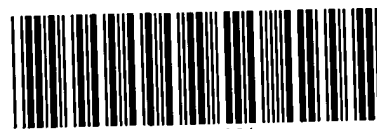


**Chadha Oriental Foods Limited**

Annual report and financial statements  
for the year ended 31 December 2019

Registered number 1476152

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## Strategic report

The directors present their strategic report of the company for the year ended 31 December 2019.

### Business review and principal activities

On the 1 January 2019 Chadha Oriental Foods Limited (the "company") entered into a restructuring arrangement with the UK group of companies by selling its trading assets and liabilities to its parent, Grace Foods UK Limited, at a book value of £4,499,000.

Prior to that the principal activity of the company was the import and distribution of food products.

The results for the company show an operating profit of £nil for the year (2018: £798,000 profit) and turnover of £nil (2018: £16,773,000).

The net assets of the company as at 31 December 2019 were £nil (2018: £4,499,000).

### Principal risks and uncertainties

As a result of the hive up of the trading activities of the company, the company ceased trading on the 1 January 2019. At this date all contracts and key agency agreements for the supply of key products and brands in the UK, and their associated risk, were adopted by the parent, Grace Foods UK Ltd.

The company's holding company in the UK has appointed the GraceKennedy group internal audit team to carry out a program of audits based upon the company's assessment of its business risks and the internal controls that are currently in place.

### Key Performance Indicators ("KPIs")

The company's directors do not believe that analysis using KPIs for the company are relevant due to its size and operating status.

### Directors' Duties

The directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

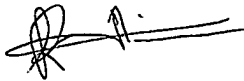
'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.'

## Strategic report (continued)

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. The company did not trade for the year ended 31 December 2019, and did not have any employees during the reporting period ended 31 December 2019. The Directors' fulfil their duties as summarised in the Risk Management paragraph in the Directors' report on page 4.

By order of the Board



Khine Oo  
**Company secretary**  
22 May 2020

Grace House  
Bessemer Road  
Welwyn Garden City  
Hertfordshire  
England  
AL7 1HW

## Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

### General information

Chadha Oriental Foods Limited is a private limited company incorporated and domiciled in England and Wales. The registered address is Grace House, Bessemer Road, Welwyn Garden City, Hertfordshire, England, AL71HW.

On the 1 January 2019 Chadha Oriental Foods Limited (the "company") entered into a restructuring arrangement with the UK group of companies by selling its trading assets and liabilities to its parent, Grace Foods UK Limited, at a book value of £4,499,000.

Prior to that the principal activity of the company was the supply, import and distribution of food products.

The immediate parent undertaking is Grace Foods UK Limited, incorporated in the UK. The ultimate parent company and controlling party is GraceKennedy Limited.

### Going concern

The company ceased trading, and disposed of all assets and liabilities on the 1 January 2019. At the 31 December 2019 the only item in the statement of financial position is £1 of share capital. The directors intend to keep the company in existence for the foreseeable future.

### Future outlook

As a result of the hive up of the trading activities of the company, the company ceased trading on the 1 January 2019. It is the intention of the directors for the company to remain dormant.

### Dividends

A final dividend in specie of £4,499,000 was paid on the 1 January 2019. (2018:£nil)

### Post balance sheet events

The directors do not consider there to be any important events affecting the company after the balance sheet date.

### Political and charitable donations

The company made no political or charitable donations during the year (2018: £nil).

### Directors

The directors who held office during the year and up to the date of signing these financial statements were as follows:

F Fulat  
B Mitchell  
A Lewis-Coy

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

## **Directors' report (continued)**

### **Risk management**

The company ceased trading on the 1 January 2019 and sold all its trade assets and liabilities to its parent, Grace Foods UK Limited. It had no employees for the reporting period ended 31 December 2019. As such the directors feel the company does not face any risks or uncertainties.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee. The policies set by the directors are implemented by the company's finance department.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 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.

### **Disclosure of information to auditors**

In the case of each director in office at the date the Directors' Report is approved:

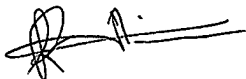
- (a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Directors' report (continued)**

### **Independent auditors**

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the Board



Khine Oo  
**Company secretary**  
22 May 2020

Grace House  
Bessemer Road  
Welwyn Garden City  
Hertfordshire  
England  
AL7 1HW

# ***Independent auditors' report to the members of Chadha Oriental Foods Limited***

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

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### **Opinion**

In our opinion, Chadha Oriental Foods Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of other comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.



# **Independent auditors' report to the members of Chadha Oriental Foods Limited (continued)**

## *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of the Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Robert Girdlestone (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Watford  
22 May 2020

## Income statement

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Revenue</b>	5	-	16,773
Cost of sales		-	(13,062)
<b>Gross Profit</b>		-	3,711
Distribution costs		-	(25)
Administrative expenses		-	(442)
Other operating charges		-	(2,446)
<b>Operating profit</b>	6	-	798
Interest payable and similar expenses	8	-	(14)
<b>Profit before taxation</b>		-	784
Tax on profit	9	-	(156)
<b>Profit for the financial year</b>		-	628

## Statement of other comprehensive income

for the year ended 31 December 2019

	2019 £'000	2018 £'000
<b>Profit for the financial year</b>	-	628
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	-	628

The notes on pages 11 to 20 form part of these financial statements.

The results for the year arise solely from continuing activities.

## Statement of financial position

As at 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Current assets</b>			
Inventory	10	-	3,170
Trade and other receivables	11	-	4,169
Cash at bank and in hand		-	210
		-	7,549
<b>Creditors: amounts falling due within one year</b>	12	-	(3,050)
<b>Net current assets</b>		-	4,499
<b>Total assets less current liabilities</b>		-	4,499
<b>Net assets</b>		-	4,499
<b>Equity</b>			
Called up share capital	15	-	-
Retained earnings		-	4,499
<b>Total shareholders' funds</b>		-	4,499

The notes on pages 11 to 20 are an integral part of these financial statements.

The financial statements on pages 8 to 20 were approved by the board and authorised for issue on 22 May 2020 and were signed on its behalf.



B Mitchell  
Director

Chadha Oriental Foods Limited

Registered number: 1476152

## Statement of changes in equity

For the year ended 31 December 2019

	Called up share capital £'000	Retained earnings £'000	Total Shareholders' Funds £'000
<b>Balance as at 1 January 2018</b>	–	3,871	3,871
Profit for the financial year	–	628	628
Other comprehensive income for the year	–	–	–
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>628</b>	<b>628</b>
Dividends	–	–	–
<b>Total transactions with owners, recognised directly in equity</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Balance as at 31 December 2018</b>	<b>–</b>	<b>4,499</b>	<b>4,499</b>
<b>Balance as at 1 January 2019</b>	<b>–</b>	<b>4,499</b>	<b>4,499</b>
Profit for the financial year	–	–	–
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>
Dividends	–	(4,499)	(4,499)
<b>Total transactions with owners, directly recognised in equity</b>	<b>–</b>	<b>(4,499)</b>	<b>(4,499)</b>
<b>Balance as at 31 December 2019</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Notes to the financial statements

### For the year ended 31 December 2019

#### 1. General information

On the 1 January 2019 Chadha Oriental Foods Limited (the "company") entered into a restructuring arrangement with the UK group of companies by selling its trading assets and liabilities to its parent, Grace Foods UK Limited. Prior to that the company was an importer and distributor of Asian and Oriental foods. The company sold to leading mainstream retail, ethnic oriental retail and wholesale, foodservices and manufacturing customers in the UK and Europe.

The company is a private company and is incorporated and domiciled in the UK. The registered address is Grace House, Bessemer Road, Welwyn Garden City, Hertfordshire, England, AL7 1HW.

#### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### 2.1. Basis of preparation

The financial statements of Chadha Oriental Foods Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by GraceKennedy Limited.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Grace Foods UK Limited. These financial statements do not include certain disclosures in respect of:

- financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- impairment of assets.

The financial statements of Grace Foods UK Limited can be obtained as described in note 18.

## Notes to the financial statements

### For the year ended 31 December 2019 (continued)

#### 2.1.1 Going concern

The company meets its day-to-day working capital requirements through its cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

#### 2.1.2 New standards, amendments and IFRIC interpretations

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019. This standard has had no impact on the company.

#### 2.2. Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency').

The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### 2.3. Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based costs on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### 2.4. Financial assets

##### 2.4.1 Classification

The company classifies its financial assets only as loans, receivables and cash equivalents.

##### 2.4.2 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

## Notes to the financial statements

### For the year ended 31 December 2019 (continued)

#### 2.4.3 Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### 2.4.4 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, bank overdrafts and a short-term loan facility. Bank overdrafts and the short-term loan facility are shown within loans and borrowings in current liabilities.

#### 2.5. Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.6. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

#### 2.7. Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred, using the effective interest rate method.

#### 2.8. Current and deferred income tax

The tax expense 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 shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## Notes to the financial statements

### For the year ended 31 December 2019 (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### 2.9. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

#### 2.10. Revenue recognition

(a) Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities, as described below.

(b) Sales of goods- customer

The company supplies the supermarkets and food and drink trade with a variety of specialty products as a brand owner or distributor. Sales of goods are recognised when the company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been supplied to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied. The food and drink products are often sold with volume discounts, and customers have a right to return faulty products.

Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

#### 2.11. Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.



## Notes to the financial statements

### For the year ended 31 December 2019 (continued)

#### 2.12. Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

#### 2.13. Financial guarantees

Financial guarantees are initially recognised at fair value and are subsequently measured at the higher of (a) the amount determined in accordance with IAS 37 and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

### 3. Critical accounting estimates and judgments

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (a) Inventory provisioning

The company supplies the supermarkets and food and drinks trade with a variety of specialty products as a brand owner or distributor and is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 10 for the net carrying amount of the inventory and associated provision.

#### (b) Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See note 11 for the net carrying amount of the receivables and associated impairment provision.

#### (c) Override and promotional accruals

Sales overrides, discounts and advertising allowances are accrued for each relevant customer agreement or promotion and are charged to the income statement as a deduction from revenue. Accruals for each individual promotion, override or advertising allowance are based on the type and length of promotion and nature of customer agreement. At the time an accrual is made the nature and type of promotion and contractual obligations are known, however an estimate is required in respect of the sales volumes or activity and the amount of product sold on promotion.

For short-term promotions, estimates are updated on a monthly basis, using actual sales information where possible and on receipt of a customer claim which typically follows after the end of a promotion. For longer-term discounts and overrides, estimates are based on the actual and forecasted sales and are updated monthly.

### 4. Financial instruments

The company has no financial assets measured at fair value through profit or loss.

## Notes to the financial statements

### For the year ended 31 December 2019 (continued)

#### 5. Revenue

Analysis of revenue by geography	2019 £'000	2018 £'000
UK	-	16,522
Rest of Europe	-	251
	<u>-</u>	<u>16,773</u>
Analysis of revenue by category	2019 £'000	2018 £'000
Sales of goods	-	16,773
	<u>-</u>	<u>16,773</u>

#### 6. Operating profit

Operating profit is stated after charging/(crediting)	2019 £'000	2018 £'000
Reversal of impairment of trade receivables	-	(4)
Reversal of impairment of inventory (included in 'cost of sales')	-	(105)
Operating lease charges	-	24
Foreign exchange loss/(gains) on trade receivables	-	(1)
Audit fees payable to the company's auditors	<u>-</u>	<u>-</u>

Other operating charges of £nil (2018: £2,446,000) relate to operational costs incurred by separate group entities and recharged to the company.

The audit fees are paid by the parent company.

#### 7. Employees and directors

For the year ended 31 December 2019 and the prior year, the company had no employees. Salary costs of £nil (2018: £248,840) have been recharged to Chadha Oriental Foods Limited by Grace Foods UK Limited in respect of those employees providing services to the company.

Directors' remuneration of £523,758 (2018: £494,424) is paid by the parent, which makes no recharge to the entity. All but one of the directors of the company are directors of the parent and a number of fellow subsidiaries, and it is not possible to make a reasonable apportionment of their compensation in respect of each of its subsidiaries. Their total remuneration is included in the aggregate of Directors' remuneration disclosed in the financial statements of the parent for the year ended 31 December 2019. The above remuneration does not include Mr Faizal Fulat's remuneration of £111,702 (2018 : £108,341 ) who is solely a director of this company, which is paid by the parent company and has not been recharged to the Company.

## Notes to the financial statements

### For the year ended 31 December 2019 (continued)

#### 8. Interest payable and similar expenses

	2019 £'000	2018 £'000
Bank interest payable	-	14
	<u>-</u>	<u>14</u>

#### 9. Tax on profit

##### Tax expense included in profit or loss

	2019 £'000	2018 £'000
Current tax:		
– UK Corporation tax on profits for the year	-	156
Total current tax	<u>-</u>	<u>156</u>
Deferred tax:		
Total deferred tax	<u>-</u>	<u>-</u>
Tax on profit	<u>-</u>	<u>156</u>

	2019 £'000	2018 £'000
Profit before taxation	<u>-</u>	<u>784</u>
Tax on profit at standard UK tax rate of 19.00% (2018: 19.00%)	-	149
<i>Effects of:</i>		
– Expenses not deductible for tax purposes	-	-
– Transfer pricing adjustment	<u>-</u>	<u>7</u>
Tax charge	<u>-</u>	<u>156</u>

The rate of corporation tax remains at 19%, the same as the prior year.

Further changes to the UK corporation tax were enacted as part of the Finance Act 2016 which received Royal Assent on 15 September 2016, which include a reduction in the main rate to 17% from 1 April 2020.

## Notes to the financial statements

### For the year ended 31 December 2019 (continued)

#### 10. Inventory

	2019 £'000	2018 £'000
Finished goods and goods for resale	-	3,170
	<u>-</u>	<u>3,170</u>

Inventories are stated after provisions for impairment of £nil (2018: £64,000).

The cost of inventories are recognised as an expense and included in 'Cost of sales' and amounted to £nil (2018: £13,062,000).

#### 11. Trade and other receivables

	2019 £'000	2018 £'000
Trade debtors	-	2,389
Amounts owed by group undertakings	-	1,744
Other receivables: deferred tax (note 14)	-	2
Prepayments and accrued income	-	34
	<u>-</u>	<u>4,169</u>

Amounts owed by group undertakings are unsecured, interest free, and are repayable on demand.

Trade receivables are stated after provisions for impairment of £nil (2018: £36,000).

#### 12. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Short term loan (note 13)	-	476
Trade creditors	-	2,209
Taxation and social security	-	201
Accruals and deferred income	-	164
	<u>-</u>	<u>3,050</u>

Amounts owed to group undertakings are unsecured, interest free, and are repayable on demand.

## Notes to the financial statements

### For the year ended 31 December 2019 (continued)

#### 13. Loans and other borrowings

	2019 £'000	2018 £'000
Short term loan facility	-	476
	<u>-</u>	<u>476</u>

The company entered into short-term loan arrangements for imported goods which carried an interest rate of the currency base rate plus 1.9%, and were repayable within 45 days.

#### 14. Deferred tax

The company had the following provisions during the year:

	Deferred tax asset £'000
At 1 January 2018	2
Accelerated capital allowances	-
At 31 December 2018	<u>2</u>
At 1 January 2019	2
Hive up transfers	(2)
At 31 December 2019	<u>0</u>

#### Deferred tax

	2019 £'000	2018 £'000
Deferred tax asset at the end of the period	-	2
<b>Total asset</b>	<u>-</u>	<u>2</u>

#### 15. Called-up share capital

Ordinary shares of £1.00 each

	2019 No.	2018 No.
<b>Allotted and fully paid</b>		
At 1 January	1	1
At 31 December	<u>1</u>	<u>1</u>

All shares rank pari passu in all respects.

## Notes to the financial statements

### For the year ended 31 December 2019 (continued)

#### 16. Contingent liability

There are no contingent liabilities. As a result of the hive up of the trading activities of the company, all liabilities of the company were adopted by the parent, Grace Foods UK Ltd.

#### 17. Capital and other commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019 £'000	2018 £'000
Not later than one year	-	18
Later than one year and not later than five years	-	12
	<u>-</u>	<u>30</u>

#### 18. Controlling parties

The immediate parent undertaking is Grace Foods UK Limited, incorporated in the UK.

The ultimate parent company and controlling party is GraceKennedy Limited, incorporated in Jamaica.

The smallest and largest group in which the results of the company are consolidated is that headed by Grace Foods UK Limited. The consolidated financial statements of this company are available to the public and may be obtained from Company Secretary, Grace Foods UK Limited, Bessemer Road, Welwyn Garden City, Hertfordshire, England, AL7 1HW.

#### 19. Disposals

On the 1 January 2019 the company sold its trade, assets and liabilities to Grace Foods UK Limited for the book value amount of £4,499,045. The consideration of the sale was used to defray the intercompany loan.

	£'000
Inventory	3,170
Trade and other receivables	2,486
Cash and cash equivalents	(267)
Trade and other payables	(890)
	<u>4,499</u>