Registered No: 02667268

Eurilait Limited

Report and Financial Statements

28 December 2019

Directors
J-M Le Bris
G Rabouille
J P Millward

Secretary
Y Borgne

Auditors
Ernst & Young LLP
The Paragon
Counterslip
Bristol BS1 6BX

Bankers
Barclays Bank plc
Churchill Plaza
Churchill Way
Basingstoke
RG21 7GP

Registered Office
Leighton Lane Industrial Estate
Leighton Lane
Evercreech
Shepton Mallet
Somerset BA4 6LQ
United Kingdom

Strategic report

The directors present their strategic report for the period ended 28 December 2019.

Principal activities and review of the business

The company is engaged in the packing and distribution of speciality dairy to retailers, food manufacturers and wholesalers across the UK and Ireland. There have been no significant changes in the company's activities in the period under review.

The company's revenue increased during the year from £67,681,179 to £71,322,897. The launch of new products has been a factor in this increase in revenue. The company has continued to focus on growth in added value products to drive a more profitable mix of sales. As a result, the company has increased operating profit from £765,512 to £850,950.

Future developments

The market for continental dairy remains highly competitive. Focus on the highest levels of product quality and service level to customers is therefore essential to be successful in this environment. The company's focus looking forward will be on developing new products and adding value through its cutting and packing operations. Maintaining a diverse set of retail, food service and industrial customers ensures the company is not reliant on one particular customer or product for commercial success.

Principal risks and uncertainties

The company purchases some product from Europe in Euros. The company is therefore exposed to movements in the Euro to Sterling exchange rate. The Director of Finance monitors the net exposure and uses several financial instruments to manage foreign exchange risk.

The foreign exchange contracts in place at the period end are detailed in note 16.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers, and to protect against the default of those debts by using a credit insurer. The company has a loan facility for £6,000,000 with Barclays Bank. The board monitors cash flow as part of its day to day control procedures. The Board considers cash flow projections on a regular basis and ensures that appropriate facilities are available to be drawn upon as necessary.

Key performance indicators

	28 December 2019	*29 December 2018*
Operating profit %	1	1
Trade debtor days	93	95

Health and safety

The company incorporates health and safety policy into its daily operations to protect both employees and customers. Food safety is critical to the success of the company and the company is regularly audited by both customers and independent external parties. Changes to health and safety laws and regulations are monitored and implemented by the company and communicated to employees as required.

Brexit

The Directors monitored developments during the financial year and put in place risk mitigation plans in the event of a disorderly UK exit from the EU. With the transition period secured, the company's focus is now on the details and nature of the UK's future trading relationship with the EU. As an importer of products from the EU, the company will ensure it is prepared to trade in line with whatever form the future relationship takes. Risks such as supply chain disruption and currency fluctuations will continue to be managed with mitigations put in place where appropriate.

Strategic Report (continued)

Corona Virus

The coronavirus pandemic poses an unprecedented set of circumstances for Euriliat Limited. Our key priority is the health and safety of staff, customers and business partners. The Company falls within the definition of an "Essential Business" and has therefore maintained its trading activities within the context of new working protocols and social distancing.

The directors are actively monitoring the ongoing, uncertain and fast evolving situation regarding Corona Virus (COVID-19). The company's position is to apply the government guidance on all matters impacting the company's operations. The company is in regular dialogue with parent companies, suppliers and customers as it responds pragmatically to the wider public health environment.

We have continued to deliver the highest quality products to our customers. Eurilait's production and warehouse have been fully operational since the start of COVID-19. Measures to reduce social contact have been taken wherever possible. Full quality control support is provided as normal to support production. Staff absenteeism has been very low since March 2020. Eurilait's logistics providers have continued to operate as normal. Eurilait has secured additional space beyond the Evercreech site for chilled and frozen storage space that is in high demand across the UK to enable the business to plan our ramp up for Christmas 2020.

The response of our staff to the pandemic and the adoption of new working protocols has been tremendous. All employees who can work from home and have roles that do not require them to be present on site have been working remotely since March. No adverse impact has been noted to productivity or business support.

Quality standards

The company has the following accreditation at 28 December 2019

British Retail Consortium (BRC) Global Standard for Food (issue 8) safety: Grade AA+.

British Retail Consortium (BRC) Traded Goods: Certified

Forest Stewardship Certification (FSC): Certified

On behalf of the Board

J-M Le Bris
Director
Date: 27th May 2020

Registered No. 02667268

Directors' report

The directors present their report and financial statements for the period ended 28 December 2019.

Results and dividends

The profit for the period after taxation amounted to £638,113 (period ended 29 December 2018 - £529,079). The directors do not recommend a final dividend (period ended 29 December 2018 – £nil). During the period an interim dividend was paid of £500,000 (period ended 29 December 2018 – £500,000).

Going concern

The company's business activities and financial position are described in the strategic report.

In assessing the going concern position of the Company for the period ended 28 December 2019 the directors have considered the Company's cash flows, liquidity and business activities. As at December 2019 the Company's funding was mainly provided by Barclays Bank plc and consisted of a £6million credit facility. This facility was renewed for a further 12 months during April 2020. Based on the Company's forecasts and funding arrangements, the Directors have adopted the going concern basis in preparing the Financial Statements.

The Directors have made this assessment after consideration of the Company's cash flows and related assumptions with due consideration of the potential impact of the COVID-19 pandemic on the operating performance of the Company over the next twelve-month period. This assessment has taken into account recent business performance achieved in the period leading up to and beyond the point of government-imposed restrictions ('lockdown'). The Company's business is seasonal, with peak sales occurring during the December festive season.

Operationally the Company has implemented a number of actions to manage costs and cash in order to maintain sufficient working capital within secured funding facilities. These include but are not limited to; delay or deferral of non-essential operating costs and appropriate utilisation of the Job Retention Scheme.

The Company's financial modelling recognises performance to date and further assumes that the sharp reduction in foodservice trading volume and revenue which occurred during Q2 2020, which was directly linked to the government imposed restrictions on movement and gatherings, causing restaurants, pubs, cafes and other 'food to go' establishments to shut their doors, will continue to be impacted throughout the second half of 2020. With foodservice customers recovering gradually to normal levels of trading towards Q4 2020 when lockdown eases. It has been assumed that retail volume trading will continue at its current level, as major food retail outlets remain open. As is the case every financial year as a result of Eurilait's retail seasonality and Christmas peak in sales, the Company has to purchase and significantly increase its levels of stock by November 2020 in advance of receiving payments from customers.

To manage this situation Eurilait fully utilises the previously referenced credit facility with Barclays Bank plc and extends intercompany payment terms until all customer receipts are collected in Q1 2021. Our parent has provided a formal commitment to extend intercompany payment terms from November 2020 until February 2021. Without the extension of the intercompany payment terms our financial modelling indicates that we may be unable to operate within our existing funding limits. The company's approach to managing this impact of seasonal trading on working capital is well established over several years and is supported by parent companies. On this basis, the Directors believe that the Company can generate sufficient working capital to operate within its available funding over the next 12 months.

In arriving at their assessment, the Directors have also considered the impact of more severe trading conditions and considered downside scenarios in respect of unanticipated reductions in business activity and volumes. These downside scenarios incorporate a further reduction in foodservice activity and new business opportunities in retail proving unsuccessful, leading to a 50% reduction in foodservice revenues and the consequential impact that would have on cashflow. The financial impact of these downside scenarios indicates that the Company would continue to operate within its available funding over the next 12 months.

Events since the statement of financial position date

Since the preparation of the financial statements there has been a global pandemic, or Covid-19, which has had significant and unprecedented impact on the way business is being conducted. We believe that the impact of this will be felt in the second quarter of our business. Trading activity up to April 2020 has been consistent with last year and in fact March was a very busy trading month. Q1 2020 revenues were ahead of last year and budget.

We have put measures in place to ensure production and warehouse operations are at normal capacity and fully operational. The Company falls within the definition of an 'Essential Business' and has therefore maintained its trading activities within the context of new working protocols and social distancing. However, we do expect demand for foodservice lines to reduce due to social restrictions put in place during the UK 'lockdown'. The biggest proportion of our income comes from national supermarkets with a strong weighting towards Christmas trading which we expect to be strong in 2020, with the majority of Christmas listings already confirmed. We are expecting increased bad debt risk and some deferral of payments from smaller customers, but credit insurance and robust credit control procedures are in place. Despite these reductions in income, we have analysed our cashflow and we are confident that our financing facilities coupled with parent company support will mean we can withstand this fall in income over the next 12 months. We have put actions in place to reduce costs to conserve cash and defer non-essential capital and operating expenditure. In parallel we are looking at and are fully aware of the Government support options for business in the event that we need to take advantage of these.

Directors

The directors who served the company during the period and to the date of approval of the report were as follows:

J-M Le Bris
O J A Athimon (resigned 15 November 2019)
J P Millward
G Rabouille (appointed 15 November 2019)

Disclosure of information to the auditors

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

Auditors

The auditors Ernst & Young LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

J-M Le Bris
Director
Date: 27th May 2020

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EURILAIT LIMITED

Opinion

We have audited the financial statements of Eurilait Limited for the period ended 28th December 2019 which comprise the Statement of comprehensive income, the Statement of financial position, Statement of changes in equity, Statement of cash flows, and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 28th December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter – Disclosures in relation to the effects of COVID-19.

We draw attention to Notes 1 and 22 of the financial statements, which describe the financial and operational consequences the company is facing as a result of COVID-19 and the commitment of the parent entity to provide an extension of intercompany payment terms from November 2020 until February 2021. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Ernst & Young LLP

Elizabeth Gray (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
Date: 27 May 2020

Statement of comprehensive income

for the period ended 28 December 2019

	Notes	*Period ended 28 December 2019* £	*Period ended 29 December 2018* £
Turnover	2	71,322,897	67,681,179
Cost of sales		(63,314,901)	(60,255,796)
Gross profit		8,007,996	7,425,383
Administrative expenses		(7,157,046)	(6,659,871)
Operating profit	3	850,950	765,512
Interest payable and similar charges	6	(61,002)	(89,905)
Profit on ordinary activities before taxation		789,948	675,607
Tax	7	(151,835)	(146,528)
Profit for the financial period		638,113	529,079
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		638,113	529,079

All amounts relate to continuing activities.

Statement of financial position

at 28 December 2019

	Notes	28 December 2019 £	29 December 2018 £
Fixed assets			
Tangible assets	9	423,908	357,638
Current assets			
Stocks	10	2,118,003	2,057,840
Debtors	11	18,973,912	18,424,189
Cash at bank and in hand		34,607	233,249
		21,126,522	20,715,278
Creditors: amounts falling due within one year	12	(20,171,416)	(19,834,752)
Net current assets		955,106	880,526
Total assets less current liabilities		1,379,014	1,238,164
Provisions for liabilities	13	(176,542)	(173,805)
Net assets		1,202,472	1,064,359
Capital and reserves			
Called up share capital	14	5,000	5,000
Profit and loss account		1,197,472	1,059,359
Shareholders' funds		1,202,472	1,064,359

The financial statements of Eurilait Limited were authorised for issue by the Board of Directors and signed on its behalf by

J-M Le Bris
Director
Date: 27th May 2020

Statement of changes in equity

at 28 December 2019

	Notes	Share capital	Profit and loss account	Total equity
		£	£	£
As at 30 December 2017		5,000	1,030,280	1,035,280
Total comprehensive income for the period		-	529,079	529,079
Equity dividends paid		-	(500,000)	(500,000)
At 29 December 2018		5,000	1,059,359	1,064,359
Total comprehensive income for the period		-	638,113	638,113
Equity dividends paid	8	-	(500,000)	(500,000)
At 28 December 2019		5,000	1,197,472	1,202,472

Statement of cash flows

for the period ended 28 December 2019

	Note	*Period ended 28 December 2019* £	*Period ended 29 December 2018* £
Net cash inflow from operating activities	15(a)	707,577	2,650,811
Returns on investments and servicing of finance			
Interest paid		(61,002)	(89,905)
Net cash outflow from operating activities		(61,002)	(89,905)
Taxation			
Corporation tax paid		(143,924)	(145,917)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(282,892)	(91,168)
Net cash outflow from capital expenditure and financial investment		(282,892)	(91,168)
Equity dividends paid	8	(500,000)	(500,000)
(Decrease)/Increase in cash		(280,241)	1,823,821

Reconciliation of net cash flow to movement in net debt

	Note	*Period ended 28 December 2019* £	*Period ended 29 December 2018* £
(Decrease)/Increase in cash		(280,241)	1,823,821
Net debt at 29 December 2018		(2,142,314)	(3,966,135)
Net debt at 28 December 2019	15 (b)	(2,422,555)	(2,142,314)

Notes to the financial statements

at 28 December 2019

1. Accounting policies

Basis of preparation and statement of compliance

Eurilait Limited is a private company limited by shares and incorporated in England and Wales. The Registered Office is Leighton Lane Industrial Estate, Leighton Lane, Evercreech, Shepton Mallet, Somerset, BA4 6LQ, United Kingdom.

These financial statements were authorised for issue by the Board of Directors on 27th May 2020. The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) under the historical cost convention, as modified by the valuation at fair value of certain financial assets and liabilities and in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £1.

The principal accounting policies adopted by the Company are set out below and have been consistently applied throughout the year.

Going concern

In assessing the going concern position of the Company for the period ended 28 December 2019 the directors have considered the Company's cash flows, liquidity and business activities. As at December 2019 the Company's funding was mainly provided by Barclays Bank plc and consisted of a £6million credit facility. This facility was renewed for a further 12 months during April 2020. Based on the Company's forecasts and funding arrangements, the Directors have adopted the going concern basis in preparing the Financial Statements.

The Directors have made this assessment after consideration of the Company's cash flows and related assumptions with due consideration of the potential impact of the COVID-19 pandemic on the operating performance of the Company over the next twelve-month period. This assessment has taken into account recent business performance achieved in the period leading up to and beyond the point of government-imposed restrictions ('lockdown'). The Company's business is seasonal, with peak sales occurring during the December festive season.

Operationally the Company has implemented a number of actions to manage costs and cash in order to maintain sufficient working capital within secured funding facilities. These include but are not limited to; delay or deferral of non-essential operating costs and appropriate utilisation of the Job Retention Scheme.

The Company's financial modelling recognises performance to date and further assumes that the sharp reduction in foodservice trading volume and revenue which occurred during Q2 2020, which was directly linked to the government imposed restrictions on movement and gatherings, causing restaurants, pubs, cafes and other 'food to go' establishments to shut their doors, will continue to be impacted throughout the second half of 2020. With foodservice customers recovering gradually to normal levels of trading towards Q4 2020 when lockdown eases. It has been assumed that retail volume trading will continue at its current level, as major food retail outlets remain open. As is the case every financial year as a result of Eurilait's retail seasonality and Christmas peak in sales, the Company has to purchase and significantly increase its levels of stock by November 2020 in advance of receiving payments from customers.

To manage this situation Eurilait fully utilises the previously referenced credit facility with Barclays Bank plc and extends intercompany payment terms until all customer receipts are collected in Q1 2021. Our parent has provided a formal commitment to extend intercompany payment terms from November 2020 until February 2021. Without the extension of the intercompany payment terms our financial modelling indicates that we may be unable to operate within our existing funding limits. The company's approach to managing this impact of seasonal trading on working capital is well established over several years and is supported by parent companies. On this basis, the Directors believe that the Company can generate sufficient working capital to operate within its available funding over the next 12 months.

Notes to the financial statements

at 28 December 2019

In arriving at their assessment, the Directors have also considered the impact of more severe trading conditions and considered downside scenarios in respect of unanticipated reductions in business activity and volumes. These downside scenarios incorporate a further reduction in foodservice activity and new business opportunities in retail proving unsuccessful, leading to a 50% reduction in foodservice revenues and the consequential impact that would have on cashflow. The financial impact of these downside scenarios indicates that the Company would continue to operate within its available funding over the next 12 months.

Notes to the financial statements

at 28 December 2019

1. Accounting policies (continued)

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax.

Revenue is recognised on the despatch of goods to customers.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Tangible fixed assets

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

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Plant and machinery	–	25% per annum
Motor vehicles	–	25% per annum
Office equipment	–	25% per annum

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

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Foreign currencies

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position date. Any differences are taken to the statement of comprehensive income.

Notes to the financial statements

at 28 December 2019

1. Accounting policies (continued)

Derivative instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through the statement of comprehensive income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The company does not undertake any hedge accounting transactions.

Leasing and hire purchase arrangements.

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the statement of comprehensive income.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

Pensions

Contributions to the company's defined contribution pension scheme are charged to the statement of comprehensive income in the period in which they become payable.

Critical accounting judgments and estimation uncertainties

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the statement of financial position date:

i) provision for excess and slow-moving inventory
ii) provision for bad and doubtful debts

Notes to the financial statements

at 28 December 2019

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report

An analysis of turnover by geographical market is given below:

	Period ended 28 December 2019	*Period ended 29 December 2018*
	£	*£*
United Kingdom	68,154,097	64,973,932
Europe	3,168,800	2,707,247
	71,322,897	67,681,179

3. Operating profit

This is stated after charging/(crediting):

Period ended			*Period ended 28 December 2019*	*Period ended 29 December 2018*
			£	*£*
Auditors' remuneration	–	audit related services	29,650	21,470
	–	taxation compliance services	6,025	5,750
Exchange differences			(78,174)	(2,738)
Depreciation of owned fixed assets			210,800	294,958
Operating lease rentals	–	land and buildings	397,674	410,952
	–	plant and machinery	80,864	124,847

4. Directors' remuneration

	Period ended 28 December 2019	*Period ended 29 December 2018*
	£	*£*
Aggregate remuneration in respect of qualifying services	190,318	162,945
Company contributions paid to defined contribution pension schemes	13,602	13,164
	No.	*No.*
Number of directors with defined contribution pension schemes	1	1

Notes to the financial statements

at 28 December 2019

5. Staff costs

	Period ended 28 December 2019	*Period ended 29 December 2018*
	£	*£*
Wages and salaries	3,632,504	3,439,719
Social security costs	405,889	387,302
Other pension costs	145,590	135,632
	4,183,983	3,962,653

The average monthly number of employees (including directors) during the period was made up as follows:

	Period ended 28 December 2019	*Period ended 29 December 2018*
	No.	*No.*
Administration	16	11
Sales and marketing	14	14
Stock handling	75	60
	105	85

6. Interest payable and similar charges

	Period ended 28 December 2019	*Period ended 29 December 2018*
	£	*£*
Bank overdraft	61,002	89,905
	61,002	89,905

Notes to the financial statements

at 28 December 2019

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	Period ended 28 December 2019	*Period ended 29 December 2018*
	£	*£*
Current tax:		
UK corporation tax on the profit for the period	149,098	140,926
Adjustment in respect of previous periods	-	4,991
Total current tax	149,098	145,917
Deferred tax:		
Origination and reversal of timing differences	3,060	6,818
Adjustment in respect of previous periods	(1)	(5,171)
Effect of changes in tax rate	(322)	(1,036)
Total deferred tax	2,737	611
Tax on profit on ordinary activities	151,835	146,528

(b) Factors affecting tax charge for the period

The tax assessed for the period is higher than (2018 higher than) from the standard rate of corporation tax in the UK of 19% (period ended 29 December 2018 – 19%). The differences are explained as follows:

	Period ended 29 December 2018	*Period ended 29 December 2018*
	£	*£*
Profit on ordinary activities before tax	789,948	675,607
Tax on profit at standard UK rate of 19.00% (2018: 19%)	150,090	128,365
Effects of:		
Expenses not deductible for tax purposes	2,068	19,380
Adjustments to tax in respect of previous periods	(1)	(180)
Effect of variable tax rates on total tax	(322)	(1,037)
Total tax for the period	151,835	146,528

Notes to the financial statements

at 28 December 2019

8. Dividends

	Period ended 28 December 2019	*Period ended 29 December 2018*
	£	*£*
Interim dividend paid of £100.00 per share (period ended 29 December 2018 – £100.00) per share	500,000	500,000

9. Tangible fixed assets

	Plant and machinery	*Motor vehicles*	*Office equipment*	*Total*
	£	*£*	*£*	*£*
Cost:				
At 29 December 2018	2,104,809	85,149	1,079,219	3,269,177
Additions	224,809	-	58,083	282,892
Disposals	(10,145)	(21,495)	-	(31,640)
At 28 December 2019	2,319,473	63,654	1,137,302	3,520,429
Depreciation:				
At 29 December 2018	2,002,469	54,847	854,223	2,911,539
Charged during the period	74,016	16,361	120,423	210,800
Disposals	(10,145)	(15,673)	-	(25,818)
At 28 December 2019	2,066,340	55,535	974,646	3,096,521
Net book value:				
At 28 December 2019	253,133	8,119	162,656	423,908
At 29 December 2018	102,340	30,302	224,996	357,638

10. Stocks

	28 December 2019	*29 December 2018*
	£	*£*
Finished goods and goods for resale	2,118,003	2,057,840

In the directors' opinion, there were no significant differences between the replacement cost and the amount at which goods for resale were stated in the financial statements.

Stock recognised in cost of sales during the period as an expense was £61,620,023 (period to 29 December 2018 £58,855,766)

Notes to the financial statements

at 28 December 2019

11. Debtors

	28 December 2019 £	29 December 2018 £
Trade debtors	18,224,001	17,586,820
Amounts owed from group undertakings	92,293	79,312
Amounts owed from associated undertakings	125,233	85,828
Prepayments and accrued income	272,423	204,223
Other debtors	-	136,790
Other tax debtor	259,962	331,216
	18,973,912	18,424,189

All amounts shown under debtors fall due for payment within one year.

12. Creditors: amounts falling due within one year

	28 December 2019 £	29 December 2018 £
Bank overdrafts (secured)	2,457,162	2,375,563
Trade creditors	7,594,928	6,309,883
Amounts owed to group undertakings	4,641,814	5,484,074
Amounts owed to associated undertakings	3,661,553	3,898,091
Current corporation tax	69,098	63,924
Other creditors	86,623	27,010
Accruals and deferred income	1,660,238	1,676,207
	20,171,416	19,834,752

The bank overdrafts are secured by an unlimited debenture over all of the company's assets.

Notes to the financial statements

at 28 December 2019

13. Provisions for liabilities

	Deferred taxation	*Dilapidations provision*	*Total*
	£	*£*	*£*
At 29 December 2018	8,805	165,000	173,805
Charged to statement of comprehensive income	2,737	-	2,737
At 28 December 2019	11,542	165,000	176,542

Deferred taxation

	28 December 2019	*29 December 2018*
	£	*£*
Accelerated capital allowances	25,380	5,090
Sundry timing differences	(13,838)	3,715
	11,542	8,805

Dilapidations provision

A provision is recognised for expected costs to be incurred to reinstate the leased warehouse to its original state at the end of the lease period in 2029.

14. Issued share capital

		28 December 2019		*29 December 2018*
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £1 each	5,000	5,000	5,000	5,000

Notes to the financial statements

at 28 December 2019

15. Notes to the statement of cash flows

(a)

	Period ended 28 December 2019 £	*Period ended 29 December 2018* £
Operating profit	850,950	765,512
Depreciation of tangible fixed assets	210,800	294,958
Loss on sale of tangible fixed assets	5,822	-
(Increase)/Decrease in stocks	(60,163)	512,172
(Increase)/Decrease in debtors	(549,723)	488,302
Increase in creditors	249,891	589,867
Net cash inflow from operating activities	707,577	2,650,811

(b) Analysis of net debt

	At 29 December 2018 £	*Cash flow* £	*At 28 December 2019* £
Cash at bank and in hand	233,249	(198,642)	34,607
Bank overdraft	(2,375,563)	(81,599)	(2,457,162)
Total	(2,142,314)	(280,241)	(2,422,555)

16. Derivative instruments

The company purchases and sells goods in euros and has a regular exposure to euros. The company will hedge this net exposure by using a variety of forward exchange instruments for up to 15 months ahead.

The company has outstanding forward foreign exchange contracts at the period end as follows:

	Notional principal amount €
Maturity 28 December 2019	
Vanilla forward contracts	8,585,000
Maturity 29 December 2018	
Vanilla forward contracts	4,200,000

Notes to the financial statements

at 28 December 2019

16. Derivative instruments (continued)

The company enters into three types of contract. Firstly, any excess of euros in the short term is sold as an exchange swap with the euros being bought back at a later date. Secondly, a vanilla forward specifies the exact amount of currency and the date it must be delivered to the bank. Thirdly, a forward extra contract is a derivative contract which provides protection at an agreed exchange rate if the currency is trading outside a specific currency exchange rate at the date of maturity. If the currency is trading within that currency exchange rate at maturity the company is able to buy the currency at the more favourable spot rate.

The fair value of the above contracts at the statement of financial position date was £48,168, included in Other Creditors (note 12) (29 December 2018: £78,439, included in Other Debtors (note 11)). The fair value charge to the Statement of Comprehensive Income is £126,607 (29 December 2018: £82,029)

17. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £145,590 (29 December 2018 – £135,632). Contributions amounting to £13,227 (29 December 2018 – £26,586) were payable to the fund at the period end and are included in accruals in note 12.

18. Other financial commitments

At 28 December 2019 the company had future minimum rental payments due under non-cancellable operating leases as set out below:

		Period ended 28 December 2019		*Period ended 29 December 2018*
	Land and buildings	*Other*	*Land and buildings*	*Other*
Future minimum lease payment due:	*£*	*£*	*£*	*£*
Not later than one year	399,754	52,376	360,634	51,139
Later than one year and not later than five years	1,599,021	165,650	1,442,536	-
Later than five years	1,765,585	-	1,953,434	-
	3,764,360	218,026	3,756,604	51,139

Notes to the financial statements

at 28 December 2019

19. Related party transactions

Related party transactions and balances

	Period ended 28 December 2019 Purchases from related parties £	Period ended 28 December 2019 Amounts owed to related parties £	Period ended 29 December 2018 Purchases from related parties £	Period ended 29 December 2018 Amounts owed to related parties £
Laita	16,932,396	4,641,814	17,029,009	5,484,074
Eurial	19,723,019	3,467,826	18,486,539	3,617,881
Eurial Ultra Fresh	1,643,875	193,727	447,549	280,210

These transactions were all under normal commercial terms.

Laita is the parent undertaking and holds 70% of the company's shares. Eurial is an associated company and holds 30% of the company's shares, and has a wholly owned subsidiary, Capra. Eurial and Capra balances have been aggregated for the above disclosure. Eurial Ultra Fresh is a wholly owned subsidiary of Senagral, a subsidiary of Eurial International Ltd's parent Agrial.

During the period £64,664 (29 December 2018 - £64,664) was paid to Laita and £32,332 (29 December 2018 - £32,332) was paid to Eurial in respect of management fees.

During the period £252,657 dividends (29 December 2018 - £260,000) were paid to Laita and £247,343 (29 December 2018 - £240,000) were paid to Eurial.

Included within the accruals balance (note 12) is a £86,516 accrual for Goods Received Not Invoiced from Laita (2018 - £209,971) and £12,168 for Eurial (2018 - £69,165).

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Company are considered to be key management personnel. Total remuneration in respect of these individuals is £690,159 (period ended 29 December 2018 £771,171).

20. Contingent Liability

During the period the Company commenced an acquisition process of a new piece of plant and machinery, the assessment for the probable commitments of that acquisition is £98,217 that falling due for payment within one year.

21. Ultimate parent undertaking and controlling party

The largest and smallest group in which the results of the company are consolidated is that headed by Laita, incorporated in France. No other group financial statements include the results of the company.

Notes to the financial statements

at 28 December 2019

22. Events after the reporting period

Since the preparation of the financial statements there has been a global pandemic, or Covid-19, which has had significant and unprecedented impact on the way business is being conducted. We believe that the impact of this will be felt in the second quarter of our business. Trading activity up to April 2020 has been consistent with last year and in fact March was a very busy trading month. Q1 2020 revenues were ahead of last year and budget.

We have put measures in place to ensure production and warehouse operations are at normal capacity and fully operational. The Company falls within the definition of an 'Essential Business' and has therefore maintained its trading activities within the context of new working protocols and social distancing. However, we do expect demand for foodservice lines to reduce due to social restrictions put in place during the UK 'lockdown'. The biggest proportion of our income comes from national supermarkets with a strong weighting towards Christmas trading which we expect to be strong in 2020, with the majority of Christmas listings already confirmed. We are expecting increased bad debt risk and some deferral of payments from smaller customers, but credit insurance and robust credit control procedures are in place. Despite these reductions in income, we have analysed our cashflow and we are confident that our financing facilities coupled with the extension of intercompany payment terms from November 2020 until February 2021 will mean we can withstand this fall in income over the next 12 months. We have put actions in place to reduce costs to conserve cash and defer non-essential capital and operating expenditure. In parallel we are looking at and are fully aware of the Government support options for business in the event that we need to take advantage of these.