

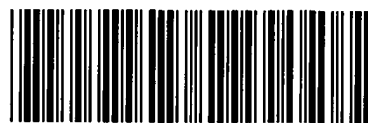
# Edible Oils Ltd

## Annual Report and Financial Statements

Year Ended 31 March 2018

Registered No: 05309847

SATURDAY



A40 \*A7LC00RF\* 22/12/2018 #164  
COMPANIES HOUSE

## Contents

Company information	2
Strategic report	3
Directors' report	5
Directors' responsibilities statement	7
Independent auditor's report	8
Consolidated income statement	10
Consolidated statement of comprehensive income	10
Consolidated statement of financial position	11
Company statement of financial position	12
Consolidated statement of changes in equity	13
Company statement of changes in equity	14
Consolidated cash flow statement	15
Company cash flow statement	16
Notes to the financial statements	17

## Company information

### Directors

C Mackintosh  
D O'Grady  
C Price  
M Kropp

### Secretary

K Suematsu

### Auditor

Deloitte LLP  
Statutory Auditor  
Horton House  
Exchange St East  
Liverpool  
L2 3PG

### Registered Office

Royal Liver Building  
Pier Head  
Liverpool  
L3 1NX

### Solicitors

Eversheds LLP  
70 Great Bridgewater Street  
Manchester  
M60 5ES

### Principal Bankers

HSBC  
Registered office:  
8 Canada Square  
London  
E14 5HQ

## Strategic report (continued)

### Principal activity and business review

The group's principal activities during the year have been the manufacture and distribution of food products to the grocery trade.

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The group's revenue for the year ended 31 March 2018 was £237,254,000 (2017: £204,321,000). The turnover of £237,254,000 represents an increase of 16.1% on the prior year.

The group's profit for the year ended 31 March 2018, after taxation, amounted to £9,849,000 (2017: £10,654,000). The profit of £9,849,000 represents a decrease of 7.6% on the prior year.

An analysis of the group revenue is included in the key performance indicators which are included in the strategic report on page 4.

The consolidated statement of financial position remains consistent with the prior year. The net assets for the group as at 31 March 2018 were £59,968,000 (2017: £59,873,000). Net current assets at 31 March 2018 increased to £20,612,000 (2017: £19,359,000) and cash decreased to £6,477,000 (2017: £15,806,000). The decrease in cash is primarily a result of the difference between cash generated from operations and dividends paid in the year. The changes in operating cash flows have arisen from the timing of payments to suppliers and receipts from customers around the year end.

The average number of persons employed by the group during the year ended 31 March 2018 was 192 (2017: 195).

### Future developments and going concern

The directors aim to maintain the management policies which have resulted in the group's ongoing profitability in the current year. The financial statements have been prepared on a going concern basis. Further details on the basis of preparation are given in note 1 of the financial statements.

The directors are assessing the impact of the UK's decision to leave the EU to ensure that the group remains competitive in both the domestic UK market and the wider global markets.

As a resilient, flexible and outward looking business, the group are preparing for both the challenges and opportunities from the UK's exit of the EU. Critically, the group, and our suppliers need clarity and a smooth implementation period to ensure we can remain competitive and continue to operate effectively as one of the leading UK based food and drink groups.

### Principal risks and uncertainties

#### *Treasury policies*

The group does not have a formal treasury team. This function is performed on behalf of the group by its joint venture shareholder, Princes Limited (see note 18).

The group finances its activities through a combination of its accounts with its shareholders and bank borrowings. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the group's operating activities. The group itself enters into forward currency contracts to manage the currency risks arising from the group's operations. Princes Limited also enters into derivative transactions on the group's behalf, principally forward currency contracts. The group does not speculatively trade in financial instruments.

#### *Foreign exchange*

The group has operations in Europe, including purchasing and selling certain goods and services denominated in currencies other than sterling. As a result the value of the group's non-sterling revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates in general and the Euro rate in particular.

## Strategic report

The group's transactional currency exposure arises from sales or purchases in currencies other than its functional currency.

### Key performance indicators

The group uses several measures as indicators of the performance of the group and each of its divisions as follows:

	2018	2017
Revenue (£'000)	237,254	204,321
Cost of sales (£'000)	(213,064)	(181,180)
Cost of sales as a percentage of revenue (%)	89.8	88.7
<b>Number of employees</b>		
Employees (average)	192	195
Temporary sub-contracted agency employees (average)	29	27
Total full time employees (average)	221	222
Revenue generated per full time employee (average) (£'000)	1,074	920

### Financial performance

The group's revenue has increased from £204,321,000 for the year ended 31 March 2017 to £237,254,000 for the year ended 31 March 2018. The increase is mainly due to increased volumes and price increases linked to directly linked to increases in raw material prices.

The increase in volumes has also had an impact on the group's cost of sales, which have risen from £181,180,000 for the year ended 31 March 2017 to £213,064,000 for the year ended 31 March 2018. Cost of sales as a percentage of revenue has remained fairly consistent at 88.7% for the year ended 31 March 2017 and 89.8% for the year ended 31 March 2018.

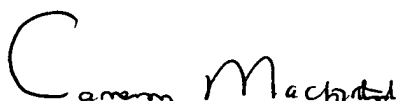
The operating profit has decreased in the current year from £12,611,000 to £12,286,000. This reduction is a result of the raw material challenges detailed above.

### Number of employees

For the year ended 31 March 2018, the group had an average headcount of 221, generating revenue per employee of £1,074,000, up from £920,000 for the year ended 31 March 2017 which had an average headcount of 222.

### Approval

This report was approved by the board of directors and signed on its behalf by:



C Mackintosh  
Director

30 August 2018

---

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

### Matters included in the Strategic Report

In accordance with s414(C) (11) of the Companies Act, included in the Strategic Report is information relating to the future development of the business which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (financial statements and reports) regulations 2008' to be contained in a Directors' Report.

### Financial risk management objectives and policies

#### *Foreign currency risk*

The group is exposed to foreign currency risk with its transactions dominated in foreign currencies. Exchange rate exposures are managed within approved policies set out by the Board of Directors.

#### *Interest rate risk*

The group manages its cost of borrowing using variable rate debt through its bank borrowings.

#### *Credit risk*

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the group provides goods and services, and invests or deposits surplus cash.

Group policies are aimed at minimising such losses, and require that terms are only granted to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored to ensure that the group's exposure to bad debts is not significant.

#### *Liquidity and cash flow risk*

The group seeks to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the group.

The group is exposed to cash flow risk as a result of economic volatility and it mitigates this risk through approved policies as set out by the Board of Directors including the use of financial instruments.

The group's strategy is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and loans from its shareholders.

#### *Price risk*

Other than as stated above (foreign currency risk section) the group hedges the cost of raw material prices where deemed necessary. No speculative trading in derivative financial instruments is undertaken by the group.

### Dividends

The directors recommend a final dividend of £5,000,000 (2017: £nil). Details of dividends paid in the year are included in note 9.

### Directors

The directors who served during the year and thereafter were:

D Marshall (resigned 1 April 2018)  
M Degen (resigned 1 April 2018)  
E Swartberg (resigned 1 April 2018)  
D Tuite (resigned 1 April 2018)  
A Church (resigned 1 April 2018)  
K Suematsu (appointed 1 April 2017, resigned 1 April 2018)  
C Mackintosh (appointed 1 April 2018)  
M Kropp (appointed 1 May 2018)  
D Holz (appointed 1 April 2018, resigned 1 May 2018)  
C Price (appointed 1 April 2018)  
D O'Grady (appointed 1 April 2018)

## Directors' report (continued)

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Employee consultation

The directors maintain the provision of information to and consultation with employees by means of regular and ad hoc meetings of management and employees.

The group places 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 group.

### Auditor

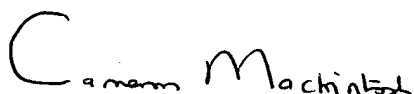
Each of the persons who is a director at the date of approval of this report confirms that:

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

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

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board and signed on its behalf by:



C Mackintosh  
Director

30 August 2018

## 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

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



---

## **Independent auditor's report**

**to the members of Edible Oils Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2108 and of the group's profit 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 parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Edible Oils Limited (the 'parent company') and its subsidiary (the 'group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions 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.

We are independent of the group and the parent 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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 or the parent 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 these matters.

---

## **Independent auditor's report**

to the members of Edible Oils Limited (continued)

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities 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: [www.frc.org.uk/auditorsresponsibilities](http://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.

---

## Independent auditor's report

to the members of Edible Oils Limited (continued)

### Report on other legal and regulatory requirements

#### 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 the directors' report have been prepared in accordance with applicable legal requirements.

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

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



Christopher Robertson (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Liverpool, United Kingdom  
4 September 2018

## Consolidated income statement

For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
<i>Continuing operations</i>			
Revenue	2, 3	237,254	204,321
Cost of sales		(213,798)	(181,180)
<i>Gross profit</i>		23,456	23,141
Distribution costs		(1,545)	(1,232)
Administrative expenses		(9,625)	(9,298)
		(11,170)	(10,530)
<i>Operating profit</i>		12,286	12,611
Net finance costs	7	(160)	(50)
<i>Profit before tax</i>		12,126	12,561
Tax	8	(2,277)	(1,907)
<i>Profit for the year</i>	4	9,849	10,654

All revenue and operating profit for the year ended 31 March 2018 relate solely to the group's continuing operations (2017: same).

## Consolidated statement of comprehensive income

For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
<i>Profit for the financial year</i>		9,849	10,654
<i>Other comprehensive income:</i>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations		144	303
Hedging		127	333
Tax relating to items that may be reclassified subsequently	20	(25)	(67)
<i>Total comprehensive income for the year</i>		10,095	11,223

Registered No: 05309847

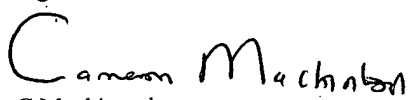
**Consolidated statement of financial position**

As at 31 March 2018

	Notes	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Goodwill	10	842	842
Other intangible assets	11	12,767	12,827
Property, plant and equipment	12	28,124	28,932
Deferred tax asset	20	-	13
		<u>41,733</u>	<u>42,614</u>
<b>Current assets</b>			
Inventories	14	15,323	16,020
Current tax asset		217	-
Trade and other receivables	15	33,503	23,539
Cash and bank balances		6,477	15,806
Derivative financial instruments	19	62	-
		<u>55,582</u>	<u>55,365</u>
<b>Total assets</b>		<u>97,315</u>	<u>97,979</u>
<b>Current liabilities</b>			
Trade and other payables	16	(32,572)	(33,283)
Borrowings	17	(1,380)	(1,453)
Current tax liabilities		(1,017)	(1,204)
Derivative financial instruments	19	(1)	(66)
		<u>(34,970)</u>	<u>(36,006)</u>
<b>Non-current liabilities</b>			
Deferred tax liability	20	(2,377)	(2,100)
		<u>(2,377)</u>	<u>(2,100)</u>
<b>Total liabilities</b>		<u>(37,347)</u>	<u>(38,106)</u>
<b>Net assets</b>		<u>59,968</u>	<u>59,873</u>
<b>Equity</b>			
Share capital	21	8,626	8,626
Hedging reserve		49	(53)
Translation reserve		(90)	(234)
Retained earnings		51,383	51,534
<b>Total equity</b>		<u>59,968</u>	<u>59,873</u>

The financial statements were approved by the Board of Directors and authorised for issue on 30 August 2018.

Signed on behalf of the Board of Directors

  
C Mackintosh  
Director

Registered No: 05309847

**Company statement of financial position**

As at 31 March 2018

	Notes	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Other intangible assets	11	12,767	12,827
Property, plant and equipment	12	21,913	22,492
Investment	13	4,673	4,673
Deferred tax asset	20	-	13
		<u>39,353</u>	<u>40,005</u>
<b>Current assets</b>			
Inventories	14	12,600	13,946
Trade and other receivables	15	30,149	19,848
Cash and bank balances		6,477	15,806
Derivative financial instruments	19	62	-
		<u>49,288</u>	<u>49,600</u>
<b>Total assets</b>		<u>88,641</u>	<u>89,605</u>
<b>Current liabilities</b>			
Trade and other payables	16	(26,038)	(26,449)
Current tax liabilities		(1,217)	(1,367)
Derivative financial instruments	19	(1)	(66)
		<u>(27,256)</u>	<u>(27,882)</u>
<b>Non-current liabilities</b>			
Deferred tax liability	20	(2,189)	(2,072)
<b>Total liabilities</b>		<u>(29,445)</u>	<u>(29,954)</u>
<b>Net assets</b>		<u>59,196</u>	<u>59,651</u>
<b>Equity</b>			
Share capital	21	8,626	8,626
Hedging reserve		49	(53)
Retained earnings		50,521	51,078
<b>Total equity</b>		<u>59,196</u>	<u>59,651</u>

The company reported a profit for the financial year ended 31 March 2018 of £9,443,000 (2017: £10,091,000).

The financial statements were approved by the Board of Directors and authorised for issue on 30 August 2018.

Signed on behalf of the Board of Directors



C Mackintosh  
Director

## Consolidated statement of changes in equity

For the year ended 31 March 2018

	<i>Share capital £'000</i>	<i>Hedging reserve £'000</i>	<i>Translation reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
Balance at 1 April 2016	8,626	(319)	(537)	60,880	68,650
Profit for the year	-	-	-	10,654	10,654
Other comprehensive income for the year	-	266	303	-	569
<b>Total comprehensive income for the year</b>	-	266	303	10,654	11,223
Dividends paid	-	-	-	(20,000)	(20,000)
Balance at 31 March 2017	8,626	(53)	(234)	51,534	59,873
Profit for the year	-	-	-	9,849	9,849
Other comprehensive income for the year	-	102	144	-	246
<b>Total comprehensive income for the year</b>	-	102	144	9,849	10,095
Dividends paid	-	-	-	(10,000)	(10,000)
Balance at 31 March 2018	8,626	49	(90)	51,383	59,968

The hedging reserve relates to the gains and losses arising on the effective portion of hedging instruments carried out at fair value in a qualifying cash flow hedge.

The translation reserve represents the gains and losses arising on retranslating the net assets of overseas operations into sterling.

The retained earnings are all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

## Company statement of changes in equity

For the year ended 31 March 2018

	<i>Share capital £'000</i>	<i>Hedging reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
Balance at 1 April 2016	8,625	(319)	60,987	69,294
Profit for the year	-	-	10,091	10,091
Other comprehensive income for the year	-	266	-	266
<b>Total comprehensive income for the year</b>	-	266	10,091	10,357
Dividends paid	-	-	(20,000)	(20,000)
Balance at 31 March 2017	8,626	(53)	51,078	59,651
Profit for the year	-	-	9,443	9,443
Other comprehensive income for the year	-	102	-	102
<b>Total comprehensive income for the year</b>	-	102	9,443	9,545
Dividends paid	-	-	(10,000)	(10,000)
Balance at 31 March 2018	8,626	49	50,521	59,196

The hedging reserve relates to the gains and losses arising on the effective portion of hedging instruments carried out at fair value in a qualifying cash flow hedge.

The retained earnings are all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.



## Consolidated cash flow statement

For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Net cash flows from operating activities	25	1,937	9,789
Investing activities			
Purchase of property, plant and equipment		(1,257)	(2,076)
Net cash flows used in investing activities		(1,257)	(2,076)
Finance activities			
Dividends paid	9	(10,000)	(20,000)
Movement in borrowings		(73)	1,140
Net cash flows used in finance activities		(10,073)	(18,860)
Net decrease in cash and cash equivalents		(9,393)	(11,147)
Cash and cash equivalents at beginning of year		15,806	26,913
Effect of foreign exchange rate changes		64	40
Cash and bank balances at end of year		6,477	15,806
Cash and bank balances:		2018 £'000	2017 £'000
Cash at bank		6,475	15,804
Cash in hand		2	2
		6,477	15,806

## Company cash flow statement

For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Net cash flows from operating activities	25	1,843	10,909
Investing activities			
Purchase of property, plant and equipment		(1,172)	(2,016)
Net cash flows used in investing activities		(1,172)	(2,016)
Finance activities			
Dividends paid	9	(10,000)	(20,000)
Net cash flows used in finance activities		(10,000)	(20,000)
Net decrease in cash and cash equivalents		(9,329)	(11,107)
Cash and cash equivalents at beginning of year		15,806	26,913
Cash and bank balances at end of year		6,477	15,806
Cash and bank balances:		2018 £'000	2017 £'000
Cash at bank		6,475	15,804
Cash in hand		2	2
		6,477	15,806

## Notes to the financial statements

For the year ended 31 March 2018

### 1. Accounting policies

#### 1.1 General information

Edible Oils Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 2. The nature of the group's operations and its principal activities are set out in the strategic report, on page 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 1.3.

#### 1.2 Adoption of new and revised Standards

##### Standards affecting the financial statements

The following standards and interpretations have come into effect during the year. The adoption of these amendments has not had any material impact on the disclosures or amounts reported in these financial statements:

IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs: 2014-16 Cycle (Dec 2016)	Annual Improvements to IFRSs: 2014-16 Cycle - IFRS 12 Amendments

At the date of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Clarifications to IFRS 15 (Apr 2016)	Clarifications to IFRS 15 Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2 (Jun 2016)	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4 (Sept 2016)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40 (Dec 2016)	Transfers of Investment Property
Annual Improvements to IFRSs: 2014-16 Cycle (Dec 2016)	Annual Improvements to IFRSs: 2014-16 Cycle - IFRS 1 and IAS 28 Amendments
IFRS 16	Leases
Amendments to IFRS 10 and IAS 28 (Sept 2014)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9 (Oct 2017)	Prepayment Features with Negative Compensation

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1. Accounting policies (continued)

#### 1.2 Adoption of new and revised Standards (continued)

Amendments to IAS 28 (Oct 2017)	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRS Standards 2015–2017 Cycle (Dec 2017)	Annual Improvements to IFRSs: 2014–16 Cycle - IFRS 3, IFRS 11, IAS 12 and IAS 23 Amendments
Amendments to IAS 19 (February 2018)	Plan Amendment, Curtailment or Settlement
IFRS 17	Insurance Contracts

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below.

#### IFRS 9 Financial Instruments

The Group will apply IFRS 9 from 1 April 2018. The Group has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Group's consolidated financial statements will depend on the financial instruments that the Group has during the year ending 31 March 2019 as well as on economic conditions and judgements made as at the year end. The Group has performed a preliminary assessment of potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9.

#### Classification and measurement

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset.

There are three principal classification categories for financial assets that are debt instruments:

- (i) amortised cost,
- (ii) fair value through other comprehensive income (FVTOCI) and
- (iii) fair value through profit or loss (FVTPL).

Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income. Under IFRS 9, derivatives embedded in financial assets are not bifurcated but instead the whole hybrid contract is assessed for classification.

Under IFRS 9, financial assets can be designated as at FVTPL to mitigate an accounting mismatch.

In respect to classification and measurement of financial liabilities changes in the fair value of a financial liability designated as at FVTPL due to credit risk are presented in other comprehensive income unless such presentation would create or enlarge an accounting mismatch in profit or loss.

Based on the group's preliminary assessment, the measurement impact arising from the adoption of IFRS 9 will have an immaterial impact on the Group's consolidated financial statements.

---

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1. Accounting policies (continued)

#### 1.2 Adoption of new and revised Standards (continued)

##### *Impairment*

The impairment model under IFRS 9 reflects *expected* credit losses, as opposed to only *incurred* credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date.

The new impairment model will apply to the Group's financial assets that are debt instruments measured at amortised costs or FVTOCI. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables. No incremental loss allowance is expected to arise as a result of the adoption of IFRS 9.

##### *Hedge accounting*

On initial application of IFRS 9, an entity may choose, as its accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. The Group has elected to apply the IFRS 9 hedge accounting requirements because they align more closely with the Group's risk management policies.

An assessment of the Group's hedging relationships under IAS 39 has been performed and it has been determined that the relationships will qualify as continuing hedging relationships under IFRS 9.

The Group does not anticipate that the application of the IFRS 9 hedge accounting requirements will have material impact on the Group's consolidated financial statements.

##### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations. The group is required to adopt IFRS 15 for the year ending 31 March 2019 and will adopt the full retrospective approach with restatement of comparatives.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The adoption of IFRS 15 will not give rise to any timing or measurement differences for revenue recognition. There will be no impact on the reported group operating profit arising from adoption of this standard.

##### **IFRS 16 Leases**

IFRS 16, which has not yet been endorsed by the EU, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group currently expects to adopt IFRS 16 for the year ending 31 March 2020. No decision has been made about whether to use any of the transitional options in IFRS 16.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1. Accounting policies (continued)

#### 1.2 Adoption of new and revised Standards (continued)

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are

not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of £362,000. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

#### 1.3 Significant accounting policies

##### Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policy below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1. Accounting policies (continued)

#### 1.3 Significant accounting policies (continued)

##### Basis of accounting (continued)

- Level 1-inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

##### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 March each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

##### Going concern

The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business. In satisfaction of this responsibility the directors have reviewed in detail the business' cash flow projections for a period of greater than 12 months from the date of approval of these financial statements. As at this date the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail of the group's performance is contained in the Strategic Report on page 3-4.

##### Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

---

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1. Accounting policies (continued)

#### 1.3 Significant accounting policies (continued)

##### Revenue recognition

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

The group operates one principal area of activity, that of the manufacture and distribution of food products. The group also operates within two geographical markets, the United Kingdom and the Rest of Europe.

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

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

##### Leases

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

##### The group as a lessee

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

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

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which are the functional currency of the company, and the presentation currency for the consolidated financial statements.



---

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1. Accounting policies (continued)

#### 1.3 Significant accounting policies (continued)

##### Foreign currencies (continued)

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

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

##### Borrowing costs

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

##### Operating profit

Operating profit is stated before investment income and finance costs.

##### Pension costs

The group operates a defined contribution scheme for its employees. Amounts charged to the profit and loss account represent contributions payable to the scheme during the year. Differences between contributions payable and amounts actually paid are recognised as accruals or prepayments in the balance sheet.

##### Taxation

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

##### Current tax

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

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1. Accounting policies (continued)

#### 1.3 Significant accounting policies (continued)

##### Taxation (continued)

###### Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

##### **Property, plant and equipment**

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any recognised impairment losses.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Plant, machinery and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

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

Leasehold improvements	- over 51 years or period of lease, if less
Plant, machinery & equipment	- over 2-30 years

---

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1. Accounting policies (continued)

#### 1.3 Significant accounting policies (continued)

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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

##### Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less accumulated impairment losses.

Intangible assets identified as having indefinite useful lives are influenced by the nature of the business and the lifespan of the products sold to which the intangible assets relate.

Brands and licences with finite useful lives are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. Brands and licences with indefinite useful lives are carried at cost less accumulated impairment losses.

The intangible asset arising on the purchase of Crisp N Dry, Spray Crisp N Dry, Mazola and Cookeen brand names (note 11) is deemed to have an indefinite useful economic life.

##### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

---

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1. Accounting policies (continued)

#### 1.3 Significant accounting policies (continued)

##### Inventories

Inventories are stated at the lower of cost and net realisable value as follows:

- raw materials, packaging and goods purchased for resale— purchase cost on a first in first out basis; and
- manufactured goods— cost of direct materials and labour plus attributable overheads based on normal level of activity.

Net realisable value represents the estimated selling price less further costs expected to be incurred to completion and disposal.

##### Financial instruments

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

##### Financial assets

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

##### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

##### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### Impairment of financial assets

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

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

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1. Accounting policies (continued)

#### 1.3 Significant accounting policies (continued)

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

##### **Derecognition of financial assets**

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

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

---

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1. Accounting policies (continued)

#### 1.3 Significant accounting policies (continued)

##### Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and currency swaps. Further details of derivative financial instruments are disclosed in note 19.

The group also enters into derivative financial instruments to manage its exposure to commodity price risk. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

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

##### Hedge accounting

The group designates its derivative hedging instruments in respect of foreign currency risk as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item.

Note 19 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in note 19.

##### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. In the event that there is an ineffective portion the gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument is sold, terminated, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 1. Accounting policies (continued)

#### 1.3 Significant accounting policies (continued)

##### Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### Dividends

A final dividend is recognised when it is declared by the company in general meeting or by the members passing a written resolution. In the case of an interim dividend authorised under common articles of association, this will normally be when the dividend is paid. Accordingly, if an interim dividend is announced before the end of the reporting period but not paid until the next reporting period, this will not result in a liability at the reporting date.

#### 1.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 1.3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

No critical accounting judgements or key sources of estimation uncertainty have arisen during the current year (2017: same).

### 2. Revenue

Revenue represents the invoiced value of goods sold which fall within the group's continuing ordinary activities and is stated net of value added tax and trading allowances. Revenue is recognised when the risk and rewards have been transferred.

The group operates in one principal area of activity, that of the manufacture and distribution of food products. An analysis of the group's revenue is as follows:

	Year ended 2018 £'000	Year ended 2017 £'000
Continuing operations		
Sales of goods	237,254	204,321

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 3. Operating segments

The class of business the group operates in is the manufacture and distribution of food products to the grocery trade.

The group operates within two geographical markets, the United Kingdom and the Rest of Europe. Profit before tax attributable to activities outside of the United Kingdom is not material to the group as a whole.

#### *Geographical information:*

The Group's revenue from external customers and information about its segment assets (non-current assets excluding financial instruments and deferred tax assets) by geographical location are detailed below:

	<i>Year ended 2018 £'000</i>	<i>Year ended 2017 £'000</i>
<b>Revenue from external customers by location:</b>		
United Kingdom	178,860	151,950
Rest of Europe	58,394	52,371
	<u>237,254</u>	<u>204,321</u>
	<i>Year ended 2018 £'000</i>	<i>Year ended 2017 £'000</i>
<b>Consolidated total assets by location of asset:</b>		
United Kingdom	34,680	35,319
Rest of Europe	7,053	7,282
	<u>41,733</u>	<u>42,601</u>

### 4. Profit for the year

Profit for the year has been arrived at after charging:

	<i>Year ended 2018 £'000</i>	<i>Year ended 2017 £'000</i>
Depreciation of property, plant and equipment	2,319	2,212
Loss on disposal of fixed assets	-	39
Amortisation of other intangible fixed assets	60	59
Foreign exchange losses	64	40
Operating lease rentals - land and buildings	-	17
Operating lease rentals - plant and machinery	153	184

As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own income statement for the year. The company reported a profit for the financial year ended 31 March 2018 of £9,443,000 (2017: £10,091,000).



## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 5. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	<i>Year ended 2018 £'000</i>	<i>Year ended 2017 £'000</i>
Fees payable to the company's auditor for the audit of the company's annual accounts	31	29
Fees payable to associates of the company's auditor and their associates for other services to the group:		
- The audit of the company's subsidiary	10	10
<b>Total audit fees</b>	<b>41</b>	<b>39</b>

There were no non-audit fees payable to the group's auditor in the current or prior year.

### 6. Employee benefit expenses

Employee benefit expenses (including directors) comprise:

<i>Group</i>	<i>Year ended 2018 £'000</i>	<i>Year ended 2017 £'000</i>
Wages and salaries	5,757	5,617
Social security costs	494	488
Other pension costs	448	414
	<b>6,699</b>	<b>6,519</b>

Included within wages and salaries costs are costs in respect of temporary sub-contracted agency employees of £486,000 (2017: £488,000).

The directors are the key management personnel of the group.

No director received remuneration from the company during the year (2017: same). The directors are employees of the two joint venture parties. No charge is levied by either joint venture party for services provided by the directors to the group (2017: same). The average monthly number of employees during the year, including directors was:

	<i>2018 No.</i>	<i>2017 No.</i>
Administration and distribution	192	195

Average employee numbers do not include temporary sub-contracted agency employees which totalled 29 (2017: 27).

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 7. Net finance costs

	<i>Year ended 2018 £'000</i>	<i>Year ended 2017 £'000</i>
<b>Finance income:</b>		
Bank interest receivable	17	25
<b>Finance costs:</b>		
Bank interest payable	(113)	(35)
Exchange losses on foreign currency deposits	(64)	(40)
	(177)	(75)
<b>Total net finance costs</b>	<b>(160)</b>	<b>(50)</b>

### 8. Tax on profit on ordinary activities

#### a) Analysis of tax charge in the year

##### Group

	<i>Year ended 2018 £'000</i>	<i>Year ended 2017 £'000</i>
<b>Current tax:</b>		
UK corporation tax on profits for the year	2,012	2,224
Adjustments in respect of previous years	-	(357)
<b>Total current tax</b>	<b>2,012</b>	<b>1,867</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	312	149
Adjustments in respect of previous years	(47)	-
Effect of changes in tax rates	-	(109)
<b>Total deferred tax (note 20)</b>	<b>265</b>	<b>40</b>
<b>Total tax expense for the year (note 8(b))</b>	<b>2,277</b>	<b>1,907</b>

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 8. Tax on profit on ordinary activities (continued)

b) The charge for the year can be reconciled to the profit in the income statement as follows:

	<i>Year ended 2018 £'000</i>	<i>Year ended 2017 £'000</i>
Profit on ordinary activities before tax	12,126	12,561
Tax at the UK corporation tax rate of 19% (2017: 20%)	2,304	2,512
<b>Effects of:</b>		
Tax effect of expenses that are not deductible in determining taxable profit	31	18
Effect of change in tax rates	-	(109)
Other differences	(11)	(157)
Adjustments to tax charge in respect of previous periods	(47)	(357)
Tax expense for the year (note 8(a))	2,277	1,907

Finance Act 2016, which was substantively enacted in finance bill 2016, included provisions to reduce the rate of UK corporation tax to 17% with effect from 1 April 2020. Accordingly, as this legislation was substantially enacted by 31 March 2018, deferred tax balances have been calculated at 17% in these financial statements.

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	<i>Year ended 2018 £'000</i>	<i>Year ended 2017 £'000</i>
Tax relating to items that may be reclassified to profit or loss	25	67

### 9. Dividends

	<i>Year ended 2018 £'000</i>	<i>Year ended 2017 £'000</i>
<i>Amounts recognised as distributions to equity holders in the period:</i>		
Final dividend for the year ended 31 March 2018 of 115.9p (2017: 231.9p) per ordinary share	10,000	20,000

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 10. Goodwill

#### Group

	<i>Goodwill</i> <i>£'000</i>
<b>Cost:</b>	
At 1 April 2016	802
Exchange adjustment	40
At 31 March 2017	<u>842</u>
At 31 March 2018	<u>842</u>
<b>Net book values:</b>	
At 31 March 2018	<u>842</u>
At 31 March 2017	<u>842</u>
At 1 April 2016	<u>802</u>

In accordance with IAS 36, goodwill is not amortised, but is reviewed annually for indications of impairment or more frequently if there are indications that goodwill might be impaired.

The goodwill relates to Edible Oils Limited Polska Sp. z o.o. and this is considered to be the only cash generating unit, with goodwill attached to it, within the group.

The recoverable amount has been determined on a value-to-use basis using the most recent 5 year projections. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year.

These assumptions have been revised in the year in light of the current economic environment which has resulted in more conservative estimates about the future. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry specific growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The group has conducted a sensitivity analysis on the impairment test. The directors have considered reasonably possible changes across all significant assumptions and none are present that would give rise to an indicator of impairment.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five/ten years based on estimated growth rates that do not exceed the average long-term growth rate for the relevant markets.

The cash flows are discounted at the group's pre-tax weighted average cost of capital of 8.90% (2017: 8.09%).

Based on the results of the current period impairment review, no impairment charges have been recognised by the group in the year ended 31 March 2018 (2017: £nil).

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 11. Other intangible assets

<i>Group and company</i>	<i>Brand names £'000</i>	<i>Brand licences £'000</i>	<i>Total £'000</i>
<b>Cost:</b>			
At 1 April 2016, 31 March 2017 and 31 March 2018	12,350	6,052	18,402
<b>Amortisation:</b>			
At 1 April 2016	-	5,516	5,516
Provided in the year	-	59	59
At 31 March 2017	-	5,575	5,575
Provided in the year	-	60	60
At 31 March 2018	-	5,635	5,635
<b>Net book value</b>			
At 31 March 2018	12,350	417	12,767
At 31 March 2017	12,350	477	12,827
At 1 April 2016	12,350	536	12,886

Brand licences are amortised over their estimated useful lives, which range from 10 to 15 years. The amortisation charge for the year totalling £60,000 (2017: £59,000) has been included within administrative expenses in the consolidated income statement.

Brand names are not amortised but are tested annually for impairment by an estimation of the value in use of the cash generating units to determine whether there is any indication the brands have suffered an impairment loss.

The recoverable amount has been determined on a value-to-use basis on each cash-generating unit using the most recent 5 year projections for each cash-generating unit. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year.

These assumptions have been revised in the year in light of the current economic environment which has resulted in more conservative estimates about the future. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the brand licences. The growth rates are based on industry specific growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The group has conducted a sensitivity analysis on the impairment test. The directors have considered reasonably possible changes across all significant assumptions and none are present that would give rise to an indicator of additional impairment.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and based on estimated growth rates that do not exceed the average long-term growth rate for the relevant markets.

The cash flows are discounted at the group's pre-tax weighted average cost of capital of 8.90% (2017: 8.09%).

Based on the results of the current period impairment review, no impairment charges have been recognised by the group in the year ended 31 March 2018 (2017: £nil).

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 12. Property, plant and equipment

<i>Group</i>	<i>Assets under construction £'000</i>	<i>Leasehold improvements £'000</i>	<i>Plant machinery and equipment £'000</i>	<i>Total £'000</i>
<b>Cost:</b>				
At 1 April 2016	1,043	11,706	29,110	41,859
Additions	2,024	6	46	2,076
Transfers	(1,525)	450	1,075	-
Disposals	-	-	(61)	(61)
Exchange adjustment	-	195	508	703
At 31 March 2017	1,542	12,357	30,678	44,577
Additions	1,252	-	5	1,257
Transfers	(2,035)	690	1,345	-
Disposals	-	-	(437)	(437)
Exchange adjustment	-	195	383	578
At 31 March 2018	759	13,242	31,974	45,975
<b>Depreciation:</b>				
At 1 April 2016	-	2,098	11,132	13,230
Provided in the year	-	295	1,917	2,212
Disposals	-	-	(22)	(22)
Exchange adjustment	-	31	194	225
At 31 March 2017	-	2,424	13,221	15,645
Provided in the year	-	342	1,977	2,319
Disposals	-	(7)	(430)	(437)
Exchange adjustment	-	131	193	324
At 31 March 2018	-	2,890	14,961	17,851
<b>Net book value:</b>				
At 31 March 2018	759	10,352	17,013	28,124
At 31 March 2017	1,542	9,933	17,457	28,932
At 1 April 2016	1,043	9,608	17,978	28,629

## Notes to the financial statements (continued)

For the year ended 31 March 2018

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

<i>Company</i>	<i>Assets under construction £'000</i>	<i>Leasehold improvements £'000</i>	<i>Plant machinery and equipment £'000</i>	<i>Total £'000</i>
<b>Cost:</b>				
At 1 April 2016	1,032	9,042	22,199	32,273
Additions	2,016	-	-	2,016
Transfers	(1,506)	450	1,056	-
Disposals	-	-	(61)	(61)
At 31 March 2017	1,542	9,492	23,194	34,228
Additions	1,172	-	-	1,172
Transfers	(2,033)	690	1,343	-
Disposals	-	-	(437)	(437)
At 31 March 2018	681	10,182	24,100	34,963
<b>Depreciation:</b>				
At 1 April 2016	-	1,676	8,496	10,172
Provided in the year	-	192	1,394	1,586
Disposals	-	-	(22)	(22)
At 31 March 2017	-	1,868	9,868	11,736
Provided in the year	-	235	1,516	1,751
Disposals	-	(7)	(430)	(437)
At 31 March 2018	-	2,096	10,954	13,050
<b>Net book value:</b>				
At 31 March 2018	681	8,086	13,146	21,913
At 31 March 2017	1,542	7,624	13,326	22,492
At 1 April 2016	1,032	7,366	13,703	22,101

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 13. Investments in subsidiaries

The subsidiary undertaking of Edible Oils Limited, which has been included in these consolidated financial statements, is as follows:

<i>Subsidiary undertakings</i>	<i>Place of business and registered office</i>	<i>Ordinary holding</i>	<i>Proportion of ownership interests and voting rights held</i>	<i>Nature of business</i>
Edible Oils Limited	Ul Chrobrego 29	Direct	100%	Processing of edible oils
Polska Sp. z o.o.	Szamotuly 64-500 Poland			

#### Company

*Subsidiary undertaking*  
*£'000*

Cost and net book value

At 1 April 2017 and 31 March 2018

4,673

### 14. Inventories

	<i>2018</i>	<i>Group</i>	<i>2018</i>	<i>Company</i>
	<i>£'000</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Raw materials and consumables	3,302	4,491	2,728	3,854
Finished goods and goods for resale	12,021	11,529	9,872	10,092
	<u>15,323</u>	<u>16,020</u>	<u>12,600</u>	<u>13,946</u>

The cost of inventories recognised as an expense during the year in respect of continuing operations was £208,000,000 (2017: £176,000,000).

Inventories of £nil (2017: £nil) are expected to be recovered after more than twelve months.

### 15. Trade and other receivables

	<i>2018</i>	<i>Group</i>	<i>2018</i>	<i>Company</i>
	<i>£'000</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade receivables	25,601	21,957	19,310	16,126
Amounts owed by related undertakings	6,185	273	6,185	-
Amounts owed by subsidiary undertakings	-	-	2,954	2,808
Other receivables	306	1,236	302	858
Prepayments	1,411	73	1,398	56
	<u>33,503</u>	<u>23,539</u>	<u>30,149</u>	<u>19,848</u>



## Notes to the financial statements (continued)

For the year ended 31 March 2018

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

Ageing of past due but not impaired receivables:

	<i>Group</i>		<i>Company</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
31-60 days	2,121	843	1,417	451
61-90 days	68	111	51	18
91-120 days	18	121	7	17
Total	<u>2,207</u>	<u>1,075</u>	<u>1,475</u>	<u>486</u>

The credit risk associated with receivables for the group are as per the directors' report, page 5, with credit risk management as per note 18. Group policies in managing credit risk are designed to reduce exposure to risks and minimise any losses and include dealing with creditworthy counterparties and the use of credit ratings provided by rating agencies which are applied to counterparties.

The group's largest 10 customers accounted for 58% of trade receivables as at 31 March 2018 (2017: 53%).

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

### 16. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	30,315	29,675	23,487	22,938
Amounts due to related undertakings	1,606	1,943	1,606	1,943
Accruals	651	1,665	945	1,568
	<u>32,572</u>	<u>33,283</u>	<u>26,038</u>	<u>26,449</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

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

### 17. Borrowings

<i>Group</i>	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>
Secured borrowing at amortised cost		
Bank overdrafts	1,380	1,453
Total borrowings	<u>1,380</u>	<u>1,453</u>
Amount due for settlement within 12 months	<u>1,380</u>	<u>1,453</u>

Bank overdrafts attract interest at a commercial rate and are repayable on demand. Overdrafts of £1,380,000 (2017: £1,453,000) have been secured with a fixed floating charge over the assets of the subsidiary.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 18. Financial instruments

#### Capital risk management

The group manages its capital to ensure that all group entities will be able to continue as going concerns while maximising the return to shareholders. The group's overall strategy remained unchanged from the prior year.

The capital structure of the group consists of net debt (borrowings disclosed in note 17 after deducting cash and bank balances) and equity of the group (comprising issued capital, other reserves and retained earnings).

The group is not subject to any externally imposed capital requirements.

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

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

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

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

#### Principal financial instruments

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

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Bank overdrafts
- Currency swaps

#### Derivative financial instruments and hedging

The group makes use of derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value, i.e. cost. Subsequent to initial recognition derivative financial instruments are measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement as a component of financing income or costs.

The fair value of the derivative financial instruments is the estimated amount that the group would receive or pay to terminate the instrument at the balance sheet date, taking into account current interest rates and the current creditworthiness of the instrument counterparties (see note 19).

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting or the company chooses to end the hedging relationship.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 18. Financial instruments (continued)

#### Cash flow hedges (foreign exchange risk)

The group uses derivative instruments (primarily currency swaps) to manage its foreign currency risk. The group designates these as cash flow hedges. The effective portion of changes in fair value of these instruments is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

#### Group

<b>Financial assets</b>	<b>Loans and receivables £'000</b>	<b>Derivatives used for hedging £'000</b>	<b>Total £'000</b>
Cash and cash equivalents	6,477	-	6,477
Trade and other receivables	31,956	-	31,956
Derivative financial instruments	-	62	62
<b>At 31 March 2018</b>	<b>38,433</b>	<b>62</b>	<b>38,495</b>
Cash and cash equivalents	15,806	-	15,806
Trade and other receivables	23,466	-	23,466
<b>At 31 March 2017</b>	<b>39,272</b>	<b>-</b>	<b>39,272</b>

<b>Financial liabilities</b>	<b>Other financial liabilities (amortised cost) £'000</b>	<b>Derivatives used for hedging £'000</b>	<b>Total £'000</b>
Trade and other payables	(32,572)	-	(32,572)
Current borrowings	(1,380)	-	(1,380)
Derivative financial instruments	-	(1)	(1)
<b>At 31 March 2018</b>	<b>(33,952)</b>	<b>(1)</b>	<b>(33,953)</b>
Trade and other payables	(33,283)	-	(33,283)
Current borrowings	(1,453)	-	(1,453)
Derivative financial instruments	-	(66)	(66)
<b>At 31 March 2017</b>	<b>(34,736)</b>	<b>(66)</b>	<b>(34,802)</b>

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 18. Financial instruments (continued)

#### Company

Financial assets	Loans and receivables £'000	Derivatives used for hedging £'000	Total £'000
Cash and cash equivalents	6,477	-	6,477
Trade and other receivables	28,751	-	28,751
Derivative financial instruments	-	62	62
<b>At 31 March 2018</b>	<b>35,228</b>	<b>62</b>	<b>35,290</b>
Cash and cash equivalents	15,806	-	15,806
Trade and other receivables	19,792	-	19,792
<b>At 31 March 2017</b>	<b>35,598</b>	<b>-</b>	<b>35,598</b>

Financial liabilities	Other financial liabilities (amortised cost) £'000	Derivatives used for hedging £'000	Total £'000
Trade and other payables	(26,038)	-	(26,038)
Derivative financial instruments	-	(1)	(1)
<b>At 31 March 2018</b>	<b>(26,038)</b>	<b>(1)</b>	<b>(26,039)</b>
Trade and other payables	(26,449)	-	(26,449)
Derivative financial instruments	-	(66)	(66)
<b>At 31 March 2017</b>	<b>(26,449)</b>	<b>(66)</b>	<b>(26,515)</b>

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

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

There has been no reclassification of assets or liabilities during the year (2017: none).

#### Financial risk management objectives

The group's treasury function is performed by the joint venture's shareholder, Princes Limited, which provides services to the business, manages and forecasts bank balances and monitors financial risks to the business.

The group seeks to minimise the effects of these risks by using derivative financial instruments and hedging.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 18. Financial instruments (continued)

#### Foreign currency risk management

It is the policy of the group to enter into forward foreign exchange contracts to cover all foreign currency payments and receipts. The group enters into forward foreign currency exchange contracts to manage the risk associated with sales and purchases from the date that contracts are agreed.

The following table details the group's sensitivity to a 1% increase and decrease in sterling against relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 1% change in foreign currency rates. No adjustment has been made for the compensating impact of open forward foreign exchange contracts or for the reduction in tax.

<i>Currency</i>	<i>Impact on equity</i>	
	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>
Polish Zloty	(1,061)	(1,563)

#### Forward foreign currency exchange contracts

It is the policy of the group to enter into forward foreign exchange contracts to cover all foreign currency payments and receipts. The group enters into forward foreign currency exchange contracts to manage the risk associated with sales and purchases from the date that contracts are agreed. The following table details the forward foreign currency ('FC') contracts outstanding as at the year-end:

<i>Group and company</i>	<i>Notional value</i>		<i>Fair value</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cash flow hedges</b>				
<i>Buy</i>				
Less than 12 months	878	-	(1)	-
<b>Currency swaps</b>	2,971	2,766	62	(66)
			<u>61</u>	<u>(66)</u>

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates within the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward exchange contracts as at 31 March 2018 are recognised in the consolidated statement of comprehensive income.

#### Interest rate risk management

The group's exposure to interest rate risk is managed by the group by maintaining an appropriate mix between fixed and floating rate borrowings. Due to the nature of the group's borrowings, principally short-term overdraft facilities, the exposure to interest rate risk is considered to be immaterial.

#### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The group use external credit ratings provided by rating agencies are applied to counterparties. The group's exposure and the credit ratings of its counterparties are continuously monitored and controlled with counterparty limits that are reviewed and approved in line with group policies. The group has credit insurance in place and as such the exposure is limited to the excess on the insurance policy.

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

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 18. Financial instruments (continued)

#### Liquidity risk management

Ultimate responsibility for liquidity risk management rest with the board of directors, which has established an appropriate liquidity risk management framework for the management of the group's short, medium and long term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate cash reserves and banking facilities, by regularly monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The group's borrowing facilities and financial instruments held to manage liquidity risk are included elsewhere in this note and also in note 17.

#### Fair value measurement

The financial instruments included on the group's balance sheet are measured at fair value or amortised cost. The measurement of this fair value can in some cases be subjective and can depend on the inputs used in the calculations. The different valuation methods are called 'hierarchies' and are described below:

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair values measured using inputs, other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3: Fair values measured using inputs for the asset or liability that are not based on observable market data.

### 19. Derivative financial instruments

#### Group and company

#### Derivative financial assets

*Derivatives that are designated and effective as hedging instruments carried at fair value:*

- Currency swaps

#### Total derivative financial assets

<i>Current</i>	
<i>2018</i>	<i>2017</i>
<i>£'000</i>	<i>£'000</i>

62	-
<u>62</u>	<u>-</u>

#### Derivative financial liabilities

*Derivatives that are designated and effective as hedging instruments carried at fair value:*

- Forward foreign currency contracts

- Currency swaps

#### Total derivative financial liabilities

<i>Current</i>	
<i>2018</i>	<i>2017</i>
<i>£'000</i>	<i>£'000</i>

(1)	-
-	(66)
<u>(1)</u>	<u>(66)</u>

Currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Foreign exchange risk arises when group enter into transactions denominated in a currency other than their functional currency. To cover this risk treasury will enter into a matching forward foreign exchange contract with a reputable bank.

Further details of derivative financial instruments are provided in note 18.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 20. Deferred tax

The following are the major deferred tax liabilities recognised by the group and movements thereon during the current and prior reporting year.

<i>Group</i>	Accelerated capital allowances £'000	Revaluation of financial assets £'000	Other timing differences £'000	<i>Total</i> £'000
At 1 April 2016	2,070	(80)	(10)	1,980
Charge to profit or loss	162	-	(13)	149
Charge to other comprehensive income	-	67	-	67
Effect of change in tax rate	(110)	-	1	(109)
At 31 March 2017	2,122	(13)	(22)	2,087
Charge to profit or loss	264	-	1	265
Charge to other comprehensive income	-	25	-	25
At 31 March 2018	2,386	12	(21)	2,377

<i>Company</i>	Accelerated capital allowances £'000	Revaluation of financial assets £'000	Other timing differences £'000	<i>Total</i> £'000
At 1 April 2016	2,019	(80)	(10)	1,929
Charge to profit or loss	185	-	(13)	172
Charge to other comprehensive income	-	67	-	67
Effect of change in tax rate	(110)	-	1	(109)
At 31 March 2017	2,094	(13)	(22)	2,059
Charge to profit or loss	104	-	1	105
Charge to other comprehensive income	-	25	-	25
At 31 March 2018	2,198	12	(21)	2,189

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

	<i>Group</i>		<i>Company</i>	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Deferred tax asset	-	13	-	13
Deferred tax liability	2,377	2,100	2,189	2,072
Net deferred tax liability	2,377	2,087	2,189	2,059

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 21. Share capital

	2018 £'000	2017 £'000
Authorised share capital:		
<i>Allotted, called up and fully paid</i>		
4,313,000 "A" ordinary shares of £1 each	4,313	4,313
4,313,000 "B" ordinary shares of £1 each	4,313	4,313
	<u>8,626</u>	<u>8,626</u>

Both classes of shares rank pari passu.

### 22. Capital commitments

	<i>Group</i>		<i>Company</i>	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Amounts contracted but not provided for	<u>147</u>	<u>331</u>	<u>147</u>	<u>331</u>

### 23. Operating lease arrangements

Lease payments under operating leases recognised as an expense in the year totalled £153,000 (2017: £201,000).

At 31 March 2018 the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

#### *Group and company*

	<i>Buildings</i>		<i>Other</i>		<i>Total</i>	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within one year	-	11	133	182	133	193
In the second to fifth year inclusive	-	44	223	353	223	397
After five years	-	381	6	-	6	381
	<u>-</u>	<u>436</u>	<u>362</u>	<u>535</u>	<u>362</u>	<u>971</u>

Operating lease payments include rentals payable by the group for certain of its office properties, plant and equipment and vehicles. The lease terms vary in duration and are all priced at prevailing market rates.



## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 24. Related party transactions

Princes Limited and Pura Foods Limited each own 50% of the issued share capital of the company.

#### Trading transactions

During the year, the group entered into the following transactions with members of the Princes Limited and Pura Foods Limited groups:

Group	Sale of goods		Purchase of goods	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Princes Limited Group	237,254	204,321	2,965	3,864
Pura Foods Limited	-	-	314	364
ADM International SARL	-	-	129,856	45,597
ADM Szamotuly Sp. Z O.O	-	-	698	-
ADM Poland SP. Z O.O.	-	-	6	-
ADM Trading (UK) Limited	-	-	15	34,556
ADM Speciality Ingredients (Europe) BV	-	-	89	-

Group	Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Princes Limited Group	31,750	15,263	1,606	2,548
Pura Foods Limited	-	-	17	3
ADM International SARL	-	-	14,076	11,169
ADM Szamotuly Sp. Z O.O	-	-	55	-
ADM Poland SP. Z O.O.	-	-	1	-
ADM Trading (UK) Limited	-	-	-	18
ADM Speciality Ingredients (Europe) BV	-	6,596	10	-

Lease premiums included property, plant and equipment (note 12) relate to properties owned by Princes Limited, Pura Foods Limited and ADM Szamotuly Sp. z o.o. which have been leased to the group. The net book values of the original premiums related to the properties owned by Princes Limited, Pura Foods Limited and ADM Szamotuly Sp. z o.o. at the year end were £3,714,000 (2017: £3,810,000), £2,725,000 (2017: £2,796,000) and £750,000 (2017: £739,000) respectively. During the year, lease rentals of £nil (2017: £6,000) and £nil (2017: £11,000) were payable to Princes Limited and Pura Foods Limited respectively.

All transactions were in the normal course of business and the prices for each individual purchase and sale were arm's length prices.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 24. Related party transactions (continued)

Company	Sale of goods		Purchase of goods	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Princes Limited Group	178,860	151,950	2,768	2,720
Pura Foods Limited	-	-	314	364
ADM Trading (UK) Limited	-	-	15	34,556
ADM International SARL	-	-	77,658	-
ADM Speciality Ingredients (Europe) BV	-	-	89	-
	Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Princes Limited Group	25,495	15,263	1,606	1,943
Pura Foods Limited	-	-	17	3
ADM Trading (UK) Limited	-	-	-	18
ADM International SARL	-	-	8,570	-
ADM Speciality Ingredients (Europe) BV	-	-	10	6,073

During prior years, the company made a loan to its subsidiary undertaking, Edible Oils Limited Polska Sp. z o.o. At 31 March 2018, the outstanding balance owed on this loan is £2,954,000 (2017: £2,808,000).

Lease premiums included property, plant and equipment (note 12) relate to properties owned by Princes Limited and Pura Foods Limited which have been leased to the company. The net book values of the original premiums related to the properties owned by Princes Limited and Pura Foods Limited at the year end were £3,714,000 (2017: £3,810,000) and £2,725,000 (2017: £2,796,000) respectively. During the year, lease rentals of £nil (2017: £6,000) and £nil (2017: £11,000) were payable to Princes Limited and Pura Foods Limited respectively.

All transactions were in the normal course of business and the prices for each individual purchase and sale were arm's length prices.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 25. Notes to the cash flow statements

<i>Group</i>	<i>2018</i> <i>£'000</i>	<i>2017</i> <i>£'000</i>
<b>Profit for the year</b>	9,849	10,654
<b>Adjustments for:</b>		
Income tax expense	2,277	1,907
Finance costs	113	35
Finance income	(17)	(25)
Exchange losses	64	40
Depreciation of property, plant and equipment	2,319	2,212
Loss on disposal of property, plant and equipment	-	39
Amortisation of intangible fixed assets	60	59
<b>Operating cash flows before movements in working capital</b>	<b>14,665</b>	<b>14,921</b>
Decrease/ (increase) in inventories	697	(6,401)
(Increase) in receivables	(9,964)	(1,095)
(Decrease) / increase in payables	(1,145)	4,405
<b>Cash generated by operations</b>	<b>4,253</b>	<b>11,830</b>
Income taxes paid	(2,208)	(2,031)
Interest paid	(113)	(35)
Interest received	17	25
<b>Net cash from operating activities</b>	<b>1,949</b>	<b>9,789</b>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

## Notes to the financial statements (continued)

For the year ended 31 March 2018

### 25. Notes to the cash flow statements (continued)

<i>Company</i>	<i>2018</i> <i>£'000</i>	<i>2017</i> <i>£'000</i>
<b>Profit for the year</b>	9,443	10,091
<b>Adjustments for:</b>		
Income tax expense	2,174	2,033
Finance costs	131	48
Finance income	(17)	(25)
Depreciation of property, plant and equipment	1,751	1,586
Loss on disposal of property, plant and equipment	-	39
Amortisation of intangible fixed assets	60	59
<b>Operating cash flows before movements in working capital</b>	13,542	13,831
Decrease/ (increase) in inventories	1,346	(5,951)
(Increase) / decrease in receivables	(10,301)	1,592
(Decrease) / increase in payables	(410)	3,491
<b>Cash generated by operations</b>	4,177	12,963
Income taxes paid	(2,208)	(2,031)
Interest paid	(131)	(48)
Interest received	17	25
<b>Net cash from operating activities</b>	1,855	10,909

Cash and cash-equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

### 26. Shareholding companies and ultimate controlling parties

Edible Oils Limited is a joint venture with 50% of the issued share capital being held by Princes Limited, whose ultimate parent undertaking and controlling party is Mitsubishi Corporation, and 50% being held by Pura Foods Limited, whose ultimate parent undertaking and controlling party is Archer Daniels Midland Company Inc.

The financial statements of Princes Limited are available to the public from Companies House. Copies of the group financial statements of Mitsubishi Corporation are available from the following address:

Investor Relations Department  
Mitsubishi Corporation  
3 - 1 Marunouchi  
2-Chome  
Chiyoda-Ku  
Tokyo  
100-8086  
Japan

The financial statements of Pura Foods Limited are available to the public from Companies House. Copies of Archer Daniels Midland Company Inc. are available online at [www.ADM.com](http://www.ADM.com).