

Company Registration Number 233851

apetito Limited

Financial statements

Year ended 31 December 2014



apetito Limited

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apetito Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Joerg Baumgart	Non-Executive
Wolfgang Düsterberg	Non-Executive
Graham Forrester	Manufacturing Director
Paul Freeston	Chief Executive and Chairman
Ben Haynes	Director of Wiltshire Farm Foods
Christian Kessy	Non-Executive
Carrie Morris	Human Resources Director (resigned 30 September 2014)
Richard Ring	Financial and Customer Service and Distribution Director
Ian Stone	Sales, Marketing, and Development Director

SECRETARY

Richard Ring

REGISTERED OFFICE

Canal Road
Trowbridge
Wiltshire
BA14 8RJ

BANKERS

HSBC Bank plc
46 Fore Street
Trowbridge
Wiltshire
BA14 8EL

SOLICITORS

Burges Salmon
One Glass Wharf
Bristol
BS2 0ZX

Sylvester & Mackett
Castle House
Castle Street
Trowbridge
Wiltshire
BA14 8AX

AUDITOR

Deloitte LLP
Bristol, United Kingdom

STRATEGIC REPORT

The directors, in preparing this strategic report, have complied with S414C of the Companies Act 2006.

REVIEW OF BUSINESS

The company's focus is on making a real difference to the lives of those that we serve through the production and supply of high quality, nutritious, frozen-prepared meals, desserts and other products to the wider Health & social care sector and foodservice markets. In addition, through Wiltshire Farm Foods (a National Franchise network and company division), we provide nutritious meals directly to end consumers helping people maintain independence and dignity within their own homes.

apetito is proud to serve some of the most vulnerable people in society. Our aim is to produce delicious, nutritious and highly sustainable food that enables people to eat for health whatever their circumstances; at home, in hospital or in care.

We continue to proudly support the work of the independent Malnutrition Task Force (we were a founding and funding partner), which is seeking to address avoidable and preventable malnutrition in older people. The Task Force has received significant funding from the Department of Health and is currently operating a series of Malnutrition Prevention Pilots across the country, the results of which will be published in 2015.

We have supported the development of the Government's Plan for Public Procurement by the Department of Environment, Food and Rural Affairs (Defra) which is designed to support healthier food in the public sector and a healthy economic future for the food sector. The plan includes a Balanced Scorecard which may be used by the public sector. The Government's Hospital Food Standards Panel also made recommendations on standards which should be adopted in the NHS. apetito is well placed to offer our public sector customers an excellent range of products and services which will assist in achieving very high standards as set out by both the Plan for Public Procurement and Hospital Food Standards Panel.

Whilst continuing to pursue our commercial aims, the above demonstrates our clear commitment to becoming a force for good across the Health and Social Care sector, where our mission is "making a real difference." We aim to create products and services that enhance the lives of the many vulnerable customers that we serve – whether nutritionally well or nutritionally unwell. This is key to a successful apetito – today and tomorrow.

The company is organised into five profit responsible Business Units (Wiltshire Farm Foods, Healthcare, Care Homes, Meals on Wheels and Food Service), supported by operational divisions. This structure supports our objective of focusing management and staff on the key market sectors in which the company operates. This structure also ensures that we focus on customer service and development in the separate market sectors. From the insight this enables us to gain, we seek to continually innovate and maintain our position as the UK's leading food producer for the Health & Social care sector; we supply an extensive range of dishes for those on Special Diets and are particularly proud of those for people with dysphagia, which we are confident are the best in the world and are truly "making a real difference."

We are delighted that the wider business is now responsible for around 2,200 jobs and we strive to be seen as an Employer of Choice, enabling us to attract and retain the very best talent. These numbers include those directly employed by apetito Limited and those employed by our franchise network which solely distributes apetito's products.

We continue to invest heavily in staff training and development. We recognise the vital role that our leaders play in engaging and motivating our team to deliver the best quality service to our customers and are clear that the recruitment and development of great talent is key to sustaining the success of the business. A key part of ensuring we bring great talent into the business is our graduate programme which provides challenging opportunities for both recently graduated individuals to join the business as well as those seeking placements as part of their studies. Year-on-year we add to our Leadership Development Programme, a comprehensive portfolio of courses designed to develop leadership skills, refine technical proficiency, cultivate strategic vision and improve customer service skills. Over the last three years we have put all our leaders through our flagship leadership course - Managing Self and Others. This has had an outstanding impact on our people as demonstrated by our most recent Great Place to Work engagement survey results. We also inspire and encourage our leaders through events such as our annual Leadership Forum and inspirational thinking workshops. This ensures that we continue to deliver a wide range of leadership opportunities with learning that meets both individuals' expectations and operational requirements and that our team is equipped with an aptitude for leadership that is second-to-none. In addition to our leadership training, we also invest significantly in technical and health and safety training.

STRATEGIC REPORT (continued)

During the year apetito Limited made charitable donations of £27k (2013: £13k), principally to support the communities in which we operate via the apetito Staff Foundation, which makes grants to support the charitable and voluntary activities of our staff and their children. We have donated in excess of £165k since the inception of this scheme in 2006.

Around 20% of the company's business is secured by contracts with local authorities, which vary in initial duration from two to five years. This gives some degree of certainty to future sales and cash flows. The Healthcare, Wiltshire Farm Foods and Care Homes divisions have shown, and are expected to show, continuing positive developments. The meals on wheels business has been and will continue to be a difficult environment due to the challenge of public sector cuts.

Achievement of world-class standards of health and safety provision is central to our business programme.

Total work-related accidents for 2014 were 166, which compares to 163 in 2013 and 241 for a six-year moving average. Our reportable accidents (7 days or more of work-related injury absence) for 2014 were 12; which compares to 14 for the moving average of the last six years.

Vehicle damage and road traffic incidents recorded in 2014 were 270 which compares to 171 in 2013 and a four-year moving average of 213. A project group focused specifically on reducing the likelihood and impact of RTAs was launched during 2014. Additionally apetito are working with our insurers to identify opportunities to reduce vehicle accidents.

Through 2014 we have maintained registration of our safety and environmental management systems to OHSAS18001 and ISO14001 respectively and for the fifth consecutive year received the RoSPA Gold Award for Occupational Health and Safety.

Our corporate sustainability programme has been developed and significantly strengthened throughout 2014 and continues to work to deliver against our challenging 20-point sustainability plan "Roadmap for 2020".

Comparing key sustainability metrics against our 2007 baseline we can show we have:

- Reduced the direct carbon emissions of the business by 32% per meal-unit
- Reduced the carbon intensity of the business (CO2 emissions/£m turnover) by 38%
- Made a 40% reduction in factory water usage per meal
- Reduced waste to landfill by 70%
- Redirected practically all food waste to anaerobic digestion

In 2014 we have generated 167,639 kwh of on-site power from factory roof-mounted solar panel arrays which have contributed to the continuing reduction in carbon intensity of the business since 2007.

Since 2010 the main Trowbridge manufacturing site has operated within the scope of the Environmental Permitting Regulations. Working to our environmental permit we have collaborated closely with the Environment Agency through 2014.

We continue to work with WRAP and are founder signatories to the new Courtauld Commitment 3 and we have also signed the Hospitality and Food Service Agreement. We continue to endorse the Federation House Agreement (water) and the FDF Five Fold Ambition (environmental targets). We take an active part in environmental affairs with FDF, BFFF and CBI and are working with the Department of Health committee addressing sustainability and hospital food standards.

We have worked closely with Defra on the review of the Government Buying Standards for Food and supported the development of the Balanced Scorecard. When reviewing sustainability performance against the Balanced Scorecard we rate as a good or excellent rating in all categories.

In the wider global context we form part of the apetito Group commitment to the UN Global Compact; we are, as a group, also members of SEDEX and the Round Table on Sustainable Palm Oil.

STRATEGIC REPORT (continued)

apetito Limited has also continued to invest in its production and distribution facilities with a total investment, including intangibles of £4.3m in 2014 (2013: £4.5m). Increased investment levels are expected over the coming years to increase factory and distribution capacity.

The results prepared on page 9 show a profit of £19.4m before taxation for the year ended 31 December 2014 (2013: £18m). The key metrics used to measure performance in the business are 1) underlying core sales growth in the year of 4.1% and 2) EBIT as a percentage of sales, which increased to 16.6%.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's activities expose it to a number of financial risks including raw material price, credit and cash flow risks. In addition apetito acknowledges there are operational risks including material process failure, business interruption and IT systems risks which require monitoring.

Raw material price risk

The company has over 1,000 raw material and packaging stock-keeping units. Around 15% of raw material and packaging items are contracted in non-sterling currencies, predominantly the euro. Along with raw material and commodity price volatility, currency plays an important part in our sourcing decisions. We manage these risks through financial tools such as hedging of non-sterling currency requirements and through a strategic sourcing process which is comprehensive, transparent, and tailored to each specific category.

Credit risk

The company's primary financial assets are trade receivables and bank balances.

The company's primary credit risk is attributable to its trade receivables. Amounts presented in the balance sheet are net of allowances for doubtful debts. The company has over 589 customers which helps diversify the credit risk. During 2014 £50k was written off as bad debt, however £40k was attributable to the meals on wheels business which carries a higher risk profile due to public sector cuts and a high volume of low value private customers.

The value of overdue debt increased from 2013 (2.6%) to 2014 (4.8%) primarily driven by the challenging meals on wheels business. Excluding the meals on wheels business, overdue debt decreased from 2013 (2.2%) to 2014 (1.4%).

The company is confident that the overdue balance will continue to be controlled during 2015.

Cash flow risk

The company's activities expose it primarily to the financial risk of changes in foreign currency rates and raw material price fluctuations. The company uses forward exchange contracts to hedge these exposures as it believes appropriate.

The company does not use derivative financial instruments for speculative purposes.

Operational risk

apetito has a risk management team consisting of senior managers from across the business. This team meet regularly to review, challenge and improve risk management of the key operational risks. In addition the company has up to date business continuity and crisis management plans. During 2014 a fire at one of the companies manufacturing locations utilised the crisis management team and successfully demonstrated the robustness of the plans.

apetito Limited

STRATEGIC REPORT (continued)

FUTURE PROSPECTS

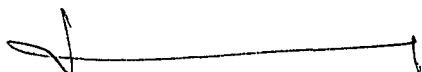
Over the next few years, apetito Limited anticipates very substantial investment in its Trowbridge production and Portbury distribution facilities to ensure that apetito Limited remains fit for future growth. In addition to this, apetito Limited will continue to increase its investment in business development into new market opportunities, product quality improvement, and in its people through an ongoing programme of staff training and development.

With the continuous investment in manufacturing and support facilities, and its innovative approach to service provision in the care sector market, the directors believe that the company has the platform to maintain strong levels of sales and profit growth.

GOING CONCERN

The company's activities, together with the factors likely to affect its future development and performance, as well as the company's approach to raw material price risk, credit risk and cash flow, are set out above. The company has cash balances and no borrowings, together with contracts over a long period with a number of customers across different sectors. As a consequence, and as supported by the company's forecasts and projections, the directors believe that the company is exceptionally well placed to manage its business risks despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company has more than adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, consisting of a stylized 'R' followed by a long horizontal line.

Richard Ring

Director

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2014. The accounts have been prepared in accordance with the requirements of FRS 101 which has been adopted this year.

Details of future developments and financial risk management objectives and policies can be found in the strategic report and form part of this report by cross-reference.

DIVIDENDS

A dividend of £16m was paid to ordinary shareholders (2013: £4.3m). No further dividends are recommended for the period covered by these accounts.

DIRECTORS

The membership of the Board, who served throughout the year and subsequently, except as noted, is set out on page 1.

DISABLED EMPLOYEES

apetito ensures that it complies with its obligations under the Equalities Act 2010 in respect of disabled persons. Applications for employment by disabled persons are always fully considered and assessed against defined criteria, dealing only with an applicant's suitability for the job. Wherever possible reasonable adjustments will be made. In the event of members of staff becoming disabled, we will continue their employment with the company wherever possible, including arranging appropriate training as required. apetito acts fairly and does not discriminate against disabled persons in any part of their employment including recruitment, training, career development and promotion.

EMPLOYEE CONSULTATION

The company places considerable value on the meaningful involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through Works Councils, formal and informal consultation meetings as well as employee newsletters and attendance by Works Council Representatives at the company's annual conference. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. During the year, a member of the Works Council was appointed to the apetito Group Supervisory Board. Furthermore, the company operates an annual, non-contractual, profit-related bonus for all staff on apetito terms and conditions of employment.

AUDITOR

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

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

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

A resolution to reappoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Richard Ring
Director

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report including 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 Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APETITO LIMITED

We have audited the financial statements of apetito Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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, 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). Those 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 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 company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

Andrew Wright

Andrew Wright (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom

18 March 2015

apetito Limited

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
TURNOVER - continuing operations	3	117,724	113,148
Other operating income		1,133	62
Change in stocks of finished goods		1,261	(441)
Raw materials and consumables		(41,215)	(37,948)
Staff costs	6	(26,875)	(25,318)
Depreciation and amortisation	10, 11	(3,569)	(3,549)
Other operating charges		(29,160)	(28,017)
		<u>(98,425)</u>	<u>(95,211)</u>
OPERATING PROFIT - continuing operations		19,299	17,937
Interest receivable and similar income	4	141	110
Interest payable and similar charges	4	(43)	(50)
		<u>19,397</u>	<u>17,997</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	19,397	17,997
Tax on profit on ordinary activities	8	(4,623)	(4,219)
PROFIT FOR THE FINANCIAL YEAR		<u>14,774</u>	<u>13,778</u>

apetito Limited

STATEMENT OF OTHER COMPREHENSIVE INCOME For the year ended 31 December 2014

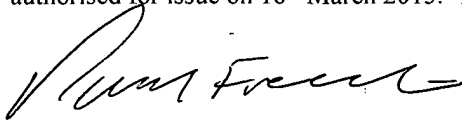
	2014 £'000	2013 £'000
Profit for the financial year	14,774	13,778
Items that may be reclassified subsequently to profit or loss:		
Effective loss on cash flow hedge instruments	(26)	-
Income tax relating to items that may be reclassified	(41)	-
Other comprehensive income for the year net of tax	(67)	-
Total comprehensive income for the year attributable to the owners of the company	14,707	13,778
Effect of change in accounting framework in prior year	(13)	-
Effect of change in accounting framework to balance sheet as at 1 January 2013	(123)	-
	14,571	-

apetito Limited

BALANCE SHEET At 31 December 2014

	Note	2014 £'000	Restated 2013 £'000	Restated 2012 £'000
FIXED ASSETS				
Intangible assets	10	1,690	915	210
Tangible fixed assets	11	16,445	16,949	16,845
		<u>18,135</u>	<u>17,864</u>	<u>17,055</u>
CURRENT ASSETS				
Stocks	13	9,836	8,629	9,174
Debtors (amounts falling due after one year: £286,000 (2013: £142,000))	15	12,431	12,545	11,651
Investments		15,591	19,546	10,017
Cash at bank and in hand		1,933	3,569	3,623
Derivative financial instruments	24	-	-	126
		<u>39,791</u>	<u>44,289</u>	<u>34,591</u>
CREDITORS: Amounts falling due within one year	16	<u>(17,524)</u>	<u>(20,132)</u>	<u>(18,984)</u>
NET CURRENT ASSETS		<u>22,267</u>	<u>24,157</u>	<u>15,607</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		40,402	42,021	32,662
CREDITORS: Amounts falling due after more than one year	17	(664)	(1,139)	(1,043)
PROVISIONS FOR LIABILITIES	19	<u>(193)</u>	<u>(57)</u>	<u>(276)</u>
NET ASSETS		<u>39,545</u>	<u>40,825</u>	<u>31,343</u>
CAPITAL AND RESERVES				
Called-up share capital	20	285	285	285
Profit and loss account	21	39,260	40,540	31,058
SHAREHOLDERS' FUNDS		<u>39,545</u>	<u>40,825</u>	<u>31,343</u>

The financial statements of apetito Limited (registered number 233851) were approved by the Board of Directors and authorised for issue on 18th March 2015. They were signed on its behalf by:



Paul Freeston

Director

apetito Limited

STATEMENT OF CHANGES IN EQUITY At 31 December 2014

	Called up share capital (note 20) £'000	Profit and loss account (note 21) £'000	Total £'000
Balance at 1 January 2013	285	31,071	31,357
Effect of restatement due to change in accounting framework (see note 27)	-	(13)	(13)
As restated	285	31,058	31,344
Profit for the period	-	13,778	13,778
Total comprehensive income for the year	-	13,778	13,778
Dividends	-	(4,296)	(4,296)
Balance at 31 December 2013	285	40,540	40,825
Profit for the period	-	14,774	14,774
Other comprehensive expense for the year	-	(67)	(67)
Total comprehensive income for the year	-	14,707	14,707
Dividends	-	(15,987)	(15,987)
Balance at 31 December 2014	285	39,260	39,545

apetito Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year. All results are from continuing operations.

Basis of accounting

apetito Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the business review on page 2.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2014 the company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The prior year financial statements were restated for material adjustments on adoption of FRS 101 in the current year. For more information see note 27.

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 the goods and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of apetito AG. Details of the parent in which consolidated financial statements the company is included are shown in note 27 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of apetito AG. The group accounts of apetito AG are available to the public and can be obtained as set out in note 27.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

Adoption of new and revised Standards

As explained above, the company has adopted FRS 101 for the first time in the current year. As part of this adoption, the following new and revised Standards and Interpretations have been adopted in the current year. The application of these specific Standards and Interpretations has not had a material effect on the company.

<p>Amendments to IAS 1 <i>Presentation of Financial Statements</i> (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)</p>	<p>The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the company are the amendments to IAS 1 regarding when a balance sheet as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.</p> <p>In the current year, the company has applied a number of new and revised IFRSs (see the discussion above), which has resulted in material effects on the information in the statement of financial position as at 1 January 2013. In accordance with the amendments to IAS 1, the company has presented a third statement of financial position as at 1 January 2013 without the related notes except for the disclosure requirements of IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> as shown in the table below.</p>
<p>IFRS 13 <i>Fair Value Measurement</i></p>	<p>The company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).</p> <p>IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements; however, the Company has taken advantage of the exemption provided under FRS 101 from providing these disclosures.</p> <p>IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard.</p>

apetito Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

The following new and revised Standards and Interpretations have been adopted early in the current year. The application of these specific Standards and Interpretations has not had a material effect on the company.

New and revised Standards on consolidation, joint arrangements, associates and disclosure	<p>In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 <i>Consolidated Financial Statements</i>, IFRS 11 <i>Joint Arrangements</i>, IFRS 12 <i>Disclosure of Interests in Other Entities</i>, IAS 27 (as revised in 2011) <i>Separate Financial Statements</i> and IAS 28 (as revised in 2011) <i>Investments in Associates and Joint Ventures</i>. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the Standards.</p> <p>In the current year, the company has applied for the first time IAS 27 (as revised in 2011) <i>Separate Financial Statements</i> and IAS 28 (as revised in 2011) <i>Investments in Associates and Joint Ventures</i>.</p> <p>None of these Standards has had an impact on the financial statements.</p>
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Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the company; its cash flows, liquidity position and borrowing facilities; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts as described below. Depreciation on revalued buildings is charged to income. On the subsequent sale or scrappage of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to retained earnings.

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

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	2% per annum
Plant and machinery	15% per annum
Fixtures and fittings	20-33% per annum
Motor vehicles	20% per annum
Assets in construction	nil per annum

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Turnover

Turnover is stated net of VAT and trade discounts.

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

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover 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.

Turnover is reduced for estimated customer returns, rebates and other similar allowances.

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NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2014**

1. ACCOUNTING POLICIES (continued) Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting).

Leases

The company as lessee

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

The company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Finance costs

As explained below, where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in profit or loss within finance costs.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and released to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued) Financial instruments

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

Financial assets

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

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the profit and loss account. Fair value is determined in the manner described in note 24.

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NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2014**

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the company that are traded in an active market are classified as being AFS and are stated at fair value. The company also has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 24. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment's revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the company's right to receive the dividends is established.

Available-for-sale financial assets

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)*Impairment of financial assets*

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

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

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

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

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Reclassification of financial assets

The company has reclassified certain non-derivative financial assets out of held for trading (part of the FVTPL category) to AFS financial assets. Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2014**

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account. Fair value is determined in the manner described in note 24.

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NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2014**

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

The company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts and structured forward contracts. Further details of derivative financial instruments are disclosed in note 24.

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

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as current asset debtors due greater than one year or a creditor due greater than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or creditors falling due within one year.

An embedded derivative is presented as current asset debtors due greater than one year or a creditor due greater than one year if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or creditors due within one year.

Hedge accounting

The company designates certain hedging instruments, which include derivatives, in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as fair value hedges.

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

Note 24 sets out details of the fair values of the derivative instruments used for hedging purposes.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the profit and loss account relating to the hedged item.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date. *Cash flow hedge*

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the profit and loss account as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

The directors consider the value associated with the owned Wiltshire Farm Food territories to be the only critical accounting judgement. During the year the recoverability of the carrying value (2014 £1,690k (7 owned); 2013 £915k (4 owned)) of these externally purchased intangible assets was assessed and deemed appropriate. Management regularly reviews the performance of each of these owned territories. In addition management reviews franchisee accounts on an annual basis and continues to facilitate the sale of territories to new franchisees. This provides external validation of the valuation and therefore the directors are satisfied no impairment is required.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The useful economic life of the owned Wiltshire Farm Food territories, as noted above, is estimated at 20 years. This is supported the historic growth in Wiltshire Farm Food sales and the forecast growth in the target demographic.

3. TURNOVER

An analysis of the Company's turnover is as follows:

	2014 £'000	2013 £'000
Sales of goods	117,724	113,148
Other operating income (including £19,000 rental income (2013: £24,000))	1,133	62
Interest receivable and similar income (note 4)	141	110
	<u>118,998</u>	<u>113,320</u>

All turnover represents sales to United Kingdom customers, the company has chosen not to give segmental disclosures.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

4. FINANCE CHARGES

	2014 £'000	2013 £'000
Interest payable and similar charges	(43)	(50)
Interest receivable and similar income	141	110
	<u>98</u>	<u>60</u>

Interest receivable and similar income

	£'000	£'000
Interest receivable:		
Bank deposits	138	109
Franchise loan interest	3	1
	<u>141</u>	<u>110</u>

Interest payable and similar charges

	£'000	£'000
HMRC interest on corporation tax	2	1
Finance leases and hire purchase contracts	29	49
Gain arising on derivatives in a designated fair value hedge accounting relationship	12	-
	<u>43</u>	<u>50</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation is after charging/(crediting):		
Net foreign exchange (gains)/losses	(158)	202
Depreciation of tangible fixed assets:		
owned	2,757	2,641
held under finance leases and hire purchase contracts	744	887
Impairment of tangible fixed assets:		
Owned	215	-
Amortisation of intangible assets included in other operating expenses:		
	68	21
Operating lease rentals	2,936	2,181
Staff costs (see note 6)		
Auditor's remuneration	50	45
–non-audit services	5	-

Impairment of tangible fixed assets includes, £115k relating to Electronic Coagulation Plant, £78k of website development and £16k Piesite fire. In November 2014 a fire occurred on the Piesite, the adjacent manufacturing facility to the main facility. £853k of insurance compensation has been recognised in other operating income (see note 3).

apetito Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

6. STAFF COSTS

	2014 Number	2013 Number
The average monthly number of employees (including executive directors) was:		
Production and distribution	950	1,078
Administration and management	98	102
	<u>1,048</u>	<u>1,180</u>
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	23,943	22,695
Social security costs	2,230	2,122
Pension costs	702	501
	<u>26,875</u>	<u>25,318</u>

7. DIRECTORS' REMUNERATION AND TRANSACTIONS

	2014 £'000	2013 £'000
Directors' remuneration		
Emoluments (excluding pension contributions)	1,320	1,196
Pension contributions in respect of defined contribution pension schemes	143	237
Compensation for loss of office	143	-
	<u>1,606</u>	<u>1,433</u>
	Number	Number
The number of directors who:		
Are members of a defined contribution pension scheme	5	6
	<u>£'000</u>	<u>£'000</u>
Remuneration of the highest paid director:		
Emoluments (excluding pension contributions)	485	377
Pension contributions in respect of defined contribution	7	64

The remuneration of P Freeston and R Ring included in the above incorporates services provided to apetito Limited, apetito AG and apetito Canada Limited respectively. On the other hand W Düsterberg, J Baumgart and C Kessey are payable by, and their remuneration is dealt with in the accounts of apetito AG. Details of their remuneration are available from apetito AG, Postfach 1165, 48401, Rheine, Germany. The above occurs because it is not practicable to allocate remuneration between group entities.

apetito Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2014 £'000	2013 £'000
Current tax		
UK corporation tax	4,524	4,448
Adjustments in respect of prior years	4	(10)
Total current tax	<u>4,528</u>	<u>4,438</u>
Deferred tax (see note 19)	<u>95</u>	<u>(219)</u>
Total tax on profit on ordinary activities	<u>4,623</u>	<u>4,219</u>

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	£'000	£'000
Profit on ordinary activities before tax	<u>19,397</u>	<u>17,997</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 21.5% (2013: 23.25%)	4,169	4,184
Effects of:		
Expenses not deductible/income not taxable for tax purposes	41	55
Depreciation in excess of capital allowances	323	165
Other timing differences	(9)	44
Adjustments to tax charge in respect of previous periods	4	(10)
Deferred tax movement	95	(219)
Total tax charge for period	<u>4,623</u>	<u>4,219</u>

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

	£'000	£'000
Deferred tax		
Reclassifications from other comprehensive income to profit or loss:		
Deferred tax on restated comparatives	<u>(41)</u>	<u>-</u>

apetito Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

9. DIVIDENDS ON EQUITY SHARES

Amounts recognised as distributions to equity holders in the period:

	2014 £'000	2013 £'000
Final dividend for the year ended 31 December 2014 of £56.18 (2013: £15.1) per ordinary share	15,987	4,296

10. INTANGIBLE FIXED ASSETS

	Licences £'000
Cost	
At 1 January 2013	217
Additions	726
	<hr/>
At 31 December 2013	943
Additions	1,035
Disposals	(217)
	<hr/>
At 31 December 2014	1,761
	<hr/>
Amortisation	
At 1 January 2013	7
Charge for the year	21
	<hr/>
At 31 December 2013	28
Charge for the year	68
Disposals	(25)
	<hr/>
At 31 December 2014	71
	<hr/>
Net book value	
At 31 December 2014	1,690
	<hr/>
At 31 December 2013	915
	<hr/>
At 31 December 2012	210
	<hr/>

The intangible assets listed above relate to the repurchase of the licences to operate Wiltshire Farm Food franchises in distinct territories. The useful economic life of these assets have been assessed at 20 years and are thus amortised 5% pa on a straight line basis.

apetito Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

11. TANGIBLE FIXED ASSETS

	Land and buildings	Plant and machinery	Fixtures and fittings	Motor vehicles	Finance Lease	Assets in construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 January 2013	7,094	17,426	6,091	390	5,309	398	36,708
Additions	779	408	1,287	102	1,011	185	3,772
Transfers	66	302	30	-	-	(398)	-
Disposals	(44)	(1,664)	(625)	(40)	(658)	-	(3,031)
At 31 December 2013	7,895	16,472	6,783	452	5,662	185	37,449
Additions	101	680	1,703	70	27	703	3,284
Transfers	-	128	9	-	-	(137)	-
Disposals	(4)	(4,325)	(542)	(11)	(2,096)	(80)	(7,058)
At 31 December 2014	7,992	12,955	7,953	511	3,593	671	33,675
Depreciation							
At 1 January 2013	1,496	11,496	3,076	234	3,561	-	19,863
Charge for the year	103	1,476	1,006	56	887	-	3,528
Disposals	(10)	(1,659)	(559)	(26)	(637)	-	(2,891)
At 31 December 2013	1,589	11,313	3,523	264	3,811	-	20,500
Charge for the year	115	1,472	1,104	66	744	-	3,501
Disposals	(1)	(4,176)	(535)	(11)	(2,048)	-	(6,771)
At 31 December 2014	1,703	8,609	4,092	319	2,507	-	17,230
Net book value							
At 31 December 2014	6,289	4,346	3,861	192	1,086	671	16,445
At 31 December 2013	6,306	5,159	3,260	188	1,851	185	16,949
At 31 December 2012	5,598	5,930	3,015	156	1,748	398	16,845
Leased assets included above:							
Net book value							
At 31 December 2014	-	-	-	-	1,086	-	1,086
At 31 December 2013	-	-	-	-	1,851	-	1,851
At 31 December 2012	-	-	-	-	1,746	-	1,746

Land and buildings on the Ladydown site were valued on 26 July 1990 at open market value on the basis for existing use by Alder King, Chartered Surveyors. Land and buildings on our Canal Road site are included at acquisition cost in 1995, and construction cost thereafter. If land and buildings had not been revalued they would be included at a cost of £7,979,000 (2013: £7,878,000) and accumulated depreciation of £1,703,000 (2013: £1,589,000).

apetito Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

12. SUBSIDIARIES

Subsidiary undertakings **£'000**

Cost

At 1 January 2013, 31 December 2013 and 31 December 2014 1,000

Provisions for impairment

At 1 January 2013, 31 December 2013 and 31 December 2014 (1,000)

Net book value

Wiltshire Farm Foods Limited has been treated as a subsidiary undertaking because the Group exercises dominant influence over this investment, directing its financial and operating policies.

Details of the company's subsidiaries at 31 December 2014 are as follows. All ownership interests are in the ordinary share capital of the investee.

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
Wiltshire Farm Foods Limited	United Kingdom	100	100

The investments in subsidiaries are all stated at cost less provision for impairment.

13. STOCKS

	2014 £'000	2013 £'000	2012 £'000
Raw materials and consumables	3,937	3,991	4,095
Work in progress	62	49	18
Finished goods and goods for resale	5,837	4,589	5,061
	<u>9,836</u>	<u>8,629</u>	<u>9,174</u>

apetito Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

14. FINANCE LEASE RECEIVABLES

	Present value of minimum lease payments	
	2014 £	2013 £
Amounts receivable under finance leases:		
Within one year	160	167
In the second to fifth years inclusive	276	91
	<hr/>	<hr/>
Present value of minimum lease payments receivable	436	258
	<hr/>	<hr/>

The company enters into finance leasing arrangements for certain of its electronic equipment. The average term of finance leases entered into is 3.7 years.

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at £nil (2013: £nil).

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates 5 per cent (2013: 5 per cent) per annum.

15. DEBTORS

	2014 £'000	2013 £'000	2012 £'000
Amounts falling due within one year:			
Trade debtors	9,895	10,728	10,334
Allowance for doubtful debts	(295)	(197)	(264)
	<hr/>	<hr/>	<hr/>
	9,600	10,531	10,070
 Amounts owed by group undertakings	 64	 35	 137
Other debtors	613	1,047	896
Prepayments and accrued income	1,682	623	428
Net investment in finance leases	160	167	95
	<hr/>	<hr/>	<hr/>
	12,119	12,403	11,626
	<hr/>	<hr/>	<hr/>
Amounts falling due after more than one year:			
Franchisee loans	10	-	-
Prepayments and accrued income	26	51	-
Net investment in finance leases	276	91	25
	<hr/>	<hr/>	<hr/>
	12,431	12,545	11,651
	<hr/>	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

16. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013	2012
	£'000	£'000	£'000
Trade creditors	6,719	8,404	7,592
Amounts owed to group undertakings	2,282	2,212	2,371
Corporation tax	2,463	2,358	2,132
Other taxation and social security	521	535	499
Other creditors	297	314	266
Accruals and deferred income	4,585	5,328	5,276
Defined contribution pension scheme accrual	108	92	-
Finance derivatives	56	61	-
Finance lease liabilities	493	828	848
	<u>17,524</u>	<u>20,132</u>	<u>18,984</u>

17. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014	2013	2012
	£'000	£'000	£'000
Finance lease liabilities	<u>664</u>	<u>1,139</u>	<u>1,043</u>

18. OBLIGATIONS UNDER FINANCE LEASES

	2014	2013
	£	£
Amounts payable under finance leases:		
Within one year	493	828
In the second to fifth years inclusive	664	1,139
	<u>1,157</u>	<u>1,967</u>
Present value of lease obligations	<u>1,157</u>	<u>1,967</u>
Analysed as:		
Amounts due for settlement within 12 months (shown under current liabilities)	493	828
Amounts due for settlement after 12 months	664	1,139
	<u>1,157</u>	<u>1,967</u>

It is the company's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is five years. For the year ended 31 December 2014, the average effective borrowing rate was 6.5 per cent (2013: 6.5 per cent). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling.

The fair value of the company's lease obligations is approximately equal to their carrying amount.

The company's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 11.

apetito Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

19. PROVISIONS FOR LIABILITIES

Deferred tax	£'000
Deferred tax is provided as follows:	
At 1 January 2013	276
Credit to profit or loss	(178)
Charge direct to equity	(41)
	<hr/>
At 1 January 2014	57
Charge to profit or loss	95
Charge to other comprehensive income	41
	<hr/>
At 31 December 2014	<u>193</u>

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

	2014 £'000	2013 £'000	2012 £'000
Deferred tax liabilities	<u>193</u>	<u>57</u>	<u>276</u>

20. CALLED-UP SHARE CAPITAL

	2014 £'000	2013 £'000	2012 £'000
Authorised	<u>285</u>	<u>285</u>	<u>285</u>
Allotted, called-up and fully-paid 284,559 ordinary shares of £1 each	<u>285</u>	<u>285</u>	<u>285</u>

apetito Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

21. PROFIT AND LOSS ACCOUNT

	£'000
Balance at 1 January 2013 as previously stated	31,071
Effect of change in accounting framework (see note 27)	(13)
	<hr/>
Restated balance at 1 January 2013	31,058
Dividends paid	(4,296)
	<hr/>
Net profit for the year as previously stated	13,901
Effect of change in accounting framework	(123)
	<hr/>
Net profit for the year	13,778
	<hr/>
Balance at 1 January 2014	40,540
Dividends paid	(15,987)
Net profit for the year	14,707
	<hr/>
Balance at 31 December 2014	39,260
	<hr/> <hr/>

22. FINANCIAL COMMITMENTS

	2014	2013
	£'000	£'000
Capital commitments are as follows:		
Contracted for but not provided for		
-tangible fixed assets	662	797
	<hr/> <hr/>	<hr/> <hr/>

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014		2013
	Land and buildings	Other	Land and buildings
	£'000	£'000	£'000
- within one year	1,334	1,356	1,369
- between two and five years	2,427	3,053	349
	<hr/>	<hr/>	<hr/>
	3,761	4,409	1,718
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
			1,194

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

23. RETIREMENT BENEFIT SCHEMES

The company operates a defined contribution scheme operated under a contract-based Group Personal pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund; this amounted to £702,000 (2013: £501,000). Contributions totalling £108,000 (2013: £92,000) were payable to the fund at the year-end and are included in creditors.

24. FINANCIAL INSTRUMENTS

Categories of financial instruments at fair value

	2014 £'000	2013 £'000	2012 £'000
Financial assets/(liabilities) at fair value			
Fair value through profit and loss (FVTPL)	(56)	(61)	126
Held for trading	-	-	-
Changes in value of financial instruments at fair value			
Profit for the year has been arrived at after charging/(crediting):			
	2014 £'000	2013 £'000	2012 £'000
Financial assets at fair value			
Fair value through profit and loss (FVTPL)	(5)	187	(136)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Derivatives

The company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

It is the policy of the company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 90 per cent to 100 per cent of the exposure generated. The company also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 12 months within 90 per cent to 100 per cent of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

25. RELATED PARTY TRANSACTIONS

The company has taken advantage of the disclosure exemption permitted under FRS 101 from the requirement to disclose related party transactions within the group.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. CONTROLLING PARTY

The ultimate parent company and controlling company is apetito AG, which is registered in Germany. The immediate parent company is apetito (U.K.) Holdings Limited, which is registered in England and Wales. Copies of the financial statements of apetito AG, which is the smallest and largest group apetito Limited is consolidated into, can be obtained from apetito AG, Postfach 1165, 48401, Rheine, Germany. Copies of the financial statements of apetito (U.K.) Holdings Limited can be obtained from its registered office at Canal Road, Trowbridge, Wiltshire, BA14 8RJ.

27. EXPLANATION OF TRANSITION TO FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2013 and the date of transition to FRS 101 was therefore 1 January 2013.

Reconciliation of equity

Note	At 1 January 2013 £'000	At 31 December 2013 £'000
Equity reported under previous UK GAAP	31,356	40,961
Adjustments to opening balance sheet	-	(13)
Adjustments to equity on transition to FRS 101	31,356	40,948
1 Finance lease reclassification	(143)	(99)
2 Derivative fair value recognition	126	(61)
3 Deferred tax on above	4	37
Equity reported under FRS 101	31,343	40,825

Reconciliation of total comprehensive income for the year ended 31 December 2013

Note	£'000
Total comprehensive income for the financial year under previous UK GAAP	-
1 Effective loss on cash flow hedge instruments	(26)
2 Deferred tax charge relating to prior year	(41)
Total comprehensive income for the financial year under FRS 101	(67)

apetito Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

27. EXPLANATION OF TRANSITION TO FRS 101 (continued)

Notes to the reconciliation of profit or loss for 2013

The transition from previous GAAP to FRS 101 has not affected the financial performance of the entity as the adjustments are not material to the entity.

	As stated 31 December 2013 £'000	Effect of transition to FRS 101 £'000	As restated 31 December 2013
Turnover	113,148	-	113,148
Operating profit	18,048	(111)	17,937
Net interest	109	(49)	60
Profit before taxation	18,157	(160)	17,997
Taxation	(4,256)	37	(4,219)
Profit after taxation	13,901	(123)	13,778