



Advanced Liquid Feeds Limited

Report and Financial Statements

31 July 2020

Registered No: 8362565

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COMPANIES HOUSE

Advanced Liquid Feeds Limited

Directors

W B Barnett

B N McDonnell

C F Roberts (resigned 9 December 2020)

Secretary

G W Jordan

Auditors

Ernst & Young LLP

Bedford House

16 Bedford Street

Belfast BT2 7DT

Bankers

Barclays Bank plc

6th Floor Donegall House

Donegall Square North

Belfast BT1 5GB

Solicitors

Trethowans

London Road Office Park

London Road

Salisbury

Wiltshire SP1 3HP

Registered Office

48 Gracechurch Street

London EC3V 0EJ

Strategic Report

The directors present their Strategic Report and the financial statements for the year ended 31 July 2020.

Principal activity and review of the business

The company's principal activity during the year being was the sale of blended oils and fats to the compound feed industry.

The directors do not presently expect the activities of the company to change significantly within the foreseeable future.

The directors consider turnover and operating margins to be key performance indicators in their ability to monitor the company's strategic and operational effectiveness. The key performance indicators were as follows:

	2020 £000	2019 £000
Turnover	31,925	35,672
Operating profit/(loss)	173	(110)

A decrease in volumes led to reduced turnover compared with the prior year, but cost savings enabled the business to deliver a profit in the current year. As noted below, the Covid-19 pandemic did not have a material adverse impact on the company in the year.

Principal risks and uncertainties

The company's strategy is to follow an approved risk policy, which effectively manages exposures related to the achievement of business objectives. The key risks which management face are detailed as follows:

Business performance risk

Business performance risk is the risk that the company may not perform as expected either due to internal factors or due to competitive pressures in the markets in which it operates. This risk is managed through a number of measures: authorisation of purchases; pre-approved trading limits; ensuring the appropriate management team is in place; budget and business planning; monthly reporting and variance analysis; financial controls and key performance indicators.

Maintaining standards of care and health and safety risk

The company is committed to ensuring a safe working environment. These risks are managed by the company through the promotion of a health and safety culture and health and safety controls, procedures and policies.

Financial and business control

Strong financial and business controls are necessary to ensure the integrity and reliability of financial and other information on which the company relies for day-to-day operations, external reporting and for longer term planning. The company exercises financial and business control through a combination of: qualified and experienced financial personnel; performance analysis; budgeting and cash flow control; and clearly defined approval limits.

Strategic Report

Principal risks and uncertainties (continued)

Financial instrument risks

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

The company's principal financial instruments comprise cash, trade debtors and creditors, loans and certain other debtors and creditors. The main risks associated with these financial assets and liabilities are set out below.

Currency risk

The company uses exchange rate hedges to manage all foreign exchange exposures. Hedges are taken as soon as a foreign currency trade is contracted.

Credit risk

Credit risk is the risk that one party to a financial transaction will cause a financial loss for that other party by failing to discharge an obligation. Company policies are structured to mitigate such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the company's debtors are shown in note 12 to the financial statements.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company's liquidity risk is managed through regular monitoring and forecasting of cash generated from operations, required cash levels and the utilisation of available bank facilities. The company also manages liquidity risk via the use of letters of credit wherever reasonably possible.

Brexit risk

The current situation with regards to Brexit creates some uncertainty for the business, although with relatively low risk. There are already free trade agreements in place between the UK and several of the countries from which the group sources raw materials. The directors are confident that the business is in a strong position to react quickly at the appropriate time when the future UK/EU relationship does become clear, in order to continue to provide the highest levels of services to our customers.

Covid-19

The Covid-19 outbreak was declared a pandemic by the World Health Organization in March 2020, however the company has been largely protected from the consequences of the pandemic due to its position in the feed supply chain. There has been no material adverse impact on the supply and demand for the company's products and services, with operating results remaining in line with the directors' expectations. The company maintains a strong balance sheet and has sufficient cash reserves and borrowing facilities to continue to operate as a going concern.

On behalf of the Board



G W Jordan
17 December 2020

Registered No. 8362565

Directors' report

The directors present their report and financial statements for the year ended 31 July 2020.

Results and dividends

The profit for the year after taxation amounted to £65,000 (2019 – loss of £175,000). The directors do not recommend a final dividend (2019 – £nil).

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report. In assessing the appropriateness of the going concern basis of accounting, the company's cash flows show sufficient financial headroom, that the company is able to operate within the existing facilities of the wider United Molasses Group with sufficient headroom to fund any additional cash requirements under reasonably possible sensitivities and that it is well placed to manage its business risks successfully despite the continued uncertain economic outlook. Although the group's bank loans are repayable on 31 October 2021, refinancing discussions are ongoing, and the directors expect these to be concluded well in advance of the repayment date. Since the refinancing is ongoing as at the date of approval of the financial statements, the company's intermediate parent undertaking, W&R Barnett Limited, has confirmed that it will provide financial support to the United Molasses group in the event that the refinancing is not concluded. Accordingly, and based upon their enquires of the directors of W&R Barnett Limited, the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial instruments

The disclosures of financial instrument risks and policies have been included in the Strategic Report in accordance with 414 C (11) of the Companies Act 2016 as the directors consider that this information is of strategic importance.

Directors

The directors who served the company during the year were as follows:

W B Barnett

B N McDonnell

C F Roberts (resigned 9 December 2020)

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

On behalf of the Board



G W Jordan

17 December 2020

Directors' Responsibilities Statement

The directors are responsible for preparing the annual 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report

to the members of Advanced Liquid Feeds Limited

Opinion

We have audited the financial statements of Advanced Liquid Feeds Limited for the year ended 31 July 2020 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 July 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report

to the members of Advanced Liquid Feeds Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report

to the members of Advanced Liquid Feeds Limited

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Michael Kidd (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

18 December 2020

Profit and Loss Account

for the year ended 31 July 2020

		2020	2019
	Notes	£000	£000
Turnover	2	31,925	35,672
Cost of sales		(30,798)	(34,744)
Gross profit		1,127	928
Administrative expenses		(255)	(593)
Operating expenses		(699)	(445)
Operating profit/(loss)	3	173	(110)
Interest payable and similar charges	6	(92)	(106)
Profit/(loss) before taxation		81	(216)
Tax (charge)/credit	7	(16)	41
Profit/(loss) for the financial year		65	(175)

All amounts relate to continuing activities

Statement of Comprehensive Income

for the year ended 31 July 2020

	2020	2019
	£000	£000
Profit/(loss) for the financial year	65	(175)
(Loss)/gain on derivative financial instruments	(66)	80
Transferred loss from equity to profit and loss on cash flow hedges	(80)	(189)
Deferred tax effect	25	19
Total other comprehensive loss	(121)	(90)
Total comprehensive loss for the year	(56)	(265)

Statement of Changes in Equity

for the year ended 31 July 2020

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Hedging reserve</i>	<i>Capital contribution reserve</i>	<i>Total share- holders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 August 2018	500	(2,853)	157	2,696	500
Loss for the year	–	(175)	–	–	(175)
Other comprehensive loss	–	–	(90)	–	(90)
Total comprehensive loss	–	(175)	(90)	–	(265)
Capital contribution	–	–	–	265	265
At 1 August 2019	500	(3,028)	67	2,961	500
Profit for the year	–	65	–	–	65
Other comprehensive loss	–	–	(121)	–	(121)
Total comprehensive loss	–	65	(121)	–	(56)
Capital contribution	–	–	–	56	56
At 31 July 2020	500	(2,963)	(54)	3,017	500

Balance sheet

at 31 July 2020

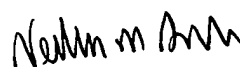
Registered No. 8362565

	Notes	2020 £000	2019 £000
Fixed assets			
Intangible assets	8	–	–
Tangible assets	9	29	34
		<u>29</u>	<u>34</u>
Current assets			
Stocks	10	2,639	2,859
Debtors	11	2,586	3,172
Cash at bank and in hand	12	–	–
		<u>5,225</u>	<u>6,031</u>
Creditors: amounts falling due within one year	13	<u>(3,676)</u>	<u>(4,159)</u>
Net current assets		<u>1,549</u>	<u>1,872</u>
Total assets less current liabilities		<u>1,578</u>	<u>1,906</u>
Creditors: amounts falling due after more than one year	14	<u>(1,078)</u>	<u>(1,392)</u>
Provisions for liabilities			
Deferred taxation	7(c)	–	(14)
Net assets		<u>500</u>	<u>500</u>
Capital and reserves			
Called up share capital	15	500	500
Profit and loss account		(2,963)	(3,028)
Hedging reserve		(54)	67
Capital contribution reserve		<u>3,017</u>	<u>2,961</u>
Shareholders' funds		<u>500</u>	<u>500</u>

The financial statements were approved and authorised for issue by the board on 17 December 2020 and were signed on its behalf by:



W B Barnett
Director



B N McDonnell
Director

Notes to the financial statements

at 31 July 2020

1. Accounting policies

Advanced Liquid Feeds Limited is a private company limited by shares incorporated in the United Kingdom. The company's principal place of business is Athel House, 167 Regent Road, Liverpool L20 8DD.

Basis of preparation

The company's financial statements have been prepared in compliance with United Kingdom Generally Accepted Accounting Practices, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) as it applied to the financial statements of the company for the years ended 31 July 2020 and 31 July 2019.

The company meets the definition of a qualifying entity under FRS 102 since it is a wholly owned subsidiary of United Molasses Group Limited which prepares group financial statements which include the company. Its shareholders have been notified about the use of the disclosure exemptions available under the Standard and they have no objections. The company has taken advantage of the following disclosure exemptions:

- The requirements of section 7 *Statement of Cash Flows* and section 3 *Financial Statement Presentation* paragraph 3.17(d) to prepare a statement of cashflows.
- The requirement of section 33 *Related Party Disclosures* paragraph 33.7 to disclose key management compensation.

The group financial statements of United Molasses Group Limited which include the disclosures above are available from its registered office: Clarendon House, 23 Clarendon Road, Belfast BT1 3BG.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £000.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report. In assessing the appropriateness of the going concern basis of accounting, the company's cash flows show sufficient financial headroom, that the company is able to operate within the existing facilities of the wider United Molasses Group with sufficient headroom to fund any additional cash requirements under reasonably possible sensitivities and that it is well placed to manage its business risks successfully despite the continued uncertain economic outlook. Although the group's bank loans are repayable on 31 October 2021, refinancing discussions are ongoing, and the directors expect these to be concluded well in advance of the repayment date. Since the refinancing is ongoing as at the date of approval of the financial statements, the company's intermediate parent undertaking, W&R Barnett Limited, has confirmed that it will provide financial support to the United Molasses group in the event that the refinancing is not concluded. Accordingly, and based upon their enquires of the directors of W&R Barnett Limited, the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means the actual outcomes could differ from the estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts in the financial statements.

Notes to the financial statements

at 31 July 2020

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

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

Significant account policies

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. After initial recognition, debt is measured at amortised cost using the effective interest method.

Goodwill and intangible fixed assets

Intangible assets acquired separately from a business (provided their fair value can be measured reliably and have a readily ascertainable market value) are capitalised at cost and amortised on a straight-line basis over their estimated useful lives up to a maximum of 20 years. Goodwill arising on the 1 February 2013 acquisition of the trade and assets of Advanced Liquid Feeds LLP by the company's parent undertaking and subsequently transferred to the company on 1 February 2013, is being amortised evenly over its presumed useful economic life of 5 years.

The company has estimated the useful life of goodwill and intangible assets arising on business combinations to be 5 years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Tangible fixed assets

Fixed assets are stated at historical cost net of any discounts received less accumulated depreciation and provision for impairment where appropriate.

All assets are depreciated on a straight-line basis at annual rates applied to the opening cost to write down the cost of each asset to its residual value over its useful economic life. Rates in use are as follows:

Laboratory equipment – 10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Notes to the financial statements

at 31 July 2020

1. Accounting policies (continued)

Foreign currencies

Foreign currency transactions are translated into the local currency at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the balance sheet date are recognised in the profit and loss account.

Pensions

The company operates a defined contribution scheme, with contributions recognised in the profit and loss account in the year in which they become payable.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that 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, except that:

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Financial instruments

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. After initial recognition, debt is measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less.

Notes to the financial statements

at 31 July 2020

1. Accounting policies (continued)

Derivative financial instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rate movements and interest rate swaps to adjust interest rate exposures.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss, unless subject to hedge accounting. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of both forward currency contracts and commodity forward contracts are calculated by reference to quoted prices.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flows hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Hedges that meet the strict criteria for cash flow hedge financial statements are accounting for as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the profit and loss statement in operating expenses.

The company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency is recognised in operating costs.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects the profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

2. Turnover

Turnover represents consideration earned for the sale of goods.

Notes to the financial statements

at 31 July 2020

3. Operating profit/(loss)

This is stated after charging/(crediting):

	2020 £000	2019 £000
Depreciation of owned fixed assets	5	4
Foreign exchange (gain)/loss	28	(259)
Operating lease rentals – other	7	11

Auditor's remuneration of £89,000 (2019 – £89,000) for the audit of the group annual financial statements was borne by the company's parent undertaking.

The figures for auditor's remuneration for the company required by regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liabilities Limitation Agreement) Regulations 2018 are not presented as the consolidated financial statements of the immediate parent, United Molasses Group Limited, comply with this regulation on a consolidated basis.

4. Directors' remuneration

Certain of the directors are remunerated by the ultimate parent undertaking. The amount of that remuneration which relates to services to the company is considered as negligible.

5. Staff costs

	2020 £000	2019 £000
Wages and salaries	253	332
Social security costs	25	31
Other pension costs (relating to a defined contribution scheme)	42	48
	<u>320</u>	<u>411</u>

The average monthly number of employees during the year was made up as follows:

	No.	No.
Administrative	5	6
Sales	1	1
	<u>6</u>	<u>7</u>

6. Interest payable and similar charges

	2020 £000	2019 £000
Interest payable to group undertakings	76	90
Bank interest	16	16
	<u>92</u>	<u>106</u>

Total interest payable relates to financial liabilities at amortised cost.

Notes to the financial statements

at 31 July 2020

7. Tax

(a) Tax charge/(credit) on profit/(loss)

The tax charge/(credit) is made up as follows:

	2020 £000	2019 £000
Current tax:		
UK corporation tax on the loss for the year	16	–
Group relief	–	(41)
Adjustments in respect of previous years	–	(1)
Total current tax	16	(42)
Deferred tax:		
Adjustments in respect of previous years	–	1
Total deferred tax	–	1
Tax on loss	16	(41)

Amounts recognised in other comprehensive income

	2020 £000	2019 £000
Deferred tax on (loss)/gain on derivative financial instruments	25	(19)

(b) Factors affecting tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	2020 £000	2019 £000
Profit/(loss) before tax	81	(216)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%)	15	(41)
Effects of:		
Disallowed expenses and non-taxable income	1	–
Total tax credit for the year	16	(41)

Notes to the financial statements

at 31 July 2020

7. Tax (continued)

(c) Deferred tax (asset)/liability

The deferred tax (asset)/liability included in the balance sheet is as follows:

	2020 £000	2019 £000
Derivative financial instruments recognised in other comprehensive income	(11)	14
		£000
At 1 August 2019		14
Deferred tax charge in the profit and loss account		–
Deferred tax recognised in other comprehensive income		(25)
At 31 July 2020		(11)

(d) Factors that may affect future tax charges

On 17 March 2020, HM Treasury substantively enacted a budget resolution to retain the corporation tax rate at 19% from 1 April 2020, and as such deferred tax as at 31 July 2020 has been calculated at this rate.

8. Intangible fixed assets

	Goodwill £000
Cost:	
At 1 August 2019 and 31 July 2020	1,750
Amortisation:	
At 1 August 2019 and 31 July 2020	1,750
Net book value:	
At 1 August 2019 and 31 July 2020	–

Notes to the financial statements

at 31 July 2020

9. Tangible fixed assets

	<i>Laboratory equipment £000</i>
Cost:	
At 1 August 2019	53
Additions	—
At 31 July 2020	<u>53</u>
Depreciation:	
At 1 August 2019	19
Charge for the year	5
At 31 July 2020	<u>24</u>
Net book value:	
At 31 July 2020	<u>29</u>
At 1 August 2019	<u>34</u>

10. Stocks

	<i>2020 £000</i>	<i>2019 £000</i>
Raw materials and consumables	<u>2,639</u>	<u>2,859</u>

The difference between purchase price of stocks and their replacement cost is not material.

11. Debtors

	<i>2020 £000</i>	<i>2019 £000</i>
Trade debtors	2,500	2,643
Other debtors	16	53
Amounts due from group undertakings	1	242
Amounts due from related parties	—	153
Deferred tax	11	—
Derivative financial instruments	58	81
	<u>2,586</u>	<u>3,172</u>

12. Cash at bank and in hand

	<i>2020 £000</i>	<i>2019 £000</i>
Cash at bank and in hand	<u>—</u>	<u>—</u>

The company has entered into a cash pooling arrangement with certain fellow subsidiary undertakings of United Molasses Group Limited. At the current year-end the company's bank balance was transferred to its immediate parent.

Notes to the financial statements

at 31 July 2020

13. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	134	185
Amounts due to group undertakings	3,336	3,410
Amounts due to related parties	–	463
Accruals and deferred income	65	86
Other creditors	–	14
Current corporation tax	16	–
Derivative financial instruments	125	1
	<u>3,676</u>	<u>4,159</u>

14. Creditors: amounts falling due after more than one year

	2020	2019
	£000	£000
Amounts due to parent undertaking	<u>1,078</u>	<u>1,392</u>

The loan due to parent undertaking bears interest at LIBOR + 2% and is repayable on 31 July 2021.

15. Issued share capital and reserves

		2020		2019
	No.	£000	No.	£000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	500,000	<u>500</u>	500,000	<u>500</u>

Called up share capital

Share capital represents the nominal value of the allotted, called up and fully paid shares.

Profit and loss account

Profit and loss account represents the distributable reserves of the company.

Hedging reserve

Hedging reserve represents the gains and losses on financial instruments designated as hedging instruments.

Capital contribution reserve

Capital contribution represents the write-off of part of the loan due to the company's parent undertaking.

Notes to the financial statements

at 31 July 2020

16. Financial instruments

	2020	2019
	£000	£000
Financial assets at fair value through comprehensive income		
Foreign currency forward contracts	58	81
Financial liabilities at fair value through comprehensive income		
Foreign currency forward contracts	125	1

The company purchases forward foreign currency contracts to hedge currency exposure on firm future commitments.

The fair values of the assets and liabilities held at fair value through profit and loss at the balance sheet date are determined using quoted prices. Where quoted prices are not available for derivatives the fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.

The forward foreign currency contracts all expire within the next 12 months.

The notional amounts of the forward foreign currency contracts at 31 July 2020 were £778,000 of sale contracts and £4,130,000 of purchase contracts (2019 – £246,000 of sale contracts and £2,630,000 of purchase contracts).

17. Other financial commitments

The company had entered into operating lease arrangements for the hire of equipment as these arrangements are a cost-efficient way of obtaining the short-term benefits of these assets. The rental charges in respect of these arrangements are disclosed in note 3. There are no other material off balance sheet arrangements.

At 31 July 2020 the company had total commitments under non-cancellable operating leases as set out below:

	2020	Other
	£000	2019
		£000
Operating leases which expire:		
Within one year	6	6
In two to five years	11	17
	17	23

18. Pensions

The company operates a defined contribution pension plan. The cost of the defined contribution arrangement was £42,000 (2019 – £48,000).

The outstanding contributions included in creditors at year end amount to £nil (2019 – £nil).

Notes to the financial statements

at 31 July 2020

19. Contingent liabilities

The company has provided security by way of guarantees and indemnities with respect to the bank facilities of United Molasses Group Limited and Andean Life LLC. The total borrowings under these facilities amounted to £30,302,000 at 31 July 2020 (2019 – £24,279,000).

20. Related party transactions

The company has taken advantage of the exemption available under FRS 102.33.1A not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

Terms and conditions of transactions with related parties

All related party transactions relate to sales & purchase of goods with the exception of the amounts due to parent undertaking in note 14. Sales and purchases between related parties are made at normal market prices. Outstanding balances are unsecured, interest free and cash settlement is expected within 30 days of invoice. During the year ended 31 July 2020, the company has not made any provision for doubtful debts relating to amounts owed by related parties (2019 – nil).

21. Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is W&R Barnett Holdings Limited, a company incorporated and registered in Northern Ireland. The group financial statements of W&R Barnett Holdings Limited are available at its registered office: Clarendon House, 23 Clarendon Road, Belfast BT1 3BG.

The intermediate parent of the smallest group of undertakings for which group financial statements are drawn up and of which the company is a member is United Molasses Group Limited, a company incorporated and registered in Northern Ireland. The group financial statements of United Molasses Group Limited are available from its registered office: Clarendon House, 23 Clarendon Road, Belfast BT1 3BG.

The ultimate controlling party is the shareholders of W&R Barnett Holdings Limited.