

Company number: 00094632

Grace Foods UK Limited

Annual Report and Consolidated Financial Statements for the year ended 31 December 2018

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Grace Foods UK Limited

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Grace Foods UK Limited

Directors and advisers

Directors

P D Cross
J P Esau
S L Lankage
A D Lewis-Coy
B A Mitchell
A M Rainford
V N Rizzioli
G V Shirley
D G Wehby

Company secretary

Khine Oo

Registered No.

00094632

Independent auditors

PricewaterhouseCoopers LLP
10 Bricket Road
St. Albans
Herts
AL1 3JX

Registered Office

Grace House
Bessemer Road
Welwyn Garden City
Hertfordshire
AL7 1HW

Grace Foods UK Limited

Group Strategic Report

The directors present their Group Strategic Report for the year ended 31 December 2018.

Business review and principal activities

Grace Foods UK Limited (the "Company") has continued to act as a holding company and provide a warehousing and distribution facility to the GK Foods (UK) Limited group of companies. The Group's principal activity during the year was the manufacture and distribution of food and drink products.

The results for the Group show an operating profit of £1,993,000 for the year (2017: £1,515,000).

The net assets of the Group as at 31 December 2018 were £5,358,000 (31 December 2017: £4,698,000).

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy is subject to a number of risks.

There are several contracts and key agency agreements for the supply of key products and brands in the UK to which the Group is a party, and these are managed to ensure that actions can be taken to mitigate any risks that arise.

The Group operates in the retail, wholesale and foodservice markets where there is strong competition. The directors maintain proactive marketing policies to ensure that its products and brands receive regular support in these markets.

Several products supplied by the Group are subject to adverse climatic conditions which affect their availability, and the Company continually sources such products from alternative suppliers to eliminate the risk of disruption in supplies.

The Group's holding company in the UK has appointed the GraceKennedy group internal audit team to carry out a program of audits based upon the Company's assessment of its business risks and the internal controls that are currently in place.

Key Performance Indicators ("KPIs")

The directors of GK Foods (UK) Limited, the immediate parent undertaking, consider profitability, working capital and supply chain performance to be the key KPIs within the Group. The Group's operations are managed on an operating company basis using these KPIs. Profitability and working capital performance are deemed to be satisfactory and are shown within the financial statements. Supply chain performance has also been satisfactory in the year.

Grace Foods UK Limited

Group Strategic Report (continued)

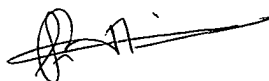
Creditor payment policy

For all trade creditors, it is the Group's policy to:

- agree the terms of payment at the start of business with that supplier;
- ensure that suppliers are aware of the terms of payment; and
- pay in accordance with its contractual and other legal obligations.

Trade creditor days for the year ended 31 December 2018 were 62 days (31 December 2017: 54 days) based on the ratio of company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

By order of the Board



Khine Oo

Company secretary

27 September 2019

Grace House
Bessemer Road
Welwyn Garden City
Hertfordshire
England
AL7 1HW

Grace Foods UK Limited

Directors' report

The directors present their report and the audited financial statements of the Company and its subsidiaries ('the Group') for the year ended 31 December 2018.

General Information

Grace Foods UK Limited is a private limited company incorporated and domiciled in England and Wales. The registered address is Grace House, Bessemer Road, Welwyn Garden City, Hertfordshire, England AL7 1HW.

The principal activity of the Company during the year was that of holding company and provider of warehousing and distribution to the GK Foods (UK) Limited group of companies.

The Group's principal activity during the year was the manufacture and distribution of food and drink products.

The immediate parent undertaking is GK Foods (UK) Ltd, incorporated in the England and Wales. The ultimate parent company and controlling party is GraceKennedy Limited.

Going concern

The Company and Group meet its day-to-day working capital requirements through its cash reserves and borrowings. The Company is in a net current liability position of £3,723,000 (2017: £2,279,000) at the Balance Sheet date. The Group retains net current assets of £4,217,000 (2017: £4,955,000). After making enquiries, the directors have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence for the foreseeable future. The Company and Group therefore continue to adopt the going concern basis in preparing its financial statements.

Future outlook

The external commercial environment has remained and is expected to remain competitive for 2019. However, the directors remain confident that the Company and Group will be able to maintain its current level of performance in the future.

The Directors are monitoring the outcome of the UK's decision to leave the European Union on 31 October 2019. As the UK Government continues its negotiations, uncertainty remains as to the extent to which our operations and financial performance will be affected in the longer term. At a group and company level, we have continued to prepare for changes in legislation, trade agreements and working practices in order to take advantage of the changing commercial landscape and to mitigate risk.

Dividends

One interim dividend amounting to £625,000 was paid on the 3 April 2018 (2017: £1,350,000).

Events after the end of the reporting period

During 2018 the Group committed to restructure the UK group of operating companies, aggregating all operations into Grace Foods UK Ltd. As a result of this restructuring:

- Chadha Oriental Foods Limited sold its trading assets and liabilities to Grace Foods UK Limited at a book value of £4,499,000 on the 1 January 2019.
- Enco Products Limited sold its trading assets and liabilities to Grace Foods UK Limited at a book value of £3,065,000 on the 1 January 2019.
- Funnybones Foodservices Limited sold its trading assets and liabilities to Grace Foods UK Limited at a book value of £1,541,000 on the 1 January 2019.

The Group expects the costs associated with the above restructuring to be minimal.

Grace Foods UK Limited

Directors' report (continued)

Political and charitable donations

The Company and Group made no political or charitable donations during the year (31 December 2017: £Nil).

Financial instruments

The Company and Group uses forward contracts to manage the risk associated with fluctuating exchange rates on its purchases on a group basis. These forward contracts are transacted through a fellow group undertaking.

Directors

The directors who held office during the year and up to the date of signing these financial statements were as follows:

P D Cross (appointed 24 October 2018)
J P Esau
S L Lankage (appointed 24 October 2018)
A D Lewis-Coy (appointed 19 February 2018)
B A Mitchell
A M Rainford
V N Rizzioli (appointed 19 February 2019)
G V Shirley
D G Wehby
R A Mack (resigned 19 February 2018)
D R Orane (resigned 20 February 2018)
M K A Ranglin (resigned 31 December 2018)
A J Reader (resigned 30 July 2018)

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Employees

The Company and Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company and group give full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company or group. If members of staff become disabled the Company and group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The Company and Group place considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company or group.

The Company and Group systematically provide employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a role in maintaining its performance. The Group encourages the involvement of employees by means of a performance based incentive scheme.

Grace Foods UK Limited

Directors' report (continued)

Employee involvement and communication

We have engaged colleagues with great ideas and strive to involve our people with matters impacting on them. We receive feedback through employee opinion surveys, which form an important strategic tool across the Company, as they provide honest feedback that can drive business improvements. We value two-way communication, having a significant number of proactive employee forums in place, to ensure that we have an ongoing dialogue to involve colleagues with matters that are important to them. This is facilitated through elected employee representatives and, directly, in team meetings and larger briefings.

Financial risk management

The Company and Group are exposed to a variety of financial risks including currency risk.

Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee. The policies set by the directors are implemented by the Group's finance department.

Currency risk

The Group within which the Company operates uses forward contracts to manage the risk associated with fluctuating exchange rates on its purchases on a group basis. These forward contracts are transacted through a fellow group undertaking.

Statement of directors' responsibilities in the respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the consolidated financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Grace Foods UK Limited

Directors' report (continued)

Directors' confirmations

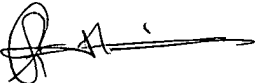
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By the order of the Board



Khine Oo
Company secretary

27 September 2019

Grace House
Bessemer Road
Welwyn Garden City
Hertfordshire
England
AL7 1HW

Grace Foods UK Limited

Independent auditors' report to the members of Grace Foods UK Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Grace Foods UK Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and parent company statements of financial position as at 31 December 2018; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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 group's and 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Grace Foods UK Limited (continued)

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Grace Foods UK Limited

Independent auditors' report to the members of Grace Foods UK Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Robert Girdlestone (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

27 September 2019

Grace Foods UK Limited

Consolidated Statement of Comprehensive Income For the year ended 31 December 2018

| | Note | 2018 £'000 | 2017 £'000 |
|--|------|---------------|---------------|
| Continuing operations | | | |
| Revenue | 6 | 79,578 | 83,445 |
| Cost of sales | | (57,376) | (60,565) |
| Gross profit | | 22,202 | 22,880 |
| Administrative expenses | | (16,240) | (17,308) |
| Distribution costs | | (3,970) | (4,057) |
| Other operating income | | 1 | - |
| Operating profit | | 1,993 | 1,515 |
| Finance expenses | 9 | (139) | (205) |
| Profit before income taxation | | 1,854 | 1,310 |
| Income tax expense | 10 | (474) | (743) |
| Profit for the financial year | | 1,380 | 567 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Exchange difference on translation of foreign operations | | (95) | (189) |
| Total comprehensive income for the financial year | | 1,285 | 378 |

The financial statements on pages 11 to 39 have been approved by the board for signing. The notes on pages 17 to 39 are an integral part of these financial statements.

Profit for the year and total comprehensive income for the year are entirely attributable to the owners of the parent.

Grace Foods UK Limited

Consolidated Statement of Financial Position As at 31 December 2018

| | Note | 2018 £'000 | 2017 £'000 |
|--|------|---------------|---------------|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 2,657 | 2,714 |
| Deferred tax assets | 18 | - | 29 |
| | | 2,657 | 2,743 |
| Current assets | | | |
| Inventory | 12 | 11,042 | 10,004 |
| Trade and other receivables | 14 | 12,681 | 11,698 |
| Cash and cash equivalents | 15 | 1,752 | 2,033 |
| | | 25,475 | 23,735 |
| Total assets | | 28,132 | 26,478 |
| Equity attributable to owners of the parent | | | |
| Share capital | 19 | - | - |
| Share premium | 20 | - | - |
| Other reserves | 20 | (474) | (379) |
| Retained earnings | 20 | 5,832 | 5,077 |
| Total equity | | 5,358 | 4,698 |
| Current liabilities | | | |
| Trade and other payables | 16 | 18,868 | 16,320 |
| Borrowings | 17 | 2,140 | 2,182 |
| Current tax liabilities | | 250 | 278 |
| | | 21,258 | 18,780 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 18 | 16 | - |
| Loan notes | 17 | 1,500 | 3,000 |
| | | 1,516 | 3,000 |
| Total liabilities | | 22,774 | 21,780 |
| Total equity and liabilities | | 28,132 | 26,478 |

The financial statements on pages 11 to 39 have been approved by the board for signing. The notes on pages 17 to 39 are an integral part of these financial statements.

The financial statements were approved and authorised by directors and signed on their behalf by



B A Mitchell
Director

Date 27 September 2019

Grace Foods UK Limited

Parent Company Statement of Financial Position


As at 31 December 2018

Company registered number: 00094632

| | Note | 2018 £'000 | 2018 £'000 | 2017 £'000 | 2017 £'000 |
|-------------------------------------|------|---------------|---------------|---------------|---------------|
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | | 1,494 | | 1,506 |
| Deferred tax assets | 18 | | 30 | | 72 |
| Investments | 13 | | 7,971 | | 11,475 |
| | | | 9,495 | | 13,053 |
| Current assets | | | | | |
| Inventory | | | 70 | | 70 |
| Trade and other receivables | 14 | | 851 | | 3,173 |
| Current tax asset | | | 569 | | - |
| Cash at bank and in hand | 15 | | 227 | | 1 |
| | | | 1,717 | | 3,244 |
| Total assets | | | 11,212 | | 16,297 |
| Equity | | | | | |
| Share capital | 19 | | - | | - |
| Share premium account | 20 | | - | | - |
| Retained earnings brought forward | 20 | 7,774 | | 10,908 | |
| (Loss) for the year | | (2,877) | | (1,784) | |
| Dividends paid | | (625) | | (1,350) | |
| Retained earnings carried forward | 20 | | 4,272 | | 7,774 |
| Total equity | | | 4,272 | | 7,774 |
| Current liabilities | | | | | |
| Trade and other payables | 16 | | 3,940 | | 4,023 |
| Borrowings | 17 | | 1,500 | | 1,500 |
| | | | 5,440 | | 5,523 |
| Non-current liabilities | | | | | |
| Loan notes | 17 | | 1,500 | | 3,000 |
| Total liabilities | | | 6,940 | | 8,523 |
| Total equity and liabilities | | | 11,212 | | 16,297 |

The financial statements on pages 11 to 39 have been approved by the board for signing. The notes on pages 17 to 39 are an integral part of these financial statements.

The financial statements were approved by the director and signed on their behalf by:



B A Mitchell
Director

Date: 27 September 2019

Grace Foods UK Limited

**Consolidated Statement of Changes in Equity
For the year ended 31 December 2018**

| | Share capital £'000 | Other reserves £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---------------------------|----------------------------|-------------------------------|--------------------------|
| At 1 January 2017 | - | (190) | 5,860 | 5,670 |
| <i>Comprehensive income</i> | | | | |
| Profit for the year | - | - | 567 | 567 |
| Other comprehensive expense | - | (189) | - | (189) |
| Total comprehensive income for the year | - | (189) | 567 | 378 |
| <i>Transactions with owners:</i> | | | | |
| Dividends paid | - | - | (1,350) | (1,350) |
| Total transactions with owners, recognised directly in equity | - | - | (1,350) | (1,350) |
| At 31 December 2017 and 1 January 2018 | - | (379) | 5,077 | 4,698 |
| <i>Comprehensive income</i> | | | | |
| Profit for the year | - | - | 1,380 | 1,380 |
| Other comprehensive expense | - | (95) | - | (95) |
| Total comprehensive income for the year | - | (95) | 1,380 | 1,285 |
| <i>Transactions with owners:</i> | | | | |
| Dividends paid | - | - | (625) | (625) |
| Total Transactions with owners, recognised directly in equity | - | - | (625) | (625) |
| At 31 December 2018 | - | (474) | 5,832 | 5,358 |

The notes on pages 17 to 39 are an integral part of these financial statements.

Grace Foods UK Limited

**Parent Company Statement of Changes in Equity
For the year ended 31 December 2018**

| | Share capital £'000 | Share premium £'000 | Other reserves £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---------------------------|---------------------------|----------------------------|-------------------------------|--------------------------|
| Balance as at 1 January 2017 | - | - | - | 10,908 | 10,908 |
| <i>Comprehensive expense</i> | | | | | |
| Loss for the year | - | - | - | (1,784) | (1,784) |
| Total comprehensive expense for the year | - | - | - | (1,784) | (1,784) |
| <i>Transactions with owners:</i> | | | | | |
| Dividends paid | - | - | - | (1,350) | (1,350) |
| Total transactions with owners, recognised directly in equity | - | - | - | (1,350) | (1,350) |
| At 31 December 2017 and 1 January 2018 | - | - | - | 7,774 | 7,774 |
| <i>Comprehensive income</i> | | | | | |
| Loss for the year | - | - | - | (2,877) | (2,877) |
| Total comprehensive income for the year | - | - | - | (2,877) | (2,877) |
| <i>Transactions with owners:</i> | | | | | |
| Dividends paid | - | - | - | (625) | (625) |
| Total Transactions with owners, recognised directly in equity | - | - | - | (625) | (625) |
| At 31 January 2018 | - | - | - | 4,272 | 4,272 |

The notes on pages 17 to 39 are an integral part of these financial statements.

Grace Foods UK Limited

Consolidated Statement of Cash Flows For the year ended 31 December 2018

| | Note | 2018 £'000 | 2017 £'000 |
|---|------|----------------|---------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 23 | 2,909 | 2,564 |
| Taxation paid | | (459) | (623) |
| Interest paid | | (139) | (205) |
| Cash generated from operating activities | | 2,311 | 1,736 |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | | (426) | (488) |
| Cash used by investing activities | | (426) | (488) |
| Cash flows generated from financing activities | | | |
| Dividends paid to company's shareholders | | (625) | (1,350) |
| Repayment of borrowings | | (1,541) | (3,152) |
| Proceeds from borrowings | | - | 4,756 |
| Cash (used by)/generated from financing activities | | (2,166) | 254 |
| Net (decrease)/increase in cash and cash equivalents | | (281) | 1,502 |
| Cash and cash equivalents at the beginning of the year | | 2,033 | 531 |
| Cash and cash equivalents at end of the year | | 1,752 | 2,033 |

The notes on pages 17 to 39 are an integral part of these financial statements.

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018

1. General information

Grace Foods UK Limited is a holding company and provides warehousing, distribution and management services to the GK Foods (UK) Limited group of companies.

The Company is a private company and is incorporated in England and Wales and domiciled in the UK. The registered address is Grace House, Bessemer Road, Welwyn Garden City, Hertfordshire, AL7 1HW.

2. Summary of significant accounting policies

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

2.1 Basis of Preparation

The Group's consolidated financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Company's individual financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

Disclosure exemptions – Parent company individual financial statements

In preparing its individual financial statements under FRS 101, the Company has taken advantage of the following disclosure exemptions permitted by FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changed in accounting estimates and errors';
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The Company has taken advantage of the provisions of section 408 of the Companies Act 2006 and has not disclosed a statement of comprehensive income and related notes in respect of the Company.

The financial statements of GraceKennedy Limited can be obtained as described in note 25.

Changes in accounting policy

i) New standards, interpretations and amendments effective from 1 January 2018

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018 and have not had a material impact on the Company. As a result of the changes in the entity's accounting policies, prior year financial statements were not restated. IFRS 9 was adopted without restating comparative information.

IFRS 15 was adopted without restating comparative information. Under IFRS 15 the customer advertising allowances that were previously recognised in administrative expenses are now recognised as a charge to revenue to better reflect the substance of the transaction. This amounted to £474,363 (2017: £296,298). This has no impact on retained earnings.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018 have had a material impact on the Company.

ii) New standards, interpretations and amendments not yet effective

The following standards and interpretations to published standards are not yet effective:

| New standard or interpretation | EU Endorsement status | Mandatory effective date (period beginning) |
|--|-----------------------|---|
| Amendment to IAS 1 and IAS 8 on definition of materiality | Not endorsed | 1 January 2019 |
| IFRIC 23 Uncertainty over income tax | Endorsed | 1 January 2019 |
| Amendments to IAS 19 – Employee benefits - plan amendments, curtailments or settlements | Not endorsed | 1 January 2019 |
| Amendments to IAS 28 on long term interests in associates and joint ventures | Endorsed | 1 January 2019 |
| Amendment to IFRS 3, 'Business combinations' | Not endorsed | 1 January 2019 |
| Amendment to IFRS 9, Financial instruments on prepayment features with negative compensation | Endorsed | 1 January 2019 |

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Notes to the Financial Statements For the year ended 31 December 2018 (continued)

| | | |
|---------------------------------|--------------|----------------|
| Annual improvements (2015-2017) | Not endorsed | 1 January 2019 |
| IFRS 16 Leases | Endorsed | 1 January 2019 |

IFRS 16 will be effective for the Group's financial statements for annual reporting periods beginning on or after 1 January 2019. IFRS 16 specifies how an entity is to recognise, measure, present and disclose leases. IFRS 16 requires lessees to recognise assets and liabilities for all lease unless the lease term is less than 12 months, the underlying asset has a low value or the leases are under other practical expedients as specified in IFRS 16. Lessors continue to classify leases as operating or finance with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17.

The Group is assessing the impact of the new standard and it is expected to have a material impact on the balance sheet as both assets and liabilities will increase by approximately £8,123,000 on 1 January 2019. It is also expected to have a material impact on key components within the income statement, with a net expense to profit before income taxation of approximately £82,000. IFRS 16 will not have any impact on the underlying commercial performance of the Group nor the cash flows generated in the period.

The directors anticipate that the adoption of other Standards and interpretations that are not yet effective in future periods will only have an impact on the presentation in the financial statements of the Group.

The Group has not early adopted any standard, amendment or interpretation.

2.1.1 Going concern

The Company and Group meet its day-to-day working capital requirements through its cash reserves and borrowings. The Company is in a net current liability position of £3,723,000 (2017: £2,279,000) at the Balance Sheet date. The Group retains net current assets of £4,217,000 (2017: £4,955,000). After making enquiries, the directors have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence for the foreseeable future. The Company and Group therefore continue to adopt the going concern basis in preparing its financial statements.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

2.3 Property, plant and equipment

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

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| | % |
|---|----------------------------|
| • Long leasehold properties | over the life of the lease |
| • Vehicles 4 years | 25% |
| • Furniture, fittings and equipment 5-8 years | 15-20% |
| • Plant and machinery 10 years | 10% |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the Statement of Comprehensive Income.

2.3.1 Impairments

The carrying amount of the Company's fixed assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and 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.

2.4 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the first in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.5 Financial instruments

Accounting policies applied to 1 January 2018

Classification

The Company classifies its financial assets only as loans and receivables and available for sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise receivables and cash.

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated to this category or not classified in any of the other categories. They are included in fixed assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available for sale financial assets are carried at fair value with re-measurements recognised in other comprehensive income. On disposal when the available for sale financial assets is recognised the cumulative gain or loss previously recognised in other comprehensive income is classified to profit or loss.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, bank overdrafts and a short-term loan facility. Bank overdrafts and the short-term loan facility are shown within loans and borrowings in current liabilities.

Accounting policies applied after 1 January 2018

The company classifies its financial assets only as loans, receivables and cash equivalents.

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, bank overdrafts and a short-term loan facility. Bank overdrafts and the short-term loan facility are shown within loans and borrowings in current liabilities.

2.6 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

2.8 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred, using the effective interest rate method.

2.9 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

2.10 Employee benefits

The Company operates a defined contribution pension plan.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior year.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.12 Other income

Other operating income represents amounts invoiced to group companies for distribution and administration services. This is recognised in the period in which the services are provided.

2.13 Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.14 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.15 Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.16 Financial guarantees

Financial guarantees are initially recognised at fair value and are subsequently measured at the higher of (a) the amount determined in accordance with IAS 37 and (b) the amount initially recognized less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

2.17 Basis of consolidation

The Group Financial Statements incorporate the Financial Statements of the Company and enterprises controlled by the Company (and its subsidiaries) made up to 31 December each period.

Control is achieved where the Company has power over the investee: exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns.

The acquisition of subsidiaries is accounted for using the purchase method. On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values on the date of acquisition.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Intercompany transactions and balances between Group enterprises are eliminated on consolidation.

2.18 Revenue recognition

Revenue

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

Sales of goods

The company supplies the supermarkets and food and drink trade with a variety of specialty products as a brand owner or distributor. Sales of goods are recognised when the company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been supplied to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied. The food and drink products are often sold with volume discounts, and customers have a right to return faulty products.

Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

3. Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

See note 11 for the carrying amount of the property plant and equipment, and note 2.3 for the useful economic lives for each class of assets.

Inventory provisioning

The company supplies the supermarkets and food and drinks trade with a variety of specialty products as a brand owner or distributor and is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 12 for the net carrying amount of the inventory and associated provision.

Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See note 14 for the net carrying amount of the receivables and associated impairment provision.

Override and promotional accruals

Sales overrides, discounts and advertising allowances are accrued for each relevant customer agreement or promotion and are charged to the income statement as a deduction from revenue. Accruals for each individual promotion, override or advertising allowance are based on the type and length of promotion and nature of customer agreement. At the time an accrual is made the nature and type of promotion and contractual obligations are known, however an estimate is required in respect of the sales volumes or activity and the amount of product sold on promotion.

For short-term promotions, estimates are updated on a monthly basis, using actual sales information where possible and on receipt of a customer claim which typically follows after the end of a promotion. For longer-term discounts and overrides, estimates are based on the actual and forecasted sales and are updated monthly.

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

4. Material profit or loss items

The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group.

Group

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Employee benefits expenses | 55 | 58 |
| Depreciation of tangible assets | 483 | 468 |
| Hire of plant and machinery – operating leases | 465 | 504 |
| Hire of other assets – operating leases | 1,266 | 1,263 |
| Impairment of trade receivables | 3 | 8 |
| Impairment/(reversal) of inventory (included in cost of sales) | 44 | (30) |
| Foreign exchange loss / (gains) on trade receivables | 3 | (13) |

5. Auditors' remuneration

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Fees payable to the Company's auditors for the audit of the parent Company and consolidated financial statements | 119 | 108 |
| Fees payable to the Group's auditors in respect of: | | |
| Taxation services | 78 | 40 |
| All other services | 5 | 5 |

6. Revenue

The group derives revenue from the transfer of goods and services at a point in time in the following major product lines and geographical regions:

| | 2018 £'000 | 2017 £'000 |
|-------------------|---------------|---------------|
| United Kingdom | 68,922 | 73,182 |
| Rest of Europe | 10,313 | 9,427 |
| Rest of the World | 343 | 836 |
| | 79,578 | 83,445 |

| | 2018 £'000 | 2017 £'000 |
|---------------|---------------|---------------|
| Sale of goods | 79,578 | 83,445 |

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

7. Directors' emoluments

| | 2018 | 2017 |
|-----------------------------------|------------|--------------|
| Group | £'000 | £'000 |
| Aggregate directors' remuneration | 555 | 926 |
| Directors national insurance | 56 | 78 |
| | 611 | 1,004 |

The highest paid director received remuneration of £185,000 (2017: £219,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £30,000 (2017: £48,000).

The key management personnel of the Group are considered to consist solely of the directors of the Company, and their remuneration is disclosed above.

8. Employee information

Staff costs, including directors' remuneration, were as follows:

| | Group | | Company | |
|-----------------------|--------------|--------------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Wages and salaries | 6,115 | 6,347 | 3,489 | 3,439 |
| Social security costs | 651 | 683 | 372 | 388 |
| Other pension costs | 289 | 252 | 183 | 128 |
| | 7,055 | 7,282 | 4,044 | 3,955 |

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

| | Group | | Company | |
|----------------|------------|------------|------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| | Number | Number | Number | Number |
| Administration | 81 | 94 | 42 | 46 |
| Operations | 108 | 114 | 61 | 67 |
| | 189 | 208 | 103 | 113 |

9. Finance expenses

| | 2018 | 2017 |
|----------------------------|------------|------------|
| Group | £'000 | £'000 |
| Amortised interest expense | 139 | 205 |
| | 139 | 205 |

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

10. Income tax expense

| | 2018 £'000 | 2017 £'000 |
|---|-----------------------|-----------------------|
| Current tax | | |
| Current tax on profits for the year | 434 | 382 |
| Adjustment in respect prior years | (5) | - |
| | 429 | 382 |
| Deferred tax | | |
| Current year | 48 | 64 |
| Adjustments in respect of prior years | - | 304 |
| Effect of change in tax rate | (3) | (7) |
| | 45 | 361 |
| Total tax | 474 | 743 |
| | 2018 £'000 | 2017 £'000 |
| Factors affecting the tax expense for the year: | | |
| Profit before taxation | 1,854 | 1,310 |
| Profit before taxation multiplied by weighted average rate of tax of 19.00% (2017: 19.25%) | 352 | 252 |
| <i>Effects of:</i> | | |
| Foreign tax losses | 107 | 179 |
| Non-deductible expenses for tax purposes | 21 | 15 |
| Tax rate changes | (3) | (7) |
| Adjustments in respect of prior years – deferred tax | - | 304 |
| Adjustments in respect of prior years | (5) | - |
| Transfer pricing adjustments | 2 | - |
| Income taxation expense | 474 | 743 |

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). This includes a reduction to the main rate to 17% from 1 April 2020.

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

11. Property, plant and equipment

Group

| | Long leasehold premises £'000 | Short leasehold properties £'000 | Plant & Machinery £'000 | Motor vehicles £'000 | Fixtures & Fittings £'000 | Total £'000 |
|---------------------------------|--|---|-------------------------------|----------------------------|------------------------------------|----------------|
| Cost | | | | | | |
| At 1 January 2017 | 1,564 | 62 | 4,831 | 14 | 33 | 6,504 |
| Additions | 126 | - | 367 | - | - | 493 |
| Disposals | - | - | (5) | - | - | (5) |
| At 31 December 2017 | 1,690 | 62 | 5,193 | 14 | 33 | 6,992 |
| Additions | 17 | - | 409 | - | - | 426 |
| Disposals | - | - | - | - | - | - |
| At 31 December 2018 | 1,707 | 62 | 5,602 | 14 | 33 | 7,418 |
| Accumulated depreciation | | | | | | |
| At 1 January 2017 | 932 | 51 | 2,781 | 14 | 32 | 3,810 |
| Charge for the year | 65 | 5 | 398 | - | - | 468 |
| At 31 December 2017 | 997 | 56 | 3,179 | 14 | 32 | 4,278 |
| Charge for the year | 68 | 4 | 411 | - | - | 483 |
| Disposals | - | - | - | - | - | - |
| At 31 December 2018 | 1,065 | 60 | 3,590 | 14 | 32 | 4,761 |
| Net book value | | | | | | |
| At 31 December 2018 | 642 | 2 | 2,012 | - | 1 | 2,657 |
| At 31 December 2017 | 693 | 6 | 2,014 | - | 1 | 2,714 |

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

11. Property, plant and equipment (continued)

| Company | Long leasehold properties £'000 | Plant & Machinery/ Fixtures & Fittings £'000 | Total £'000 |
|---------------------------------|--|--|----------------|
| Cost | | | |
| At 1 January 2017 | 1,564 | 2,114 | 3,678 |
| Additions | 126 | 213 | 339 |
| At 31 December 2017 | 1,690 | 2,327 | 4,017 |
| Additions | 17 | 250 | 267 |
| Disposals | - | - | - |
| At 31 December 2018 | 1,707 | 2,577 | 4,284 |
| Accumulated depreciation | | | |
| At 1 January 2017 | 932 | 1,315 | 2,247 |
| Charge for the year | 65 | 199 | 264 |
| At 31 December 2017 | 997 | 1,514 | 2,511 |
| Charge for the year | 68 | 211 | 279 |
| Disposals | - | - | - |
| At 31 December 2018 | 1,065 | 1,725 | 2,790 |
| Net book value | | | |
| At 31 December 2018 | 642 | 852 | 1,494 |
| At 31 December 2017 | 693 | 813 | 1,506 |

12. Inventory

| | Group | | Company | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Raw materials and consumables | 913 | 788 | 70 | 70 |
| Finished goods and goods for resale | 10,129 | 9,216 | - | - |
| | 11,042 | 10,004 | 70 | 70 |

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

Inventories are stated after provisions for impairment of £374,000 (2017: £363,000).

The cost of inventories are recognised as an expense and included in 'Cost of sales' and amounted to £57,376,000 (2017: £60,565,000).

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

13. Investments

| Company | Investments in subsidiary companies £'000 | | |
|--------------------------------|--|---|------------------------|
| Net book value | | | |
| At 1 January 2017 | 14,622 | | |
| Impairment | (3,147) | | |
| At 31 December 2017 | 11,475 | | |
| At 1 January 2018 | 11,475 | | |
| Impairment | (3,504) | | |
| At 31 December 2018 | 7,971 | | |
| Subsidiary undertakings | | | |
| Name | Country of incorporation | Nature of business | % ordinary shares held |
| Enco Products Limited | England and Wales | Distributor of specialty food | 100% |
| Chadha Oriental Foods Limited | England and Wales | Distributor of oriental food | 100% |
| Funnybones Foodservice Limited | England and Wales | Distributor of American, Cajun and Tex-Mex dishes | 100% |
| GraceKennedy Ghana Limited | Ghana | Distributor of specialty food | 100% |
| GK Foods Limited | Nigeria | Distributor of specialty food | 100% |

The value of investments held in GraceKennedy Ghana Limited, GK Foods Limited and Enco Products Limited have been impaired to their fair values with resulting impairment charges for the year of £754k, £32k and £2,718k respectively (2017: GraceKennedy Ghana Limited had an impairment charge of £3,147k).

The registered office of Enco Products Limited, Chadha Oriental Foods Limited and Funnybones Foodservice Limited is Grace House, Bessemer Road, Welwyn Garden City, Hertfordshire England AL71 HW.

The registered office of GraceKennedy Ghana Limited is A-life Warehouse, Akasanoma Road, Tema Industrial Area, Tema Ghana.

The registered office of GK Foods Limited, is 5th Floor, Mulliner Towers, Alfred Rewane Street, Ikoyi, Lagos, Nigeria.

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

14. Trade and other receivables

| | Group | | Company | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Trade receivables | 11,597 | 10,867 | - | - |
| Less: provision for impairment | (866) | (593) | - | - |
| Trade receivables – net | 10,731 | 10,274 | - | - |
| Amounts owed by group undertakings | - | - | - | 2,424 |
| Other debtors | 1,950 | 1,424 | 851 | 749 |
| | 12,681 | 11,698 | 851 | 3,173 |

15. Cash and cash equivalents

| | Group | | Company | |
|--------------------------|---------------|---------------|---------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Cash at bank and in hand | 1,752 | 2,033 | 227 | 1 |
| | 1,752 | 2,033 | 227 | 1 |

16. Trade and other payables: (amount falling due within one year)

| | Group | | Company | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Current | | | | |
| Amounts owed to group undertakings | 1,473 | 1,060 | 841 | - |
| Trade creditors | 14,048 | 12,380 | 1,176 | 1,049 |
| Taxation and social security | - | - | - | - |
| Other creditors | 3,347 | 2,880 | 1,680 | 1,531 |
| Overdrafts | - | - | 243 | 1,443 |
| | 18,868 | 16,320 | 3,940 | 4,023 |

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

17. Loan and other borrowings

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Loans falling due within one year | 2,140 | 2,182 | 1,500 | 1,500 |
| Loans falling due after more than one year | 1,500 | 3,000 | 1,500 | 3,000 |

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

The Group has secured bank loans with a carrying amount of £3,000,000 at 31 December 2018 (2017: £4,500,000). According to the terms of the agreement, these loans are repayable in quarterly tranches of £375,000 for 3 years from 8 February 2018. Interest on £2,000,000 is calculated at Bank of England base rate plus 1.75% and interest on £1,000,000 is calculated at Bank of England. Base rate plus 0.75%. However, the loan contains a debt covenant stating that at the end of each quarter the Group's Cash Flow cover to Bank Debt exceeds 110%, and Net Borrowing is less than 250% of Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") after Dividends.

The Group enters into short-term loan arrangements for imported goods which carry an interest rate of the currency base rate plus 1.9%, and are repayable within 45 days.

18. Deferred tax assets/(liabilities)

Group

| | Deferred tax asset/(liability) £'000 |
|----------------------------|--|
| At 1 January 2018 | 29 |
| Charge for the year | (45) |
| At 31 December 2018 | (16) |

The deferred tax asset / (liability) liability of the Group is made up as follows:

| | 2018 £'000 | 2017 £'000 |
|-----------------------------------|---------------|---------------|
| Fixed assets | (22) | 20 |
| Temporary differences non trading | 6 | 9 |

Company

| | Deferred tax asset/(liability) £'000 |
|----------------------------|--|
| At 1 January 2018 | 72 |
| Charge for the year | (42) |
| At 31 December 2018 | 30 |

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

19. Share capital

| | Group | | Company | |
|---|-------|-------|---------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| 4 (2017: 4) ordinary shares of £0.25 (2017: £0.25) each | - | - | - | - |

Consideration for all share issues was settled in cash. Amounts received in excess of nominal value were credited to the share premium account.

All shares rank pari passu in all respects.

20. Reserves

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

| Reserve | Description and purpose |
|-----------------------|---|
| Share capital | Nominal value of subscribed shares. |
| Share premium account | Amounts subscribed for shares in excess of nominal value, less costs of issue. |
| Retained earnings | All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere. |
| Other reserves | The foreign exchange translation reserve comprises translation differences arising from the translation of the financial performance and position of the Group's foreign subsidiaries into GBP. |

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

21. Financial instruments

Financial instruments by category

| Group at 31 December | Loans and receivables held at amortised cost | |
|--|---|---------------|
| | 2018 | 2017 |
| | £'000 | £'000 |
| Assets as per balance sheet | | |
| Trade and other receivables excluding prepayments | 12,681 | 11,698 |
| Cash and cash equivalents | 1,752 | 2,033 |
| | 14,433 | 13,731 |
| Liabilities as per balance sheet | | |
| Liabilities held at amortised cost | | |
| | 2018 | 2017 |
| | £'000 | £'000 |
| Borrowings | 3,640 | 5,182 |
| Trade and other payables excluding non-financial liabilities | 18,868 | 16,320 |
| | 22,508 | 21,502 |

Group financial risk factors

The Group's activities expose it to a variety of financial risks: liquidity risk, credit risk and market risk (including foreign exchange risk).

Risk management is carried out by the Group under policies approved by the Board of Directors. The Group identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans and compliance with internal balance sheet ratio targets.

Surplus cash over and above balance required for working capital management is invested in interest bearing current accounts and term deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom in order to meet ongoing obligations.

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

21. Financial instruments (continued)

The table below sets out the contractual maturities (representing undiscounted contractual cash-flows) of loans, borrowings and other financial liabilities:

| Group | At 31 December 2018 | | |
|--|-----------------------|---------------------------------|-------------------------------|
| | Up to 1 year £'000 | Between 1 & 5 years £'000 | More than 5 years £'000 |
| Borrowings | 2,140 | 1,500 | - |
| Trade and other payables excluding non-financial liabilities | 18,868 | - | - |
| | 21,008 | 1,500 | - |

| Group | At 31 December 2017 | | |
|--|-----------------------|---------------------------------|-------------------------------|
| | Up to 1 year £'000 | Between 1 & 5 years £'000 | More than 5 years £'000 |
| Loan notes | 2,182 | 3,000 | - |
| Trade and other payables excluding non-financial liabilities | 16,320 | - | - |
| | 18,505 | 3,000 | - |

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Credit risk from operating activities

In practice, the company has limited exposure to credit risk as the receivables in the Statement of Financial Position are predominantly receivable from well-established trade suppliers or landlords. These relationships are monitored closely and given the ongoing nature of trading with such counterparties, the likelihood of default is considered to be limited.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables are written-off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 120 days past due.

Credit risk from financing activities

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure.

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

21. Financial instruments (continued)

The credit quality of the cash and cash equivalents can be assessed by reference to external credit ratings:

| Group | 2018 £'000 | 2017 £'000 |
|------------------------|---------------|---------------|
| AAA to and including A | 1,752 | 2,033 |
| BBB or lower | Nil | Nil |
| Not rated | Nil | Nil |

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk. The Group is not exposed to other price risk such as commodity price risk.

Interest rate risk

The Group is financed by secured bank loans with a carrying amount of £3,000,000 at 31 December 2018 (2017: £4,500,000). According to the terms of the agreement, these loans are repayable in quarterly tranches of £375,000 for 3 years from 8 February 2018. Interest on £2,000,000 is calculated at Bank of England base rate plus 1.75% and interest on £1,000,000 is calculated at Bank of England base rate.

The Group also enters into short-term loan arrangements for imported goods which carry an interest rate of the currency base rate plus 1.9%, and are repayable within 45 days.

Foreign exchange risk

The Group's transactions are in Pounds Sterling, United States Dollars, Euro, Singapore Dollars. The objective is to identify, quantify, manage and then monitor events or actions that could lead to financial losses.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

22. Operating lease commitments - group company as lessee

The Group leases various data centre facilities under mostly non-cancellable operating lease arrangements in multiple territories. The lease terms are between 5 and 10 years and the majority of lease arrangements are renewable at the end of the lease period at market rate.

The Group also leases various plant and machinery under operating lease arrangements in multiple territories. The lease terms are around 4 years with early termination penalty fees.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Land and Buildings

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Not later than 1 year | 1,176 | 1,176 |
| Later than 1 year and not later than 5 years | 4,089 | 4,240 |
| Later than 5 years | 1,982 | 2,973 |
| | 7,247 | 8,389 |

Other assets

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Not later than 1 year | 422 | 455 |
| Later than 1 year and not later than 5 years | 323 | 597 |
| Later than 5 years | 15 | 26 |
| | 760 | 1,078 |

23. Reconciliation of loss after tax to cash generated from operations

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Profit before taxation | 1,854 | 1,310 |
| Adjustments for: | | |
| Depreciation | 483 | 468 |
| Interest paid | 139 | 205 |
| Net exchange difference | (92) | (141) |
| | 2,384 | 1,842 |
| (Increase)/decrease in trade and other receivables | (983) | 553 |
| Increase/(decrease) in trade and other payables | 2,546 | (2,340) |
| (Increase)/decrease in inventories | (1,038) | 2,509 |
| Cash generated from operations | 2,909 | 2,564 |

Grace Foods UK Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

24. Ultimate parent undertaking and controlling party

The immediate parent undertaking is GK Foods (UK) Limited, incorporated in the UK.

The ultimate parent company and controlling party is GraceKennedy Limited.

The smallest and largest group in which the results of the Company are consolidated is that headed by GraceKennedy Limited, incorporated in Jamaica. The consolidated financial statements of this company are available to the public and may be obtained from Chief Corporate Secretary, GraceKennedy Limited, 73 Harbour Street, Kingston, Jamaica.

25. Events after the end of the reporting period

During 2018 the Group committed to restructure the UK group of operating companies, aggregating all operations into Grace Foods UK Ltd. As a result of this restructuring:

- Chadha Oriental Foods Limited sold its trading assets and liabilities to Grace Foods UK Limited at a book value of £4,499,000 on the 1 January 2019.
- Enco Products Limited sold its trading assets and liabilities to Grace Foods UK Limited at a book value of £3,065,000 on the 1 January 2019.
- Funnybones Foodservices Limited sold its trading assets and liabilities to Grace Foods UK Limited at a book value of £1,541,000 on the 1 January 2019.

The Group expects the costs associated with the above restructuring to be minimal.