

REGISTERED NUMBER: 1585686

AAK (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report for the company and the audited financial statements for the year ended 31 December 2016.

REVIEW OF THE BUSINESS AND FUTURE OUTLOOK

The company made a profit for the financial year of £14,662,000 (2015 profit: £6,844,000) and accordingly £14,662,000 (2015: £6,844,000) has been transferred to reserves.

2016 has been yet another challenging year. Despite this, the company has seen improvement year on year. Vegetable oil prices rose during the year but general consumption in core markets is still lower than in previous years. AAK Foods, a division of the company, again performed well, delivering better results than 2016.

The company is a privately owned limited liability company and is part of a Group headed by AAK AB based in Sweden. The Group's core business of refining of vegetable oils for the food manufacturing, foodservice and bakery sectors continued to provide a diversified range of products. Performance of the core business was as expected despite continued difficult external economic pressures in UK and export markets. The business is working with some success to develop stronger partnerships with its customers providing added value and service in addition to providing the products required by customers in a changing market.

The outlook for 2017, given the current economic position following the 'Brexit' referendum in June 2016 and the triggering of Article 50 in March 2017, remains hard to predict. The Group's strategy of supplying a diversified product range is expected to protect the business from the potential risk of a downturn in any specific product market. 2017 will be a year of continued consolidation and investment in the existing businesses, in the face of increasing UK competition.

Financial Position

	2016 £'000	2015 £'000
Gross profit	30,546	27,692
Operating profit	12,604	9,402
Profit for the financial year	14,662	6,844
Net assets	39,617	43,455

EXCEPTIONAL ITEMS

During the year a restructuring programme continued at the company's Hull site with the ongoing implementation of lean manufacturing involving investment in more efficient plant which, in turn, is reducing manual handling needs. Expenditure on the restructuring programme in the year was £208,000 (2015: £458,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competition from suppliers, both nationally and internationally. This risk is mitigated by having a strong relationship with key customers and striving to provide excellent customer service, and a high quality product. The costs of the company's key raw materials are subject to fluctuation based on international market prices and are monitored closely. Significant underlying price inflation, over a long period, is passed onto our customers.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**FINANCIAL RISK MANAGEMENT**

The company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Since our products are sold throughout the world, our sales revenues are exposed to market fluctuations in the exchange rates of the currencies involved. Moreover, the company buys its raw materials on international markets, so its cost of raw materials is exposed to market fluctuations in both the price of the raw materials and the exchange rates of the currencies involved.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out in association with the AAK AB (parent) central treasury function located in Sweden; the risks are managed locally in line with the procedures laid down by the group function.

Raw material price risks

The company hedges both operational raw material price risk and the underlying operational currency risk when sales agreements are signed with customers.

Raw material prices fluctuate, so the Group as a whole has assigned a high priority to raw material procurement and to managing this exposure. Raw material procurement is managed centrally by the AAK AB's central procurement function, which continually monitors and controls raw material market exposure for the Group.

To maintain an effective organisation AAK AB's central procurement function is permitted to take limited price risks within the framework of the trading policy established by the Group's Board of Directors.

Forward contracts are used to manage raw material price risk.

Exposure to raw material price risk 31 December 2016

(Thousand tonnes)	Inventory	Sales Contracts	Purchase Contracts	Net Exposure
	19	(199)	178	(2)

Exposure to raw material price risk 31 December 2015

(Thousand tonnes)	Inventory	Sales Contracts	Purchase Contracts	Net Exposure
	22	(121)	103	4

Exposure to foreign currency risk

A significant portion of the company's buying and selling of raw materials is denominated in foreign currency. Therefore sales contracts and raw material contracts in foreign currency give rise to transaction risk. AAK hedges all its currency transaction risks with forward exchange contracts.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**Exposure to transaction risk 31 December 2016**

£ '000	Assets	Liabilities	Sales Contracts	Purchase Contracts	Currency Contracts	Net Exposure
USD	19	(23)	(33)	2	36	-
EUR	13	(7)	3	(8)	(1)	1
Total	32	(30)	(30)	(6)	35	1

Exposure to transaction risk 31 December 2015

£ '000	Assets	Liabilities	Sales Contracts	Purchase Contracts	Currency Contracts	Net Exposure
USD	23	(16)	4	(50)	38	(1)
EUR	7	(8)	25	(20)	(5)	(1)
Total	30	(24)	29	(70)	33	(2)

Interest rate risk

The company's borrowings are managed through AAK AB's central treasury function at a fixed rate of interest.

Credit Risk

Credit risk arises from exposure to outstanding receivables. The company's policy is to insure all its debt through credit insurance. The company also manages its credit exposure through defined credit limits with its trading counterparties.

Liquidity Risk

The business is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and any future plans for growth. The company has access to facilities managed centrally via a Group Treasury function. The company manages its liquidity through both short and long term cash flow forecasts.

KEY PERFORMANCE INDICATORS AND MANAGEMENT OF BUSINESS PERFORMANCE

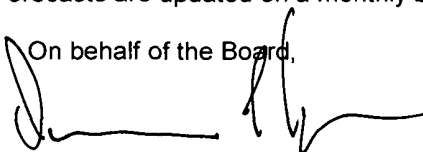
The key performance indicators that are monitored on a Group wide and regional basis are:

	2016	2015
Earnings before interest and taxation (£'000)	12,604	9,402
Return on Capital Employed	13.9%	12.3%

Budgeting and forecast reviews

Monthly results are reviewed against budget and significant variances are investigated to give the Board a clear view of the current trading position of the company. Forecasts are updated on a monthly basis to monitor performance against expectation more closely.

On behalf of the Board,



DP Taylor
Director

King George Dock
Kingston-Upon-Hull
East Yorkshire, Hull HU9 5PX
18 July 2017

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors' present their report and the audited financial statements of the company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of AAK (UK) Limited continued to be that of processing edible vegetable oils.

FUTURE DEVELOPMENTS

Future developments are discussed in the Strategic Report on page 1.

DIVIDEND

On 23 November 2016 a dividend of £18,500,000 was paid. (2015: £nil). The directors do not recommend the payment of a final dividend.

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

T A Stephenson
D P Taylor

CHARITABLE CONTRIBUTIONS

The company made charitable contributions amounting to £5,151 (2015: £5,226).

FINANCIAL INSTRUMENTS

The company has two classes of financial instruments: forward raw material contracts and forward currency contracts. In December 2016 the company only had derivative financial instruments that were measured at fair value. The fair value of the derivative financial instruments is based on market value and the valuation methods applied are described in the accounting policies.

The Strategic Report on pages 1-3 outlines the company's exposure to price risk, credit risk, liquidity risk, interest rate and foreign currency risk.

RESEARCH AND DEVELOPMENT

The company undertakes in house Research and Development and also works with customers and external partners to develop our products to meet the needs of our customers and the market. During the year £249,000 (2015: £301,000) was charged to the Income Statement in respect of Research and Development.

EMPLOYMENT OF DISABLED PERSONS

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment of disabled persons, having regard to their particular aptitudes and abilities.

Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)**EMPLOYEE INVOLVEMENT**

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. The company issues a regular newsletter and holds periodic meetings where all staff are invited to attend. There are also communications screens and notice boards throughout the site, which are regularly updated. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its performance. The company encourages the involvement of employees by means of encouraging training and regular meetings between management and staff in order to provide a common awareness on the part of the staff of the financial and economic circumstances affecting the company's performance.

PRIOR YEAR ADJUSTMENT

In order to align the company's accounting policies to that of its ultimate parent undertaking, the directors have reclassified certain commercial costs which were previously recognised within cost of sales as a deduction against revenue. The effect of this reclassification is a £7.4m reduction in revenue as previously reported with a corresponding reduction in previously reported cost of sales. The impact on reported profit in the prior year was nil.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and 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 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.

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.

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- 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 FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

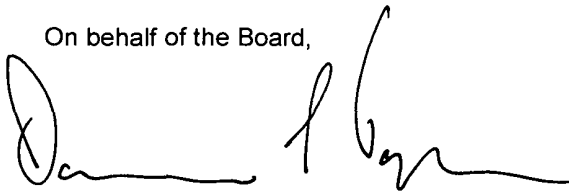
DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board,

A handwritten signature in black ink, appearing to be 'DP Taylor', written over a horizontal line.

DP Taylor
Director

King George Dock
Kingston-Upon-Hull
East Yorkshire
Hull HU9 5PX
18 July 2017

Independent auditors' report to the members of AAK (UK) Limited

Report on the financial statements

Our opinion

In our opinion, AAK (UK) Limited's financial statements (the 'financial statements'):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year 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.
-

What we have audited

The financial statements, included within the Directors' Report and Financial Statements (the 'Annual Report'), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of AAK (UK) Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of the Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Peter Adams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Hull
19 July 2017

AAK (UK) Limited

Registered number: 1585686

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £'000	2016 £'000	2015 (Restated) £'000	2015 (Restated) £'000
Revenue	5		237,748		234,246
Cost of sales			(207,202)		(206,554)
Gross profit			30,546		27,692
Distribution costs		(8,861)		(8,985)	
Administrative expenses excluding exceptional items	6	(8,873)		(8,847)	
Exceptional items	10	(208)		(458)	
Administrative expenses		(9,081)		(9,305)	
			(17,942)		(18,290)
Operating profit	6		12,604		9,402
Finance costs	11		(1,532)		(1,315)
Income from subsidiary undertakings			5,500		-
Profit on ordinary activities before taxation			16,572		8,087
Tax on profit on ordinary activities	12		(1,910)		(1,243)
Profit for the financial year			14,662		6,844

All results relate to continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £'000	2015 £'000
Profit for the financial year	14,662	6,844
	14,662	6,844
Total comprehensive (expense) / income for the year	14,662	6,844

AAK (UK) Limited

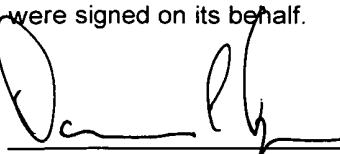
Registered number: 1585686

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016		2015	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	13		2,740		2,843
Property, plant and equipment	14		35,149		35,256
Investments in subsidiaries	15		5,287		5,287
			<u>43,176</u>		<u>43,386</u>
Current assets					
Inventories	16	24,638		21,707	
Trade and other receivables	17	109,922		81,281	
Cash and cash equivalents		<u>211</u>		<u>215</u>	
		<u>134,771</u>		<u>103,203</u>	
Creditors: amounts falling due within one year					
	18	<u>(87,282)</u>		<u>(70,329)</u>	
Net current assets			<u>47,489</u>		<u>32,874</u>
Total assets less current liabilities			<u>90,665</u>		<u>76,260</u>
Creditors: amounts falling due after more than one year	19		(48,500)		(30,000)
Provisions for liabilities	21		<u>(2,548)</u>		<u>(2,805)</u>
Net assets			<u>39,617</u>		<u>43,455</u>
Capital and reserves					
Called up share capital	22		23,600		23,600
Retained earnings			<u>16,017</u>		<u>19,855</u>
Total shareholders' funds			<u>39,617</u>		<u>43,455</u>

The notes on pages 12 to 33 are an integral part of these financial statements.

The financial statements on pages 9 to 33 were authorised for issue by the board of directors on 18 July 2017 and were signed on its behalf.



Director

D P Taylor

AAK UK Limited

Registered number: 1585686

AAK (UK) Limited

Registered number: 1585686

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £'000	Retained Earnings £'000	Total Shareholders' funds £'000
Balance at 1 January 2015	23,600	13,011	36,611
Profit for the financial year	-	6,844	6,844
Balance at 31 December 2015 and 1 January 2016	23,600	19,855	43,455
Profit for the financial year	-	14,662	14,662
Total comprehensive (expense) /income for the year	-	14,662	14,662
Dividends paid	-	(18,500)	(18,500)
Balance as at 31 December 2016	23,600	16,017	39,617

Retained earnings represent accumulated comprehensive income for the year and prior periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**1 GENERAL INFORMATION**

AAK (UK) Limited (the 'company') is part of a Group headed by AAK AB (the 'Group') based in Sweden. The Group's core business is refining vegetable oils for the food manufacturing, foodservice and bakery sectors. The company sells to both UK and worldwide export markets. The company is a private company, limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is King George Dock, Hull, HU9 5PX.

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.

Basis of preparation

The financial statements of AAK (UK) Limited have been prepared in accordance with the Companies Act 2006 (the 'Act') as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial assets and liabilities measured at fair value through profit or loss and in accordance with the Act. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemption in the individual statements of qualifying entities that otherwise apply the recognition measurement and disclosure requirements of EU adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 26 gives details of the company's ultimate parent and from where its consolidated financial statements prepared in accordance with EU adopted IFRS may be obtained.

In order to align the company's accounting policies to that of its ultimate parent undertaking, the directors have reclassified certain commercial costs which were previously recognised within cost of sales as a deduction against revenue. The effect of this reclassification is a £7.4m reduction in revenue as previously reported with a corresponding reduction in previously reported cost of sales. The impact on reported profit in the prior year was nil.

FRS 101 sets out amendments to EU adopted IFRS that are necessary to achieve compliance with the Act and related Regulations.

The following exemptions from the requirements of EU adopted IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 7, 'Statement of cash flows'
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 10 (f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
 - 16 (statement of compliance with all IFRS)
 - 38A (requirement for minimum of two primary statements, including cash flow statements)
 - 38B-D (additional comparative information)
 - 40A-D (requirement for a third statement of financial position)
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- Paragraphs 31 and 38 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective.)
- IFRS 7 'Financial Instruments: Disclosures'
- Paragraphs 6 to 21 of IFRS 1, 'First time adoption of International Financial Reporting Standards' (requirement to present an opening Statement of Financial Position at the date of transition.)
- Paragraph 30 of IAS 1 'Presentation of Financial Statements' comparative information in respect of:
 - Paragraph 79(a)(iv) of IAS 1
 - Paragraph 73(e) of IAS 16, Property Plant and Equipment
 - Paragraph 118(e) of IAS 38, Intangible Assets

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 judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

New and changed standards applied by the company

None of the new standards and changes in interpretations of existing standards that have been published and are obligatory for the financial statements for financial years starting on 1 January 2016 or later have had any material impact on the financial statements of the company.

New standards and interpretations that have not yet been applied by the company**IFRS 9 Financial Instruments**

IFRS 9 'Financial Instruments' concerns the classification, valuation and reporting of financial assets and liabilities. The full version of IFRS 9 was published in July 2014. It replaces parts of IAS 39 that concern the classification and valuation of financial instruments. IFRS 9 retains a mixed valuation approach, but simplifies this approach in certain aspects. There will be three valuation categories for financial assets, amortised cost, fair value through other comprehensive income and fair value through the income statement. How an instrument should be classified depends on the company's business model and the characteristics of the instrument. Investment in own capital instruments must be recognised at fair value through the income statement, but it is also possible, when the instrument is first recognised, for it to be recognised at fair value through other comprehensive income. No reclassification to the income statement will then take place in connection with the disposal of the instrument. IFRS 9 also introduces a new model for calculating credit loss reserves based on expected credit losses. For financial liabilities, the classification and valuation are not changed except where a liability is recognised through the income statement based on the fair value alternative. Changes in value attributable to changes in own credit risk must then be recognised in other comprehensive income. IFRS 9 reduces the requirements for the application of hedge accounting by replacing the 80-125 criteria with requirements for an economic relationship between hedging instruments and hedged items and for the hedging quota to be the same as that used in risk management. Hedging documentation is also changed slightly compared with that prepared under IAS 39. The standard must be applied for the financial year beginning 1 January 2018. Earlier application is permitted. The company has not yet evaluated the full effect of the introduction of the standard, but will carry out an analysis of this in 2017. A preliminary assessment is that the change in standard will not have a material impact on the company's financial reports.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****IFRS 15 Revenue from contracts with customers**

IFRS 15 'Revenue from contracts with customers' governs how revenue should be recognised. The principles on which IFRS 15 is based are designed to give users of financial statements more useful information about the company's revenue. The extended duty of disclosure means that information on revenue type, the time of settlement, uncertainties linked to recognition of revenue and cash flow attributable to the company's contracts with customers must be provided. According to IFRS 15, revenue must be recognised when the customer gains control over the product or service sold and is able to use the product or service and gain benefit from it. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the associated SIC and IFRIC. IFRS 15 enters into force on 1 January 2018. The standard has not yet been adopted by the EU. Premature application is permitted. The company has not yet evaluated the full effect of the introduction of the standard, but will carry out an analysis of this in 2017. A preliminary assessment is that the changes in standard will not have a material impact on the company's financial reports.

IFRS 16 Leases

In January 2016, the IASB published a new leasing standard that will replace IAS 17 Leases and the associated interpretations IFRIC 4, SIC 5 and SIC 27. The standard requires that assets and liabilities attributable to all leases, with some exceptions, be recognised in the balance sheet. This recognition is based on the view that the lessee has the right to use an asset during a specific period of time and also has an obligation to pay for this right. The recognition for the lessor will be essentially unchanged. The standard is applicable for a financial beginning 1 January 2019 or later. Premature application is permitted. The EU has not yet adopted the standard. The company has not yet evaluated the effects of IFRS 16.

No other IFRS or IFRIC interpretations that have not yet entered into force are expected to have any significant impact on the company.

Going concern

The company meets its day-to-day working capital requirements through its cash reserves and the Cash Pool facility administered by the Group. The cash pool is an arrangement whereby the balances of bank accounts held by AAK Group companies are aggregated together for the purposes of optimising interest received and improving liquidity management. The current economic conditions continue to create uncertainty particularly over the level of demand for the company's products. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show the company should be able to operate within the level of its current 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. Further information on the company's borrowings is given in note 20.

Revenue Recognition

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. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue Recognition (continued)****Sale of goods**

Sales of goods are recognised on the date of dispatch. Sales of inventory located at customers' premises and available for customers' immediate use are recognised when notification is received that the product has been used.

Appropriate provision for returns and trade discounts are deducted from turnover. Revenue comprises sales of products and services to third parties at amounts invoiced net of trade discounts excluding taxes on turnover.

Consolidation

The company is a wholly owned subsidiary of AAK AB. It is included in the consolidated financial statements of AAK AB, which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Investments

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within interest income or expenses in the period in which they arise.

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 the 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. All other foreign exchange gains and losses are presented in the income statement within 'Administration expenses.'

Exceptional items

Exceptional items are the costs associated with the ongoing implementation of lean manufacturing involving investment in more efficient plant which is reducing manual handling.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Goodwill representing the excess of fair value of the consideration over the fair value of the separable net assets acquired is capitalised and reviewed for impairment annually.

Trademarks are initially recorded at cost and amortised on a straight line basis over their estimated useful economic lives.

Computer software development costs, including external developers' fees, recognised as assets are amortised over their estimated useful lives which does not exceed seven years.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Impairment of non-financial assets

Non-financial assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less the costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Financial assets

Classification

The company classifies its financial assets in the following categories: at fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

(b) Loans and receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's receivables comprise receivables and cash in the balance sheet.

Recognition and measurement

Purchases and sales of financial assets are recognised on the trade date, the date on which the company commits to buy or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all of the risks and rewards of ownership.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, plant and equipment**

Land and buildings comprise mainly the refinery, factories, offices and warehousing. Land and buildings are shown at historical cost less subsequent accumulated depreciation for buildings. The company does not revalue its land and buildings.

All other property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Freehold buildings	20 years
Short leasehold buildings	Over the period of the lease
Plant and machinery	10 – 15 years
Furniture, fixtures and fittings	3 – 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the income statement.

Hedge accounting policy

Changes in fair value of a derivative that has been formally identified for hedging of fair value and meets the conditions for hedge accounting are recognised on the same line in the income statement as any change in fair value attributable to the hedged risk for the hedged asset or liability. The company applies hedging of fair value of raw materials and foreign currency in sales and purchase contracts. The gain or loss attributable to the ineffective portion is recognised with immediate effect in profit or loss in Cost of sales.

Forward contract position

The company enters into forward contracts for the purchase and sale of commodities and foreign exchange. The contracted cost of open material and currency forward contracts are compared with the equivalent value of open forward sales contracts or open market value where applicable ('marked to market') with the difference being included within debtors or creditors as appropriate.

Fair valuation of all forward commodity contracts is appropriate on the basis that all forward contracts whether for sales or purchases can be settled with the other contracted party on a net cash settlement basis and the company has a practice of settling such contracts net.

The company has applied hedge accounting for raw materials and foreign currency sales and purchase contracts. Changes in fair value of derivatives are recognised in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Inventories**

Inventories are 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 raw materials, direct labour, other direct costs and related production overheads (based 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.

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, 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 rate method, less provision for impairments.

Share capital

Ordinary shares are classified as equity.

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 rate method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Interest income

Interest income is earned on positive balances held in the cash pool arrangement within the Group. The company does not have any interest receivable on loans.

When a loan receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Pension scheme

The company operates non-contributory money purchase pension schemes through life assurance companies which hold fund contributions independent from company finances. Company pension contributions are accounted for on an accruals basis.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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 UK.

Deferred tax is recognised on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. 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 tax income 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.

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 related 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.

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.

The company does not have any leases that would be classified as finance leases.

Provisions

Provisions for environmental restoration, restructuring costs and legal claims 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. Reorganisation provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)****3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances.

Critical accounting estimates and assumptions

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 amount of assets and liabilities within the next financial year are addressed below.

a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended where necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying value of the property, plant and equipment, and note 2 for the useful economic lives of each class of asset.

b) Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 17 for the net carrying amount of the receivables and associated impairment provision.

c) Inventory provisioning

The company refines and manufactures oils, fats and sauces for food manufacture and as such the company's inventory has a finite shelf life. 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 use of raw materials. See note 16 for the net carrying amount of the inventory and the associated provision.

d) Hedging

Future contracts or fixed price contracts are used to hedge raw material price risk. Moreover, the company employs currency hedging on all of its transaction risks. This means that the gross contribution of every sales contract is hedged. As part of internal monitoring, the market value of all sales contracts and raw material purchase (including inventory) is valued with respect to both raw material prices and currency prices. The majority of purchase and sales contracts are for physical delivery and are deemed to be derivative instruments and are valued in the income statement.

4 FINANCIAL INSTRUMENTS

Financial assets are recognised at fair value through profit or loss and are financial assets held for trading. A financial asset is classified under this category if it is acquired for the primary purpose of being sold shortly thereafter. Derivatives are classified as being held for trading. Assets in this category are classified as current assets as they are expected to be settled within 12 months.

A financial asset or liability is recognised in the balance sheet when the company enters a contract for the instrument (i.e. on the relevant business day).

A financial asset is derecognised when the rights to cash flow in the contract mature or the rights are transferred in a transaction that transfers essentially all the risks and remunerations from ownership to the assets transferred. This also applies to parts of financial assets.

A financial liability is removed from the balance sheet when the duty in the contract is performed or otherwise extinguished. This also applies to parts of financial liabilities.

A financial liability is recognised when the counterparty has performed and a contractual liability to pay arises, even if no invoice is received.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)**

4 FINANCIAL INSTRUMENTS (continued)

The company has the following financial assets measured at fair value through profit or loss:

	2016	2015
	£'000	£'000
Derivative financial instruments	17,145	13,646

The company has the following financial liabilities measured at fair value through profit or loss:

	2016	2015
	£'000	£'000
Derivative financial instruments	16,136	9,742

Derivative financial instruments

Derivative instruments are recognised in the balance sheet on the date of contract and at fair value, both initially and upon subsequent revaluation. The amounts recognised in the profit and loss account are shown above.

The company's derivative instruments consist of OTC or 'over the counter' derivatives concluded with financial counterparties, listed as standard derivatives and sales and purchase contracts.

The company's business model permits (enables) the net settlement of purchase and sales contracts entered into for physical delivery.

The majority of purchase and sales contracts for physical delivery are deemed to be derivative instruments and are valued at fair value in the income statement. The key assumptions used in valuing the derivatives are the market prices for the underlying commodities.

Forward currency contracts are measured at fair value against sterling for the following currencies: EUR, USD, SEK, DKK, NOK, AUD, RUB, SGD, CNY. The rates are obtained from financial data vendors such as Reuters and Bloomberg.

There are no impaired derivatives instruments (2015: £nil) and no past due derivative instruments (2015: £nil).

5 REVENUE

Revenue represents amounts invoiced during the year, excluding value added tax, analysed by geographical area as follows:

	2016	2015
	£'000	Restated £'000
United Kingdom	181,381	183,218
Rest of Europe	50,546	45,782
Rest of the World	5,821	5,246
	<u>237,748</u>	<u>234,246</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)**

6 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:	2016	2015
	£'000	£'000
Staff costs - see note 9	18,102	18,549
Reorganisation expense - see note 10	208	458
Depreciation of owned tangible fixed assets	3,828	3,803
Amortisation	180	101
Operating lease charges:		
- Plant and machinery	503	504
- Other	870	870
Net fair value gains on forward contracts	(736)	(1,652)
Audit fees payable to the company's auditors – see note 7	67	71
Inventory recognised as an expense	151,475	154,181
Impairment of Inventory recognised as an expense	366	357
Foreign exchange gains	(94)	(207)
Impairment of trade receivables recognised as an expense	32	41

7 AUDITORS' REMUNERATION

	2016	2015
	£'000	£'000
Fees payable to the company's auditors and its associates for the audit of the company's financial statements	60	64
Fees payable to the company's auditors and its associates for the audit of financial statements on behalf of:		
Book&Claim Limited	5	5
AAK Hull Limited	2	2
Fees payable to the company's auditors and its associates in respect of:		
Taxation and compliance services	31	38
All taxation and advisory services not included above	10	9

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)**

8 REMUNERATION OF DIRECTORS

	2016	2015
	£'000	£'000
Aggregate emoluments	389	318
Company contributions to money purchase pension schemes	66	72
	455	390
	2016	2015
	Number	Number
Members of money purchase pension scheme	2	2

During the year, neither director exercised stock options (2015: nil).

Highest paid director:

The highest paid director's emoluments were as follows:

	2016	2015
	£'000	£'000
Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	280	226
Company contributions to money purchase pension schemes	17	40
	297	266

9 STAFF NUMBERS AND COSTS

The monthly average number of employees, including directors, of the Company during the year, analysed by category, was as follows:

	2016	2015
	Number	Number
Production	330	339
Sales	53	59
Administration	33	29
	416	427

The aggregate payroll costs of these employees were as follows:

	2016	2015
	£'000	£'000
Wages and salaries	15,298	15,558
Social security costs	1,707	1,832
Other pension costs	1,097	1,159
	18,102	18,549

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)**

10 EXCEPTIONAL ITEMS

	2016 £'000	2015 £'000
Restructuring	<u>208</u>	<u>458</u>

During the year the restructuring programme continued at the Hull site with the ongoing implementation of lean manufacturing involving investment in more efficient plant which is reducing manual handling.

11 INTEREST INCOME AND EXPENSE

	2016 £'000	2015 £'000
Finance income:		
Bank interest	<u>-</u>	<u>-</u>
Total finance income	<u>-</u>	<u>-</u>
Finance costs:		
On overdrafts repayable within five years	(233)	(96)
On intergroup loans repayable within five years	<u>(1,299)</u>	<u>(1,219)</u>
Total interest expense on financial liabilities not measured at fair value through profit and loss	<u>(1,532)</u>	<u>(1,315)</u>
Total finance costs	<u>(1,532)</u>	<u>(1,315)</u>
Net finance cost:		
	2016 £'000	2015 £'000
Finance income	<u>-</u>	<u>-</u>
Finance costs	<u>(1,532)</u>	<u>(1,315)</u>
Net finance cost	<u><u>(1,532)</u></u>	<u><u>(1,315)</u></u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)**

12 TAX ON PROFIT

Tax expense included in profit or loss	2016 £'000	2015 £'000
Current tax (see note below):		
UK corporation tax charge on profit for the year	2,167	1,921
Adjustments in respect of prior years	-	(445)
Total current tax	<u>2,167</u>	<u>1,476</u>
Deferred tax:		
Origination and reversal of timing differences	42	(330)
Adjustments in respect of prior years	(144)	404
Impact of change in tax rate	(155)	(307)
Total deferred tax (see note 21)	<u>(257)</u>	<u>(233)</u>
Tax on profit	<u>1,910</u>	<u>1,243</u>

There is no tax expense or tax income included within other comprehensive income or equity.

Factors affecting tax charge for the year:

The tax expense for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	<u>16,572</u>	<u>8,087</u>
Profit multiplied by the standard rate of tax in the UK of 20% (2015: 20.25%)	3,314	1,638
Effects of:		
(Income) / Expenses not deductible for tax purposes	(19)	9
Non qualifying depreciation	65	53
Adjustments in respect of prior year	(144)	(41)
Impact of change in tax rate	(155)	(307)
Employee share scheme reliefs	-	(52)
Transfer pricing adjustments	(51)	(43)
Impact of transition to FRS 101	-	(14)
Dividends received from group undertakings	(1,100)	-
Tax charge	<u>1,910</u>	<u>1,243</u>

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

The main rate of corporation tax will reduce to 19% from 1 April 2017 and reduce again to 17% from 1 April 2020. The relevant deferred tax balances have been remeasured.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)**

13 INTANGIBLE ASSETS

	Trademarks	Negative Goodwill	Goodwill	Software	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2016	363	(888)	4,896	927	5,298
Additions	-	-	-	77	77
At 31 December 2016	363	(888)	4,896	1,004	5,375
Accumulated Amortisation:					
At 1 January 2016	363	(863)	2,675	280	2,455
Provided during the year	-	(5)	-	185	180
At 31 December 2016	363	(868)	2,675	465	2,635
Net Book Value:					
At 31 December 2016	-	(20)	2,221	539	2,740
At 31 December 2015	-	(25)	2,221	647	2,843

The software intangible assets include the company's contract management system which was created by an external development firm for the company's specific requirements and is subject to continuing development and investment. The asset is carried at £195,000 (2015: £233,000) and has a remaining amortisation period of 2 years (2015: 1 year) on a straight line basis.

Also included as software is the company's Planning and Scheduling software which is an off the shelf product. The asset is carried at £344,000 (2015: £409,000) and has a remaining amortisation period of 5 years (2015: 6 years) on a straight line basis.

There are no other individually material intangible assets.

Intangible asset amortisation is recorded in administrative expenses in the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Short leasehold land and buildings	Plant and machinery	Furniture, Fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2016	4,112	10,742	115,760	9,944	140,558
Additions	21	10	2,451	1,239	3,721
At 31 December 2016	4,133	10,752	118,211	11,183	144,279
Accumulated Depreciation:					
At 1 January 2016	361	8,657	89,992	6,292	105,302
Provided during the year	41	276	3,013	498	3,828
At 31 December 2016	402	8,933	93,005	6,790	109,130
Net Book Value:					
At 31 December 2016	3,731	1,819	25,206	4,393	35,149
At 31 December 2015	3,751	2,085	25,768	3,652	35,256

None of the assets shown above have been revalued.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)**

15 INVESTMENTS IN SUBSIDIARIES

	2016 £'000
Cost	
At 1 January 2016 and 31 December 2016	<u>5,287</u>
Net book value	
At 31 December 2015 and 31 December 2016	<u><u>5,287</u></u>

Subsidiary undertakings

Name	Principal activity	Class of shares	Holding
Rowallan Creamery Limited	Holding company	Ordinary £1	100%
Allied Foods Limited	Non trading	Ordinary £1	100%
AarhusKarlshamn Limited	Non trading	Ordinary £1	100%
Nutritionelle Limited	Non trading	Ordinary £1	100%
Book&Claim Limited	Trading agent	Ordinary £1	100%

The registered office address of all of the above subsidiaries is King George Dock, Hull, HU9 5PX.

The aggregate of the share capital and reserves as at 31 December 2016 and the profit / (loss) for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves	Profit / Result
	£'000	£'000
Rowallan Creamery Limited	4,805	-
Allied Foods Limited	5,681	-
Nutritionelle Limited	10	-
Book&Claim Limited	2,746	945

AarhusKarlshamn Limited had aggregate share capital and reserves of £2 and no profit or loss in the year. The Directors believe the carrying value of the investments is supported by their underlying net assets.

On 23 November 2016 the company received £5,500,000 dividends from subsidiary undertakings (2015: £nil).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)**

16 INVENTORIES

	2016	2015
	£'000	£'000
Raw materials and consumables	15,737	13,235
Work in progress	9	211
Finished goods and goods for resale	8,892	8,261
	<u>24,638</u>	<u>21,707</u>

There is no significant difference between the replacement cost of raw materials and consumables, work in progress, finished goods and goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £366,000 (2015: £376,000).

17 TRADE AND OTHER RECEIVABLES

	2016	2015
	£'000	£'000
Trade receivables	32,758	28,530
Amounts owed by group undertakings	52,181	33,910
Amounts owed by group undertakings under forward contracts	3,050	3,652
Forward contract position (see note 2)	14,095	9,994
Other receivables and prepayments	7,838	5,195
	<u>109,922</u>	<u>81,281</u>

Trade receivables are stated after provisions for impairment of £nil (2015 nil).

Amounts owed by fellow group companies are interest free, carry no security and are repayable on demand.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Trade creditors	34,829	21,393
Amounts owed to group undertakings	20,499	23,454
Amounts owed to group undertakings under forward contracts	3,552	1,533
Taxation and social security	765	821
Forward contract position	12,584	8,209
Accruals and other creditors	15,053	14,919
	<u>87,282</u>	<u>70,329</u>

Amounts owed to fellow group companies are interest free and repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)****19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2016 £'000	2015 £'000
Amounts owed to group undertakings (note 20)	<u>48,500</u>	<u>30,000</u>

The above amount relates to a loan from a group undertaking which is repayable on 30 June 2018 and carries a fixed interest rate of 4%. Interest is paid annually on 30th June.

20 LOANS AND OTHER BORROWINGS

	2016 £'000	2015 £'000
Amounts owed to group undertakings	<u>54,601</u>	<u>53,454</u>

Included in amounts owed to group undertakings is an amount of £48,500,000 (2015: £30,000,000) which is explained in note 19.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)**

21 PROVISIONS FOR LIABILITIES

The provision for deferred tax consists of the following deferred tax liabilities (assets):

	2016	2015
	£'000	£'000
Deferred tax assets due within 12 months	(8)	(35)
Deferred tax liabilities due within 12 months	249	135
Total provision	241	100

	2016	2015
	£'000	£'000
Deferred tax assets due after more than 12 months	(58)	(23)
Deferred tax liabilities due after more than 12 months	2,365	2,728
Total provision	2,307	2,705

	2016	2015
	£'000	£'000
Total deferred tax provision		
Total provision	2,548	2,805

Deferred tax liabilities	Accelerated capital allowances	Other	Total £'000
At 1 January 2015	2,132	906	3,038
Charged/ (credited) to the income statement	731	(964)	(233)
At 31 December 2015	2,863	(58)	2,805
Charged credited to the income statement	(249)	(8)	(257)
At 31 December 2016	2,614	(66)	2,548

There are no unutilised tax losses or unused tax credits. A deferred tax asset has been recognised because the business has consistently generated taxable trading profits in the past. The directors do not anticipate any changes to the performance of the business in the next few years and thus a deferred tax asset on trading items has been recognised.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)**

22 CALLED UP SHARE CAPITAL

	2016 £'000	2015 £'000
Authorised:		
25,000,000 (2015: 25,000,000) Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
Allotted, called up and fully paid:		
23,600,000 (2015: 23,600,000) Ordinary shares of £1 each	<u>23,600</u>	<u>23,600</u>

All shares rank pari passu in all respects.

23 DIVIDENDS

On 23 November 2016 a dividend of £18,500,000 was paid on equity capital (2015: £nil), which equates to £0.78 per share (2015: £nil per share).

24 CAPITAL AND OTHER COMMITMENTS

As at 31 December, the company had the following capital commitments.

	2016 £'000	2015 £'000
Contracted for future capital expenditure not provided in the financial statements	<u>-</u>	<u>60</u>

The company had the following future minimum lease payments under non cancellable operating leases.

	2016		2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date:				
No later than a year	760	238	870	503
Between two and five years	1,620	262	1,727	203
Later than five years	4,325	53	4,731	-
Total	<u>6,705</u>	<u>553</u>	<u>7,328</u>	<u>706</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(CONTINUED)****25 POST EMPLOYMENT BENEFITS**

The company provides a defined contribution scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was:

	2016	2015
	£'000	£'000
Current year contributions	1,097	1,159

26 CONTROLLING PARTIES

The immediate parent undertaking is AAK Denmark Holding A/S, a company incorporated in Denmark, the address of which is AAK Denmark Holding A/S, Slipvej 4, 8000 Aarhus C, Denmark.

The ultimate parent company and the smallest and largest group to consolidate these financial statements is also AAK AB. Copies of the AAK AB consolidated financial statements can be obtained from the company secretary at AAK AB, Skrivaregatan 9, SE-215, Malmö, Sweden.

The ultimate controlling party is AAK AB.