kersuliene, an 8% minority shareholder of UAB Vestey Foods Baltics,
- £244,000 (2014 - £279,000) payable to Rolandas Kersulis, a 7% minority shareholder of UAB Vestey Foods Baltics,
- £100,000 (2014 - £115,000) payable to Michel Recart, the president and holder of 5.5% of the shares in Vestey Foods France SAS, and
- £100,000 (2014 - £115,000) payable to Gilles Bensimon, the managing director and holder of 5.5% of the shares in Vestey Foods France SAS, and
- £875,000 (2014 - £817,000) payable to Hansjoerg Baumann, a director and holder of 10% of the shares in Donald Russell Holdings Limited, and
- £175,000 (2014 - £163,000) payable to Tazio Gagliardi, a 2% minority shareholder of Donald Russell Holdings Limited, and
- £88,000 (2014 - £82,000) payable to Stephan Kolsch, a 1% minority shareholder of Donald Russell Holdings Limited, and
- £320,000 (2014 - £Nil) payable to Vianney Lonjon, a director and holder of 5% shares in FineFrance Holdings Limited, and
- £320,000 (2014 - £Nil) payable to Arnaud Chemin, a director and holder of 5% shares in FineFrance Holdings Limited, and
- £80,000 (2014 - £Nil) payable to Dominique Willer, a 12.5% minority shareholder of FineFrance Holdings Limited, and
- £80,000 (2014 - £Nil) payable to Ludivine Dussap, a 12.5% minority shareholder of FineFrance Holdings Limited, and

Donald Russell Holdings Limited had in issue during the year £1,575,000 (2014 - £1,575,000) of 4% interest bearing unsecured loan notes to Hansjoerg Baumann who is also a shareholder of that company. £63,000 (2014 - £63,000) of accrued interest was outstanding at the year-end.

Vestey Foods UK Limited sold products totalling £49,620,181 to Purple FoodService Solutions Limited (2014 - £52,277,066), a company owned 50% by Vestey Holdings Limited (2014 - 50%). At 31 December 2014 Purple FoodService Solutions Limited owed £3,884,656 to Vestey Foods UK Limited (2014 - £558,035).

Vestey Holdings Limited has entered into an agreement with the MoD which guarantees that Purple FoodService Solutions Limited will be provided with the resources necessary to fulfil its obligations under its contract with the MoD.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 26 Contingent liabilities and guarantees

There are contingent liabilities in respect of forward foreign exchange contracts entered into by the Group (Note 30)

Guarantees in favour of the Intervention Board and Customs and Excise

	2015 £'000	2014 £'000
Total facility as at 31 December	193,637	146,374
Of which the amount in use as at 31 December	32,640	37,514

Apart from these there were, at 31 December 2015, no other guarantees or contingent liabilities for the Group (2014 - £Nil)

### 27 Immediate and ultimate parent undertaking

The immediate holding company is Vestey Group Limited which is incorporated in Great Britain. The ultimate parent company is Western United Investment Company Limited, which is incorporated in Great Britain and which is head of the largest group of undertakings of which the company is a member for which group financial statements are prepared.

The ultimate control of Western United Investment Company Limited rests with The Lord Vestey, Mr G M W Vestey and Mr R J H Vestey who, between them, have control of all the issued voting shares of the company.

The financial statements of Western United Investment Company Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

### 28 Post balance sheet events

In March 2016 Vestey Foods UK Limited declared a dividend of £5.6m to Vestey Foods UK Holdings Limited and on the same day Vestey Foods UK Holdings Limited declared a dividend of £5.4m to Vestey Foods Group Limited and its minority shareholders.

### 29 Financial instruments – Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 29 Financial instruments – Risk Management (*continued*)

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note

### *Principal financial instruments*

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows

Trade receivables  
Cash and cash equivalents  
Trade and other payables  
Bank overdrafts  
Floating-rate bank loans  
Fixed rate bank loans, and  
Forward currency contracts

#### (a) *Financial instruments by category*

Financial assets	Financial assets at value through profit or loss		Loans and receivables	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cash and cash equivalents	-	-	22,899	36,084
Trade and Other receivables	-	-	48,213	43,753
Derivatives	364	108	-	-
<b>Total financial assets</b>	<b>364</b>	<b>108</b>	<b>71,112</b>	<b>79,837</b>

Financial liabilities	Financial liabilities at value through profit or loss		Financial liabilities at amortised costs	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade and Other payables	-	-	41,143	39,383
Loans and borrowings	-	-	24,080	39,441
Derivatives	230	170	-	-
<b>Total financial liabilities</b>	<b>230</b>	<b>170</b>	<b>65,223</b>	<b>78,824</b>

#### (b) *Financial instruments not measured at fair value*

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 29 Financial instruments – Risk Management (continued)

#### *(c) Financial instruments measured at fair value*

The fair value hierarchy of Derivative financial assets and liabilities measured at fair value is Level 2

The asset / liability fair value is derived from the value of the forward currency contract converted at the period end exchange rate and adjusted for forward points and an internal bank risk assessment compared to the contract converted currency value

#### **General objectives, policies and processes**

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's management team

In order for Group management to keep these risks under control, subsidiary general and finance managers are subjected to a number of restrictive directors' operating covenants which detail the level of authority they have to operate within without authority from the Group management. These covenants include restrictions on the speculative purchases of stock or currency, the selling of products to uninsured customers, long-term lease commitments, capital expenditure, exceeding local third party borrowing levels and the adherence to Group human resources, ethics and accounting policies

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below

#### *Credit risk*

The Group's principal credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. To manage this risk in the Trading Division, credit insurance is taken out against customers given credit and their adherence to these limits is closely monitored. In the current economic climate, where credit insurance cover on customers is constantly being reviewed and often reduced, a strong emphasis has been placed by Group management on the subsidiary operating companies to not have outstanding credit from customers which exceeds their insured limits. Where customers wish to receive credit over and above insured limits, they must offer alternative security to cover the Group's exposure or seek permission from Group management.

Where customers are in politically risky countries and credit insurance is not available, then funds must either be prepaid by the customer before shipment of the goods or before title documents of the goods are transferred or they must offer alternative security to cover the Group's exposure.

Credit limits across all divisions, especially given the current economic climate, are reviewed on a regular basis in conjunction with credit insurance limits, debt ageing and collection history and at the reporting date losses are not expected from non-performance by the counterparties.

All trading subsidiaries prepare monthly debtor reports which are submitted to Group management and are closely monitored, in liaison with local managers, to ensure that internally set customer credit limits and credit insurance limits are adhered to.

Increased checks have also been put in place to counter a noticeable increase in frauds being attempted by individuals and organised groups who are purporting to be reputable customers. Group management are aware of a number of instances where this occurred in the year. A revised rigorous approval policy is in place to check new customers who receive credit insurance cover. The level of third party confirmation for individual contacts and companies has been increased before customers are approved.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 29 Financial instruments – Risk Management (continued)

#### Credit risk (continued)

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 14.

#### Cash in bank and short-term deposits

A significant amount of cash is held with the following institutions:

	31 December 2015		31 December 2014	
	Cash at bank	Short term deposits	Cash at bank	Short term deposits
	£'000	£'000	£'000	£'000
Barclays Bank	3,243	-	13,462	-
ABN Amro Bank	36	-	17,408	-
Lloyds Bank	17,478	-	1,730	-
Nat West Bank	-	-	50	43
Other	2,142	-	3,391	-
	<u>22,899</u>	<u>-</u>	<u>36,041</u>	<u>43</u>

#### Market risk

Market risk mainly arises from the Group's use of foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changing foreign exchange rates (currency risk) or other market factors (other price risk).

#### Foreign exchange risk

Foreign exchange risk arises in the Trading Division where it generally purchases products in different currencies to the selling and functional local currencies. The Group's policy is to significantly reduced exposure risk by hedging 100% of the actual foreign currency purchases against the appropriate selling currency at the date of order. The non-adherence to these policies and the speculative purchase of currencies are both restricted by the formally agreed directors' operating covenants, unless expressly agreed by Group management.

In order to monitor the continuing effectiveness of this policy, each company produces monthly foreign exchange reconciliations by each non-functional currency that they are exposed to. These reconciliations are reviewed on a regular basis by the Group finance function.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 29 Financial instruments – Risk Management (continued)

As of 31 December the Group's net exposure to foreign currency exchange risk was as follows

	Functional currency of individual entity				Total	
	GBP		EUR			
	2015	2014	2015	2014	2015	2014
	£'000	£'000	£'000	£'000	£'000	£'000
Net foreign currency financial assets / (liabilities)						
EUR	532	6,573	-	-	532	6,573
USD	(142)	1,310	668	640	526	1,950
NOK	(1)	916	-	-	(1)	916
YEN	761	51	-	-	761	51
SGD	(542)	118	-	-	(542)	118
DKK	(198)	(60)	-	-	(198)	(60)
AUD	17	92	-	-	17	92
Other	227	41	-	-	227	41
	<b>654</b>	<b>9,041</b>	<b>668</b>	<b>640</b>	<b>1,322</b>	<b>9,681</b>

The effect of a 10% weakening of the EUR against GBP at the reporting date on the EUR denominated assets and liabilities carried at that date and not covered by a forward currency hedging contract would, all other variables held constant, have resulted in a decrease in pre-tax profit for the year and decrease of net assets of £48,000 (2014 £598,000). A 10% Strengthening in the exchange rate would, on the same basis, have increased pre-tax profit and increased net assets by £53,000 (2014 £657,000).

The effect of a 10% weakening of the USD against GBP at the reporting date on the USD denominated assets and liabilities carried at that date and not covered by a forward currency hedging contract would, all other variables held constant, have resulted in a decrease in pre-tax profit for the year and decrease of net assets of £48,000 (2014 £119,000). A 10% strengthening in the exchange rate would, on the same basis, have increased post-tax profit and increased in net assets by £53,000 (2014 £131,000).

#### Other market price risk

The Group operates in a large number of very competitive markets, where outbreaks of different animal diseases can have a big impact on both the supply and customer base of each subsidiary, where suppliers who may not adhere to our product specifications can present quality issues and where the market value of what are effectively commodity products can vary widely and quickly. The Group manages these risks by ensuring, where possible, that each subsidiary does not have an over-reliance on sales of one product type or one supplier/supply location, that, where possible, stock is only purchased when an order is received, by employing a significant technical resource to regularly audit suppliers, and by ensuring that stocks of perishable, short shelf life items are kept to a minimum.

The Trading Division also operates a number of fixed price, volume and / or period driven customer contracts, supplying specific, but reasonably generic products. The division manages these supply risks by ensuring that they have at least dual suppliers for such contracts going forward.

The Group's risk as the only cash-generating subsidiary employer of the Western United Group Pension Scheme, a very large defined benefit scheme which is detailed in Note 22, has been negated in 2014 by the Trustees of the Western United Group Pension Scheme having entered into a binding contract with Rothesay Life for them to take over the remaining liabilities of the Scheme. The liabilities were covered by way of two new "buy in" insurance contracts which were ultimately rolled into a single Bulk Purchase Annuity contract. This has left a small residual asset balance outside of these agreements and a small expected surplus of £4.8m (2014 £5.7m). The majority of the Scheme's assets are being held by Rothesay Life before the completion of the wind up of the scheme in 2016. This is a significant risk that has now been removed from the Group.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 29 Financial instruments – Risk Management (*continued*)

#### *Liquidity risk*

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim cash flow, borrowing and working capital forecasts are prepared by subsidiaries each month in their monthly management accounts. The current and forecast working capital requirements are reviewed in conjunction with budgeted levels and existing financing facilities to ensure that sufficient headroom is maintained within all available facilities. Group management also receive monthly reports from each subsidiary detailing aged debtors, in particular overdue debtors, and an aged stock report detailing all slow moving stock.

Individual Group subsidiary companies are financed by asset back secured financing facilities and local management manage the working capital of their businesses within the constraints provided by the stock and debtors that they are financing against. Local management manage working capital levels carefully. They have regular meetings to ensure that stock levels are managed at an optimum level and that slow moving stock and stock items close to expiry are closely monitored. Debtors ageing reports are regularly monitored and overdue debtors chased. Increases to the facility limits can only be made if authorised by Group management.

Group management formally assess the Group's 12-month cash flow projections on an annual basis as well as informally reviewing the Group management accounts on a monthly basis. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to utilise any of its Head Office held cash reserves.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities.

	Up to 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2015	£'000	£'000	£'000	£'000
Trade Creditors and other payables	43,138	400	266	352
Loan and borrowings	21,878	913	1,289	-
Derivative financial liabilities	230	-	-	-
Provisions	1,221	-	1,938	-
<b>Total</b>	<b>66,467</b>	<b>1,313</b>	<b>3,493</b>	<b>352</b>

	Up to 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2014	£'000	£'000	£'000	£'000
Trade Creditors and other payables	39,427	388	390	259
Loan and borrowings	36,797	642	2,002	-
Derivative financial liabilities	170	-	-	-
Provisions	-	1,395	1,062	-
<b>Total</b>	<b>76,394</b>	<b>2,425</b>	<b>3,454</b>	<b>259</b>

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 29 Financial Instruments – Risk Management (continued)

#### Capital Disclosures

The Group monitors its net debt to "Capital" (Gearing) ratio on an ongoing basis. "Capital" comprises all components of equity, including non-controlling interests while net debt is calculated as total debt (as shown in the consolidated statement of financial position) less cash and cash equivalents.

The Group's main objectives when minimising its Gearing ratio is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and fund its working capital cycle to meet its contractual agreements with suppliers.

The Group sets the maximum level Gearing it will allow in proportion to risk. The Group manages its level of Gearing in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group's strategy is to preserve a strong cash base and achieve a debt-to-adjusted-capital ratio of less than 25% (2014: 25%). The objective of this strategy is to secure access to finance at reasonable cost by maintaining a high credit rating. The debt-to-capital ratios at 31 December 2015 and at 31 December 2014 were as follows:

	2015 £'000	2014 £'000
Loans and borrowings	24,080	39,441
Less: cash and cash equivalents	(22,899)	(36,084)
Net debt	1,181	3,357
Total equity	65,766	69,488
Debt to capital ratio (%)	1.8%	4.8%

The decrease in the Gearing during 2015 resulted primarily from the increase in equity due to the profit and the increase of cash resulting from operating activities and the disposal of discontinued activities.

### 30 Derivative financial instruments

	Group 2015 £'000	Group 2014 £'000 As restated Note 2
<b>Derivative financial assets</b>		
Derivatives not designated as hedging instruments		
Forward foreign exchange	163	6
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts – cash flow hedges	201	102
Total derivative financial assets	364	108

All derivative financial assets are current assets. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 30 Derivative financial instruments (continued)

	Group 2015 £'000	Group 2014 £'000 As restated Note 2
<b>Derivative financial liabilities</b>		
Derivatives not designated as hedging instruments		
Forward foreign exchange	52	51
Derivatives designated as hedging instruments		
Forward foreign exchange contracts – cash flow hedges	178	119
<b>Total derivative financial liabilities</b>	<b>230</b>	<b>170</b>

All derivative financial assets are current liabilities

### Cash flow forward foreign exchange contracts

Foreign exchange risk arises when individual group undertakings enter into transactions denominated in a currency other than their functional currency. Where this occurs and a natural hedge is not available each group undertaking will enter into a matching forward foreign exchange contract with a reputable bank.

The amounts of outstanding forward foreign exchange contracts were

	Notional principal amounts		Fair value assets / (liabilities)	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Foreign currency purchase contracts				
Hedging Instrument	16,449	14,546	(208)	54
Non-hedging instrument	6,360	14,854	69	(44)
Foreign currency sale contracts				
Hedging Instrument	10,565	3,995	(179)	(68)
Non-hedging instrument	4,306	3,306	(99)	(5)

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates within the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as at 31 December 2015 are recognised in the consolidated statement of comprehensive income in the period or periods during which the hedged forecast transaction affects the consolidated statement of comprehensive income. This is within 12 months from the end of the financial year.

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 31 Subsidiaries

The principal subsidiaries of Vestey Holdings Limited, all of which have been included in these consolidated financial statements, are as follows

Principal direct subsidiaries	Country of incorporation	Class of shares	Percentage of holding
Vestey Foods Group Limited	Great Britain	Ordinary	100
FineFrance UK Holdings Limited	Great Britain	Ordinary	***87.5*
Vestey Farms Limited	Great Britain	Ordinary	100
Donald Russell Holdings Limited	Great Britain	Ordinary	87
<b>Principal indirect subsidiary undertakings</b>			
<b>Trading Division</b>			
Global Group UK Holdings Limited	Great Britain	Ordinary	100
Vestey Foods UK Limited	Great Britain	Ordinary	76.5
Vestey Foods UK Holdings Limited	Great Britain	Ordinary	***76.5
Vestey Foods International SA	France	Ordinary	76
Vestey Foods Denmark A/S	Denmark	Ordinary	76
Vestey Foods Production SAS	France	Ordinary	100
Vestey Foods France SAS	France	Ordinary	89
Vestey Foods Benelux NV	Belgium	Ordinary	100
Vestey Foods Middle East FZE	UAE	Ordinary	100
Vestey Foods USA Inc	USA	Ordinary	100
Vestey Foods Qingdao	China	Ordinary	76
UAB Vestey Foods Baltics	Lithuania	Ordinary	*65
Vestey Foods International Limited	Great Britain	Ordinary	76
Vestey Foods International Holdings Limited	Great Britain	Ordinary	***76
VFI Worldwide Limited	Great Britain	Ordinary	76
Donald Russell Limited	Great Britain	Ordinary	87
TecFoods Limited	Great Britain	Ordinary	*87.5
FineFrance UK Limited	Great Britain	Ordinary	*87.5
<b>Other</b>			
Vestey Properties Limited	Great Britain	Ordinary	100
Agropecuaria Flora C A	Venezuela	Ordinary	**100
<b>Dormant undertakings</b>			
Angliss (UK) Limited	Great Britain	Ordinary	76.5
Arlington Meats Limited	Great Britain	Ordinary	76.5
Autocarve Limited	Great Britain	Ordinary	76.5
Bancroft Meats Limited	Great Britain	Ordinary	76.5
Banstead Meats Limited	Great Britain	Ordinary	76.5
Breakfield Meats Limited	Great Britain	Ordinary	76.5
Caterham Meats Limited	Great Britain	Ordinary	76.5
Clapham (International) Ltd	Great Britain	Ordinary	76.5
Coulsdon Meats Limited	Great Britain	Ordinary	76.5
Court Meats Limited	Great Britain	Ordinary	76.5
Cranbrook Meats Limited	Great Britain	Ordinary	76.5
Crescent Meats Limited	Great Britain	Ordinary	76.5
Croydon Meats Limited	Great Britain	Ordinary	76.5
Dorking Meats Limited	Great Britain	Ordinary	76.5
Epsom Meats Limited	Great Britain	Ordinary	76.5
Global Food Ingredients Limited	Great Britain	Ordinary	76.5
Global Meat Company Limited	Great Britain	Ordinary	76.5

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 31 Subsidiaries

Dormant undertakings	Country of incorporation	Class of shares	Percentage of holding
Global Meat Midlands Limited	Great Britain	Ordinary	76.5
Global Meats (Newcastle) Limited	Great Britain	Ordinary	76.5
Global Meats (Scotland) Limited	Great Britain	Ordinary	76.5
Global Meats (Wales) Limited	Great Britain	Ordinary	76.5
Godstone Meats Limited	Great Britain	Ordinary	76.5
Golden Globe Trading Limited	Great Britain	Ordinary	76.5
Guildford Meats Limited	Great Britain	Ordinary	76.5
Harrow Meats Limited	Great Britain	Ordinary	76.5
Hooley Meats Limited	Great Britain	Ordinary	76.5
International Global Limited	Great Britain	Ordinary	76.5
John Wharton Meats Limited	Great Britain	Ordinary	76.5
Kenley Meats Limited	Great Britain	Ordinary	76.5
Leigh Meats Limited	Great Britain	Ordinary	76.5
Marpit Meats Limited	Great Britain	Ordinary	76.5
Newhaven Meats Limited	Great Britain	Ordinary	76.5
Ninorc Meats Limited	Great Britain	Ordinary	76.5
Pinnacle Meats Limited	Great Britain	Ordinary	76.5
Putney (International) Ltd	Great Britain	Ordinary	76.5
Redhill Meats Limited	Great Britain	Ordinary	76.5
Redlands Cold Storage Limited	Great Britain	Ordinary	76.5
Reedham Meats Limited	Great Britain	Ordinary	76.5
Reigate Meats Limited	Great Britain	Ordinary	76.5
Repooc Meats Limited	Great Britain	Ordinary	76.5
Rusper Meats Limited	Great Britain	Ordinary	76.5
Semloh Meats Limited	Great Britain	Ordinary	76.5
Sheed Thomson International Limited	Great Britain	Ordinary	76.5
Ullswater Meats Limited	Great Britain	Ordinary	76.5
Vestey (International) Ltd	Great Britain	Ordinary	76.5
Vestey UK Holdings Limited	Great Britain	Ordinary	76.5
Vestey Foods International Trading Limited	Great Britain	Ordinary	100
Vestey UK Investments Limited	Great Britain	Ordinary	76.5
Wammco (Europe) Limited	Great Britain	Ordinary	76.5
Wammco (International) Limited	Great Britain	Ordinary	76.5
Wammco (UK) Limited	Great Britain	Ordinary	76.5
Welling Meats Limited	Great Britain	Ordinary	76.5
Whyteleafe Meats Limited	Great Britain	Ordinary	76.5
Woodcote Meats Limited	Great Britain	Ordinary	76.5
Coop Globe (Asia) Limited	Great Britain	Ordinary	76.5
Cresswell Foods Limited	Great Britain	Ordinary	76.5
Vestey UK (Retail) Limited	Great Britain	Ordinary	76.5
Vestey UK (Seafood) Limited	Great Britain	Ordinary	76.5
Vestey UK (Spalding) Limited	Great Britain	Ordinary	76.5
Vestey UK (Foodservice) Limited	Great Britain	Ordinary	76.5
Vestey UK (Ethnic) Limited	Great Britain	Ordinary	76.5
Pulborough Meats Limited	Great Britain	Ordinary	76.5
Wildbrooks Meats Limited	Great Britain	Ordinary	76.5
Fulham (International) Limited	Great Britain	Ordinary	76.5
Croydon (International) Limited	Great Britain	Ordinary	76.5
Reigate (International) Limited	Great Britain	Ordinary	76.5
Coulsdon (International) Limited	Great Britain	Ordinary	76.5
Redhill (International) Limited	Great Britain	Ordinary	76.5
Wimbledon Meats Limited	Great Britain	Ordinary	76.5
Leeward Meats Limited	Great Britain	Ordinary	76.5
Southpark Meats Limited	Great Britain	Ordinary	76.5

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 31 Subsidiaries

Dormant undertakings	Country of incorporation	Class of shares	Percentage of holding
Westminster Meats Limited	Great Britain	Ordinary	76.5
Maidenbower Meats Limited	Great Britain	Ordinary	76.5
Worth Meats Limited	Great Britain	Ordinary	76.5
Glebelands Meats Limited	Great Britain	Ordinary	76.5
Makepeace Meats Limited	Great Britain	Ordinary	76.5
Cavendish Meats Limited	Great Britain	Ordinary	76.5
Hughes 3 (International) Limited	Great Britain	Ordinary	76.5
Mercury 22 (International) Limited	Great Britain	Ordinary	76.5
Venus 32 (International) Limited	Great Britain	Ordinary	76.5
March 41 (International) Limited	Great Britain	Ordinary	76.5
Jupiter 44 (International) Limited	Great Britain	Ordinary	76.5
Saturna 55 (International) Limited	Great Britain	Ordinary	76.5
Uranus 71 (International) Limited	Great Britain	Ordinary	76.5
Neptune 88 (International) Limited	Great Britain	Ordinary	76.5
Pluton 91 (International) Limited	Great Britain	Ordinary	76.5
Galleo 22 (International) Limited	Great Britain	Ordinary	76.5
Waterford Meats Limited	Great Britain	Ordinary	76.5
Arthur Meats Limited	Great Britain	Ordinary	76.5
Ridgeway Meats Limited	Great Britain	Ordinary	76.5
Dora Meats Limited	Great Britain	Ordinary	76.5
Beddington Meats Limited	Great Britain	Ordinary	76.5
Nova Meats Limited	Great Britain	Ordinary	76.5
Aldwick Meats Limited	Great Britain	Ordinary	76.5
Wellesford Meats Limited	Great Britain	Ordinary	76.5
Sausalito Meats Limited	Great Britain	Ordinary	76.5
Cross Lane Meats Limited	Great Britain	Ordinary	76.5
Horsham (International) Limited	Great Britain	Ordinary	76.5
Petworth (International) Limited	Great Britain	Ordinary	76.5
Midhurst (International) Limited	Great Britain	Ordinary	76.5
Bolney (International) Limited	Great Britain	Ordinary	76.5
Hassocks (International) Limited	Great Britain	Ordinary	76.5
Crawley (International) Limited	Great Britain	Ordinary	76.5
Faygate (International) Limited	Great Britain	Ordinary	76.5
Holbrook (International) Limited	Great Britain	Ordinary	76.5
Roffey (International) Limited	Great Britain	Ordinary	76.5
Ifield (International) Limited	Great Britain	Ordinary	76.5
Rusper (International) Limited	Great Britain	Ordinary	76.5
Warnham (International) Limited	Great Britain	Ordinary	76.5
Kingsfold (International) Limited	Great Britain	Ordinary	76.5
Nuthurst (International) Limited	Great Britain	Ordinary	76.5
Southwater (International) Limited	Great Britain	Ordinary	76.5
Sunnydale Farms Limited	Great Britain	Ordinary	76.5
Migili SAS	France	Ordinary	100
Alvia SAS	France	Ordinary	100
Société d'Investissement Berger SA	France	Ordinary	89
Sirtos SA	France	Ordinary	89
Tellers SA	France	Ordinary	89
Damexpo SA	France	Ordinary	89
Hegazti SA	France	Ordinary	89
Kigyar SA	France	Ordinary	89
Yetimport SA	France	Ordinary	89
Alvia SA	France	Ordinary	89
Imexpo SA	France	Ordinary	89
Poultico SA	France	Ordinary	89

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 31 Subsidiaries

Dormant undertakings	Country of incorporation	Class of shares	Percentage of holding
Sealise SA	France	Ordinary	89
Ventaco SA	France	Ordinary	89
Volexa SA	France	Ordinary	89
Vestey Foods Aps	Denmark	Ordinary	76
VFD International Aps	Denmark	Ordinary	76
Herluf Trading Aps	Denmark	Ordinary	76

\* This entity have been accounted for as wholly owned subsidiary undertakings in accordance with the Group's accounting policies, on the basis of effective ownership

\*\* In line with the Group accounting policies, this subsidiary has not been consolidated Following the illegal expropriation of assets by the Venezuelan government on 4 December 2011 the Group ceased to have any day to day control over the activity of the farming operations of the company, ceased to have beneficial rights to the operations assets or income and ceased to have a liability over the current or past obligations relating to the operations

\*\*\* These entities were incorporated in 2015

The Group have subsequently recommenced their suspended legal case against the Venezuelan government with ICSID, the International Court for Arbitration in New York and is confident of receiving a judgement against the Venezuelan government

The Group have not recognised any potential proceeds from the legal case in the financial statements because it is still early in the legal process and there is still insufficient certainty with regards to both timing and the final proceeds This position will be reviewed as the legal process progresses

In 2015 the Group is taking advantage of the audit exceptions available under section 479A(2)(a) of the Companies Act 2006 and the following subsidiary companies did not receive an audit

Vestey Properties Limited  
Vestey Foods International Trading Limited ✓  
Global Group UK Holdings Limited  
Vestey Foods UK Limited  
Vestey Foods International Limited  
VFI Worldwide Limited  
Vestey Foods Group Limited  
Vestey Foods UK (Holdings) Limited  
Vestey Foods International Holdings Limited  
Angliss (UK) Limited  
Autocarve Limited  
Cresswell Foods Limited  
Global Meats Company Limited  
Global Meats Midlands Limited  
International Global Limited  
Redlands Cold Storage Limited  
Sheed Thomson International Limited  
Vestey UK Holdings Limited  
Vestey UK Investments Limited  
Vestey Farms Limited  
Donald Russell Limited  
Donald Russell Holdings Limited  
TecFoods Limited  
FineFrance UK Limited

Vestey Holdings Limited has given a statutory guarantee for the outstanding liabilities for each of these companies

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 32 Investments in joint operations

The following entity has been included in the consolidated financial statements using the equity method

	Country of incorporation	Class of shares	Percentage of holding
<b>Joint operation undertakings</b>			
Purple FoodService Solutions Limited	Great Britain	Ordinary	50

The primary business of Purple FoodService Solutions Limited ("Purple") is to provide a worldwide food supply capability to its only customer the Ministry of Defence. The undertaking is deemed to be a joint operation rather than a joint venture as the entity is only a means by which each shareholder carries out its own business under the terms of the service contracts.

Purple is a non-profit organisation which charges onto the Ministry of Defence sales received from its shareholder's at cost and then invoices an additional amount to cover its overhead costs.

Details of revenues to Purple FoodService Solutions Limited and year-end outstanding trading balances are included in the related party transaction (Note 25).

## 33 Investments in associates

The following entity has been included in the consolidated financial statements using the equity method

	Country of incorporation	Class of shares	Percentage of holding
<b>Principal associated and joint venture undertakings</b>			
Vestey Foods Japan Limited	Japan	Ordinary	35

The Group's share in Vestey Foods Japan Limited was disposed of in the year for a consideration of £190,000, giving rise to a profit on disposal of £61,000.

## **Vestey Holdings Limited**

Company Only

Report and Financial Statements

Year Ended

31 December 2015

Company Number 66076

# Vestey Holdings Limited

## Balance sheet at 31 December 2015

Company number 66076

	Note	31 Dec 2015 £'000	31 Dec 2014 £'000 As restated Note 2	1 Jan 2014 £'000 As restated Note 2
<b>Fixed assets</b>				
Tangible Assets	5	21	44	77
Investments in subsidiaries	6	66,019	65,165	65,135
Other investments	6	68	68	68
		<b>66,108</b>	<b>65,277</b>	<b>65,280</b>
<b>Current assets</b>				
Debtors	8	7,135	2,908	1,931
Cash at bank and in hand		17,483	2,247	17,850
		<b>24,618</b>	<b>5,155</b>	<b>19,781</b>
<b>Creditors: amounts falling due within one year</b>	9	<b>(11,662)</b>	<b>(11,307)</b>	<b>(10,363)</b>
<b>Net current assets</b>		<b>12,956</b>	<b>(6,152)</b>	<b>9,418</b>
<b>Total assets less current liabilities</b>		<b>79,064</b>	<b>59,125</b>	<b>74,698</b>
<b>Creditors: amounts falling due after more than one year</b>	10	<b>(1,938)</b>	<b>(1,062)</b>	<b>(1,026)</b>
<b>Net assets excluding pension liabilities</b>		<b>77,126</b>	<b>58,063</b>	<b>73,672</b>
<b>Pension scheme liabilities</b>	13	<b>(344)</b>	<b>(163)</b>	<b>(6,172)</b>
		<b>76,782</b>	<b>57,900</b>	<b>67,500</b>
<b>Capital and reserves</b>				
Share Capital	11	5,000	5,000	5,000
Share premium account	12	9,765	9,765	9,765
Retained earnings	12	62,017	43,135	52,735
<b>Shareholders' funds</b>		<b>76,782</b>	<b>57,900</b>	<b>67,500</b>

The notes on pages 66 to 74 form part of these financial statements

# Vestey Holdings Limited

## Statement of changes in equity For the year ended 31 December 2015

	Share capital £'000	Share premium £'000	Retained earnings (restated) £'000	Total £'000
<b>31 December 2014</b>	<b>5,000</b>	<b>9,765</b>	<b>43,135</b>	<b>57,900</b>
<b>Comprehensive income for the year</b>				
Profit	-	-	26,389	26,389
Other comprehensive income	-	-	43	43
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>26,432</b>	<b>26,432</b>
<b>Contributions by and distributions to owners</b>				
Dividends to majority shareholders	-	-	(7,550)	(7,550)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>(7,550)</b>	<b>(7,550)</b>
<b>31 December 2015</b>	<b>5,000</b>	<b>9,765</b>	<b>62,017</b>	<b>76,782</b>
	Share capital £'000	Share premium £'000	Retained earnings (restated) £'000	Total £'000
<b>1 January 2014</b>	<b>5,000</b>	<b>9,765</b>	<b>52,735</b>	<b>67,500</b>
<b>Comprehensive income for the year</b>				
Profit	-	-	(1,062)	(1,062)
Other comprehensive income	-	-	5,462	5,462
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>4,400</b>	<b>4,400</b>
<b>Contributions by and distributions to owners</b>				
Dividends to majority shareholders	-	-	(14,000)	(14,000)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>(14,000)</b>	<b>(14,000)</b>
<b>31 December 2014</b>	<b>5,000</b>	<b>9,765</b>	<b>43,135</b>	<b>57,900</b>

The notes on pages 66 to 74 form part of these financial statements

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015

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### 1 Accounting policies

#### *Basis of preparation*

These financial statements have been prepared for the first time in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework which have both been applied. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

#### *Basis of measurement*

The financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Contingent consideration
- Net defined benefit liability

Amounts are rounded to the nearest £'000, unless otherwise stated.

The principal accounting policies are:

#### *Revenue*

Revenue from the provision of pension services. These services are considered to be met when they are generally provided to the customer.

#### *Valuation of investments*

Investments held as fixed assets are stated in the financial statements at the lower of cost and recoverable amount. Any resulting impairment loss is taken to the profit and loss account.

All other accounting policies are detailed in the accounting policies to the consolidated financial statements (see page 14).

### 2 First time adoption of FRS 100 and FRS 101

These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 100 and FRS101. For periods up to and including the year ended 31 December 2014, the Group prepared its financial statements in accordance with UK generally accepted accounting practice (UK GAAP).

Accordingly, the Company has prepared financial statements which comply with FRS100 and FRS101 applicable for periods ending on or after 31 December 2015, together with the comparative period data as at and for the year ended 31 December 2014, as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2014, the Group's date of transition to FRS 100 and FRS101. This note explains the principal adjustments made by the Group in restating its Local GAAP statement of financial position as at 1 January 2014 and its previously published UK GAAP financial statements as at and for the year ended 31 December 2014.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 2 First time adoption of FRS 100 and FRS 101 (continued)

#### Disclosure exemptions adopted

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

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

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the company's consolidated financial statements. These financial statements do not include certain disclosures in respect of

- Share based payments,
- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value), or
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value)

#### Estimates

The estimates at 1 January 2014 and at December 31, 2014 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of UK GAAP did not require estimation

- Pensions and other post employment benefits

The estimates used by the Group to present these amounts in accordance with FRS 100 and 101 reflect conditions at 1 January 2014, the date of transition to FRS 100 and 101 and as of December 31, 2014

#### Group reconciliation of net assets

	Note	1 January 2014			31 December 2014		
		UK GAAP £'000	Adjust- ments £'000	FRS 101 £'000	UK GAAP £'000	Adjust- ments £'000	FRS 101 £'000
<b>Net Assets</b>	<b>A</b>	68,526	(1,026)	67,500	58,962	(1,062)	57,900

Notes to the reconciliation of equity as at 1 January 2014 and 31 December 2014

#### A Contingent consideration provision

Under UK GAAP, the contingent liability relating to the purchase consideration of the minority shareholding in Donald Russell Holdings Limited had not been recognised as the start period for the 3 year earn-out had yet to be called, however, under IAS 37 a contingent liability for the purchase consideration needs to be recognised because it is contractual

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (continued)

## 3 Critical accounting estimates and judgements

The preparation of financial statements in accordance with FRS 101 requires the use of certain critical accounting estimates. The critical accounting estimates that were made in the preparation of these financial statements are detailed in the critical accounting estimates section of the consolidated financial statements (see page 29)

## 4 Profit and loss account

A separate profit and loss account for the Company is not presented, in accordance with Section 408 of the Companies Act 2006. The profit for the year for the Company dealt with in the consolidated financial statements of the company was £26,389,000 (2014 – loss of £1,062,000)

The remuneration of the directors of the Company is disclosed in note 6 to the group financial statements

## 5 Tangible assets

Company	Leasehold property £'000	Plant and machinery £'000	Total £'000
<i>Cost</i>			
At 1 January 2015	51	242	293
Additions	-	-	-
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2015	51	242	293
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2015	51	198	249
Charge for year	-	23	23
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2015	51	221	272
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2015	-	21	21
	<hr/>	<hr/>	<hr/>
At 31 December 2014	-	44	44
	<hr/>	<hr/>	<hr/>

## 6 Investments

	Shares in group undertakings £'000	Other £'000	Total £'000
<i>Cost</i>			
At 1 January 2015	65,165	68	65,233
Additions	854	-	854
	<hr/>	<hr/>	<hr/>
At 31 December 2015	66,019	68	66,087
	<hr/>	<hr/>	<hr/>

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 7 Additional information on subsidiaries and associated undertakings

Principal direct subsidiaries	Country of incorporation	Class of shares	Percentage of holding
Vestey Foods Group Limited	Great Britain	Ordinary	100
FineFrance UK Holdings Limited	Great Britain	Ordinary	***87.5*
Vestey Farms Limited	Great Britain	Ordinary	100
Donald Russell Holdings Limited	Great Britain	Ordinary	87
<b>Principal indirect subsidiary undertakings</b>			
<b>Trading Division</b>			
Global Group UK Holdings Limited	Great Britain	Ordinary	100
Vestey Foods UK Limited	Great Britain	Ordinary	76.5
Vestey Foods UK Holdings Limited	Great Britain	Ordinary	***76.5
Vestey Foods International SA	France	Ordinary	76
Vestey Foods Denmark A/S	Denmark	Ordinary	76
Vestey Foods Production SAS	France	Ordinary	100
Vestey Foods France SAS	France	Ordinary	89
Vestey Foods Benelux NV	Belgium	Ordinary	100
Vestey Foods Middle East FZE	UAE	Ordinary	100
Vestey Foods USA Inc	USA	Ordinary	100
Vestey Foods Qingdao	China	Ordinary	76
UAB Vestey Foods Baltics	Lithuania	Ordinary	*65
Vestey Foods International Limited	Great Britain	Ordinary	76
Vestey Foods International Holdings Limited	Great Britain	Ordinary	***76
VFI Worldwide Limited	Great Britain	Ordinary	76
Donald Russell Limited	Great Britain	Ordinary	87
TecFoods Limited	Great Britain	Ordinary	*87.5
FineFrance UK Limited	Great Britain	Ordinary	*87.5
<b>Other</b>			
Vestey Properties Limited	Great Britain	Ordinary	100
Agropecuaria Flora C A	Venezuela	Ordinary	**100

\* This entity have been accounted for as wholly owned subsidiary undertakings in accordance with the Group's accounting policies, on the basis of effective ownership

\*\* In line with the Group accounting policies, this subsidiary has not been consolidated. Following the illegal expropriation of assets by the Venezuelan government on 4 December 2011 the Group ceased to have any day to day control over the activity of the farming operations of the company, ceased to have beneficial rights to the operations assets or income and ceased to have a liability over the current or past obligations relating to the operations

\*\*\* These entities were incorporated in 2015

The underlying nature of all undertakings is food service

The proportion of ordinary shares held reflects the proportion of voting rights in the respective entities

As the full list of subsidiaries and associated undertakings would be of excessive length to include in this report, it will be attached to the next Annual Return filed with the Registrar of Companies as permitted by Section 410 of the Companies Act 2006

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 8 Debtors

	2015 £'000	2014 £'000
Amounts falling due within one year		
Amounts due from parent undertaking	167	994
Amounts due from subsidiary undertakings	6,350	1,665
Other debtors	93	190
Prepayments	65	59
Corporation tax	460	-
	<u>7,135</u>	<u>2,908</u>

## 9 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Amounts due to group undertakings	8,688	8,365
Bank overdrafts	-	1,602
Other taxation and social security	163	154
Other creditors	219	185
Accruals	2,592	1,001
	<u>11,662</u>	<u>11,307</u>

## 10 Creditors: amounts falling due after more than one year

	2015 £'000	2014 £'000
Deferred consideration	1,938	1,062
	<u>1,938</u>	<u>1,062</u>

The repayment terms of debt falling due after more than one year are as follows

Between two and five years	<u>1,938</u>	<u>1,062</u>
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In 2015 total deferred consideration has increased by £876,000 (2014 - £36,000) against the total future earn out liability of £1,938,000 (2014 - £1,062,000) to the minority shareholders of Donald Russell Holdings Limited and Finefrance Holdings Limited. At 31 December 2015 the outstanding deferred consideration liabilities due are

- Donald Russell Holdings Limited - The deferred consideration of £1,138,000 (2014 - £1,062,000) is for the purchase of the final 13.0% (2014 - 13.0%) of the shareholding and is payable 3 years after the earn-out period starts. The start of the earn-out period can only be called by the minority shareholder.
- Finefrance Holdings Limited - The deferred consideration of £800,000 (2014 - £Nil) is for the purchase of the final 12.5% of the shareholding and is payable in 2019.

# Vestey Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)

## 11 Share capital

	2015 £'000	2014 £'000
<i>Authorised</i>		
1,000,000 Ordinary shares of £10 each	10,000	10,000
<i>Allotted, called up and fully paid</i>		
500,000 Ordinary shares of £10 each	5,000	5,000

## 12 Reserves

The following describes the nature and purpose of each reserve within equity

Reserve	Description and purpose
<i>Share premium</i>	Amount subscribed for share capital in excess of nominal value
<i>Retained earnings</i>	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

## 13 Defined benefit pension schemes

The Company operates a number of pension schemes, with assets held in separate trustee-administered funds. Valuations of each scheme are carried out by independent qualified actuaries at least every three years and the contributions to the schemes are paid in accordance with their recommendations.

The pension schemes are as follows

- Unfunded Defined Benefit Scheme, which is a United Kingdom unfunded defined benefit scheme for certain past and current directors. The pension costs relating to this scheme are assessed in accordance with the recommendations of a professionally qualified actuary,
- Western United Group Pension Scheme, which is a multi-employer scheme with a contracted-out defined benefit section, which is closed to future accrual, and a money purchase section.

Lane Clarke & Peacock completed actuarial valuations in respect of the year-ended 31 December 2012 for all schemes.

Expected contributions for the next accounting period are as follows: £Nil in respect of the Unfunded Defined Benefit Scheme, £Nil in respect of the closed defined benefit section of the Western United Group Pension Scheme and £65,000 in respect of the money purchase section of the Western United Group Pension Scheme.

The total pension costs for the Group charged in the 2015 profit and loss account amounted to £289,000 (2014 – credit £392,000), of which £65,000 was in respect of the money purchase section of the Western United Group Pension scheme and £224,000 in respect of the Unfunded Defined Benefit Scheme.

The total actuarial gain for the Group charged to other operating income in 2015 amounted to £43,000 (2014 – £4,629,000), all of which related to the unfunded defined benefit scheme.

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

### 13 Defined benefit pension schemes (continued)

#### a) Unfunded defined benefit scheme

The Company operates an unfunded defined benefit scheme. This scheme provides promises to five executive employees, three of whom have left service. No company contributions are presently being paid in respect of these promises.

At 31 December 2015 a provision of £344,000 was included within pension liabilities (2014 - £163,000) in respect of this scheme. The charge to the profit and loss in 2015 in relation to this scheme was £224,000 (2014 - credit of £469,000).

The scheme is exposed to a number of risks, including

- *Changes in bond yields* a decrease in bond yields will increase the value placed on the Scheme's liabilities for accounting purposes
- *Inflation risk* A significant portion of the Plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on levels of inflationary increases are in place to protect against extreme inflation)
- *Life expectancy* The majority of the Plan's obligations are to provide for the life of the member, so increase in life expectancy will result in an increase in the liabilities

In accordance with the requirements of FRS 17 the main financial assumptions are as follows

	2015	2014
Rate of inflation (%)	3.1	3.1
Rate of increase in salaries (%)	4.6	4.6
Rate of increase in pensions in payment (%)	3.1	3.0
Liquidity discount rate (%)	3.8	3.4
Mortality assumption - male (years)	90.9	90.7

The plan is an unfunded pension arrangement and thus does not hold any assets in respect of the liabilities

#### Reconciliation of the Present value of the scheme liabilities

	2015 £'000	2014 £'000
<b>Balance at 1 January</b>	<b>(163)</b>	<b>(6,171)</b>
Current service cost	(219)	(226)
Curtailment cost	-	854
Interest cost	(5)	(159)
<b>Included in profit or loss</b>	<b>(224)</b>	<b>469</b>
Actuarial gain/(losses) due to change in financial assumptions	15	(180)
Actuarial gains due to liability experience	28	554
Settlements	-	5,088
<b>Included in other comprehensive income</b>	<b>43</b>	<b>5,462</b>
Benefits paid	-	77
<b>Balance at 31 December</b>	<b>(344)</b>	<b>(163)</b>

# Vestey Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

### 13 Pension schemes (*continued*)

#### a) Unfunded defined benefit scheme (*continued*)

##### **Sensitivity analysis**

The key assumptions used are discount rate, inflation and mortality. If different assumptions are used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions are as follows:

Actuarial assumption	Reasonably possible change	Increase in liability £'000	Revised liability £'000
Discount rate	Decrease of 0.25%	(15)	(359)
Inflation rate assumption	Increase of 0.25%	(5)	(349)
Life expectancy	Increase by 1 year	(8)	(352)

#### b) Western United Group Pension Scheme

The Western United Group Pension Scheme is a multi-employer scheme with a contracted-out defined benefit section, which is closed to future accrual, and a money purchase section.

As the company's share of the underlying assets and liabilities of the defined benefit section cannot be separately identified, these pension assets and liabilities are not recognised in these financial statements and the scheme is therefore accounted for as a defined contribution scheme.

During 2014, the Trustees of the Western United Group Pension Scheme entered into a binding contract with Rothesay Life for them to take over the remaining liabilities of the contracted-out defined benefit section of the scheme. An IAS 19 valuation of the scheme at 31 December 2015 shows a fair value of the scheme assets of £459.5m and a present value of the insurance contract liabilities of £454.7m. The liabilities have been covered by way of two new "buy in" insurance contracts which were ultimately rolled into a single Bulk Purchase Annuity contract. This left a small residual asset balance outside of these insurance contracts and a small expected surplus of £5.7m, which has reduced further to £4.8m. The majority of the Scheme's assets are being held by Rothesay Life before the wind up of the Scheme (which is expected to be completed in 2016).

The level of company participation in the scheme is minimal, however as the company is the only cash generating Group company in the scheme it has always in the past held the risk of providing funding if the scheme is in deficit. The contract with Rothesay mitigates this risk as the liabilities of the scheme are now covered by insurance contracts.

These pension assets and liabilities are recognised in the consolidated financial statements of Western United Investment Company Limited, where the legal title to the assets and liabilities of the scheme are still held up to the point that the scheme is wound up.

### 14 Contingent liabilities and guarantees

There are contingent liabilities in respect of forward exchange contracts entered into by the company and joint and several liabilities for VAT under the ultimate company group registration.

The unrecognised deferred tax asset in respect of the company as at 31 December 2015 is £2,111,000 (2014 - £2,098,000).

# **Vestey Holdings Limited**

**Notes forming part of the financial statements  
for the year ended 31 December 2015 (*continued*)**

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## **15 Ultimate parent undertaking**

The immediate parent company is Vestey Group Limited

The ultimate parent company is Western United Investment Company Limited Both companies are incorporated in Great Britain

The smallest group of companies for which group financial statements are prepared and of which the company is a member is the Western United Investment Company Limited group

The financial statements of Western United Investment Company Limited can be obtained from Companies House, Crown Way, Mandy, Cardiff, CF14 3UZ