

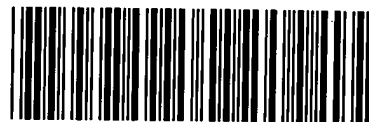
**CP Foods (UK) Limited**

**Annual report and consolidated  
financial statements**

Registered number 4307559

Year ended 31 December 2017

TUESDAY



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## Strategic report

### Principal activities

CP Foods (UK) Limited is the UK subsidiary of the CPF Group in Thailand. The principal activity of the Company and its subsidiaries ("the Group") is that of food importers and distributors.

### Business review and future prospects

The directors believe the results for the year show a satisfactory performance with turnover of the existing business being stable year on year.

Market conditions continue to be challenging across most sectors. However, the underlying business has performed well with domestic revenue of the Company increasing by £9 million year on year.

2017 was the first full year following the group's acquisition of The FoodFella's Limited in October 2016. The acquired business continues to perform very well both in terms of sales and margin.

Gross margins have been under increasing pressure, not only due to sales mix but also because of the rising cost of quota. However, tight cost control and reductions in spending have reduced the impact of lower gross margins at net profit level.

### Key performance indicators

	2017	2016
Turnover (£000)	205,875	152,387
Gross Margin % (being Gross Profit divided by Turnover)	11.8%	12.0%
Administrative Expenses (£000)	17,632	14,435
Net profit (being profit on ordinary activities before taxation (£000))	5,984	3,442

### Principal risks and uncertainties

The financial risks of the Group are described below.

#### *Legislative risk*

The Group is subject to EU quota legislation on poultry imported from outside of the EU and any requirements either financial or non-financial could effect future performance.

#### *Financial risk management*

The Group's operations expose it to a variety of financial risks that include the effects of movements in exchange rates, changes in credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that is described below.

#### *Exchange rate risk*

The Group may from time-to-time use derivative financial instruments to manage exchange rate risk where it has significant exposure in a foreign currency.

#### *Credit risk*

The Group insures the majority of its customers against the risk of them failing. In exceptional circumstances, after thorough consideration of the credit history of an individual customer, the Group may sell to a customer outside of the credit risk insurance policy.

## Strategic report *(continued)*

### Principal risks and uncertainties *(continued)*


#### ***Liquidity risk***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

#### ***Interest rate cash flow risk***

The Group factors the cost of finance into all of its transactions. With interest rates having remained stable for a number of years and no obvious indications that this will change in the short to medium term, the Group feel their exposure to material interest rate changes is low.

By order of the board



**S Yingchankul**  
*Director*

10 August 2018

## Directors' report

The directors present their annual report and consolidated financial statements for the year ended 31 December 2017.

### Dividends

Dividends paid during the year comprise a final dividend of £1,181,416 in respect of the year ended 31 December 2017 (2016: £1,205,974).

### Directors

The directors who held office during the year were:

MJ Cheadle  
De-Yi Shih  
C Britton  
RR Miller  
JP Vincent  
P Ohmpornnuwat  
P Chirakitchareern  
P Chalongchaichan  
S Yingchankul  
P Boondoungprasert  
V Ratanabancheun (appointed 19 January 2017)  
G Hillier (appointed 20 January 2017)

### Political and charitable contributions

During the year, the Company made charitable donations of £25,892 (2016: £10,120). The Company made no political donations in either the current or preceding year. The Company allocates a certain percentage of its annual profit for charitable causes. The distribution of these monies is decided on by the employees with the majority of funds going to local charities around the Company's sites at Hartlebury and Newmarket.


### Disclosure of information to the auditor

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

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board



S Yingchankul  
Director

Avon House  
Hartlebury Trading Estate  
Hartlebury  
Near Kidderminster  
Worcestershire  
DY10 4JB

10 August 2018

## **Statement of directors' responsibilities in respect of the Annual report and the financial statements**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
United Kingdom

## **Independent auditor's report to the members of CP Foods (UK) Limited**

### **Opinion**

We have audited the financial statements of CP Foods (UK) Limited ("the company") for the year ended 31 December 2017 which comprise the consolidated profit and loss account and other comprehensive income, the consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and Directors' report**

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and The Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **Independent auditor's report to the members of CP Foods (UK) Limited** *(continued)*

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

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Xavier Timmermans (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
*KPMG LLP*  
*One Snowhill*  
*Snow Hill Queensway*  
*Birmingham*  
*B4 6GH*

13 August 2018

**Consolidated profit and loss account and other comprehensive income**  
*for the year ended 31 December 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Turnover</b>	3	205,875	152,387
Cost of sales		(181,549)	(134,041)
<b>Gross profit</b>		<b>24,326</b>	<b>18,346</b>
Administrative expenses		(17,632)	(14,435)
<b>Operating profit</b>		<b>6,694</b>	<b>3,911</b>
Group's share of loss in associates	12	(35)	(26)
Interest payable and similar charges	7	(675)	(443)
<b>Profit before taxation</b>	4	<b>5,984</b>	<b>3,442</b>
Tax on profit	8	(1,278)	(720)
<b>Profit after taxation</b>		<b>4,706</b>	<b>2,722</b>
<b>Other comprehensive income</b>			
Effective portion of changes in fair value of cash flow hedges net of deferred tax		(102)	66
<b>Total comprehensive income for the year</b>		<b>4,604</b>	<b>2,788</b>
<i>Profit or loss attributable to</i>			
Shareholders of the parent company		3,239	2,489
Non-controlling interest		1,467	233
<b>Total profit or loss</b>		<b>4,706</b>	<b>2,722</b>
<i>Total comprehensive income attributable to</i>			
Shareholders of the parent company		3,178	2,529
Non-controlling interest		1,426	259
<b>Total comprehensive income</b>		<b>4,604</b>	<b>2,788</b>

The results for the year reflect trading from continuing operations.


The notes on pages 13 to 34 form part of these financial statements.

**Consolidated Balance Sheet**  
**at 31 December 2017**

	Note	2017 £000	2016 £000	2016 £000	£000
<b>Fixed assets</b>					
Goodwill	10	2,354		2,614	
Other intangibles	10	8,137		9,067	
Tangible assets	11	2,565		2,958	
Investments in associates	12	72		107	
					14,746
			13,128		
<b>Current assets</b>					
Stocks	13	38,493		32,153	
Debtors	14	40,247		41,669	
Cash at bank and in hand		5,194		2,706	
		83,934		76,528	
<b>Creditors: Amounts falling due within one year</b>	15	(69,579)		(73,489)	
<b>Net current assets</b>			14,355		3,039
<b>Total assets less current liabilities</b>			27,483		17,785
<b>Creditors: Amounts falling due after more than one year</b>	16	(6,500)		-	
<b>Provisions for liabilities</b>					
Deferred tax liability	18	(1,492)		(1,717)	
			(7,992)		(1,717)
<b>Net assets</b>			19,491		16,068
<b>Capital and reserves</b>					
Called up share capital	19		271		271
Capital redemption reserve	19		29		29
Cash flow hedging reserve	19		(21)		40
Profit and loss account			15,726		13,668
			16,005		14,008
<b>Equity attribute to parent's shareholders non-controlling interest</b>			3,486		2,060
<b>Shareholders' funds</b>			19,491		16,068

The notes on pages 13 to 34 form part of these financial statements.

These financial statements were approved by the board of directors on 10 August 2018 and were signed on its behalf by:

  
**S Yingchankul**  
Director

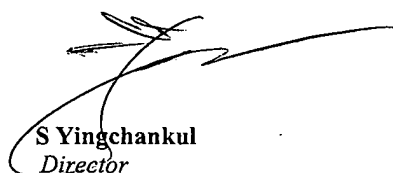
Company number: 4307559

**Company Balance Sheet**  
*at 31 December 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Fixed assets</b>			
Tangible assets	11	2,545	2,938
Investments in subsidiaries	12	13,061	13,058
Investments in associates	12	149	149
		<u>15,755</u>	<u>16,145</u>
<b>Current assets</b>			
Stocks	13	29,073	24,189
Debtors	14	28,383	32,933
Cash at bank and in hand		4,328	1,535
		<u>61,784</u>	<u>58,657</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(56,152)</u>	<u>(60,842)</u>
<b>Net current assets / (liabilities)</b>		<u>5,632</u>	<u>(2,185)</u>
<b>Total assets less current liabilities</b>		<u>21,837</u>	<u>13,960</u>
<b>Creditors: Amounts falling due after more than one year</b>	16	(6,500)	-
<b>Provisions for liabilities</b>	18	(109)	(109)
<b>Net assets</b>		<u><u>14,778</u></u>	<u><u>13,851</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	271	271
Capital redemption reserve	19	29	29
Profit and loss account		14,478	13,551
<b>Shareholders' funds</b>		<u><u>14,778</u></u>	<u><u>13,851</u></u>

The notes on pages 13 to 34 form part of these financial statements.

These financial statements were approved by the board of directors on 10 August 2018 and were signed on its behalf by:

  
**S Yingchankul**  
*Director*

Company number: 4307559

**Consolidated Statement of Changes in Equity**  
*at 31 December 2017*

	Called up share capital £000	Capital redemption reserve £000	Cash flow hedging reserve £000	Profit and loss account £000	Total shareholder's equity £000	Non controlling interest £000	Total equity £000
Balance at 1 January 2016	271	29	-	12,385	12,685	-	12,685
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	2,489	2,489	233	2,722
Other comprehensive income	-	-	40	-	40	26	66
<b>Total comprehensive income for the period</b>	-	-	40	2,489	2,529	259	2,788
<b>Transaction with owners, recorded directly in equity</b>							
Dividends	-	-	-	(1,206)	(1,206)	-	(1,206)
Acquisition of non controlling interest	-	-	-	-	-	1,801	1,801
<b>Total transactions with owners</b>	-	-	-	(1,206)	(1,206)	1,801	595
Balance at 31 December 2016	271	29	40	13,668	14,008	2,060	16,068
Balance at 1 January 2017	271	29	40	13,668	14,008	2,060	16,068
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	3,239	3,239	1,467	4,706
Other comprehensive income	-	-	(61)	-	(61)	(41)	(102)
<b>Total comprehensive income for the period</b>	-	-	(61)	3,239	3,178	1,426	4,604
<b>Transaction with owners, recorded directly in equity</b>							
Dividends	-	-	-	(1,181)	(1,181)	-	(1,181)
<b>Total distribution to owners</b>	-	-	-	(1,181)	(1,181)	-	(1,181)
<b>Balance at 31 December 2017</b>	<b>271</b>	<b>29</b>	<b>(21)</b>	<b>15,726</b>	<b>16,005</b>	<b>3,486</b>	<b>19,491</b>

The notes on pages 13 to 34 form part of these financial statements.

**Company Statement of Changes in Equity**  
*at 31 December 2017*

	Called up share capital	Capital redemption reserve	Profit and loss account	Total
	£000	£000	£000	£000
Balance at 1 January 2016	271	29	12,375	12,675
<b>Total comprehensive income for the period</b>				
Profit for the period being total comprehensive income for the period	-	-	2,382	2,382
<b>Transactions with owners, recorded directly in equity</b>				
Dividends being total contributions by and distributions to owners	-	-	(1,206)	(1,206)
Balance at 31 December 2016	271	29	13,551	13,851
Balance at 1 January 2017	271	29	13,551	13,851
<b>Total comprehensive income for the period</b>				
Profit for the period being total comprehensive income for the period	-	-	2,108	2,108
<b>Transactions with owners, recorded directly in equity</b>				
Dividends being total contributions by and distributions to owners	-	-	(1,181)	(1,181)
<b>Balance at 31 December 2017</b>	<b>271</b>	<b>29</b>	<b>14,478</b>	<b>14,778</b>

The notes on pages 13 to 34 form part of these financial statements.

## Consolidated Cash Flow Statement for the year ended 31 December 2017

	Note	2017 £000	2016 £000
<b>Cash flow from operating activities</b>			
Profit for the year		4,706	2,722
Adjustments for:			
Depreciation, amortisation and impairment		1,960	956
Interest payable and similar expenses		675	443
Group's share of loss in associates		35	26
Loss on disposal of tangible fixed assets		91	-
Taxation		1,547	704
		<u>9,014</u>	<u>4,851</u>
Decrease/(increase) in trade and other debtors		1,097	(5,394)
Decrease/(increase) in stocks		(6,340)	(196)
Increase in trade and other creditors		6,278	655
(Decrease)/increase in provisions		(225)	(30)
		<u>9,824</u>	<u>(114)</u>
Dividends paid		(1,181)	(1,206)
Interest paid		(675)	(447)
Tax paid		(1,494)	(592)
		<u>6,474</u>	<u>(2,359)</u>
<b>Net cash from operating activities</b>			
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary		(3)	(10,853)
Acquisition of tangible fixed assets	11	(465)	(1,077)
		<u>(468)</u>	<u>(11,930)</u>
<b>Net cash from investing activities</b>			
<b>Cash flows from financing activities</b>			
Net movement in borrowings	16	(565)	8,037
		<u>(565)</u>	<u>8,037</u>
<b>Net cash from financing activities</b>			
Net increase / (decrease) in cash and cash equivalents		5,441	(6,251)
Cash and cash equivalents at 1 January		(12,353)	(6,102)
		<u>(6,912)</u>	<u>(12,353)</u>
<b>Cash and cash equivalents at 31 December</b>			
Cash and cash equivalents at 31 December comprise:			
Cash at bank and in hand		5,194	2,706
Invoice financing / overdrafts	17	(12,106)	(15,059)
		<u>(6,912)</u>	<u>(12,353)</u>
<b>Cash and cash equivalents at 31 December</b>			

The notes on pages 13 to 34 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

CP Foods (UK) Limited (the "Company") is a Company limited by shares and incorporated and domiciled in the UK.

These Group and parent Company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2015. The amendments to FRS 102 issued in July 2016 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent Company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent Company financial statements have been applied:

- No separate parent Company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of schedules 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.17.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and investments in associates.

#### 1.2 Going concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the Strategic Report on page 1.

The Group is expected to continue to generate positive cash flows on its own account for the foreseeable future.

The directors, having assessed the responses of the directors of the Group's parent Charoen Pokphand Foods Public Company Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the CP Foods (UK) Limited Group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Group's financial position and of the enquiries made of the directors of Charoen Pokphand Foods Public Company Limited, the Group's directors have a reasonable expectation that the Company and Group will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### 1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.3 Basis of consolidation (continued)

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investor holds between 20% and 50% of the equity voting rights.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent company financial statements, investments in subsidiaries and associates are carried at cost less impairment.

#### 1.4 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

#### 1.5 Basic financial instruments

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Other financial instruments

##### *Financial instruments not considered to be Basic financial instruments (Other financial instruments)*

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

##### *Derivative financial instruments and hedging*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

##### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

#### 1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Group assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- |                                    |              |
|------------------------------------|--------------|
| • short leasehold improvements     | 3 – 5 years  |
| • motor vehicles                   | 2 – 10 years |
| • fixtures, fittings and equipment | 3 years      |

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.8 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

#### 1.9 Intangible assets, goodwill and negative goodwill

##### Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

##### Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

##### Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Customer relationship intangible 10 years

The basis for choosing these useful lives is management's best estimate of the useful life of this intangible.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

## Notes (continued)

### 1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

### 1.11 Impairment excluding stocks and deferred tax assets

#### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### *Non-financial assets*

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 1.12 Employee benefits

#### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.13 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### 1.14 Turnover

Turnover represents the invoiced value, net of value added tax, of goods sold to customers. Turnover is recognised on the date of dispatch (which is usually the same as the date of delivery) to customers.

#### 1.15 Expenses

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries and associates to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### 1.17 Accounting estimates and judgements

The preparation of the consolidated financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods impacted.

The key judgements and estimates employed in the financial statements are considered below.

##### *Valuation of other intangible assets*

The assessment of fair value in a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities in the acquired business. The key judgements required are the identification of intangible assets meeting the recognition criteria of Section 18 of FRS102 and their attributable fair values. The key assumptions in relation to the customer relationship valuation are the Directors' best estimate of its life and discount rate used in its valuation. The value of customer relationship assets are based on a calculation of expected future cash flows, which include estimates of future performance.

##### *Stock*

Stock are valued at the lower of cost and net realisable value. Provisions are held in respect of non-moving and slow-moving stock.

## Notes (continued)

### 2 Aquisition and disposal of businesses

#### *Acquisitions in the prior period*

On 15 October 2016, the Group acquired 60% of the ordinary shares of The Foodfellas Limited for £13.1 million. The company is an importer and distributor of food products to the food service industry in the UK and Europe. The business contributed revenue of £61.5 million (2016: £14.8 million) and net profit of £3.9 million (2016: £1 million) to the revenue and net profit for the year.

### 3 Turnover

#### *By geographical market*

	2017 £000	2016 £000
United Kingdom	192,969	143,081
Rest of Europe	12,906	9,306
	<u>205,875</u>	<u>152,387</u>

There is only one class of business being food importers and distributors.

### 4 Expenses and auditor's remuneration

	2017 £000	2016 £000
<i>Profit before taxation is stated after charging/(crediting)</i>		
Depreciation of tangible fixed assets:		
Owned assets	767	700
Amotisation of intangible assets	1,193	256
Hire of other assets – operating leases	910	891
Loss on sale of fixed assets	91	-
	<u></u>	<u></u>
<i>Auditor's remuneration:</i>		
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of these financial statements	59	66
Audit of financial statements of subsidiaries of the company	38	-
Taxation compliance services	18	7
Audit related assurance services – quarterly group reporting	6	6
	<u></u>	<u></u>

### 5 Remuneration of directors

	2017 £000	2016 £000
Directors' emoluments	1,081	903
Company contributions to money purchase pension schemes	107	72
	<u>1,188</u>	<u>975</u>

## Notes (continued)

### 5 Remuneration of directors (continued)

The aggregate of emoluments of the highest paid director was £201,000 (2016: £267,000) and Company pension contributions of £10,000 (2016: £12,000) were made to a money purchase pension scheme on his behalf.

	Number of directors	
	2017	2016
Retirement benefits accruing to the following number of directors under:		
Money purchase schemes	6	5

### 6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category was as follows:

	Number of employees	
	2017	2016
Factory	100	94
Administration	131	130
Directors	10	10
	<u>241</u>	<u>234</u>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	7,277	6,587
Social security costs	921	788
Other pension costs	650	494
	<u>8,848</u>	<u>7,869</u>

Included within the above is the Representative Office in Bangkok. The Office covers all aspects of the Group's business in Thailand, improving communication and efficiencies in all processes.

### 7 Interest payable and similar charges

	2017	2016
	£000	£000
Interest on bank loans	675	443

## Notes (continued)

### 8 Taxation

#### Analysis of charge in year

	2017 £000	£000	2016 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the year	1,473		768	
Adjustments in respect of previous years	(37)		-	
	<hr/>		<hr/>	
Total current tax charge		1,436		768
<i>Deferred tax (see note 18)</i>				
Origination of timing differences	(105)		(40)	
Effect of changes in tax rates	-		(6)	
Adjustments in respect of previous years	(53)		(2)	
	<hr/>		<hr/>	
Total deferred tax charge		(158)		(48)
		<hr/>		<hr/>
Tax on profit		1,278		720
		<hr/>		<hr/>

All of the above tax charges/(credits) have been recognised in the profit and loss account.

#### Reconciliation of effective tax rate

The current tax charge for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit before taxation	5,984	3,442
	<hr/>	<hr/>
Current tax at 19.25% (2016: 20%)	1,152	688
<i>Effects of:</i>		
Fixed asset differences	17	18
Non deductible expenses	162	17
Adjustments in respect of loss from associate	-	5
Adjustments in respect of previous years	(53)	(2)
Changes in tax rate on deferred tax balances	-	(6)
	<hr/>	<hr/>
Total tax charge	1,278	720
	<hr/>	<hr/>

#### Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 20% 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2017 has been calculated based on these rates.

## Notes (continued)

### 9 Dividends

The aggregate amount of dividends comprises:

Company	2017 £000	2016 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	1,181	1,206

### 10 Intangible assets and goodwill

#### Group

	Goodwill £000	Customer relationships £000	Total £000
<b>Cost</b>			
At beginning of year	2,637	9,300	11,937
Additions	3	-	3
At end of year	2,640	9,300	11,940
<b>Amortisation and impairment</b>			
At beginning of year	23	233	256
Amortisation for the year	263	930	1,193
At end of year	286	1,163	1,449
<b>Net book value</b>			
At 31 December 2017	2,354	8,137	10,491
At 31 December 2016	2,614	9,067	11,681

#### *Amortisation and impairment charge*

The amortisation, impairment charge and impairment reversals are recognised in administrative expenses within the profit and loss account:

#### Company

The Company held no intangible assets or goodwill at 31 December 2017 (2016: none).

## Notes (continued)

### 11 Tangible fixed assets

#### Group

	Short leasehold improvements £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At beginning of year	1,103	8,841	46	9,990
Additions	168	297	-	465
Disposals	-	(255)	(22)	(277)
At end of year	1,271	8,883	24	10,178
<b>Depreciation</b>				
At beginning of year	433	6,562	37	7,032
Charge for the year	92	673	2	767
Disposals	-	(170)	(16)	(186)
At end of year	525	7,065	23	7,613
<b>Net book value</b>				
At 31 December 2017	746	1,818	1	2,565
At 31 December 2016	670	2,279	9	2,958

#### Company

	Short leasehold improvements £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At beginning of year	1,102	8,828	37	9,967
Additions	169	277	-	446
Disposals	-	(255)	-	(255)
At end of year	1,271	8,850	37	10,158
<b>Depreciation</b>				
At beginning of year	433	6,560	36	7,029
Charge for the year	92	663	-	755
Disposals	-	(171)	-	(171)
At end of year	525	7,052	36	7,613
<b>Net book value</b>				
At 31 December 2017	746	1,798	1	2,545
At 31 December 2016	669	2,268	1	2,938

## Notes (continued)

### 12 Fixed asset investments

#### Group

	Interests in associated undertakings £000
<i>Cost</i>	
At beginning and end of year	149
<i>Share of post acquisition reserves</i>	
At beginning of year	(42)
Retained profits less losses	(35)
At end of year	(77)
<i>Net book value</i>	
At 31 December 2017	72
At 31 December 2016	107

#### Company

	Shares in group undertakings £000	Interests in associated undertakings £000	Total £000
<i>Cost</i>			
At beginning of year	13,058	149	13,207
Additions (post acquisition expenses)	3	-	3
At end of year	13,061	149	13,210
<i>Provisions</i>			
At beginning and end of year	-	-	-
<i>Net book value</i>			
At 31 December 2017	13,061	149	13,210
At 31 December 2016	13,058	149	13,207

## Notes (continued)

### 12 Fixed asset investments (continued)

The undertakings in which the Group's and Company's interest at the year- end is more than 20% are as follows.

	Principal activity	Registered number	Class of share	Percentage of shares held Group	Percentage of shares held by Company
Fusion Abbey Park Limited	Food importers and distributors	6035491	Ordinary	100%	100%
Fusion Alfrick Limited	Food importers and distributors	7165760	Ordinary	100%	100%
Fusion Bracewell Limited	Food importers and distributors	7688723	Ordinary	100%	100%
Fusion Bransford Limited	Food importers and distributors	7165739	Ordinary	100%	100%
Fusion Broadway Limited	Food importers and distributors	7168470	Ordinary	100%	100%
Fusion Brothwood Limited	Food importers and distributors	5973522	Ordinary	100%	100%
Fusion Calis Limited	Food importers and distributors	5997013	Ordinary	100%	100%
Fusion Carnoustie Limited	Food importers and distributors	4596361	Ordinary	100%	100%
Fusion Charlton Limited	Food importers and distributors	7165763	Ordinary	100%	100%
Fusion Crowle Limited	Food importers and distributors	7165631	Ordinary	100%	100%
Fusion Dalaman Limited	Food importers and distributors	5973529	Ordinary	100%	100%
Fusion Defford Limited	Food importers and distributors	7165704	Ordinary	100%	100%
Fusion Dormington Limited	Food importers and distributors	4622363	Ordinary	100%	100%
Fusion Driscoll Limited	Food importers and distributors	6033048	Ordinary	100%	100%
Fusion Dumbleton Limited	Food importers and distributors	7165827	Ordinary	100%	100%
Fusion Eastoe Limited	Food importers and distributors	7680382	Ordinary	100%	100%
Fusion Elmbridge Limited	Food importers and distributors	7165654	Ordinary	100%	100%
Fusion Everton Limited	Food importers and distributors	5973573	Ordinary	100%	100%
Fusion Exning Limited	Food importers and distributors	7014733	Ordinary	100%	100%
Fusion Fethiye Limited	Food importers and distributors	5973639	Ordinary	100%	100%
Fusion Gatley Limited	Food importers and distributors	6027194	Ordinary	100%	100%
Fusion Gocek Limited	Food importers and distributors	6001967	Ordinary	100%	100%
Fusion Gray Limited	Food importers and distributors	7688726	Ordinary	100%	100%
Fusion Harper Limited	Food importers and distributors	7688646	Ordinary	100%	100%
Fusion Hartford Limited	Food importers and distributors	7680376	Ordinary	100%	100%
Fusion Hawstead Limited	Food importers and distributors	7014927	Ordinary	100%	100%
Fusion Head Street Limited	Food importers and distributors	6035459	Ordinary	100%	100%
Fusion Heath Limited	Food importers and distributors	7688672	Ordinary	100%	100%
Fusion Irvine Limited	Food importers and distributors	7680536	Ordinary	100%	100%
Fusion Kaitaia Limited	Food importers and distributors	5973513	Ordinary	100%	100%
Fusion Kroma Limited	Food importers and distributors	4596368	Ordinary	100%	100%
Fusion Krone Limited	Food importers and distributors	5997012	Ordinary	100%	100%
Fusion Lineker Limited	Food importers and distributors	7688749	Ordinary	100%	100%
Fusion Littleworth Limited	Food importers and distributors	6022717	Ordinary	100%	100%
Fusion Madeley Limited	Food importers and distributors	4622382	Ordinary	100%	100%
Fusion McMahon Limited	Food importers and distributors	7680411	Ordinary	100%	100%
Fusion Mountfield Limited	Food importers and distributors	7680457	Ordinary	100%	100%
Fusion Moyes Limited	Food importers and distributors	7696745	Ordinary	100%	100%
Fusion Newlands Limited	Food importers and distributors	6033090	Ordinary	100%	100%
Fusion Niamh Limited	Food importers and distributors	6033150	Ordinary	100%	100%
Fusion Pershore Limited	Food importers and distributors	6022546	Ordinary	100%	100%
Fusion Priest Lane Limited	Food importers and distributors	6035465	Ordinary	100%	100%
Fusion Ratcliffe Limited	Food importers and distributors	7680613	Ordinary	100%	100%
Fusion Reid Limited	Food importers and distributors	7688717	Ordinary	100%	100%
Fusion Richardson Limited	Food importers and distributors	7680433	Ordinary	100%	100%
Fusion Samui Limited	Food importers and distributors	5973735	Ordinary	100%	100%
Fusion Sharp Limited	Food importers and distributors	7680414	Ordinary	100%	100%
Fusion Sheedy Limited	Food importers and distributors	7688789	Ordinary	100%	100%
Fusion Soham Limited	Food importers and distributors	7014747	Ordinary	100%	100%
Fusion Southall Limited	Food importers and distributors	7680453	Ordinary	100%	100%
Fusion Stevens Limited	Food importers and distributors	7688715	Ordinary	100%	100%
Fusion Thetford Limited	Food importers and distributors	7014890	Ordinary	100%	100%
Fusion Turgay Limited	Food importers and distributors	5997097	Ordinary	100%	100%
Fusion Uzumlu Limited	Food importers and distributors	5973550	Ordinary	100%	100%

## Notes (continued)

### 12 Fixed asset investments (continued)

	Principal activity	Registered number	Class of share	Country of Incorporation	Percentage of shares held	Percentage of shares held by Company
					Group	
Fusion Van Den Hauwe Limited	Food importers and distributors	7688725	Ordinary	United Kingdom	100%	100%
Fusion Wadborough Limited	Food importers and distributors	5973487	Ordinary	United Kingdom	100%	100%
Fusion Wellington Limited	Food importers and distributors	4596372	Ordinary	United Kingdom	100%	100%
Fusion Whistler Limited	Food importers and distributors	6027226	Ordinary	United Kingdom	100%	100%
Fusion Wright Limited	Food importers and distributors	7680726	Ordinary	United Kingdom	100%	100%
Fusion Yamac Limited	Food importers and distributors	7688725	Ordinary	United Kingdom	100%	100%
CP Chozen Limited	Food importers and distributors	9474268	Ordinary	United Kingdom	20%	20%
The Foodfellas Limited	Food importers and distributors	06408896	Ordinary	United Kingdom	60%	60%

Under Section 479A to Section 479C of the Companies Act 2006, the wholly owned subsidiaries are taking advantage of an audit exemption for the year ended 31 December 2017 due to the existence of individual Company's guarantees of all liabilities for each of the above subsidiaries for the year ended 31 December 2017.

The registered office address of all of the above subsidiaries, excluding The Foodfellas Limited, is Avon House, Hartlebury Trading Estate, Hartlebury, Kidderminster, Worcestershire, England, DY10 4JB.

The registered office address for The Foodfellas Ltd is 5 Elstree Gate, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD.

### 13 Stocks

#### Group

	2017 £000	2016 £000
Raw materials and consumables	346	495
Finished goods	38,147	31,658
	<u>38,493</u>	<u>32,153</u>

#### Company

	2017 £000	2016 £000
Raw materials and consumables	346	495
Finished goods	28,727	23,694
	<u>29,073</u>	<u>24,189</u>

Stocks recognised as cost of sales in the year amounted to £168 million (2016: £122 million), Company £106 million (2016: £108 million).

## Notes (continued)

### 13 Stocks (continued)

Stock for Group and Company is stated net of impairment provision amounting to £0.5 million (2016: £1.1 million). the movement in inventory provision during the year is as follows:

	£000
At beginning of year	1,125
Reversal on sale of inventory	(976)
Provision during the year	400
	<hr/>
At end of year	549
	<hr/>

### 14 Debtors

#### Group

	2017 £000	2016 £000
Trade debtors	36,936	39,785
Amounts owed by group undertakings	709	167
Other debtors	1,148	569
Prepayments and accrued income	1,445	814
Derivative financial instrument	-	334
Deferred taxation	9	-
	<hr/>	<hr/>
	40,247	41,669
	<hr/>	<hr/>

#### Company

	2017 £000	2016 £000
Trade debtors	24,707	31,553
Amounts owed by group undertakings	1,393	167
Other debtors	896	434
Prepayments and accrued income	1,387	779
	<hr/>	<hr/>
	28,383	32,933
	<hr/>	<hr/>

Trade debtors are subject to invoice discounting with full recourse to the Company and therefore are still shown on the Company's balance sheet.

## Notes (continued)

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

#### Group

	2017 £000	2016 £000
Bank loans and overdrafts (secured)	23,035	33,053
Trade creditors	13,231	7,802
Amounts owed to group undertakings	23,466	23,566
Corporation tax	784	1,000
Other taxation and social security	274	195
Other creditors	93	39
Derivative financial instruments	46	-
Accruals and deferred income	8,650	7,834
	<u>69,579</u>	<u>73,489</u>

#### Company

	2017 £000	2016 £000
Bank loans and overdrafts (secured)	19,426	28,988
Trade creditors	6,052	2,710
Amounts owed to group undertakings	24,177	23,547
Corporation tax	346	384
Other taxation and social security	198	144
Accruals and deferred income	5,953	5,069
	<u>56,152</u>	<u>60,842</u>

Bank loans and overdrafts are secured by way of a debenture containing a fixed and floating charge over the Company's assets.

### 16 Creditors: Amounts falling due in more than one year

#### Group and Company

	2017 £000	2016 £000
Bank loans (see note 17)	<u>6,500</u>	<u>-</u>

## Notes (continued)

### 17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
<b>Creditors falling due within more than one year:</b>				
Secured bank loans	6,500	-	6,500	-
<b>Creditors falling due within less than one year:</b>				
Secured bank loans	10,929	17,994	10,929	17,994
Invoice financing/bank overdrafts	12,106	15,059	8,497	10,994

#### Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	2017	2016
				£000	£000
Invoice financing	GBP	2.15%	-	9,470	11,276
Invoice financing	GBP	2.15%	-	3,609	4,065
Invoice financing	EUR	2.15%	-	(369)	(295)
Invoice financing	USD	2.15%	-	(604)	14
Loan 1	GBP	2.35%	-	3,969	4,993
Loan 2	GBP	3.00%	-	2,960	8,000
Loan 3	GBP	2.50%	-	3,000	5,000
Loan 4	GBP	2.84%	2024	7,500	-
				29,535	33,053

Company	Currency	Nominal interest rate	Year of maturity	2017	2016
				£000	£000
Invoice financing	GBP	1.90%	-	9,470	11,276
Invoice financing	EUR	1.90%	-	(369)	(295)
Invoice financing	USD	1.90%	-	(604)	14
Loan 1	GBP	2.10%	-	3,969	4,993
Loan 2	GBP	2.75%	-	2,960	8,000
Loan 3	GBP	2.44%	-	3,000	5,000
Loan 4	GBP	2.84%	2024	7,500	-
				25,926	28,988

Loan 1 above is on a rolling 28 day agreement and loans 2 and 3 are on rolling 45 day agreements. Each loan is due to be repaid in full at the end of the loan term. Where prior year comparatives are disclosed, the terms remain unchanged from the previous period.

## Notes (continued)

### 18 Provisions for liabilities

#### Group

	<b>Deferred taxation £000</b>
Balance at 1 January 2016	(1,717)
Credit to the profit and loss for the year	158
Charge to OCI for the year	67
<b>Balance at 31 December 2017</b>	<b>(1,492)</b>

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets 2017 £000</b>	<b>2016 £000</b>	<b>Liabilities 2017 £000</b>	<b>2016 £000</b>	<b>Net 2017 £000</b>	<b>2016 £000</b>
Arising on business combinations	-	-	(1,383)	(1,541)	(1,383)	(1,541)
Accelerated capital allowances	1	1	(121)	(121)	(120)	(120)
Other timing differences	12	12	(1)	(68)	11	(56)
<b>Tax (assets) / liabilities</b>	<b>13</b>	<b>13</b>	<b>(1,505)</b>	<b>(1,730)</b>	<b>(1,492)</b>	<b>(1,717)</b>

#### Company

	<b>Deferred taxation £000</b>
Balance at beginning and end of year	(109)

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets 2017 £000</b>	<b>2016 £000</b>	<b>Liabilities 2017 £000</b>	<b>2016 £000</b>	<b>Net 2017 £000</b>	<b>2016 £000</b>
Accelerated capital allowances	-	-	(121)	(121)	(121)	(121)
Other timing differences	12	12	-	-	12	12
<b>Tax (assets) / liabilities</b>	<b>12</b>	<b>12</b>	<b>(121)</b>	<b>(121)</b>	<b>(109)</b>	<b>(109)</b>

## Notes (continued)

### 19 Capital and reserves

#### Group and Company

	2017 £000	2016 £000
<i>Allotted, called up and fully paid:</i>		
271,200 (2016: 271,200) ordinary shares of £1 each	271	271

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### *Capital redemption reserve*

This reserve maintains the nominal value of the equity share capital of the Company when shares are repurchased or cancelled.

#### *Cash flow hedging reserve*

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

### 20 Financial instruments

#### Group

#### *Carrying amount of financial instruments*

The carrying amounts of the financial assets and liabilities include:

	2017 £000	2016 £000
<i>Assets measured at fair value through profit or loss</i>		
Forward exchange contracts	-	334
<i>Assets measured at amortised cost</i>		
Cash at bank and in hand	5,194	2,706
Trade debtors (including group undertakings)	37,645	39,785
<i>Liabilities measured at amortised cost</i>		
Trade creditors (including group undertakings)	59,732	7,802
Bank loans and overdrafts	29,535	33,053
<i>Liabilities measured at fair value through profit or loss</i>		
Forward contracts	46	-

## Notes (continued)

### 20 Financial instruments (continued)

#### Hedge accounting

The Group had entered into a number of forward exchange contracts to buy US Dollars in order to hedge against exchange fluctuations on future merchandise orders.

The fair value of these contracts at the year end was a liability of £46,000 (2016: asset of £334,000).

The fair value of forward exchange contracts is based on their listed marked price.

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to affect profit or loss:

	Carrying amount £000	2017 Expected cash flows £000	1 year or less £000	Carrying amount £000	2016 Expected cash flows £000	1 year or less £000
Assets	144	9,492	9,492	612	11,878	11,878
Liabilities	(190)	5,369	5,369	(278)	9,247	9,247

### 21 Operating leases

Non-cancellable operating lease rentals are payable are as follows:

#### Group

	Land and buildings		Other	
	2017 £000	2016 £000	2017 £000	2016 £000
Operating lease payments:				
Within one year	741	664	214	189
In the second to fifth years inclusive	2,442	2,406	229	242
Over five years	1,362	1,927	-	-
	<u>4,545</u>	<u>4,997</u>	<u>443</u>	<u>431</u>

#### Company

	Land and buildings		Other	
	2017 £000	2016 £000	2017 £000	2016 £000
Operating lease payments:				
Within one year	605	605	173	189
In the second to fifth years inclusive	2,351	2,390	186	242
Over five years	1,362	1,928	-	-
	<u>4,318</u>	<u>4,923</u>	<u>359</u>	<u>431</u>

During the year £803,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £891,000).

## Notes (continued)

### 22 Contingent liabilities

The group has given guarantees in favour of the following as at the year end:

HM Revenue & Customs £3,000,000 (2016: £4,000,000)

Rural Payments Agency €85,950,000 (2016: €23,330,000)

Ministerie Van Economische Zaken / Mo €Nil (2016: €849,046)

The above guarantees have been given for the purpose of quota and duty applications.

### 23 Pension scheme

#### Group

The Group operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the Group to the scheme and amounted £650,000 (2016: £493,000).

There were outstanding contributions of £39,860 (2016: £38,045) at the end of the financial year.

### 24 Related party transactions

#### Group and Company

##### Transactions with key management personnel

Total compensation of key management personnel (including the directors) for the Group in the year amounted to £1,188,095 (2016: £974,553).

##### Other related party transactions

	Sales to		Purchases from	
	2017	2016	2017	2016
	£000	£000	£000	£000
Entities with control, joint control or significant influence	-	44	100,923	93,547
Other related parties (subject to the wholly owned exemption)	3,418	4,668	-	531
	<u>3,418</u>	<u>4,712</u>	<u>100,923</u>	<u>94,078</u>

### 25 Ultimate parent company and parent company of large group

The Company is a subsidiary undertaking of CPF Europe Limited, incorporated in Belgium. The ultimate controlling party is Charoen Pokphand Foods Public Company Limited, incorporated in Thailand.

The largest group in which the results of the Company and its group are consolidated is that headed by Charoen Pokphand Foods Public Company Limited, 313, CP Tower, Silom Road, Bangrak, Bangkok 10500, Thailand. The smallest group in which they are consolidated is that headed by CPF Europe Limited, Avenue Belle Vue 17, 1410 Waterloo, Belgium. The consolidated financial statements of these groups are available to the public.