

REGISTERED NUMBER: 00603238 (England and Wales)

Strategic Report, Report of the Directors and
Financial Statements
for the Period 2 April 2017 to 31 March 2018
for
Heygates Limited

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for the period 2 April 2017 to 31 March 2018

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Heygates Limited
Company Information
for the period 2 April 2017 to 31 March 2018

DIRECTORS:	P M Heygate A R Heygate A R Heygate (Junior) Mrs S E Kreckler S K Y Chia
SECRETARY:	S K Y Chia
REGISTERED OFFICE:	Bugbrooke Mills Bugbrooke Northamptonshire NN7 3QH
REGISTERED NUMBER:	00603238 (England and Wales)
AUDITORS:	Clifford Roberts Chartered Accountants & Statutory Auditors Pacioli House 9 Brookfield Duncan Close Northampton Northamptonshire NN3 6WL
BANKERS:	HSBC Bank plc Home and Eastern Counties Corporate Banking Centre Level 6 Metropolitan House CBX3 Avebury Boulevard Milton Keynes MK9 2GA

Heygates Limited (Registered number: 00603238)

Strategic Report
for the period 2 April 2017 to 31 March 2018

The directors present their strategic report for the period 2 April 2017 to 31 March 2018.

PRINCIPAL ACTIVITY

The principal activity of the company continues to be flour milling at the four mill sites situated at Bugbrooke, Downham Market, Tring and Icklingham.

REVIEW OF BUSINESS

The UK food and agricultural sector is a highly competitive market and the continuing economic situation remains challenging. Turnover has increased due to like for like demand from the original three sites and due to the addition of a fourth site at Icklingham in June. The increase in tonnes milled has been compounded by a rise in the price of grain. Unfortunately it has not been possible to pass on all the increase in the price of grain, resulting in a decrease in the gross profit percentage despite an increase in the actual gross profit itself. Operating from four sites has also increased distribution and some administration costs, resulting in a loss before tax.

PRINCIPAL RISKS AND UNCERTAINTIES

The company does not have significant exposure to foreign currency or cash flow risks due to the nature of its trade. Exposure to credit, liquidity, interest rate and other price risks arise in the normal course of Heygates Limited's business. These risks are limited by the company's financial management policies described below.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for Heygates Limited by failing to discharge an obligation. Predominantly any risks will arise from trade debtors going bad. Heygates Limited reduces the risk through sensible sales ledger management policies.

Liquidity risk

The directors have ultimate responsibility for liquidity risk management in maintaining adequate reserves, banking and borrowing facilities. These are managed on a group wide basis in order to provide economies of scale. The risk is further reduced through the use of invoice discounting facilities by the company.

Interest rate risk

The company is exposed to interest rate risk through the impact of rate changes on interest bearing borrowings. Apart from the bank overdraft and the invoice discounting facility, the company does not have significant interest bearing assets and liabilities. By managing the facilities on a group wide basis, economies of scale help to mitigate the risk.

Other price risk

The company operates in a very competitive market. In order to retain its existing customers and generate new ones, the company continues to strive to achieve its overriding aim of providing good customer relationships and consistently high quality, innovative products together with a high level of service at competitive prices. The resulting strong relationships help the company to be able to renegotiate prices with its customers following significant changes in raw material costs and mitigate the risk of having to absorb wheat price rises. In the period under review, weather and market conditions around the world have seen global grain prices rise and, as described above in the Review of Business, this has resulted in increases in both turnover and costs of sale.

Strategic Report
for the period 2 April 2017 to 31 March 2018

ANALYSIS OF DEVELOPMENTS AND PERFORMANCE

The company's overriding strategy is to maintain its current position by concentrating on the premium sector of the markets in which it operates by the production of premium and innovative products. At the same time it aims to provide customers with the highest quality possible products, continued product development and innovation, together with an excellent standard of technical service and back up.

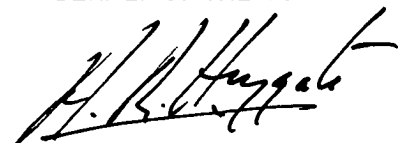
The key performance indicators (KPI's) used in monitoring the company's performance are:

1. Organic sales growth - year on year percentage change in sales revenue.
2. Gross return on sales - gross profit as a percentage of sales revenue.
3. Net return on sales - profit/(loss) on ordinary activities before taxation and before non-recurring items and income from other fixed asset investments, as a percentage of sales revenue.
4. Return on net assets- profit/(loss) on ordinary activities before taxation and before non-recurring items and income from other fixed asset investments, as a percentage of net assets.
5. Free cash flow - comprises the net cash flows from operating activities, less cash outflows due on capital expenditure.

KEY PERFORMANCE INDICATORS (KPI's)

	2018	2017
Organic sales growth/(decline)	23.60%	(3.71%)
Gross return on sales	11.75%	13.74%
Net return on sales	(1.43%)	1.33%
Return on net assets	(8.89%)	6.19%
Free cash flow	(£3,268k)	(£12,065k)

ON BEHALF OF THE BOARD:



A R Heygate - Director

5 December 2018

Heygates Limited (Registered number: 00603238)

Report of the Directors
for the period 2 April 2017 to 31 March 2018

The directors present their report with the financial statements of the company for the period 2 April 2017 to 31 March 2018.

The directors present their report and audited financial statements for the period ended 31st March, 2018.

DIVIDENDS

There was a loss on ordinary activities after taxation for the year amounting to £1,806,938 (2017 - profit £1,229,515). A dividend was paid to Heygates and Sons Limited in the year of £1,400,000 (2017 - £nil).

FUTURE DEVELOPMENTS

The company has the ability to, and will, make sufficient investment to meet any large unexpected future increase in demand for its products.

DIRECTORS

The directors shown below have held office during the whole of the period from 2 April 2017 to the date of this report.

P M Heygate
A R Heygate
A R Heygate (Junior)
Mrs S E Kreckler
S K Y Chia

EMPLOYEES

The company recognises its responsibilities towards disabled persons and does not discriminate against them either in terms of job offers or career prospects.

In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged.

The company places considerable value on the involvement of its employees and has continued to keep them informed on all matters affecting them as employees and on the various factors affecting the company in general.

The company operates a qualifying workplace pension scheme.

CHARITABLE CONTRIBUTIONS

The company made charitable contributions during the year of £7,978 (2017 - £20,127), principally to local charities serving the communities in which the group operates.

DISCLOSURE IN THE STRATEGIC REPORT

Principal activity, financial risk management objectives and policies and the exposure to credit, liquidity, interest rate and other price risks are set out in the strategic report (as defined by section 414 C (11) of the Companies Act 2006).

Report of the Directors
for the period 2 April 2017 to 31 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

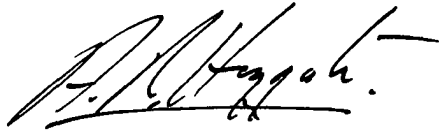
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Clifford Roberts, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



A R Heygate - Director

5 December 2018

Report of the Independent Auditors to the Members of
Heygates Limited

Opinion

We have audited the financial statements of Heygates Limited (the 'company') for the period ended 31 March 2018 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of
Heygates Limited

Matters on which we are required to report by exception

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

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.

Responsibilities of directors

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

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

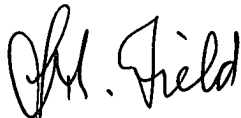
Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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.



Martin Field BA FCA (Senior Statutory Auditor)
for and on behalf of Clifford Roberts
Chartered Accountants &
Statutory Auditors
Pacioli House
9 Brookfield
Duncan Close
Northampton
Northamptonshire
NN3 6WL

5 December 2018

Heygates Limited (Registered number: 00603238)

Income Statement
for the period 2 April 2017 to 31 March 2018

	Notes	Period 2.4.17 to 31.3.18		Period 3.4.16 to 1.4.17	
		£	£	£	£
TURNOVER	3		134,851,990		109,104,509
Cost of sales			119,006,454		94,117,962
GROSS PROFIT			15,845,536		14,986,547
Distribution costs		11,775,753		9,958,173	
Administrative expenses		5,082,001		4,293,840	
			16,857,754		14,252,013
			(1,012,218)		734,534
Other operating income			45,108		48,376
OPERATING (LOSS)/PROFIT	5		(967,110)		782,910
Interest receivable and similar income	6	59,109		646,883	
Other finance income	22	-		129,500	
			59,109		776,383
			(908,001)		1,559,293
Interest payable and similar expenses	7	968,875		104,971	
Other finance costs	22	54,000		-	
			1,022,875		104,971
(LOSS)/PROFIT BEFORE TAXATION			(1,930,876)		1,454,322
Tax on (loss)/profit	8		(123,938)		224,807
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD			(1,806,938)		1,229,515

The notes form part of these financial statements

Heygates Limited (Registered number: 00603238)

Other Comprehensive Income
for the period 2 April 2017 to 31 March 2018

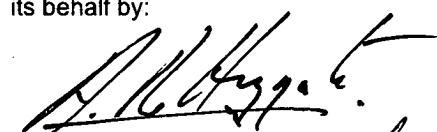
	Period 2.4.17 to 31.3.18 £	Period 3.4.16 to 1.4.17 £
Notes		
(LOSS)/PROFIT FOR THE PERIOD	(1,806,938)	1,229,515
OTHER COMPREHENSIVE INCOME		
FRS 102 actuarial gains/(losses)	1,779,000	(2,327,000)
Income tax relating to other comprehensive income	<u>(339,055)</u>	<u>400,900</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	<u>1,439,945</u>	<u>(1,926,100)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(366,993)</u>	<u>(696,585)</u>

The notes form part of these financial statements

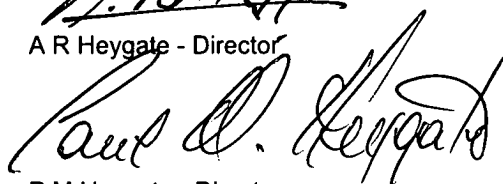
Heygates Limited (Registered number: 00603238)**Balance Sheet**
31 March 2018

	Notes	2018		2017	
		£	£	£	£
FIXED ASSETS					
Tangible assets	10		15,446,241		16,209,013
Investments	11		240,737		240,737
			<u>15,686,978</u>		<u>16,449,750</u>
CURRENT ASSETS					
Stocks	12	6,193,335		6,184,329	
Debtors	13	36,254,119		30,049,516	
Cash at bank		103,395		482,995	
		<u>42,550,849</u>		<u>36,716,840</u>	
CREDITORS					
Amounts falling due within one year	14	35,461,663		27,055,644	
				<u>27,055,644</u>	
NET CURRENT ASSETS			<u>7,089,186</u>		<u>9,661,196</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>22,776,164</u>		<u>26,110,946</u>
PROVISIONS FOR LIABILITIES	19		(724,815)		(508,104)
PENSION LIABILITY	22		(325,500)		(2,110,000)
NET ASSETS			<u><u>21,725,849</u></u>		<u><u>23,492,842</u></u>
CAPITAL AND RESERVES					
Called up share capital	20	2,000,000		2,000,000	
Retained earnings	21	19,725,849		21,492,842	
SHAREHOLDERS' FUNDS			<u><u>21,725,849</u></u>		<u><u>23,492,842</u></u>

The financial statements were approved by the Board of Directors on 5 December 2018 and were signed on its behalf by:



A R Heygate - Director



P M Heygate - Director

The notes form part of these financial statements

Heygates Limited (Registered number: 00603238)

Statement of Changes in Equity
for the period 2 April 2017 to 31 March 2018

	Called up share capital £	Retained earnings £	Total equity £
Balance at 3 April 2016	2,000,000	22,189,427	24,189,427
Changes in equity			
Total comprehensive income	-	(696,585)	(696,585)
Balance at 1 April 2017	<u>2,000,000</u>	<u>21,492,842</u>	<u>23,492,842</u>
Changes in equity			
Dividends	-	(1,400,000)	(1,400,000)
Total comprehensive income	-	(366,993)	(366,993)
Balance at 31 March 2018	<u><u>2,000,000</u></u>	<u><u>19,725,849</u></u>	<u><u>21,725,849</u></u>

The notes form part of these financial statements

Heygates Limited (Registered number: 00603238)

Notes to the Financial Statements
for the period 2 April 2017 to 31 March 2018

1. PRINCIPAL PLACE OF BUSINESS

Heygates Limited is a private company, limited by shares, incorporated and domiciled in England and has its registered office and principal place of business at Bugbrooke Mills, Bugbrooke, Northampton, NN7 3QH. The company's registered number can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£) and cover the period to the Saturday that falls closest to the 31st March each year. This results in the comparatives being not entirely comparable.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A.

Details of the parent company in which full disclosure can be found are contained in the 'Ultimate Controlling Party' note.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

2. ACCOUNTING POLICIES - continued

Significant judgements and estimates

In the application of the company's accounting policies management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

(a) Valuation of pension obligations

The fair value of the Company's defined benefit scheme is determined each year following advice from a qualified, independent actuary and can fluctuate based on a number of external factors, which are subject to major assumptions. These assumptions are described fully in the Employee Benefit Obligations note. The £325,500 deficit (2017: £2,110,000) has been recognised in the accounts giving rise to a deferred tax charge of £339,055 (2017: credit £400,900).

(b) Present value of related party loans

In determining the present value of related party loans, management have used an effective rate of interest from similar market loans. Due to the nature of the loan, future cash flows have also been estimated so that a present value can be reached.

(c) Determining net realisable values of stocks

In determining the net realisable value of stocks, management takes into account the most reliable evidence available at the dates the estimates are made.

(d) Trade debtors

The directors carefully consider the recoverability of trade debtors based on their experience of customers' payment history and the likelihood of recovery.

(e) Fair value of future contracts

In determining the fair value of future contracts, an independent third party financial services company uses the most reliable trade prices to generate an open position valuation at the period end date. The fair value of the future contracts included within net current assets at the period end was a liability of £300,333 (2017: asset of £573,006). The movement in fair value has been recorded in the profit and loss account as an £873,339 cost (2017: £573,006 income).

(f) Determining net book value of tangible fixed assets

In determining net book value of tangible fixed assets, management estimate both the residual value and the useful economic lives of the assets. Both judgements rely on the experience of management.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover represents the invoiced amount of goods sold, stated net of value added tax. The turnover and pre-tax loss is wholly attributable to the sole activity of flour milling, and is recognised upon proof of delivery.

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Land and buildings	- 2% and 3% on cost
Plant and machinery	- 10% and 100% on cost
Office equipment	- 10%, 20% and 25% on cost
Motor vehicles	- 20% on cost

Items costing £5,000 or less and not part of a wider project costing more than £5,000 are written off to the income statement as repairs and renewals.

Freehold land is not depreciated.

Investments in joint ventures

Fixed asset investments comprise of unquoted shares in joint ventures which are stated at cost less impairment. Impairment losses are recognised immediately in the statement of income. The details of the investments are shown in the Fixed Asset Investments note. The consolidated financial statements of the parent company, Heygates and Sons Limited, include the joint venture using the equity method in line with the requirements of FRS 102 Section 15 - "Investment in Joint Ventures".

Stocks

Stocks are stated at the lower of cost price and net realisable value. Raw materials are valued at cost price, calculated on a first in first out basis. Finished goods are valued at the cost of direct materials plus a percentage to cover overheads and labour costs. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Taxation

Taxation for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result. Forward foreign currency purchases are initially recognised at fair value on the date they are entered into and are subsequently remeasured at their fair value. Changes in the fair value are recognised in the income statement with the corresponding entry being a derivative asset or liability in the balance sheet.

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

2. ACCOUNTING POLICIES - continued

Investment income

Income from investments is included in the income statement of the accounting period in which it is received.

Financial instruments

Heygates Limited enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans, balances to and from related parties and invoice discounting facilities.

Debt instruments (other than those wholly repayable or receivable in one year), including loans and other accounts receivable and payable, are initially measured at the present value of future cash flows and subsequently at amortised cost using the effective interest rate method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective impairment is found, an impairment loss is recognised in the income statement.

Derivatives, including futures, are not considered basic financial instruments. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit and loss in finance costs or income as appropriate.

Leasing commitments

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.

Income from operating leases

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.

Pension and post employment benefits

In accordance with FRS 102 Section 28 - "Employee benefits", the operating and financing costs of pension and post-retirement schemes are recognised separately in the profit and loss. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the statement of other comprehensive income.

The disclosure required by FRS 102 Section 28 - "Employee benefits" are given in the Employee Benefit Obligations note.

Heygates Limited (Registered number: 00603238)

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

3. TURNOVER

The turnover and loss (2017 - profit) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	Period 2.4.17 to 31.3.18 £	Period 3.4.16 to 1.4.17 £
United Kingdom	131,936,544	106,580,162
Rest of Europe	2,915,446	2,524,347
	<u>134,851,990</u>	<u>109,104,509</u>

4. EMPLOYEES AND DIRECTORS

	2018 £	2017 £
Wages and salaries	9,392,297	8,590,710
Social security costs	1,017,090	889,555
Other pension costs	988,743	593,129
	<u>11,398,130</u>	<u>10,073,394</u>

The average monthly number of employees during the year was made up as follows:

	2018 No.	2017 No.
Office and management	72	74
Milling and production	153	140
Selling and distribution	51	43
	<u>276</u>	<u>257</u>

	Period 2.4.17 to 31.3.18 £	Period 3.4.16 to 1.4.17 £
Directors' remuneration	609,222	573,161
Directors' pension contributions to money purchase schemes	15,915	25,860
	<u></u>	<u></u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	3	3
Defined benefit schemes	<u>3</u>	<u>3</u>

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

4. EMPLOYEES AND DIRECTORS - continued

Information regarding the highest paid director is as follows:

	Period 2.4.17 to 31.3.18 £	Period 3.4.16 to 1.4.17 £
Emoluments etc	145,162	135,237
Pension contributions to money purchase schemes	6,291	10,874
	<u>151,453</u>	<u>146,111</u>

5. OPERATING (LOSS)/PROFIT

The operating loss (2017 - operating profit) is stated after charging/(crediting):

	Period 2.4.17 to 31.3.18 £	Period 3.4.16 to 1.4.17 £
Depreciation - owned assets	2,893,166	1,915,899
Profit on disposal of fixed assets	(1,998)	(1,292)
Auditors' remuneration	64,150	64,150
Auditors' remuneration for non-audit work	8,425	10,000
Foreign exchange differences	(20,681)	(43,849)
Auditors' remuneration for associated pension schemes	6,300	6,300
FRS 102 Section 28 - adjustment to current service charge	(59,500)	(87,500)
Operating lease rentals in respect of motor vehicles	144,609	149,789
Rent of land and buildings	301,894	254,306
	<u>3,236,265</u>	<u>2,238,003</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period 2.4.17 to 31.3.18 £	Period 3.4.16 to 1.4.17 £
Other interest	1	-
Interest on loans	9,625	35,853
Interest income on present value of interest free loans	49,483	38,024
Fair value movement on derivatives	-	573,006
	<u>59,109</u>	<u>646,883</u>

Heygates Limited (Registered number: 00603238)

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	Period 2.4.17 to 31.3.18 £	Period 3.4.16 to 1.4.17 £
Bank interest	-	130
Related party loan interest	95,536	104,841
Fair value movement on derivatives	873,339	-
	<u>968,875</u>	<u>104,971</u>

8. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss for the period was as follows:

	Period 2.4.17 to 31.3.18 £	Period 3.4.16 to 1.4.17 £
Current tax:		
UK corporation tax	-	193,376
No description	(1,594)	-
Total current tax	(1,594)	193,376
Deferred tax	(122,344)	31,431
Tax on (loss)/profit	<u>(123,938)</u>	<u>224,807</u>

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

8. TAXATION - continued

Reconciliation of total tax (credit)/charge included in profit and loss

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 2.4.17 to 31.3.18 £	Period 3.4.16 to 1.4.17 £
(Loss)/profit before tax	<u>(1,930,876)</u>	<u>1,454,322</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%)	(366,866)	290,864
Effects of:		
Expenses not deductible for tax purposes	30,228	31,175
Income not taxable for tax purposes	(19,801)	(7,605)
Capital allowances in excess of depreciation	-	(45,598)
Depreciation in excess of capital allowances	142,674	-
Utilisation of tax losses	5,753	(31,803)
Adjustments to tax charge in respect of previous periods	(1,594)	-
Adjustments for FRS 102 Section 28	(1,045)	(43,400)
(Profit)/loss on disposal of fixed assets	(380)	(257)
Losses surrendered for group relief	209,437	-
Deferred tax (credit)/charge	<u>(122,344)</u>	<u>31,431</u>
Total tax (credit)/charge	<u>(123,938)</u>	<u>224,807</u>

Tax effects relating to effects of other comprehensive income

	2.4.17 to 31.3.18		
	Gross £	Tax £	Net £
FRS 102 actuarial gains/(losses)	<u>1,779,000</u>	<u>(339,055)</u>	<u>1,439,945</u>
	3.4.16 to 1.4.17		
	Gross £	Tax £	Net £
FRS 102 actuarial (losses)/gains	<u>(2,327,000)</u>	<u>400,900</u>	<u>(1,926,100)</u>

9. DIVIDENDS

	Period 2.4.17 to 31.3.18 £	Period 3.4.16 to 1.4.17 £
Ordinary shares of £1 each		
Interim	<u>1,400,000</u>	<u>-</u>

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

10. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Office equipment £	Motor vehicles £	Totals £
COST					
At 2 April 2017	4,894,472	52,684,747	1,988,355	161,500	59,729,074
Additions	-	1,977,391	153,004	-	2,130,395
Disposals	-	(20,399)	-	-	(20,399)
At 31 March 2018	4,894,472	54,641,739	2,141,359	161,500	61,839,070
DEPRECIATION					
At 2 April 2017	3,316,044	38,475,269	1,589,233	139,515	43,520,061
Charge for period	104,997	2,740,163	26,023	21,983	2,893,166
Eliminated on disposal	-	(20,398)	-	-	(20,398)
At 31 March 2018	3,421,041	41,195,034	1,615,256	161,498	46,392,829
NET BOOK VALUE					
At 31 March 2018	1,473,431	13,446,705	526,103	2	15,446,241
At 1 April 2017	1,578,428	14,209,478	399,122	21,985	16,209,013

Land and buildings include freehold land and leasehold land and buildings as follows:

	2018 £	2017 £
Net book amount:		
Freehold land and buildings	356,902	387,233
Short leasehold land and buildings	1,116,529	1,191,195
	<u>£1,473,431</u>	<u>£1,578,428</u>

11. FIXED ASSET INVESTMENTS

	Interest in joint venture £
COST	
At 2 April 2017 and 31 March 2018	240,737
NET BOOK VALUE	
At 31 March 2018	240,737
At 1 April 2017	240,737

Heygates Limited (Registered number: 00603238)

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

11. FIXED ASSET INVESTMENTS - continued

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Joint venture

Green Light Packaging Limited

Registered office: 45 Queen Street, Deal, Kent, CT14 6EY

Nature of business: Loose fill manufacture packaging

	% holding	31.12.17 £	31.12.16 £
Class of shares:			
Ordinary £1	50.00		
Aggregate capital and reserves		3,161,106	2,545,778
Profit for the year		653,828	419,238

The company was incorporated on the 9th May, 1994 and was an investment with two other shareholders to sell loose fill manufacture packaging materials.

In July 2015, the company increased its ownership of the two associates below from 40% to 50% following the redemption of the shares owned by another shareholder. The company regarded the entities as associates for the entire comparative period.

On 30th June, 2016 Green Light Products Limited changed its name to Green Light Packaging Limited and acquired the shares of its sister company, Green Light International Limited.

On the 1st July, 2016 Green Light International Limited transferred its net assets of £1,383,448 to Green Light Packaging Limited at net book value.

Post the re-organisation and as of the 1st April, 2017, the company regards the investment in Green Light Packaging Limited and its subsidiary Green Light International Limited, as a joint venture which is disclosed above.

12. STOCKS

	2018 £	2017 £
Raw materials	4,763,313	4,791,204
Finished goods	1,430,022	1,393,125
	<u>6,193,335</u>	<u>6,184,329</u>

The amount of stock recognised as an expense during the year was £95,494,345 (2017: £74,404,179).

Heygates Limited (Registered number: 00603238)

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

13. DEBTORS

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	18,142,420	14,812,005
Amounts owed by group undertakings	11,632,274	10,376,048
Amounts owed by related parties	106,628	115,000
Other debtors	1,503,116	850,157
Loans to customers	62,971	34,664
Derivative asset	-	573,006
Tax	-	11
VAT	2,484,875	1,221,257
Prepayments and accrued income	111,600	111,275
	<u>34,043,884</u>	<u>28,093,423</u>
Amounts falling due after more than one year:		
Amounts owed by associates	2,014,699	1,615,291
Loans to customers	41,062	186,328
Loan to SAM SA	154,474	154,474
	<u>2,210,235</u>	<u>1,956,093</u>
Aggregate amounts	<u>36,254,119</u>	<u>30,049,516</u>

Future contracts are derivative financial assets and are therefore held at fair value. The fair value was determined by an independent third party financial services company who calculated the contracts open valuation using commodity rates at the period end.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Bank loans and overdrafts (see note 15)	16,581,016	16,797,947
Other loans (see note 15)	10,079,326	5,573,977
Trade creditors	2,037,776	1,731,470
Amounts owed to group undertakings	3,890,697	877,409
Amounts owed to related parties	23,582	20,247
Tax	-	193,376
Social security and other taxes	729,418	657,500
Other creditors	1,313,272	794,824
Derivative liability	300,333	-
Accruals and deferred income	506,243	408,894
	<u>35,461,663</u>	<u>27,055,644</u>

Heygates Limited (Registered number: 00603238)

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

15. LOANS

An analysis of the maturity of loans is given below:

	2018 £	2017 £
Amounts falling due within one year or on demand:		
Bank overdrafts	16,581,016	16,797,947
Other loans	10,079,326	5,573,977
	<u>26,660,342</u>	<u>22,371,924</u>

16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2018 £	2017 £
Within one year	420,260	281,200
Between one and five years	142,744	132,597
	<u>563,004</u>	<u>413,797</u>

17. SECURED DEBTS

The following secured debts are included within creditors:

	2018 £	2017 £
Other loans	<u>10,079,326</u>	<u>5,573,977</u>

The secured debt relates to an invoice discounting facility which is secured over the applicable trade debtor balances.

18. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Financial assets/(liabilities)	See note	2018 £	2017 £
Measured at fair value through profit or loss			
- Derivative contracts	14	(300,333)	573,006
		<u>(300,333)</u>	<u>573,006</u>
Interest income and expense		2018 £	2017 £
Total interest income for financial assets at fair value		-	573,006
Total interest expense for financial liabilities at fair value		<u>873,339</u>	<u>-</u>

Future contracts fair values were determined using an independent third party financial services company who use reliable trade prices to generate an open position at the period end. There are no significant terms or conditions inherent within the future contracts that would have a material impact on the company's cash flow.

Heygates Limited (Registered number: 00603238)

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

19. PROVISIONS FOR LIABILITIES

	2018 £	2017 £
Deferred tax		
Accelerated capital allowances	786,660	909,004
Other timing differences	(61,845)	(400,900)
	<u>724,815</u>	<u>508,104</u>
		Deferred tax £
Balance at 2 April 2017		508,104
Credit to Income Statement during period		(122,344)
Charge re pension liabilities		<u>339,055</u>
Balance at 31 March 2018		<u>724,815</u>

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2018 £	2017 £
2,000,000	Ordinary	£1	<u>2,000,000</u>	<u>2,000,000</u>

Called up share capital

This represents the nominal value of shares that have been issued.

21. RESERVES

	Retained earnings £
At 2 April 2017	21,492,842
Deficit for the period	(1,806,938)
Dividends	(1,400,000)
Actuarial gain on net pension liabilities	<u>1,439,945</u>
At 31 March 2018	<u>19,725,849</u>

Retained earnings

This reserve includes all current and prior period retained profit and losses.

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

22. EMPLOYEE BENEFIT OBLIGATIONS

Heygates Limited is one of the sponsoring companies of the Heygate Group Pension and Life Assurance Scheme. For the period ended 31st March, 2018 the costs of the group pension have been shared between Heygates Limited and Fine Lady Bakeries Limited.

The long serving employees of the company, with the exception of certain directors, are members of the Heygate Group Pension and Life Assurance Scheme which provides defined pension and lump sum benefits payable to members on their retirement from the Heygate Group, or to their dependants on death before or after retirement. The scheme is of the defined benefit type for current members, and this scheme was closed to new members on 1st October, 2002, and on the 30th September, 2010 the scheme ceased further accruals of pensionable service.

The assets of the scheme are held in trustee administered funds separate from the company's assets.

For all employees starting employment since 2nd October, 2002, and for existing scheme members in relation to pensionable service from 1st October, 2010, the company has a separate plan from the scheme which provides defined contribution benefits. The assets of the plan are held separately from those of the company in independently administered funds.

The total defined contribution pension cost for the company for the year was £934,743 (2017 £722,629).

The level of contributions to the defined benefit scheme is assessed in accordance with the advice of an independent, qualified actuary and is calculated so as to spread the charge to profit and loss over the average service periods of current employees in the scheme. The scheme is valued using the projected unit method.

The most recent actuarial valuation was carried out on 1st October, 2017.

As the defined benefit scheme has been closed to new entrants, the age profile of active members is increasing over time. Under the projected unit method, the current service cost will increase as active members of the scheme approach retirement. As a result of the cessation of further accruals of pensionable service the costs of funding the liability to pay future pensions to serving members will decrease.

Based on the assumptions listed below, and using the projected unit method, the value of the assets less obligations equated to an overall obligation of £325,500 (2017 - £2,110,000), after making allowances for the expected future increases in earnings and increases to pensions in payment.

The market value of the scheme assets as at 1st October, 2017 amounted to £97.0 million (£79.0 m at 1st October, 2014) as per the last full actuarial valuation. The valuation was then updated by independent qualified actuaries to 31st March, 2018.

Following the triennial valuation at 1st October, 2017, the trustees, the sponsoring companies and the group confirmed their adherence to a recovery plan designed to eliminate the deficit by March 2020.

During the period, recovery plan payments of £59,500 (2017 - £87,500) were made to the defined benefit pension scheme.

The total cost of pension schemes recognised in the income statement during the period is £988,743 (2017 - £593,129).

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

22. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Present value of funded obligations	(48,797,500)	(50,613,500)
Fair value of plan assets	48,472,000	48,503,500
	<u>(325,500)</u>	<u>(2,110,000)</u>
Present value of unfunded obligations	-	-
Deficit	<u>(325,500)</u>	<u>(2,110,000)</u>
Net liability	<u><u>(325,500)</u></u>	<u><u>(2,110,000)</u></u>

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Current service cost	-	-
Net interest from net defined benefit asset/liability	54,000	(129,500)
Past service cost	-	-
	<u>54,000</u>	<u>(129,500)</u>
Actual return on plan assets	<u>1,559,500</u>	<u>9,269,500</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Opening defined benefit obligation	50,613,500	40,824,500
Interest cost	1,294,500	1,439,500
Actuarial losses/(gains)	(1,460,000)	10,027,500
Benefits paid	(1,650,500)	(1,678,000)
	<u>48,797,500</u>	<u>50,613,500</u>

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

22. EMPLOYEE BENEFIT OBLIGATIONS - continued

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Opening fair value of scheme assets	48,503,500	40,824,500
Contributions by employer	59,500	87,500
Expected return	1,240,500	1,569,000
Actuarial gains/(losses)	319,000	7,700,500
Benefits paid	(1,650,500)	(1,678,000)
	<u>48,472,000</u>	<u>48,503,500</u>

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Actuarial gains/(losses)	1,779,000	(2,327,000)
Deferred tax on actuarial gains/(losses)	(339,055)	400,900
	<u>1,439,945</u>	<u>(1,926,100)</u>

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Equities	30,823,500	32,091,500
Bonds	15,877,000	14,118,000
Insured pensions	751,500	799,500
Cash	1,020,000	1,494,500
	<u>48,472,000</u>	<u>48,503,500</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2018	2017
Discount rate	2.65%	2.60%
Future salary increases - staff members	2.70%	2.70%
Future salary increases - works members	2.20%	2.20%
LPI pension increases	2.20%	2.20%
Inflation	3.20%	3.20%
Deferred pension revaluations	2.20%	2.20%

Heygates Limited (Registered number: 00603238)

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

22. EMPLOYEE BENEFIT OBLIGATIONS - continued

Life expectancy based on mortality assumption, the life expectancies in years are as follows:

	2018 No. of years	2017 No. of years
For a male aged 65 now	20.7	20.9
At 65 for a male member aged 45 now	21.8	22.2
For a female aged 65 now	22.6	22.9
At 65 for a female member aged 45 now	23.9	24.4

23. CONTINGENT LIABILITIES

There is a contingent liability in respect of an unlimited multilateral guarantee, dated 31st July, 2008, covering the bank overdrafts of the company, its holding company and the following fellow subsidiaries:

The Heygate Engineering Company Limited	Warburton Estate Company Limited
Fine Lady Bakeries Limited	Heygate Farms Swaffham Limited
County Pride Products Limited	Heygate Grain Limited
Heygate Leasing Limited	Millstream Investments Limited
FA Bird (Downham Mills) Limited	Heygates Country Feeds Limited

The maximum amount payable is the net overdraft of the group at each period end.

There is a contingent liability in respect of a guarantee, dated 17th September, 2002, in favour of HMRC Deferment Section for £45,000.

There is a contingent liability in respect of a guarantee to the Rural Payments Agency dated 2nd July, 2015 for £40,000.

24. RELATED PARTY DISCLOSURES

Key management personnel of the entity or its parent (in the aggregate)

	2018 £	2017 £
Compensation	705,266	674,199

Key management are considered to be the directors of Heygates Limited.

Other related parties

	2018 £	2017 £
Recharges	568,577	503,968
Purchases	14,482,100	14,591,895
Rent paid	155,040	217,959
Loan interest payable	95,536	104,841
Amount due from related party	4,665,337	3,938,615
Amount due to related party	14,032	21,816

Notes to the Financial Statements - continued
for the period 2 April 2017 to 31 March 2018

25. AUDITOR LIABILITY LIMITATION AGREEMENT

On the 12th December, 2017, a resolution was passed by the Heygate and Sons Limited group of companies entering into an agreement limiting the amount of any liability owed to the group of companies by the auditor in respect of any negligence, default or breach of duty occurring in the course of the audit of the financial statements for the year ending 31st March, 2018.

The maximum aggregate amount of the auditor's liability to the group of companies shall not exceed the sum of twenty-five times the fees payable for the financial year in question, or £5,000,000, which ever is the lesser amount.

26. ULTIMATE CONTROLLING PARTY

The directors consider that the ultimate parent company is Heygate and Sons Limited, which owns 100% of its issued ordinary share capital. Heygates and Sons Limited is a company registered in England that shares the same registered office as Heygates Limited.

Heygate and Sons Limited has a controlling nucleus of directors; Mr AR Heygate and Mr PM Heygate who together own 10% of the voting issued ordinary share capital personally and 63.39% of the voting issued ordinary share capital as principal trustees of family trusts.

Heygates and Sons Limited consolidated financial statements are available at Companies House.