

Co House

Company Registration No. SC233302

W. A. Baxter & Sons (Holdings) Limited

Annual Report

For the year ended 1 April 2017



# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## DIRECTORS AND ADVISERS

|                           |                                                                                                                                |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| <b>Executive Chairman</b> | Audrey C Baxter DBA                                                                                                            |
| <b>Directors</b>          | Andrew G Baxter BSc<br>Edward D Murray<br>James E Sugden<br>Eric Hagman<br>Peter J Lederer<br>Ronald Davis<br>Michael S McGill |
| <b>Secretary</b>          | Gordon C McKelvie                                                                                                              |
| <b>Company number</b>     | SC233302                                                                                                                       |
| <b>Registered office</b>  | Highfield House<br>Fochabers<br>Moray<br>IV32 7LD                                                                              |
| <b>Registered auditor</b> | Johnston Carmichael LLP<br>Bishop's Court<br>29 Albyn Place<br>Aberdeen<br>AB10 1YL                                            |
| <b>Solicitors</b>         | Burness Paull LLP<br>50 Lothian Road<br>Festival Square<br>Edinburgh<br>EH3 9WJ                                                |

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

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# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 1 APRIL 2017

### Business review and future developments

W. A. Baxter & Sons (Holdings) Limited ("the Company") is a private company headquartered in the Highlands of Scotland. I am pleased to present the financial statements for the Company and its subsidiaries (the "Group") for the year ended 1 April 2017. These demonstrate a strong financial performance during a period of significant transition and reflect the benefit of a truly international business in an ever-changing domestic economy.

The financial statements for the year ending 1 April 2017 show the Group has increased revenue by 19% to £296.7m (2016: £248.6m). This increase is primarily attributable to the comparative period being a 10-month period against a 12-month period in the current year. Gross profit before exceptional items increased by 26% to £99.7m (2016: £79.1m) while EBITDA before exceptional items increased by 29% to £29.8m (2016: £23.1m).

At this stage, the outcome of the Brexit referendum has impacted the presentation of the Group's results with the Group benefiting from the weakening of Sterling when translating overseas results on consolidation, particularly from the USA and Canada. The long-term funding package put in place during the year provides a substantial element of natural hedge in this regard with foreign currency denominated debt weighted to match the proportions of earnings in those same currencies. Longer term uncertainty over the actual terms and conditions of any final Brexit agreement, together with the impact of this on the Group's activities, is likely to continue until clarity is obtained. Like many other UK corporates, however, the Group is currently assessing opportunities and risks together with options and alternatives in preparation for whatever outcome is ultimately determined.

Each of the Group's markets continue to see significant opportunities coupled with the challenges of competitive customer and consumer demands. The European market continues to exhibit changing consumer habits towards products perceived as healthier and more convenient formats. In addition, there is substantial growth in demand for Customer Own Brand ("COB") products, largely driven by the expansion of limited range retailers. As COB grows, we are continuing to develop this area by selecting partners with the same values, while continuing to invest in our established core branded portfolio. It remains incumbent upon us to strive to deliver quality at competitive prices, in both branded and COB products, driven by efficient and effective manufacturing and operating processes.

The financial results continue to reflect the positive contribution the USA operations have made to the Group in terms of revenue, EBITDA and operating profit. These are underpinned by customer contracts and the expansion of COB in the USA, including significant projects with Walmart. From a standing start, COB business with Walmart in the USA delivered revenue of US\$10.7m in less than a year, with further potential for growth. COB is not as well developed in the USA as it is in the UK and therefore represents an enormous market opportunity through utilisation of our existing available capacity. USA revenues for the year were US\$207.7m and now contribute approximately 50% of the Group's total revenue.

Over the last few years, the Canadian business went through a radical transformation process entailing concentration of the activities into one site in Quebec Province, significant investment in the plant and equipment, product rationalisation and streamlining of manufacturing and operating processes. Results for the year ended 1 April 2017 demonstrate the benefits realised from the changes introduced with substantial growth in earnings on revenues broadly stable at C\$61.2m, which is broadly constant on a comparable full year equivalent. The Canadian business produced over 84m cans in the year. During the year we also completed a renegotiation of the Union agreement with a revised contract reflecting a more balanced and flexible arrangement reflecting a partnership between the workforce and the Company. We expect the Canadian business to continue to grow in both the Baxters Branded and COB portfolios through geographic expansion across territories in Canada and the USA. In September 2017 the Group completed a sale and leaseback transaction on the Canadian Property.

Our Australian business is undergoing a significant transformation which commenced in the year ended 1 April 2017. This has entailed consolidating into one site from two and securing a significant new contract manufacturing relationship. The Huntingdale site has been closed and operations moved to the Campbellfield site to provide a single platform for expansion in a changing market place with significant growth potential from A\$22.6m revenue in the year. The level of change involved in these two projects should not be understated and both the site move and contract start-up will take time to integrate and bed down.

During the year we updated our funding position with a combination of a £58.0m multicurrency bank facility with HSBC and longer term US\$115.0m fixed rate bond with PRICOA. This provides a stable base to grow the net assets from £74.8m. As the Group evolves and develops, we will continue to ensure that the facilities remain aligned to business needs and that the foreign currency denominated portions remain appropriate relative to the current and anticipated trading performances of each business.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## CHAIRMAN'S STATEMENT (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2017

### Business review and future developments (continued)

At the year end the Group's defined benefit pension liability was prudently assessed at £16.2m (2016: £11.1m). Similar to many UK corporates with legacy defined benefit pension schemes, the increase in the deficit is largely attributable to the sustained period of record low interest rates. The financial, regulatory and legislative burdens of defined benefit schemes are rendering such arrangements unsustainable. The quantum of funds applied to purchase government gilts and bonds has pushed up prices meaning returns on those assets have fallen markedly. As pension schemes adopt more cautious investment strategies which attract lower returns, this is necessarily forcing an increase in contribution rates. This in turn leads to the ever-increasing cycle of unaffordable funding.

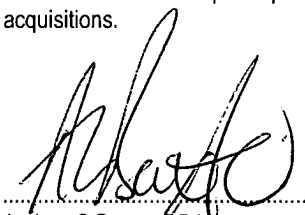
The Group is fortunate that it has the ability to cope with this but the defined benefit scheme is absorbing a disproportionate amount of time, energy and effort from senior management. Notwithstanding this, the Group is committed to actively managing the scheme to a longer-term resolution.

The year has been one of transition which has included a number of non-recurring items of a material nature in each of the businesses. In Europe, operations were streamlined through an exercise focused on organisation simplification which reduced headcount. A decision was also made to terminate a retail operation through the exercise of a tenant option to break a lease at the Kelty retail site.

In the US, significant start-up costs were incurred on the move into COB product development with Walmart. In Canada, significant external assistance and advice was sourced to substantially renegotiate the Union agreement providing a more stable basis for future renegotiations. In Australia, the commencement of the relocation into one production site and preparations for the start-up of the contract manufacturing business. These projects have seen the Group absorb £9.5m of exceptional costs in the year with the work undertaken in the year leaving the Group well placed to continue to move forward and adapt to the changing market conditions.

Importantly, I wish to pay tribute to the Group's employees. In changing markets and economic circumstances, they have continued to demonstrate their enthusiasm, commitment and skill to deliver for the Group and its stakeholders.

Finally, our Head Office is now centred in our new premises in Edinburgh thus representing our new headquarters as a truly global and international Group and providing a platform for further development of the Group from organic growth, investment and potential acquisitions.



Audrey C Baxter DBA  
Executive Chairman

22 December 2017

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## STRATEGIC REPORT FOR THE PERIOD ENDED 1 APRIL 2017

The directors present their Strategic Report, Directors' Report and financial statements for the year ended 1 April 2017. The comparable figures shown in these financial statements are for the 10-month period ended 2 April 2016.

### Principal activities

The Company is a private company headquartered in the Highlands of Scotland. The Group is a manufacturer of high quality ambient food, supplying retail, food manufacturers and foodservice customers in the UK market and key overseas markets. High quality foods such as soups, canned meat products, sour pickles, sauces, vinegars, anti-pasti, preserves and salad and meat accompaniments are sold under a variety of brands owned by, or licensed to, the Group.

This family company has an ethos of creativity, innovation and integrity which lies at the heart of all its operations.

### Review of the business and future developments

Full details of the Group's performance in the year and future developments can be found in the Chairman's statement on pages 1 and 2.

### Key performance indicators

The Group makes use of Key Performance Indicators (KPIs) involving financial and non-financial measures. The non-financial KPIs cover areas such as Customer Satisfaction, Operational Performance and Health and Safety. The individual business units each set their own KPIs which contribute towards the Group indicators. Customer satisfaction KPIs look to resolve all complaints and reduce the number of complaints received. Operational performance KPIs are focused on achieving through puts based on each line, with thresholds differing within each process and each business unit. The throughputs are monitored through the standard costing process in each business unit. Health and Safety KPIs include monitoring the number of incidents and accidents.

The principal financial performance KPIs are Revenue, Gross Margin as a percentage of Revenue, EBITDA and Net Assets. The Group has increased revenue by 19% to £296.7m (2016: £248.6m). The increase in revenue is partly attributable to the prior period being a 10-month period against a 12-month period in the current year, in addition to the weakening of the pound sterling which increased overseas profits on currency translation.

Gross profit before exceptional items has increased by 26% to £99.7m (2016: £79.1m). The gross profit before exceptional items as a percentage of turnover increased by 2% to 34% (2016: 32%), ranging from 25% to 38% across the Group's subsidiaries reflecting the mix of branded and COB business undertaken. EBITDA before exceptional items has increased by 29% to £29.8m (2016: £23.1m). The Group's operating profit before exceptional items increased by 30% to £19.4m (2016: £14.9m). The Group's net assets have decreased by 2% to £74.8m (2016: £76.0m).

### Principal risks and uncertainties

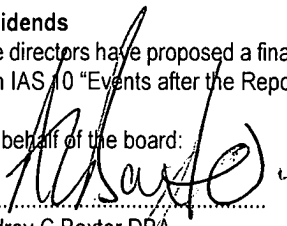
The directors have assessed the main financial risks for the Group to include the following:

- Foreign currency exchange risk: the risk of financial loss to foreign currency net assets, earnings and cash flows reported in pounds sterling due to movement in exchange rates. The denomination of debt in pounds sterling and foreign currencies has been undertaken in a manner that broadly matches the income generating proportions in the Group and is continually under review as the business changes. Further information on the Group's management of foreign currency exchange risk is provided in note 24.
- Credit risk: the risk of financial loss to the Group if a customer or counterpart to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents. The risk is managed by contracting with blue chip customers. Further information on the Group's management of credit risk is provided in note 24.
- Changing retail market and consumer trends: the challenging retail market and constantly changing consumer trends requires each business unit to develop and change according to the needs of their market. Each business unit has a different mix between Baxters Branded, Customer Own Brand and Contract Manufacturing business which overall provides a balanced portfolio across the Group.

### Dividends

The directors have proposed a final dividend in respect of the period ended 1 April 2017 amounting to £nil (2016: £2m). In accordance with IAS 10 "Events after the Reporting Date", any proposed dividend would not be accrued in the financial statements.

On behalf of the board:

  
Audrey C Baxter DBA  
Executive Chairman

22 December 2017

# **W. A. BAXTER & SONS (HOLDINGS) LIMITED**

## **DIRECTORS' REPORT FOR THE PERIOD ENDED 1 APRIL 2017**

The directors have reported the results for the period as part of the Chairman's Statement and dividends as part of their Strategic Report.

### **Directors**

The following directors have held office since 3 April 2016 and up to the date of this report unless otherwise stated:

Audrey C Baxter DBA  
Andrew G Baxter BSc  
Heather M Metcalfe (resigned 6 June 2016)  
Edward D Murray  
James E Sugden  
Eric Hagman  
Peter J Lederer  
Ronald Davis  
Michael S McGill (appointed 28 September 2016)

### **Going Concern**

The directors have assessed the Group remains a going concern, further details are included in note 2.

### **Research and development**

The Group undertakes research and development activities in order to develop its range of new and existing products.

### **Future developments, dividends and events after the balance sheet date**

The directors have considered and reported any significant future developments, dividends and events after the balance sheet date as part of their Strategic Report.

### **Financial risk management**

The Group's activities expose it to a number of financial risks including credit risk, liquidity risk and market risk. The use of financial derivatives is governed by the Group's board of directors, who provide direction on their use to manage the above risks. The Group does not use derivative financial instruments for speculative purposes. Further information on the Group's financial risk management is provided within note 24.

### **Staff policies**

The Group places considerable value on the contribution of its employees and therefore continues to encourage the development of employee involvement in Group companies. Management meet regularly with employees to discuss matters of mutual interest and to provide opportunities for employees to contribute to the success of the business.

Employee communications are high priority and regular briefing meetings, together with the use of e-mail and notice boards, ensure all employees are informed about matters of concern to them.

The Group's policy is that, where it is reasonable and practical within existing legislation, all employees, including those who are disabled, are treated in the same way in matters relating to employment, training, career development and promotion. Employees who become disabled during the period of their employment will be retained wherever possible and encouraged to develop their careers.

### **Charitable donations**

During the period, the Group made contributions to local charities of £144,000 (2016: £86,000).

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 1 APRIL 2017

### 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 ("IFRS") 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. 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 Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRS issued by the IASB and adopted by the European Union, 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

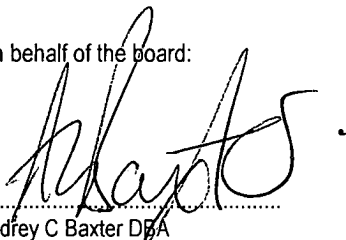
### Statement of disclosure to auditor

The directors confirm that:

- a) so far as the directors are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- b) they have taken all the steps that they ought to have taken as directors in order to make themselves 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 Section 418 of the Companies Act 2006.

On behalf of the board:



Audrey C Baxter DBA  
Director

22 December 2017

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF W.A. BAXTER & SONS (HOLDINGS) LIMITED

We have audited the financial statements of W.A. Baxter & Sons (Holdings) Limited for the year ended 1 April 2017 set out on pages 7 to 40. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") 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.

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.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

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 1 April 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS 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 properly prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Chairman's Statement, Strategic Report and the Directors' Report for the financial period 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.

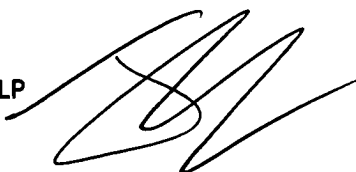
### Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Graeme Fraser (Senior Statutory Auditor)  
For and on behalf of Johnston Carmichael LLP  
Chartered Accountants  
Statutory Auditor



11 January 2018  
Bishop's Court  
29 Albyn Place  
Aberdeen  
AB10 1YL

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## CONSOLIDATED INCOME STATEMENT

|                                                                             | Note | Year ended 1 April 2017                 |                                            |                | 10 months ended 2 April 2016            |                                            |                |
|-----------------------------------------------------------------------------|------|-----------------------------------------|--------------------------------------------|----------------|-----------------------------------------|--------------------------------------------|----------------|
|                                                                             |      | Before<br>exceptional<br>items<br>£'000 | Exceptional<br>items<br>(note 10)<br>£'000 | Total<br>£'000 | Before<br>exceptional<br>items<br>£'000 | Exceptional<br>items<br>(note 10)<br>£'000 | Total<br>£'000 |
| Revenue                                                                     | 4    | 296,719                                 | -                                          | 296,719        | 248,640                                 | -                                          | 248,640        |
| Cost of sales                                                               |      | (197,056)                               | (2,072)                                    | (199,128)      | (169,515)                               | (329)                                      | (169,844)      |
| <b>Gross profit</b>                                                         |      | <b>99,663</b>                           | <b>(2,072)</b>                             | <b>97,591</b>  | <b>79,125</b>                           | <b>(329)</b>                               | <b>78,796</b>  |
| Distribution costs                                                          |      | (15,351)                                | (31)                                       | (15,382)       | (11,906)                                | (58)                                       | (11,964)       |
| Administrative costs                                                        |      | (55,072)                                | (6,048)                                    | (61,120)       | (44,506)                                | (1,978)                                    | (46,484)       |
| Other income                                                                |      | 557                                     | -                                          | 557            | 402                                     | -                                          | 402            |
| <b>Earnings before interest,<br/>tax, depreciation and<br/>amortisation</b> |      | <b>29,797</b>                           | <b>(8,151)</b>                             | <b>21,646</b>  | <b>23,115</b>                           | <b>(2,365)</b>                             | <b>20,750</b>  |
| Amortisation                                                                |      | (1,414)                                 | -                                          | (1,414)        | (1,215)                                 | -                                          | (1,215)        |
| Depreciation                                                                |      | (8,993)                                 | -                                          | (8,993)        | (6,989)                                 | -                                          | (6,989)        |
| <b>Operating profit</b>                                                     | 5    | <b>19,390</b>                           | <b>(8,151)</b>                             | <b>11,239</b>  | <b>14,911</b>                           | <b>(2,365)</b>                             | <b>12,546</b>  |
| Finance income                                                              | 8    | 149                                     | -                                          | 149            | 14                                      | -                                          | 14             |
| Finance costs                                                               | 9    | (10,741)                                | (1,322)                                    | (12,063)       | (7,902)                                 | -                                          | (7,902)        |
| <b>Profit/(loss) on ordinary<br/>activities before taxation</b>             |      | <b>8,798</b>                            | <b>(9,473)</b>                             | <b>(675)</b>   | <b>7,023</b>                            | <b>(2,365)</b>                             | <b>4,658</b>   |
| Taxation                                                                    | 11   | (2,668)                                 | 1,801                                      | (867)          | 197                                     | 249                                        | 446            |
| <b>Profit/(loss) for the period</b>                                         |      | <b>6,130</b>                            | <b>(7,672)</b>                             | <b>(1,542)</b> | <b>7,220</b>                            | <b>(2,116)</b>                             | <b>5,104</b>   |

The income statement has been prepared on the basis that all operations are continuing operations.

Profit/(loss) for the year is 100% attributable to owners of the company.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|                                                                              | Notes | Year ended 1<br>April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|------------------------------------------------------------------------------|-------|-------------------------------------|---------------------------------------------|
| (Loss)/profit for the period                                                 |       | (1,542)                             | 5,104                                       |
| <b>Other comprehensive income/(expenditure)</b>                              |       |                                     |                                             |
| <i>Items that will not be reclassified to profit or loss:</i>                |       |                                     |                                             |
| Re-measurement of defined benefit liability                                  | 27    | (4,618)                             | (2,714)                                     |
| Income tax on re-measurement of defined benefit liability                    |       | 831                                 | 489                                         |
|                                                                              |       | <u>(3,787)</u>                      | <u>(2,225)</u>                              |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> |       |                                     |                                             |
| Foreign currency translation differences – foreign operations                |       | 5,132                               | 1,735                                       |
| Other comprehensive income/(expenditure), net of tax                         |       | <u>1,345</u>                        | <u>(490)</u>                                |
| <b>Total comprehensive income/(expenditure) for the period</b>               |       | <u><u>(197)</u></u>                 | <u><u>4,614</u></u>                         |

Total comprehensive income/(expenditure) for the year is 100% attributable to the owners of the company.

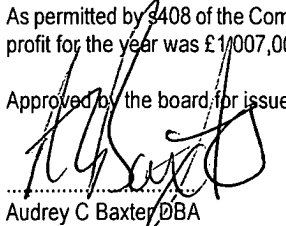
# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## BALANCE SHEETS

|                                         | Notes | Group                    |                          | Company                  |                          |
|-----------------------------------------|-------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                         |       | 1 April<br>2017<br>£'000 | 2 April<br>2016<br>£'000 | 1 April<br>2017<br>£'000 | 2 April<br>2016<br>£'000 |
| <b>Assets</b>                           |       |                          |                          |                          |                          |
| <b>Non-current assets</b>               |       |                          |                          |                          |                          |
| Property, plant and equipment           | 13    | 95,589                   | 95,005                   | -                        | -                        |
| Intangible assets                       | 14    | 121,291                  | 110,801                  | -                        | -                        |
| Investments                             | 15    | 15                       | 15                       | 637                      | 637                      |
| Trade and other receivables             | 17    | -                        | 487                      | -                        | -                        |
| Deferred tax assets                     | 12    | 3,915                    | 2,885                    | -                        | -                        |
|                                         |       | <u>220,810</u>           | <u>209,193</u>           | <u>637</u>               | <u>637</u>               |
| <b>Current assets</b>                   |       |                          |                          |                          |                          |
| Inventories                             | 16    | 48,723                   | 46,100                   | -                        | -                        |
| Trade and other receivables             | 17    | 33,868                   | 31,303                   | -                        | -                        |
| Current tax receivable                  |       | 119                      | 751                      | -                        | -                        |
| Other financial assets                  | 18    | 136                      | -                        | -                        | -                        |
| Cash and cash equivalents               | 19    | 12,577                   | 8,577                    | 27                       | 27                       |
|                                         |       | <u>95,423</u>            | <u>86,731</u>            | <u>27</u>                | <u>27</u>                |
| <b>Liabilities</b>                      |       |                          |                          |                          |                          |
| <b>Current liabilities</b>              |       |                          |                          |                          |                          |
| Loans and borrowings                    | 22    | (20,110)                 | (42,232)                 | -                        | -                        |
| Trade and other payables                | 20    | (51,317)                 | (42,785)                 | (362)                    | (362)                    |
| Current tax payable                     |       | (761)                    | -                        | -                        | -                        |
| Other financial liabilities             | 21    | -                        | (888)                    | -                        | -                        |
|                                         |       | <u>(72,188)</u>          | <u>(85,905)</u>          | <u>(362)</u>             | <u>(362)</u>             |
| <b>Net current assets/(liabilities)</b> |       | <u>23,235</u>            | <u>826</u>               | <u>(335)</u>             | <u>(335)</u>             |
| <b>Non-current liabilities</b>          |       |                          |                          |                          |                          |
| Loans and borrowings                    | 22    | (124,437)                | (96,008)                 | -                        | -                        |
| Retirement benefit obligations          | 27    | (16,176)                 | (11,066)                 | -                        | -                        |
| Deferred income                         | 26    | (743)                    | (769)                    | -                        | -                        |
| Provisions                              | 25    | (5,940)                  | (6,203)                  | -                        | -                        |
| Deferred tax liabilities                | 11    | (21,950)                 | (19,970)                 | -                        | -                        |
|                                         |       | <u>(169,246)</u>         | <u>(134,016)</u>         |                          |                          |
| <b>Net assets</b>                       |       | <u>74,799</u>            | <u>76,003</u>            | <u>302</u>               | <u>302</u>               |
| <b>Equity</b>                           |       |                          |                          |                          |                          |
| Called up share capital                 | 28    | 635                      | 635                      | 635                      | 635                      |
| Own shares held                         | 28    | (335)                    | (335)                    | (335)                    | (335)                    |
| Merger reserve                          | 28    | 350                      | 350                      | -                        | -                        |
| Capital redemption reserve              | 28    | 2                        | 2                        | 2                        | 2                        |
| Revaluation reserve                     | 28    | 18,899                   | 19,138                   | -                        | -                        |
| Translation reserve                     | 28    | 6,981                    | 1,849                    | -                        | -                        |
| Retained earnings                       | 28    | 48,267                   | 54,364                   | -                        | -                        |
| <b>Total equity</b>                     |       | <u>74,799</u>            | <u>76,003</u>            | <u>302</u>               | <u>302</u>               |

As permitted by s408 of the Companies Act 2006, the company has not presented its own income statement and related notes. The company's profit for the year was £1,007,000 (2016: £2,105,000).

Approved by the board for issue on 22 December 2017 and signed on its behalf by:

  
Audrey C Baxter DBA  
Director

Company Registration No. SC233302

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## STATEMENTS OF CHANGES IN EQUITY

| GROUP                                                                   | Called up<br>share capital<br>£'000 | Own shares<br>held<br>£'000 | Merger<br>reserve<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Revaluation<br>reserve<br>£'000 | Translation<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
|-------------------------------------------------------------------------|-------------------------------------|-----------------------------|----------------------------|-------------------------------------------|---------------------------------|---------------------------------|-------------------------------|--------------------------|
| At 31 May 2015                                                          | 637                                 | (335)                       | 350                        | -                                         | 19,632                          | 114                             | 53,096                        | 73,494                   |
| Profit for the period                                                   | -                                   | -                           | -                          | -                                         | -                               | -                               | 5,104                         | 5,104                    |
| Other comprehensive<br>income/(expenditure)                             | -                                   | -                           | -                          | -                                         | -                               | 1,735                           | (2,225)                       | (490)                    |
| Total comprehensive<br>Income                                           | -                                   | -                           | -                          | -                                         | -                               | 1,735                           | 2,879                         | -4,614                   |
| Difference between<br>historical cost and actual<br>depreciation charge | -                                   | -                           | -                          | -                                         | (494)                           | -                               | 494                           | -                        |
| Dividend paid                                                           | -                                   | -                           | -                          | -                                         | -                               | -                               | (2,015)                       | (2,015)                  |
| Purchase of own shares                                                  | (2)                                 | -                           | -                          | 2                                         | -                               | -                               | (90)                          | (90)                     |
| At 2 April 2016                                                         | 635                                 | (335)                       | 350                        | 2                                         | 19,138                          | 1,849                           | 54,364                        | 76,003                   |
| Loss for the period                                                     | -                                   | -                           | -                          | -                                         | -                               | -                               | (1,542)                       | (1,542)                  |
| Other comprehensive<br>income/(expenditure)                             | -                                   | -                           | -                          | -                                         | -                               | 5,132                           | (3,787)                       | 1,345                    |
| Total comprehensive<br>income/(expenditure)                             | -                                   | -                           | -                          | -                                         | -                               | 5,132                           | (5,329)                       | (197)                    |
| Difference between<br>historical cost and actual<br>depreciation charge | -                                   | -                           | -                          | -                                         | (239)                           | -                               | 239                           | -                        |
| Dividend paid                                                           | -                                   | -                           | -                          | -                                         | -                               | -                               | (1,007)                       | (1,007)                  |
| At 1 April 2017                                                         | 635                                 | (335)                       | 350                        | 2                                         | 18,899                          | 6,981                           | 48,267                        | 74,799                   |

| COMPANY                    | Called up<br>share capital<br>£'000 | Own shares<br>held<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>Equity<br>£'000 |
|----------------------------|-------------------------------------|-----------------------------|-------------------------------------------|-------------------------------|--------------------------|
| At 31 May 2015             | 637                                 | (335)                       | -                                         | -                             | 302                      |
| Profit for the period      | -                                   | -                           | -                                         | 2,105                         | 2,105                    |
| Total comprehensive income | -                                   | -                           | -                                         | 2,105                         | 2,105                    |
| Dividends paid             | -                                   | -                           | -                                         | (2,015)                       | (2,015)                  |
| Purchase of own shares     | (2)                                 | -                           | 2                                         | (90)                          | (90)                     |
| At 2 April 2016            | 635                                 | (335)                       | 2                                         | -                             | 302                      |
| Profit for the period      | -                                   | -                           | -                                         | 1,007                         | 1,007                    |
| Total comprehensive income | -                                   | -                           | -                                         | 1,007                         | 1,007                    |
| Dividends paid             | -                                   | -                           | -                                         | (1,007)                       | (1,007)                  |
| At 1 April 2017            | 635                                 | (335)                       | 2                                         | -                             | 302                      |

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## CASH FLOW STATEMENTS

| Notes                                                       | Group                    |                          | Company                  |                       |
|-------------------------------------------------------------|--------------------------|--------------------------|--------------------------|-----------------------|
|                                                             | Year ended               | 10 months ended          | Year ended               | 10 months ended       |
|                                                             | 1 April<br>2017<br>£'000 | 2 April<br>2016<br>£'000 | 1 April<br>2017<br>£'000 | 2 April 2016<br>£'000 |
| <b>Cash flows from operating activities</b>                 |                          |                          |                          |                       |
| (Loss)/profit for the period                                | (1,542)                  | 5,104                    | 1,007                    | 2,105                 |
| Adjusted for:                                               |                          |                          |                          |                       |
| Depreciation and amortisation                               | 10,407                   | 8,204                    | -                        | -                     |
| Foreign exchange losses                                     | 1,300                    | 1,220                    | -                        | -                     |
| Financial income                                            | (149)                    | (14)                     | -                        | -                     |
| Financial expense                                           | 10,374                   | 6,682                    | -                        | -                     |
| Deferred government grant                                   | (76)                     | (31)                     | -                        | -                     |
| Non cash provision movements                                | (1,044)                  | (1,301)                  | -                        | -                     |
| Taxation                                                    | 815                      | (446)                    | -                        | -                     |
| Pension costs less contributions                            | 492                      | 165                      | -                        | -                     |
| Increase in trade and other receivables                     | 173                      | (1,006)                  | -                        | -                     |
| (Increase)/decrease in inventories                          | 1,093                    | (5,362)                  | -                        | -                     |
| Increase in trade and other payables                        | 4,838                    | 2,424                    | -                        | -                     |
| Cash generated from operating activities                    | 26,681                   | 15,639                   | 1,007                    | 2,105                 |
| Interest paid                                               | (8,421)                  | (5,608)                  | -                        | -                     |
| Tax paid                                                    | (125)                    | (297)                    | -                        | -                     |
| <b>Net cash generated from operating activities</b>         | <b>18,135</b>            | <b>9,734</b>             | <b>1,007</b>             | <b>2,105</b>          |
| <b>Cash flow from investing activities</b>                  |                          |                          |                          |                       |
| Proceeds from sale of property, plant and equipment         | 280                      | -                        | -                        | -                     |
| Payments to acquire property, plant and equipment           | (4,568)                  | (5,012)                  | -                        | -                     |
| Capitalised development expenditure                         | (1,193)                  | (298)                    | -                        | -                     |
| Repayment of government grants                              | -                        | (165)                    | -                        | -                     |
| Interest received                                           | 13                       | 14                       | -                        | -                     |
| <b>Net cash used in investing activities</b>                | <b>(5,468)</b>           | <b>(5,461)</b>           | <b>-</b>                 | <b>-</b>              |
| <b>Cash flows from financing activities</b>                 |                          |                          |                          |                       |
| New bank loan                                               | 122,744                  | -                        | -                        | -                     |
| Repurchase of own shares                                    | -                        | (90)                     | -                        | (90)                  |
| Repayment of borrowings                                     | (129,569)                | (8,205)                  | -                        | -                     |
| Debt issuance expenses                                      | (1,128)                  | -                        | -                        | -                     |
| Repayment of finance leases                                 | (9)                      | -                        | -                        | -                     |
| Dividends paid                                              | (1,007)                  | (2,015)                  | (1,007)                  | (2,015)               |
| <b>Net cash used in financing activities</b>                | <b>(8,969)</b>           | <b>(10,310)</b>          | <b>(1,007)</b>           | <b>(2,015)</b>        |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>3,698</b>             | <b>(6,037)</b>           | <b>-</b>                 | <b>-</b>              |
| Cash and cash equivalents at beginning of period            | 8,577                    | 14,247                   | 27                       | 27                    |
| Effects of exchange fluctuations on cash held               | 302                      | 367                      | -                        | -                     |
| <b>Cash and cash equivalents at end of period</b>           | <b>12,577</b>            | <b>8,577</b>             | <b>27</b>                | <b>27</b>             |

# **W. A. BAXTER & SONS (HOLDINGS) LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 1 APRIL 2017**

### **1. Reporting entity**

W.A. Baxter & Sons (Holdings) Limited ("the Company") is domiciled in the United Kingdom. The current year financial statements present the results for the year ended 1 April 2017. The comparable figures in these financial statements are for the 10 month period to 2 April 2016.

The Group financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually "Group companies"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

### **2. Accounting policies**

#### **Basis of preparation**

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

#### **Going concern**

The financial statements have been prepared on a going concern basis for the following reasons. The directors have prepared detailed cash flow projections for a period of at least 12 months from the date of signing these financial statements. The directors are of the opinion that following their review of the cash flow projections and taking account of the debt facilities available to the Group, the Group will be able to meet its liabilities as they fall due for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 2. Accounting policies (continued)

#### New standards not yet applied

The IASB has issued the following standards and interpretations to be applied to financial statements with years commencing on or after the following dates:

|                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Effective for accounting periods on or after |
|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| IFRS 9                                                                                       | Financial Instruments – will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. Early adoption is permitted.                                                                                                                                                                                                          | 1 January 2018                               |
| IFRS 15                                                                                      | Revenue from Contracts with Customers – is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. This supersedes IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity is expected to be entitled to, in exchange for those goods or services. Early adoption is permitted.                                                                                                                                                | 1 January 2018                               |
| IFRS 16                                                                                      | Leases – will replace IAS 17 Leases, IFRIC 14 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions involving the Legal Form of a Lease. The new standard cancels a currently used dual lessee accounting model. This model requires classification of the lease as an on-balance sheet finance lease and off-balance sheet operating lease. It will be replaced by a single model, which implies that the lease is recognised on the balance sheet and is similar to the current accounting treatment for finance leases. Early adoption if permitted provided that IFRS 15 Revenue from Contracts with Customers is also applied. | 1 January 2019                               |
| Disclosure initiative (Amendments to IAS 7 Statement of Cash Flows)                          | The amendments require disclosures that enable the users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash flow changes.<br>To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.                                                                                                                                                                                                                                                                                       | 1 January 2017                               |
| Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12 Income Taxes) | These amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The Group is assessing the potential impact on its financial statements resulting from the amendments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 1 January 2017                               |

For the above new standards, the directors are assessing the potential impact on its consolidated financial statements going forward.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiary undertakings which are made up to 1 April 2017.

#### Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 2. Accounting policies (continued)

#### **Basis of consolidation (continued)**

##### *Transactions*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

##### *Separate parent company financial statements*

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

#### **Functional and presentational currency**

The Group and Company financial statements are presented in sterling, which is the Group and Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

#### **Foreign currency transactions**

In preparing the financial statements of the Group and Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in the income statement in the period in which they arise, except for differences arising on the translation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the rates of exchange prevailing at the dates of the transaction.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

#### **Revenue**

Revenue comprises sales to external customers at the fair value of the consideration received or receivable, excluding VAT, trade discounts and other sales taxes. 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**

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### **Operating profit**

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

#### **Finance income and finance expenses**

The Group's finance income and finance expenses include interest income and expense recognised using the effective interest rate method, the net gain or loss on financial instruments at fair value through profit or loss and any foreign currency gains or losses on financial assets and liabilities.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 2. Accounting policies (continued)

#### Taxation

Taxation comprises current and deferred tax. It is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

The current corporation tax asset or liability recognised on the statement of financial position represents the current corporation tax balance due from or obligation to the relevant tax authority at the reporting date. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and;
- In respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

#### Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition.

#### Property, plant and equipment

Property, plant and equipment are stated at historic cost or revaluation, less accumulated depreciation and any accumulated impairment losses. Historic cost includes the expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 2. Accounting policies (continued)

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

|                               |                      |
|-------------------------------|----------------------|
| Buildings                     | 25 years to 50 years |
| Plant, equipment and vehicles | 3 years to 25 years  |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Interim valuations of freehold properties are conducted every three years by a qualified valuer and full valuations are conducted every five years by a qualified valuer. A full valuation was performed as at 30 May 2015. The resulting surplus or deficit on book value is transferred to the revaluation reserve, except for a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the statement of comprehensive income. A deficit which represents a clear consumption of economic benefits is charged to the income statement regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to retained earnings as a movement on reserves. On disposal or recognition of a provision for impairment on a revalued asset, the related balance remaining in the revaluation reserve is also transferred to retained earnings as a movement on reserves.

#### Intangible assets and goodwill

##### *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired business at the date of acquisition. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment or if events or changes in circumstances indicate that it might be impaired.

##### *Brands and trademarks*

Brands and trademarks represent the cost or fair value on acquisition of recipes and brand names purchased. Brands are amortised over their useful lives ranging between 20 – 45 years. Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate. Certain trade names have an indefinite life and are tested annually for impairment.

##### *Research and development*

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in the income statement as incurred. Development costs are amortised over the life of the product.

##### *Other intangible assets*

Other intangible assets, including customer relationships that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Other intangible assets are amortised over their useful lives of 45 years.

#### Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its non-financial 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). Goodwill is tested annually for impairment. 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 2. Accounting policies (continued)

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

Recoverable amount is the higher of fair value less costs of disposal 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.

An impairment loss in respect of goodwill is not reversed.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and an appropriate share of related fixed and variable production overheads based on normal operating capacity. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to make the sale.

#### **Trade receivables**

Trade receivables are non-interest bearing and are initially recognised at fair value and subsequently measured at amortised cost, less provision for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on historical experience, together with specific amounts that are not expected to be collected. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Individual trade receivables are written off when management deems them not to be collected.

#### **Cash and cash equivalents**

Cash and short term deposits in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

#### **Trade payables**

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

#### **Loans and borrowings**

Loans and borrowings are initially recognised at fair value net of directly attributable transaction costs. Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of loans and borrowings are recognised respectively in finance income and finance cost.

#### **Government grants**

Grants are credited to deferred income. Grants towards capital expenditure are released to the income statement over the expected useful life of the assets. Grants towards revenue expenditure are released to the income statement as the related expenditure is incurred.

#### **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 the effect of the time value of money is material).

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 2. Accounting policies (continued)

#### Provisions (continued)

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.

#### Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

#### Employee benefits

The Group operates a defined benefit pension scheme. The Group's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately within other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the income statement.

The Group also operates defined contribution pension schemes. The pension costs charged in the financial statements represent the contributions payable by the Group during the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of forward contracts is calculated by reference to market forward rates at the balance sheet date.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument and demonstrate that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed periodically to ensure that the hedge remains highly effective.

Gains and losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income. Gains or losses relating to any ineffective portion are taken immediately to the income statement. Amounts accumulated in equity are transferred to the income statement when the foreign operation is partially disposed of or sold. Currently the Group does not utilise either fair value or cash flow hedge accounting.

#### Share capital

Share capital issued by the Group is recorded at the proceeds received, net of direct issue costs.

#### Dividends

Interim dividends are recorded when paid. The liability for final dividends is recorded when the dividends are approved by the Company's shareholders.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 2. Accounting policies (continued)

#### Exceptional items

Exceptional items are those significant items which are incremental to normal operations and are separately disclosed by virtue of their nature or size to enable a better understanding of the Group's underlying financial performance.

### 3. Critical accounting estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

#### Employee Benefits

The present value of the Group's defined benefit pension obligations depends on a number of actuarial assumptions. The key assumptions used include the discount rate, future salary and pension increases, mortality rates applicable to scheme members and long term inflation rates. Due to the long-term nature of these schemes, the estimates are subject to significant uncertainty. An analysis of the sensitivity of the pension obligations to changes in key assumptions is provided in note 27.

#### Goodwill and other intangible assets

Impairment reviews in respect of goodwill are performed annually unless an event indicates that an impairment review is necessary. Impairment reviews in respect of intangible assets are performed when an event indicates that an impairment review is necessary. Examples of such triggering events include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or a significant reduction in cash flows. The recoverable amounts of cash generating units are determined based on the higher of net realisable value and value in use calculations. These calculations require the use of estimates. Intangible assets with indefinite useful lives are tested annually for impairment.

The Group has considered the impact of the assumptions used on the calculations and has conducted sensitivity analysis on the impairment tests of the cash generating units' carrying values. Further details of the sensitivity analysis is provided in note 14.

Acquired brands, trademarks and customer relationships are considered to have finite lives that range from 20-45 years. Acquired trade names are considered to have an indefinite useful life. The determination of the useful lives takes into account certain quantitative factors such as sales expectations and also many qualitative factors such as history and market positioning, hence the determination of useful lives are subject to estimates and judgement. Further details are provided in note 14.

#### Deferred tax

The recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available against which deductible temporary differences can be utilised. In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future years. Further details of recognised (and unrecognised) deferred tax assets are provided in note 12.

### 4. Revenue

An analysis of Group revenue by geographical area is as follows:

|                | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|----------------|-------------------------------------|---------------------------------------------|
| United Kingdom | 84,350                              | 80,605                                      |
| International  | 212,369                             | 168,035                                     |
|                | <u>296,719</u>                      | <u>248,640</u>                              |

The directors believe the Group to have one revenue type, being the manufacture and supply of high quality ambient food.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 5. Operating profit

|                                                               | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|---------------------------------------------------------------|-------------------------------------|---------------------------------------------|
| <b>Operating profit is stated after charging/(crediting):</b> |                                     |                                             |
| Amortisation of intangible assets                             | 1,414                               | 1,215                                       |
| Depreciation of tangible assets                               | 8,993                               | 6,989                                       |
| Operating lease rentals                                       | 6,518                               | 3,813                                       |
| Research costs                                                | 274                                 | 396                                         |
| Exceptional items – note 10                                   | 8,150                               | 2,365                                       |
| Amortisation of government grants                             | (76)                                | (31)                                        |

### Services provided by the Group's auditor

During the year the Group obtained the following services from the Group's auditor, Johnston Carmichael LLP:

|                                     | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|-------------------------------------|-------------------------------------|---------------------------------------------|
| <b>Audit services</b>               |                                     |                                             |
| Statutory audit                     |                                     |                                             |
| – Company and Group                 | 7                                   | 7                                           |
| – UK subsidiaries                   | 107                                 | 100                                         |
| – Baxters Food Group Pension Scheme | 9                                   | 9                                           |
| Tax services                        | 31                                  | 31                                          |
| Other services                      | 3                                   | 76                                          |
|                                     | <u>157</u>                          | <u>223</u>                                  |

### 6. Directors' emoluments

|                                                 | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|-------------------------------------------------|-------------------------------------|---------------------------------------------|
| Emoluments for qualifying services              | 1,855                               | 1,285                                       |
| Company contributions to defined benefit scheme | 20                                  | 18                                          |

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 1 (2016: 1).

Emoluments disclosed above include the following amounts paid to the highest paid director:

|                                        | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|----------------------------------------|-------------------------------------|---------------------------------------------|
| Emoluments for qualifying services     | 882                                 | 586                                         |
| Accrued pension at the end of the year | -                                   | 8                                           |

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 7. Employees

The average monthly number of employees (including directors) employed by the Group during the period was as follows:

|        | Year ended<br>1 April 2017<br>Number | 10 months<br>ended<br>2 April 2016<br>Number |
|--------|--------------------------------------|----------------------------------------------|
| Direct | 797                                  | 858                                          |
| Others | 666                                  | 681                                          |
|        | <u>1,463</u>                         | <u>1,539</u>                                 |

Staff costs for the Group were:

|                       | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|-----------------------|-------------------------------------|---------------------------------------------|
| Wages and salaries    | 48,550                              | 35,259                                      |
| Social security costs | 7,322                               | 4,018                                       |
| Other pension costs   | 1,726                               | 1,504                                       |
|                       | <u>57,598</u>                       | <u>40,781</u>                               |

### 8. Finance income

|                                                                                   | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|-----------------------------------------------------------------------------------|-------------------------------------|---------------------------------------------|
| Net gain on financial instruments designated as fair value through profit or loss | 136                                 | -                                           |
| Interest on loans and overdrafts                                                  | 7                                   | 14                                          |
| Other interest income                                                             | 6                                   | -                                           |
| <b>Total finance income</b>                                                       | <u>149</u>                          | <u>14</u>                                   |

### 9. Finance costs

|                                                                                    | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|------------------------------------------------------------------------------------|-------------------------------------|---------------------------------------------|
| Net loss on financial instruments designated as fair value through profit or loss  | -                                   | 772                                         |
| Interest on loans and overdrafts including exceptionals of £1,323,000 (2016: £nil) | 10,145                              | 5,469                                       |
| Interest on obligations under finance lease                                        | 2                                   | -                                           |
| Other interest expense                                                             | 227                                 | 206                                         |
| Net interest on net defined benefit pension plan liability                         | 389                                 | 235                                         |
| Foreign exchange loss                                                              | 1,300                               | 1,220                                       |
| <b>Total finance costs</b>                                                         | <u>12,063</u>                       | <u>7,902</u>                                |

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 10. Exceptional items

The Group reports the following exceptional items:

|                                          | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|------------------------------------------|-------------------------------------|---------------------------------------------|
| Non-recurring projects                   | 2,201                               | 1,379                                       |
| Restructuring and related costs          | 4,043                               | 550                                         |
| Historic refinancing costs not amortised | 1,323                               | -                                           |
| New contract costs                       | 1,906                               | 436                                         |
|                                          | <u>9,473</u>                        | <u>2,365</u>                                |
| Tax on exceptional items above           | (1,801)                             | (249)                                       |
| <b>Total exceptional items expense</b>   | <u><u>7,672</u></u>                 | <u><u>2,116</u></u>                         |

### 11. Taxation

#### Recognised in income statement

##### Domestic current tax

Adjustment in respect of prior periods

Domestic current tax charge

##### Foreign current tax

Current period

Adjustment in respect of prior periods

Foreign current tax charge

Current tax charge

##### Deferred tax

Relating to origination and reversal of temporary timing differences

Recognition of a recoverable deferred tax asset

Reversal of previous recognised deferred tax asset

Deferred tax on pension liability

Reduction in tax rate

Adjustment in respect of prior periods

Deferred tax credit

**Total tax charge/(credit)**

#### Recognised in other comprehensive income

Re-measurement of defined benefit liability

Foreign exchange translation differences

|  | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|--|-------------------------------------|---------------------------------------------|
|  | 340                                 | 186                                         |
|  | <u>340</u>                          | <u>186</u>                                  |
|  | 691                                 | 342                                         |
|  | 492                                 | (13)                                        |
|  | <u>1,183</u>                        | <u>329</u>                                  |
|  | <u>1,523</u>                        | <u>515</u>                                  |
|  | 751                                 | (284)                                       |
|  | (1,217)                             | (269)                                       |
|  | -                                   | 363                                         |
|  | (89)                                | (30)                                        |
|  | -                                   | (599)                                       |
|  | (101)                               | (142)                                       |
|  | <u>(656)</u>                        | <u>(961)</u>                                |
|  | <u><u>867</u></u>                   | <u><u>(446)</u></u>                         |
|  |                                     |                                             |
|  | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|  | (831)                               | (489)                                       |
|  | 1,724                               | 854                                         |
|  | <u>893</u>                          | <u>365</u>                                  |

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 11. Taxation (continued)

|                                                                                                           | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------|---------------------------------------------|
| <b>Reconciliation of effective tax rate</b>                                                               |                                     |                                             |
| (Loss)/profit for the period                                                                              | (1,542)                             | 5,104                                       |
| Total tax credit                                                                                          | 867                                 | (446)                                       |
|                                                                                                           | <u>(675)</u>                        | <u>4,658</u>                                |
| (Loss)/profit on ordinary activities before tax                                                           |                                     |                                             |
| (Loss)/profit on ordinary activities multiplied by standard rate of UK corporation tax of 20% (2016: 20%) | (135)                               | 932                                         |
| Expenses not deductible for tax purposes                                                                  | 1,014                               | 29                                          |
| Income not taxable                                                                                        | (627)                               | (223)                                       |
| Fixed asset differences                                                                                   | (113)                               | 11                                          |
| Recognition of previously unrecognised tax losses                                                         | -                                   | (1,378)                                     |
| Utilisation of previously unrecognised tax losses                                                         | (942)                               | -                                           |
| Reversal of previous recognised deferred tax asset                                                        | -                                   | 363                                         |
| Current year losses for which no deferred tax asset was recognised                                        | 732                                 | 199                                         |
| Effect of tax on foreign jurisdictions                                                                    | 111                                 | 40                                          |
| Effect of change in UK tax rate                                                                           | 106                                 | (397)                                       |
| Effect of pension costs                                                                                   | -                                   | (54)                                        |
| R&D tax credit                                                                                            | (10)                                | 1                                           |
| Adjustment in respect of prior periods                                                                    | 731                                 | 31                                          |
| <b>Total tax charge/(credit)</b>                                                                          | <u>867</u>                          | <u>(446)</u>                                |

### 12. Deferred tax assets and liabilities

The Group recognised deferred tax assets and liabilities arising from the following:

|                                  | <b>Assets</b>                       |                                             | <b>Liabilities</b>                  |                                             |
|----------------------------------|-------------------------------------|---------------------------------------------|-------------------------------------|---------------------------------------------|
|                                  | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
| Property, plant and equipment    | -                                   | -                                           | (15,162)                            | (14,810)                                    |
| Intangible assets                | -                                   | -                                           | (17,654)                            | (15,035)                                    |
| Employee benefits                | 2,912                               | 1,992                                       | -                                   | -                                           |
| Tax value of loss carry-forwards | 9,761                               | 8,572                                       | -                                   | -                                           |
| Other                            | 3,123                               | 2,196                                       | (1,015)                             | -                                           |
|                                  | <u>15,796</u>                       | <u>12,760</u>                               | <u>(33,831)</u>                     | <u>(29,845)</u>                             |
| Tax assets/(liabilities)         |                                     |                                             |                                     |                                             |
| Net of tax assets                | (11,881)                            | (9,875)                                     | 11,881                              | 9,875                                       |
|                                  | <u>3,915</u>                        | <u>2,885</u>                                | <u>(21,950)</u>                     | <u>(19,970)</u>                             |
| Net tax assets/(liabilities)     |                                     |                                             |                                     |                                             |

A deferred tax asset has not been recognised on unutilised tax losses of £6,613,000 (2016: £11,301,000), because it is not currently probable that future taxable profit will be available against which the Group can utilise the asset.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 12. Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

|                                  | 3 April 2016<br>£'000 | Recognised in<br>income<br>statement<br>£'000 | Recognised in<br>other<br>comprehensive<br>income<br>£'000 | Acquired in<br>business<br>combination<br>£'000 | 1 April 2017<br>£'000 |
|----------------------------------|-----------------------|-----------------------------------------------|------------------------------------------------------------|-------------------------------------------------|-----------------------|
| Property, plant and equipment    | (14,810)              | 691                                           | (1,043)                                                    | -                                               | (15,162)              |
| Intangible assets                | (15,035)              | 160                                           | (2,000)                                                    | (779)                                           | (17,654)              |
| Employee benefits                | 1,992                 | 89                                            | 831                                                        | -                                               | 2,912                 |
| Tax value of loss carry-forwards | 8,572                 | 89                                            | 1,100                                                      | -                                               | 9,761                 |
| Other                            | 2,196                 | (373)                                         | 285                                                        | -                                               | 2,108                 |
|                                  | <u>(17,085)</u>       | <u>656</u>                                    | <u>(827)</u>                                               | <u>(779)</u>                                    | <u>(18,035)</u>       |

Movement in deferred tax during the prior period

|                                  | 31 May 2015<br>£'000 | Recognised in<br>income<br>statement<br>£'000 | Recognised in<br>other<br>comprehensive<br>income<br>£'000 | 2 April 2016<br>£'000 |
|----------------------------------|----------------------|-----------------------------------------------|------------------------------------------------------------|-----------------------|
| Property, plant and equipment    | (15,952)             | 1,658                                         | (516)                                                      | (14,810)              |
| Intangible assets                | (14,052)             | 77                                            | (1,060)                                                    | (15,035)              |
| Employee benefits                | 1,637                | (134)                                         | 489                                                        | 1,992                 |
| Tax value of loss carry-forwards | 8,091                | (94)                                          | 575                                                        | 8,572                 |
| Other                            | 2,595                | (546)                                         | 147                                                        | 2,196                 |
|                                  | <u>(17,681)</u>      | <u>961</u>                                    | <u>(365)</u>                                               | <u>(17,085)</u>       |

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 13. Property, plant and equipment

| Group                           | Freehold land<br>and buildings<br>£'000 | Leasehold<br>land and<br>buildings<br>£'000 | Plant,<br>equipment<br>and vehicles<br>£'000 | Total<br>£'000 |
|---------------------------------|-----------------------------------------|---------------------------------------------|----------------------------------------------|----------------|
| <b>Cost or valuation</b>        |                                         |                                             |                                              |                |
| At 31 May 2015                  | 39,513                                  | 5,359                                       | 94,941                                       | 139,813        |
| Exchange adjustments            | 309                                     | 223                                         | 3,033                                        | 3,565          |
| Additions                       | 153                                     | 130                                         | 4,796                                        | 5,079          |
| Disposals                       | -                                       | (2,137)                                     | (407)                                        | (2,544)        |
| At 2 April 2016                 | 39,975                                  | 3,575                                       | 102,363                                      | 145,913        |
| Exchange adjustments            | 615                                     | 400                                         | 6,241                                        | 7,256          |
| Additions                       | 297                                     | 675                                         | 3,690                                        | 4,662          |
| Disposals                       | (7)                                     | (214)                                       | (1,043)                                      | (1,264)        |
| <b>At 1 April 2017</b>          | <b>40,880</b>                           | <b>4,436</b>                                | <b>111,251</b>                               | <b>156,567</b> |
| <b>Accumulated depreciation</b> |                                         |                                             |                                              |                |
| At 31 May 2015                  | -                                       | 2,966                                       | 42,662                                       | 45,628         |
| Exchange adjustments            | 14                                      | 62                                          | 692                                          | 768            |
| Charge for the period           | 1,264                                   | 369                                         | 5,423                                        | 7,056          |
| Disposals                       | -                                       | (2,137)                                     | (407)                                        | (2,544)        |
| At 2 April 2016                 | 1,278                                   | 1,260                                       | 48,370                                       | 50,908         |
| Exchange adjustments            | 179                                     | 123                                         | 1,759                                        | 2,061          |
| Charge for the period           | 1,520                                   | 342                                         | 7,131                                        | 8,993          |
| Disposals                       | -                                       | (215)                                       | (769)                                        | (984)          |
| <b>At 1 April 2017</b>          | <b>2,977</b>                            | <b>1,510</b>                                | <b>56,491</b>                                | <b>60,978</b>  |
| <b>Net book value</b>           |                                         |                                             |                                              |                |
| <b>At 1 April 2017</b>          | <b>37,903</b>                           | <b>2,926</b>                                | <b>54,760</b>                                | <b>95,589</b>  |
| At 2 April 2016                 | 38,697                                  | 2,315                                       | 53,993                                       | 95,005         |
| At 30 May 2015                  | 39,513                                  | 2,393                                       | 52,279                                       | 94,185         |

Freehold land and buildings were professionally valued at 30 May 2015 by F.G. Burnett, Chartered Surveyors (United Kingdom), Suncorp Valuations Ltd, Chartered Surveyors (Canada), Frąckowiak i Wspólnicy WGB Sp. z o.o. (Poland) and Thompson May (Australia). Assets in course of construction are held at cost.

| Group                   | 1 April 2017<br>£'000 | 2 April 2016<br>£'000 |
|-------------------------|-----------------------|-----------------------|
| Valuation (30 May 2015) | 35,107                | 34,492                |
| Cost                    | 5,773                 | 5,483                 |
|                         | <b>40,880</b>         | <b>39,975</b>         |

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 14. Intangible assets

| Group                    | Goodwill | Customer relationships | Brands & trademarks | Development expenditure | Total   |
|--------------------------|----------|------------------------|---------------------|-------------------------|---------|
| Cost                     | £'000    | £'000                  | £'000               | £'000                   | £'000   |
| At 31 May 2015           | 47,698   | 28,979                 | 33,783              | 701                     | 111,161 |
| Exchange adjustments     | 1,689    | 2,194                  | 1,194               | 12                      | 5,089   |
| Additions                | -        | -                      | -                   | 361                     | 361     |
| At 2 April 2016          | 49,387   | 31,173                 | 34,977              | 1,074                   | 116,611 |
| Exchange adjustments     | 3,828    | 4,150                  | 2,251               | 25                      | 10,254  |
| Additions                | 780      | -                      | -                   | 1,192                   | 1,972   |
| At 1 April 2017          | 53,995   | 35,323                 | 37,228              | 2,291                   | 128,837 |
| Accumulated amortisation |          |                        |                     |                         |         |
| At 31 May 2015           | -        | 375                    | 3,442               | 604                     | 4,421   |
| Exchange adjustments     | -        | 61                     | 50                  | -                       | 111     |
| Charge for the period    | -        | 554                    | 661                 | 63                      | 1,278   |
| At 2 April 2016          | -        | 990                    | 4,153               | 667                     | 5,810   |
| Exchange adjustments     | -        | 208                    | 114                 | -                       | 322     |
| Charge for the period    | -        | 708                    | 495                 | 211                     | 1,414   |
| At 1 April 2017          | -        | 1,906                  | 4,762               | 878                     | 7,546   |
| Net book value           |          |                        |                     |                         |         |
| At 1 April 2017          | 53,995   | 33,417                 | 32,466              | 1,413                   | 121,291 |
| At 2 April 2016          | 49,387   | 30,183                 | 30,824              | 407                     | 110,801 |
| At 30 May 2015           | 47,698   | 28,604                 | 30,341              | 97                      | 106,740 |

### Impairment testing

Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

|         | Goodwill     |              | Indefinite life intangible assets |              |
|---------|--------------|--------------|-----------------------------------|--------------|
|         | 1 April 2017 | 2 April 2016 | 1 April 2017                      | 2 April 2016 |
|         | £'000        | £'000        | £'000                             | £'000        |
| USA     | 23,051       | 20,048       | 17,667                            | 15,591       |
| Canada  | 13,804       | 12,473       | -                                 | -            |
| CCL     | 7,514        | 7,514        | -                                 | -            |
| Garners | 7,159        | 7,159        | -                                 | -            |

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 14. Intangible assets (continued)

The recoverable amount of each cash generating unit has been calculated with reference to its value in use. The key assumptions of the calculations are shown below:

|                                                         | 1 April 2017 | 2 April 2016 |
|---------------------------------------------------------|--------------|--------------|
| Period on which management approved forecasts are based | 5 years      | 5 years      |
| Discount rate                                           | 7.6%         | 10%          |

The discount rate used is the weighted average cost of capital which reflects the returns on government bonds with a maturity of fifteen or twenty years and an equity risk premium adjusted for the industry and market. Further risk premiums are applied according to management's assessment of the risks in respect of the cash flows. The Group applies pre-tax discount rates to pre-tax cash flows.

The Wornick Company trade name has an indefinite useful life. There are no legal, regulatory or contractual provisions that the directors believe limit the useful life of this tradename. The tradename was created 38 years ago and there are no plans to discontinue the use of the tradename. Accordingly, the directors believe that it is appropriate that the tradename is treated as having an indefinite useful life for accounting purposes and therefore is not amortised.

### 15. Fixed asset investments

| Group                            | Unlisted<br>investments<br>£'000         | Total<br>£'000 |
|----------------------------------|------------------------------------------|----------------|
| Cost                             |                                          |                |
| At 2 April 2016 and 1 April 2017 | 15                                       | 15             |
| <hr/>                            |                                          |                |
| Company                          | Shares in Group<br>undertakings<br>£'000 | Total<br>£'000 |
| Cost                             |                                          |                |
| At 2 April 2016 and 1 April 2017 | 637                                      | 637            |
| <hr/>                            |                                          |                |

#### Principal Group investments

On 1 April 2017 the parent company and the Group have investments in the following subsidiary undertakings which principally affected the profits or net assets of the Group:

| Subsidiary undertakings                   | Country of<br>registration or<br>incorporation | Shares held |     | Principal activity             |
|-------------------------------------------|------------------------------------------------|-------------|-----|--------------------------------|
|                                           |                                                | Class       | %   |                                |
| Baxters Food Group Limited                | Scotland                                       | Ordinary    | 100 | Manufacture/sale of foodstuffs |
| The Wornick Company Inc.                  | USA                                            | Ordinary    | 100 | Manufacture/sale of foodstuffs |
| Baxters Canada Inc.                       | Canada                                         | Ordinary    | 100 | Manufacture/sale of foodstuffs |
| Baxters Foods Australia Pty Limited       | Australia                                      | Ordinary    | 100 | Manufacture/sale of foodstuffs |
| Baxters Food Group Properties Pty Limited | Australia                                      | Ordinary    | 100 | Property rental                |
| Baxters Polska Sp.z.o.o                   | Poland                                         | Ordinary    | 100 | Manufacture/sale of foodstuffs |

Other non-principal group investments are disclosed within note 33.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 16. Inventories

|                               | 2017          | 2016          |
|-------------------------------|---------------|---------------|
| Group                         | £'000         | £'000         |
| Raw materials and consumables | 10,643        | 8,913         |
| Packing materials             | 5,294         | 4,701         |
| Finished goods                | 32,786        | 32,486        |
|                               | <u>48,723</u> | <u>46,100</u> |

Inventories of £165.9m (2016: £141.3m) were recognised as an expense during the period and included in cost of sales.

### 17. Trade and other receivables

|                                | 2017          | 2016          |
|--------------------------------|---------------|---------------|
| Group                          | £'000         | £'000         |
| Trade receivables              | 29,846        | 25,988        |
| Other receivables              | 2,296         | 3,855         |
| Prepayments and accrued income | 1,726         | 1,947         |
|                                | <u>33,868</u> | <u>31,790</u> |
| Non-current                    | -             | 487           |
| Current                        | <u>33,868</u> | <u>31,303</u> |
|                                | <u>33,868</u> | <u>31,790</u> |

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, and in some cases bank references. Sales limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the board of directors.

The Group allows an average debtor's payment period of 60 days after invoice date. Interest is charged on overdue debts at a business unit/customer specific rate where it is deemed necessary. It is the Group's policy to assess debtors for recoverability on an individual basis and to make provision where it is considered necessary. In assessing recoverability the Group takes into account any indicators of impairment up until the reporting date. The application of this policy generally results in debts between 61 and 120 days not being provided for. Debtors balances over 120 days are reviewed at an individual basis and provided for where indicate that a debt is impaired.

Trade receivables that are neither impaired nor past due are made up of 98% debtors' balances (2016: 96%). None of the individual balances is considered to represent a significant portion of the total balance. Historically these debtors have always paid balances when due, unless the balance or the quality of goods or services delivered is disputed. The average age of these debtors is 37 days (2016: 32 days). No debtors' balances have been renegotiated during the year or in the prior year.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

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

At 1 April 2017, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

|                 | 2017<br>£'000 | 2016<br>£'000 |
|-----------------|---------------|---------------|
| Carrying amount |               |               |
| UK              | 8,332         | 9,018         |
| US              | 15,582        | 11,153        |
| Canada          | 4,274         | 4,189         |
| Australia       | 1,658         | 1,626         |
| Other           | -             | 2             |
|                 | <u>29,846</u> | <u>25,988</u> |

### Impairment

At 1 April 2017, the ageing of trade and other receivables that were not impaired was as follows:

|                               | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------------|---------------|---------------|
| Neither past due nor impaired | 29,394        | 24,821        |
| Past due 61-90 days           | 66            | 513           |
| Past due 91-120 days          | 93            | 261           |
| Past due over 120 days        | 293           | 393           |
|                               | <u>29,846</u> | <u>25,988</u> |

Management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behaviour and analysis of customer credit risk, including underlying customers' credit ratings if they are available.

### 18. Other financial assets

|                                                                                 | 2017<br>£'000 | 2016<br>£'000 |
|---------------------------------------------------------------------------------|---------------|---------------|
| Group                                                                           |               |               |
| Financial assets designated as fair value through the profit and loss (note 23) | <u>136</u>    | <u>-</u>      |

### 19. Cash and cash equivalents

|                                      | Group         |               | Company       |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | 2017<br>£'000 | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| Cash on hand and balances with banks | <u>12,577</u> | <u>8,577</u>  | <u>27</u>     | <u>27</u>     |

### 20. Trade and other payables

|                                    | Group         |               | Company       |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2017<br>£'000 | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| Trade payables                     | 38,887        | 29,153        | -             | -             |
| Amounts owed to Group undertakings | -             | -             | 362           | 362           |
| Accruals and deferred income       | 11,800        | 13,086        | -             | -             |
| Other payables                     | 630           | 546           | -             | -             |
|                                    | <u>51,317</u> | <u>42,785</u> | <u>362</u>    | <u>362</u>    |

## W. A. BAXTER & SONS (HOLDINGS) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

#### 21. Other financial liabilities

|                                                                                      | 2017<br>£'000 | 2016<br>£'000 |
|--------------------------------------------------------------------------------------|---------------|---------------|
| <b>Group</b>                                                                         |               |               |
| Financial liabilities designated as fair value through the profit and loss (note 23) | -             | 888           |

#### 22. Loans and borrowings

|                           | 2017<br>£'000  | 2016<br>£'000 |
|---------------------------|----------------|---------------|
| <b>Group</b>              |                |               |
| <b>Current</b>            |                |               |
| Secured bank loans        | 19,925         | 41,661        |
| Other loans               | 159            | 571           |
| Finance lease liabilities | 26             | -             |
|                           | <u>20,110</u>  | <u>42,232</u> |
| <b>Non-current</b>        |                |               |
| Secured bank loans        | 32,759         | 95,848        |
| Secured loan notes        | 91,619         | -             |
| Other loans               | -              | 160           |
| Finance lease liabilities | 59             | -             |
|                           | <u>124,437</u> | <u>96,008</u> |

The facilities in 2016 comprised of 5 year multi-currency term and revolving credit facilities provided by HSBC and Rabobank International. Term bank loans were repayable by instalments over a 5 year period from October 2014 and bore interest at variable rates above the appropriate multi-currency bank rate. In July 2016 these facilities were refinanced. The Group issued \$115m of 7 year private placement loan notes at 6.9% with Pricoa and also signed a new 5 year multi-currency £40m term and £18m revolving credit facilities provided by HSBC. Term bank loans are repayable by instalments over a 5 year period and bear interest at variable rates above the appropriate multi-currency bank rate.

The bank facilities are secured by letters of offset and cross guarantees from all non dormant Group companies, and by a floating charge over the assets of W.A. Baxter & Sons (Holdings) Limited and Baxters Food Group Limited.

Loans from The Baxter Family Trust and Highlands and Islands Enterprise (HIE) are included within other loans. The Baxter Family Trust loan, a related party of the Group, bore interest at 0.75% above the Bank of Scotland base rate and was repaid during the year. The HIE loan is repayable over 48 monthly instalments that commenced in September 2013 and bears interest at a fixed rate of 1%.

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

|                            | 2017<br>£'000 | 2016<br>£'000 |
|----------------------------|---------------|---------------|
| <b>Group</b>               |               |               |
| Less than one year         | 26            | -             |
| Between one and five years | 59            | -             |
|                            | <u>85</u>     | <u>-</u>      |

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 23. Financial instruments – accounting classifications and fair value

The following table shows the Group's carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

|                                                         | Derivatives<br>(FVTPL)<br>£'000 | Loans and<br>receivables<br>£'000 | Other<br>financial<br>liabilities<br>£'000 | Total<br>£'000 |
|---------------------------------------------------------|---------------------------------|-----------------------------------|--------------------------------------------|----------------|
| <b>1 April 2017</b>                                     |                                 |                                   |                                            |                |
| <b>Financial assets not measured at fair value</b>      |                                 |                                   |                                            |                |
| Trade and other receivables                             | -                               | 32,142                            | -                                          | 32,142         |
| Cash and cash equivalents                               | -                               | 12,577                            | -                                          | 12,577         |
|                                                         | -                               | 44,719                            | -                                          | 44,719         |
| <b>Financial assets measured at fair value</b>          |                                 |                                   |                                            |                |
| Forward exchange contracts (note 18)                    | 136                             | -                                 | -                                          | 136            |
|                                                         | 136                             | -                                 | -                                          | 136            |
| <b>Financial liabilities not measured at fair value</b> |                                 |                                   |                                            |                |
| Secured bank loans                                      | -                               | -                                 | (52,684)                                   | (52,684)       |
| Secured loan notes                                      | -                               | -                                 | (91,619)                                   | (91,619)       |
| Unsecured other loans                                   | -                               | -                                 | (159)                                      | (159)          |
| Finance lease liabilities                               | -                               | -                                 | (85)                                       | (85)           |
| Trade and other payables                                | -                               | -                                 | (51,317)                                   | (51,317)       |
|                                                         | -                               | -                                 | (195,864)                                  | (195,864)      |
| <b>2 April 2016</b>                                     |                                 |                                   |                                            |                |
| <b>Financial assets not measured at fair value</b>      |                                 |                                   |                                            |                |
| Trade and other receivables                             | -                               | 29,843                            | -                                          | 29,843         |
| Cash and cash equivalents                               | -                               | 8,577                             | -                                          | 8,577          |
|                                                         | -                               | 38,420                            | -                                          | 38,420         |
| <b>Financial liabilities measured at fair value</b>     |                                 |                                   |                                            |                |
| Forward exchange contracts (note 21)                    | (888)                           | -                                 | -                                          | (888)          |
|                                                         | (888)                           | -                                 | -                                          | (888)          |
| <b>Financial liabilities not measured at fair value</b> |                                 |                                   |                                            |                |
| Secured bank loans                                      | -                               | -                                 | (137,509)                                  | (137,509)      |
| Unsecured other loans                                   | -                               | -                                 | (731)                                      | (731)          |
| Trade and other payables                                | -                               | -                                 | (42,785)                                   | (42,785)       |
|                                                         | -                               | -                                 | (181,025)                                  | (181,025)      |

Excluded from financial assets are prepayments as these assets fall out with the scope of financial instruments due to the cash element having been settled.

The fair value and carrying value of financial instruments have been assessed and there is deemed to be no material differences between fair value and carrying value.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 24. Financial risk management

The Group is exposed to financial risks including; capital risk, credit risk, liquidity risk and certain market-based risks principally being the effects of changes in foreign exchange rates and interest rates. The Group manages these risks within the context of a set of formal policies established by the Board. It is the Group's policy that no speculative trading in financial instruments shall be undertaken. These policies have remained unchanged throughout the year, are consistent with the previous year and are summarised below:

#### 24.1 Capital risk management

When managing capital, the Group's objectives are to safeguard the business as a going concern, provide returns to shareholders, benefits for other stakeholders and maintain an optimal capital structure. The Group's capital structure consists of debt, cash and equity of the Group. In order to maintain its capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board monitors the strength of the Group's balance sheet by reference to the gearing ratio, which expresses the Group's net debt as a percentage of its equity and EBITDA. Net debt is total borrowings less cash and cash equivalents. Equity comprises issued share capital, reserves and retained earnings. The gearing ratios at 1 April 2017 and 2 April 2016 were as follows:

|                                           | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------------------------|---------------|---------------|
| Total borrowings (note 22)                | 144,547       | 138,240       |
| Less: cash and cash equivalents (note 19) | (12,577)      | (8,577)       |
| Net debt                                  | 131,970       | 129,663       |
| EBITDA                                    | 21,646        | 20,750        |
| EBITDA ratio                              | 610%          | 625%          |
| Equity                                    | 74,799        | 76,003        |
| Gearing ratio                             | 176%          | 171%          |

#### 24.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. Refer to note 17 for further details on the Group's exposure to credit risk.

#### Cash and cash equivalents

The Group held cash and cash equivalents of £12.6m at 1 April 2017 (2016: £8.6m). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A to A+, based on Standard & Poor's ratings.

#### Derivatives

The derivatives are entered into with bank and financial institution counterparties, which are rated A, based on Standard & Poor's ratings.

#### 24.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 1 April 2017, the expected cash flows from trade and other receivables maturing within two months were £47.2m (2016: £61.3m). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition to internally generated liquidity, the Group maintains a £18m secured multicurrency revolving credit facility.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 24. Financial risk management (continued)

#### *Exposure to liquidity risk*

#### **Maturity of financial liabilities**

The tables below analyse the Group's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period to the contractual maturity dates at 1 April 2017 and 2 April 2016. The amounts disclosed in the tables are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest repayments.

| 1 April 2017                     | 1 year or less<br>£'000 | 1-2 years<br>£'000 | 2-5 years<br>£'000 | Over 5 years<br>£'000 |
|----------------------------------|-------------------------|--------------------|--------------------|-----------------------|
| Bank borrowings and other loans  | 20,084                  | 4,561              | 18,627             | 101,190               |
| Finance lease liabilities        | 26                      | 24                 | 35                 | -                     |
| Trade and other payables         | 51,317                  | -                  | -                  | -                     |
|                                  | <u>71,427</u>           | <u>4,585</u>       | <u>18,662</u>      | <u>101,190</u>        |
| 2 April 2016                     | 1 year or less<br>£'000 | 1-2 years<br>£'000 | 2-5 years<br>£'000 | Over 5 years<br>£'000 |
| Bank borrowings and other loans  | 42,232                  | 11,919             | 47,747             | 36,342                |
| Derivative financial instruments | 888                     | -                  | -                  | -                     |
| Trade and other payables         | 42,785                  | -                  | -                  | -                     |
|                                  | <u>85,905</u>           | <u>11,919</u>      | <u>47,747</u>      | <u>36,342</u>         |

The gross outflows disclosed in the above table represent the contractual maturities relating to derivative financial liabilities held for risk management purposes and which are not actually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneously gross cash settlement.

As disclosed in note 22, the Group has a secured bank loan that contains a loan covenant. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by the finance department and regularly reported to the Board to ensure compliance with the agreement.

The future cash flows on derivative instruments may be different from the amount in the above table exchange rates or the relevant conditions underlying change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### **24.4 Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### **a) Foreign exchange risk**

Foreign currency risk is the risk of financial loss to foreign currency net assets, earnings and cash flows reported in pounds sterling due to movements in exchange rates. The functional currencies of Group companies are primarily Sterling, US dollars, Canadian dollars and Australian dollars.

The Group makes use of forward exchange contracts to manage risk relating to future transactions, in accordance with its risk management policy. The fair value of the forward exchange contracts was £0.1m asset (2016: £0.9m liability). Gains on the forward exchange contracts were £1.0m (2016: £0.8m loss).

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 24. Financial risk management (continued)

#### a) Foreign exchange risk (continued)

Derivative financial instruments that are measured at fair value are disclosed by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the Group's derivative financial instruments that are measured at fair value were classified as Level 2 as at 1 April 2017 (2016: Level 2) and comprise forward foreign exchange contracts as disclosed above. There are no financial instruments measured as Level 3.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. In addition, interest on borrowings is denominated in the currency of the borrowing. This provides an economic hedge without derivatives being entered into and as such hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group's investment in its US subsidiary is hedged by a US denominated secured bank loan and loan notes (carrying amount: £97.1m (2016: £86.1m)). The loan is designated as a net investment hedge.

The table below details the impact changes in foreign exchange rates would have had on the Group's post-tax profit for the periods ended 1 April 2017 and 2 April 2016 due to the translation of both subsidiary profits from their functional currency into sterling, and also underlying currency transactions and balances within Group companies which are denominated in currencies other than the reporting currency of that Group company. The movements in equity as at 1 April 2017 and 2 April 2016 includes the impact changes in foreign exchange rates would have on the translation of subsidiary net assets, as well as the effect of cash flow currency and net investment hedges.

In each case, it is assumed that the named currency is strengthening or weakening against all other currencies, while all the other currencies remain constant. The percentage foreign currency movement is based on the maximum annual percentage movement against sterling during the previous four years. Results are shown for all currencies where the impact on Group post tax profits would be more than £50,000.

|                        | Impact on operating profit<br>before exceptionals<br>gains/(losses) |                    | Impact on profit after tax<br>gains/(losses) |                    | Impact on equity<br>Increase/(decrease) |                    |
|------------------------|---------------------------------------------------------------------|--------------------|----------------------------------------------|--------------------|-----------------------------------------|--------------------|
|                        | Strengthening<br>£'000                                              | Weakening<br>£'000 | Strengthening<br>£'000                       | Weakening<br>£'000 | Strengthening<br>£'000                  | Weakening<br>£'000 |
| <b>2017</b>            |                                                                     |                    |                                              |                    |                                         |                    |
| US Dollar: 21%         | 4,365                                                               | (2,851)            | 2,051                                        | (1,195)            | 9,396                                   | (6,134)            |
| Australian Dollar: 30% | (802)                                                               | 432                | (1,621)                                      | 956                | 1,326                                   | (714)              |
| Canadian Dollar 22%    | 522                                                                 | (220)              | (221)                                        | 222                | 3,309                                   | (2,115)            |
| <b>2016</b>            |                                                                     |                    |                                              |                    |                                         |                    |
| US Dollar: 14%         | 1,558                                                               | (1,175)            | 506                                          | (382)              | 8,470                                   | (6,390)            |
| Australian Dollar: 30% | (342)                                                               | 184                | (516)                                        | 278                | (1,853)                                 | 998                |
| Canadian Dollar: 20%   | 453                                                                 | (302)              | 212                                          | (141)              | 2,796                                   | (1,864)            |

#### b) Interest rate risk

The Group's interest rate risk arises from borrowings and cash deposits. The Group has a policy of monitoring interest rate exposure on a regular basis and structures borrowings in the desired currencies at floating interest rates. No interest rate hedging was in place at 1 April 2017 or 2 April 2016.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 25. Provisions

| Group                                    | £'000        |
|------------------------------------------|--------------|
| Balance at 31 May 2015                   | 6,714        |
| Exchange adjustments                     | 790          |
| Profit and loss account – current period | (1,301)      |
|                                          | <hr/>        |
| Balance at 2 April 2016                  | 6,203        |
| Exchange adjustments                     | 781          |
| Profit and loss account – current period | (1,044)      |
|                                          | <hr/>        |
| <b>Balance at 1 April 2017</b>           | <b>5,940</b> |
|                                          | <hr/>        |

A provision was created on the acquisition of The Wornick Company Inc. for onerous lease liabilities relating to certain property and equipment leases. The provision is expected to be utilised over the remaining term of the leases.

### 26. Deferred income

| Group                          | Government<br>Grants<br>£'000 |
|--------------------------------|-------------------------------|
| Balance at 31 May 2015         | 911                           |
| Exchange adjustments           | 54                            |
| Amortisation in the period     | (31)                          |
| Repayment                      | (165)                         |
|                                | <hr/>                         |
| Balance at 2 April 2016        | 769                           |
| Exchange adjustments           | 50                            |
| Amortisation in the year       | (76)                          |
|                                | <hr/>                         |
| <b>Balance at 1 April 2017</b> | <b>743</b>                    |
|                                | <hr/>                         |

### 27. Retirement benefit obligations

The Group pension arrangements are operated through a defined contribution scheme and a group defined benefit scheme.

#### Defined contribution pension scheme

The Group and Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group and Company to the scheme and amounted to £888,000 (2016: £680,000).

#### Defined benefit scheme

The Group and Company operates a funded defined benefit pension scheme. The final salary scheme is closed to new members. The scheme is administered by a single pension fund that is legally separated from the Group. The defined benefit pension scheme exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment risk).

The valuation used for the IAS 19 disclosures has been based on the most recent actuarial valuation and updated by an independent qualified actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 1 April 2017. Scheme assets are stated at their market value at 1 April 2017.

The scheme is funded by the Group and funding requirements are based on the pension fund's actuarial measurement framework, as set out within the funding policies of the plan. The Group paid normal contributions of £512,000 (2016: £658,000) during the period and special contributions of £nil (2016: £nil) due to the phasing of these under the deficit recovery plan agreed with the Trustees of the scheme. At the year end, contributions of £34,000 (2016: £156,000) were included in accruals.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 27. Retirement benefit obligations (continued)

#### Defined benefit scheme (continued)

Employer's contributions rose from 11.6% to 15.2% of pensionable salaries with effect from 1 June 2013. The Group will continue to make special contributions in line with the recovery plan.

The estimated amounts of contributions expected to be paid to the scheme during the 2018 financial year is £942,000.

| The principal actuarial assumptions are as follows: |       | At 1 April<br>2017 | At 2 April<br>2016 |
|-----------------------------------------------------|-------|--------------------|--------------------|
| Rate of increase in salaries                        |       | 2.50%              | 2.25%              |
| Rate of increase in pensions                        |       | 2.00%              | 2.00%              |
| Discount rate                                       |       | 2.60%              | 3.60%              |
| Inflation assumption                                | - RPI | 3.10%              | 2.25%              |
|                                                     | - CPI | 2.00%              | 1.75%              |

#### Demographic assumptions

The specific mortality rates used are based on the SAPS 2 CMI 2016 tables adjusted to allow for the experience of scheme pensioners. The life expectancies underlying the valuation are as follows:

|                                |         | 1 April 2017<br>years | 2 April 2016<br>years |
|--------------------------------|---------|-----------------------|-----------------------|
| Current pensioners (at age 65) | Males   | 21.1                  | 21.9                  |
|                                | Females | 22.9                  | 23.9                  |
| Future pensioners (at age 65)  | Males   | 22.1                  | 23.2                  |
|                                | Females | 24.1                  | 25.4                  |

|                                                         |  | 1 April 2017<br>£'000 | 2 April 2016<br>£'000 |
|---------------------------------------------------------|--|-----------------------|-----------------------|
| The balance sheet position of the scheme is as follows: |  |                       |                       |
| Fair value of assets                                    |  | 55,671                | 49,105                |
| Present value of obligations (fully funded)             |  | (71,847)              | (60,171)              |
| Net pension liability                                   |  | (16,176)              | (11,066)              |

| Plan assets as a percentage of total plan assets are as follows: |  | 1 April 2017<br>% | 2 April 2016<br>% |
|------------------------------------------------------------------|--|-------------------|-------------------|
| Equities                                                         |  | 45                | 50                |
| Bonds                                                            |  | 41                | 37                |
| Property                                                         |  | 13                | 11                |
| Cash                                                             |  | 1                 | 2                 |

The scheme's historic investment strategy has been to invest broadly 70% in equity type assets and 30% in bond type assets. This strategy reflects the scheme's liability profile and the trustees' and employer's attitude to risk albeit this remains under regular review.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 27. Retirement benefit obligations (continued)

| Movements in net defined benefit liability    |                            |                       |                           |                       |                               |                       |
|-----------------------------------------------|----------------------------|-----------------------|---------------------------|-----------------------|-------------------------------|-----------------------|
|                                               | Defined benefit obligation |                       | Fair value of plan assets |                       | Net defined benefit liability |                       |
|                                               | 1 April 2017<br>£'000      | 2 April 2016<br>£'000 | 1 April 2017<br>£'000     | 2 April 2016<br>£'000 | 1 April 2017<br>£'000         | 2 April 2016<br>£'000 |
| Balance at start of period                    | (60,171)                   | (59,263)              | 49,105                    | 51,076                | (11,066)                      | (8,187)               |
| <b>Included in income statement</b>           |                            |                       |                           |                       |                               |                       |
| Service cost                                  | (615)                      | (588)                 | -                         | -                     | (615)                         | (588)                 |
| Interest (cost)/income                        | (2,132)                    | (1,748)               | 1,743                     | 1,513                 | (389)                         | (235)                 |
|                                               | <u>(2,747)</u>             | <u>(2,336)</u>        | <u>1,743</u>              | <u>1,513</u>          | <u>(1,004)</u>                | <u>(823)</u>          |
| <b>Included in other comprehensive income</b> |                            |                       |                           |                       |                               |                       |
| Actuarial losses arising from:                |                            |                       |                           |                       |                               |                       |
| - Changes in demographic assumptions          | 3,261                      | 542                   | -                         | -                     | 3,261                         | 542                   |
| - Changes in financial assumptions            | (15,318)                   | -                     | -                         | -                     | (15,318)                      | -                     |
| - Experience adjustment                       | 1,239                      | (771)                 | -                         | -                     | 1,239                         | (771)                 |
| Return on plan assets                         | -                          | -                     | 6,200                     | (2,485)               | 6,200                         | (2,485)               |
|                                               | <u>(10,818)</u>            | <u>(229)</u>          | <u>6,200</u>              | <u>(2,485)</u>        | <u>(4,618)</u>                | <u>(2,714)</u>        |
| <b>Other</b>                                  |                            |                       |                           |                       |                               |                       |
| Contributions by employees                    | (4)                        | (6)                   | 4                         | 6                     | -                             | -                     |
| Contributions by employer                     | -                          | -                     | 512                       | 658                   | 512                           | 658                   |
| Benefits paid                                 | 1,893                      | 1,663                 | (1,893)                   | (1,663)               | -                             | -                     |
|                                               | <u>1,889</u>               | <u>1,657</u>          | <u>(1,377)</u>            | <u>(999)</u>          | <u>512</u>                    | <u>658</u>            |
| Balance at end of period                      | <u>(71,847)</u>            | <u>(60,171)</u>       | <u>55,671</u>             | <u>49,105</u>         | <u>(16,176)</u>               | <u>(11,066)</u>       |

Scheme assets include property occupied by the Group with a fair value of £1.4m (2016: £1.8m).

#### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by quarter a percent:

|                             | 1 April 2017<br>£'000 | 2 April 2016<br>£'000 |
|-----------------------------|-----------------------|-----------------------|
| Increase in discount rate   | (3,246)               | (2,600)               |
| Future salary increases     | 344                   | 400                   |
| Increase in inflation (RPI) | 1,230                 | 1,000                 |

## W. A. BAXTER & SONS (HOLDINGS) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

#### 28. Capital and reserves

| Share capital                                            | 1 April 2017<br>£'000 | 2 April 2016<br>£'000 |
|----------------------------------------------------------|-----------------------|-----------------------|
| <b>Allotted, called up and fully paid</b>                |                       |                       |
| 292,948 ordinary shares of £1 each                       | 293                   | 293                   |
| 86,700 "A" ordinary shares of £1 each                    | 87                    | 87                    |
| 41,500 "AA" ordinary shares of £1 each                   | 42                    | 42                    |
| 111,800 (2015:120,800) "B" ordinary shares of £0.25 each | 28                    | 28                    |
| 185,200 "BB" ordinary shares of £1 each                  | 185                   | 185                   |
|                                                          | <hr/>                 | <hr/>                 |
|                                                          | 635                   | 635                   |

All ordinary shares, with the exception of "B" ordinary shares, are regarded as one class of shares and rank pari passu with one another save for the matter of declaration and distribution of dividends where the directors have the power to declare different rates of dividend.

"B" ordinary shares carry no voting rights and are subject to specific requirements in relation to the sale and transfer of shares.

#### Own shares held

Own shares held represent the cost of the Company's "B" ordinary shares held by the Employee Business Trust ("EBT"). The objective of the EBT is to maintain a market in the shares of the Company. The EBT, which is financed by the Group, purchases shares as they become available and sells at market value to employees. The costs of administering the fund are also borne by the Group.

#### Merger reserve

The merger reserve comprises restructuring adjustments relating to the restructuring of the Group in 2007, which utilised the principals of merger accounting.

#### Capital redemption reserve

The capital redemption reserve comprises adjustments required under company law to maintain capital following any repurchase of the Company's shares.

#### Revaluation reserve

Where property, plant and equipment is revalued, the cumulative increase in the fair value of the property at the date of revaluation in excess of any previous impairment losses is included in the revaluation reserve.

#### Translation reserve

The translation reserve comprises all foreign exchange differences arising since 1 June 2014, the transition date to Adopted IFRSs, from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

#### Retained earnings

Retained earnings represents accumulative profits and losses net of dividends and other distributions.

#### Dividends

During the year a dividend of £1m (2016: £2m) was recognised in the period.

After the balance sheet date, a dividend of £nil (2016: £1m) has been proposed by the directors.

# W. A. BAXTER & SONS (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

### 29. Operating lease commitments

|                                                                              | 2017<br>£'000 | 2016<br>£'000 |
|------------------------------------------------------------------------------|---------------|---------------|
| <b>Future minimum lease payments under non-cancellable operating leases:</b> |               |               |
| Within one year                                                              | 5,798         | 5,032         |
| From one to five years                                                       | 16,907        | 16,398        |
| After five years                                                             | 19,185        | 18,733        |
|                                                                              | <u>41,890</u> | <u>40,163</u> |

The Group leases warehouses, factory facilities and office buildings under operating leases. The leases run for periods of up to 10 years with options to extend in place for some leases.

### 30. Capital commitments

|                                 | 2017<br>£'000 | 2016<br>£'000 |
|---------------------------------|---------------|---------------|
| <b>Group</b>                    |               |               |
| Contracted for but not provided | <u>882</u>    | <u>955</u>    |

### 31. Control

The Company is controlled by the directors.

### 32. Related party transactions

#### Group

During the year the Group leased a property from the Baxters Food Group Pensions Scheme. The rent payable by the Group during the year ended 1 April 2017 was £216,000 (2016: £108,000). In addition, property recharges from the Scheme amounted to £10,000 (2016: £457,000) and other recharges amounted to £528,000 (2016: £nil). The balance due to the scheme at the year end was £113,000 (2016: £nil).

At the year end, Baxters Food Group Limited was due £nil (2016: £192,000) to The Baxter Family Trust, a shareholder of the Group. During the year the full loan of £192,000 (2016: £15,000) was repaid to the Trust. The loan bore interest of 0.75% above the Bank of Scotland base rate and was repayable on demand.

Key management are deemed to be the Executive and Non-Executive Directors and the Executive Board of the Group as together they have the authority and responsibility for controlling group activities. The compensation paid or payable to key management for employee services is shown below:

|                                                                    | Year ended<br>1 April 2017<br>£'000 | 10 months<br>ended<br>2 April 2016<br>£'000 |
|--------------------------------------------------------------------|-------------------------------------|---------------------------------------------|
| <b>Emoluments payable to executive and non-executive directors</b> |                                     |                                             |
| Emoluments for qualifying services                                 | 1,855                               | 1,285                                       |
| Post employment benefits                                           | 20                                  | 18                                          |
| <b>Emoluments payable to remainder of the executive board</b>      |                                     |                                             |
| Emoluments for qualifying services                                 | 1,398                               | 645                                         |
| Post-employment benefits                                           | 46                                  | 31                                          |
| <b>Total emoluments payable to key management</b>                  | <u>3,319</u>                        | <u>1,979</u>                                |

#### Company

At the year end the Company had a non-interest bearing loan of £362,000 (2016: £362,000) outstanding from a subsidiary. The loan is repayable on demand.

## W. A. BAXTER & SONS (HOLDINGS) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 APRIL 2017

#### 33. Non-principal investments within the Group

|                                              | Country of<br>registration or<br>incorporation | Shares held |     | Principal activity           |
|----------------------------------------------|------------------------------------------------|-------------|-----|------------------------------|
|                                              |                                                | Class       | %   |                              |
| Baxters North America Inc.                   | USA                                            | Ordinary    | 100 | Intermediate holding company |
| The Wornick Holding Company Inc.             | USA                                            | Ordinary    | 100 | Intermediate holding company |
| Baxters of Speyside Ltd                      | Scotland                                       | Ordinary    | 100 | Dormant                      |
| Baxters Foodservice Ltd                      | Scotland                                       | Ordinary    | 100 | Dormant                      |
| Fonds de Cuisine Ltd                         | Scotland                                       | Ordinary    | 100 | Dormant                      |
| Garner's Foods Ltd                           | England & Wales                                | Ordinary    | 100 | Dormant                      |
| Baxters (Colchester) Ltd                     | England & Wales                                | Ordinary    | 100 | Dormant                      |
| Audrey Baxter Ltd                            | Scotland                                       | Ordinary    | 100 | Dormant                      |
| Audrey Baxter Signature Ltd                  | Scotland                                       | Ordinary    | 100 | Dormant                      |
| Audrey Baxter Signature Range Ltd            | Scotland                                       | Ordinary    | 100 | Dormant                      |
| Baxters Ontario Inc                          | Canada                                         | Ordinary    | 100 | Dormant                      |
| Right Away Management Corporation            | USA                                            | Ordinary    | 100 | Dormant                      |
| The Wornick Company Right Away Division      | USA                                            | Ordinary    | 100 | Dormant                      |
| The Wornick Company Right Away Division L.P. | USA                                            | Ordinary    | 100 | Dormant                      |