Company Registration No. SC023572

Baxters Food Group Limited

Annual Report

For the period ended 2 April 2016

BAXTERS FOOD GROUP LIMITED

DIRECTORS AND ADVISERS

Executive Chairman	Audrey C Baxter DBA
Directors	Andrew G Baxter BSc Ronald Davis
Secretary	Lucy J Strachan
Company number	SC023572
Registered office	Highfield House Fochabers Moray IV32 7LD
Registered auditors	Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL
Solicitors	Burness Paull LLP 50 Lothian Road Festival Square Edinburgh EH3 9WJ

BAXTERS FOOD GROUP LIMITED

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BAXTERS FOOD GROUP LIMITED

STRATEGIC REPORT
FOR THE PERIOD ENDED 2 APRIL 2016

The directors present their strategic report for the 10 month period ended 2 April 2016. The comparable figures shown in these financial statements are for the year to 30 May 2015.

Principal activities

Baxters Food Group Limited ("the company") is a private company headquartered in the Highlands of Scotland. The company and its subsidiaries, together known as "the group", are manufacturers of high quality ambient food, supplying retail, food manufacturers and foodservice customers in the UK market and key overseas markets.

High quality foods such as soups, canned meat products, sour pickles, sauces, vinegars, anti-pasti, preserves and salad and meat accompaniments are sold under a variety of brands owned by, or licensed to, the group.

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

Review of the business

The Board of Baxters Food Group Limited is pleased to present the following financial statements as a record of our activities over the past 10 months. The group's expanded geographic reach and market diversification has been the foundation for a successful year.

Both the parent company financial statements and the group financial statements have historically been prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"). This is the first time that the group and company have prepared their financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). The transition to Adopted IFRSs has resulted in £6.2m uplift in the net assets of the group as at 30 May 2015, primarily as a result of the effect of restating historic acquisitions. Further details on how the transition from UK GAAP to Adopted IFRS has affected the group's reported financial position are given in note 32.

A major feature of the past 10 months was the positive financial impact on group performance from our expanded operations in the USA following the acquisition of Wornick Foods in 2014. Across the remainder of the group, the volatility of food retail markets remained challenging, particularly in the UK and Canada. The market pressures of continuing food deflation and the difficulties of managing consumer expectations for strong price promotions against a backdrop of input price rises, remain significant challenges for the business. The Board are committed to continue developing our business model to effectively address these areas.

These financial results reflect the positive contribution the Wornick operations have made to the group in terms of revenue, EBITDA and operating profit but also the challenges that exist in the underlying business with respect to sales volumes and margin pressures. The impact of forex rates at the point of translation, which were adverse to our results due to the strength of sterling, continued to be a challenge for the business.

Revenue for the group increased significantly by 10.2% to £248.6m (2015: £225.6m) and gross margin before exceptional items increased by 15.8% to £79.1m (2015: £68.3m), with EBITDA before exceptional items improving to £23.1m (2015: £19.4m). We have absorbed £2.4m of exceptional charges during the year, in the main capturing certain restructuring costs across the group, non-recurring project costs, change implementation and other one-off costs.

Under accounting rules our pension deficit increased to £11.1m (2015: £8.2m) primarily as a result of a decrease in the value of pension scheme assets. The group did not make additional annual contributions to the scheme however the Board is actively monitoring this strategy.

This has been a successful year in which we have not only absorbed high costs and continued to invest in large projects for future value but also improved overall financial performance. The financial impact of these developments is reflected in these financial statements. The Board remain excited with our strategic plans and the steps we are taking to make Baxters a stronger manufacturing group for the future. We have confidence in our robust management team and their plans to move forward positively.

Since the year ended we have further strengthened the financial position of the group. Building on strong relationships with our finance partners we have successfully updated our funding position with a combination of new bank facilities and longer term US$ Loan Notes. It is also worthy of note that the impact of Brexit has been generally positive for the group reflecting the significant proportion of the group's activities and profits now generated outside of the UK.

BAXTERS FOOD GROUP LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 2 APRIL 2016

Dividends
The directors have proposed a final dividend in respect of the period ended 2 April 2016 amounting to £2m (2015: £2m). In accordance with IAS 10 "Events after the Reporting Date", the proposed dividend has not been accrued in the financial statements.

Charitable donations
During the period, the group made contributions to local charities of £86,000 (2015: £67,000).

On behalf of the board:

....
Audrey C Baxter DBA
Executive Chairman

28 September 2016

DIRECTORS' REPORT
FOR THE PERIOD ENDED 2 APRIL 2016

The directors present their report and financial statements for the 10 month period ended 2 April 2016. The directors have reported the results for the period and dividends as part of their Strategic Report.

Directors

The following directors have held office since 31 May 2015 and up to the date of this report unless otherwise stated:

Audrey C Baxter DBA
Andrew G Baxter BSc
Ronald Davis (appointed 18 February 2016)
Nicholas J Wheater (resigned 18 February 2016)
Heather M Metcalfe (resigned 6 June 2016)
Peter A McLuckie (appointed 19 October 2015, resigned 21 June 2016)

Future developments, dividends and events after the balance sheet date

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

Financial risk management

The group's activities expose it to a number of financial risks including credit risk, liquidity risk and market risk. The use of financial derivatives is governed by the group's board of directors, who provide direction on their use to manage the above risks. The group does not use derivative financial instruments for speculative purposes. Further information on the group's financial risk management is provided within note 23.

Staff policies

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

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

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

BAXTERS FOOD GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 2 APRIL 2016

Directors' responsibilities statement
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRS issued by the IASB and adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

Statement of disclosure to auditors
The directors confirm that:

a) so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware; and

b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

On behalf of the board:

....
Audrey C Baxter DBA
Director

28 September 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BAXTERS FOOD GROUP LIMITED

We have audited the financial statements of Baxters Food Group Limited for the period ended 2 April 2016 set out on pages 6 to 51. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion:
- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 2 April 2016 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

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

28 September 2016

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

BAXTERS FOOD GROUP LIMITED

CONSOLIDATED INCOME STATEMENT

	Note	10 month period ended 2 April 2016 Before exceptional items £'000	Exceptional items (note 9) £'000	Total £'000	Restated year ended 30 May 2015 Before exceptional items £'000	Exceptional items (note 9) £'000	Total £'000
Revenue	4	248,640	-	248,640	225,598	-	225,598
Cost of sales		(169,515)	(329)	(169,844)	(157,287)	(1,254)	(158,541)
Gross profit/(loss)		79,125	(329)	78,796	68,311	(1,254)	67,057
Distribution costs		(11,906)	(58)	(11,964)	(13,765)	-	(13,765)
Administrative costs		(44,506)	(1,978)	(46,484)	(36,376)	(6,634)	(43,010)
Other income		402	-	402	1,225	-	1,225
Earnings before interest, tax, depreciation and amortisation		23,115	(2,365)	20,750	19,395	(7,888)	11,507
Amortisation		(1,215)	-	(1,215)	(1,072)	-	(1,072)
Depreciation		(6,989)	-	(6,989)	(6,617)	-	(6,617)
Operating profit/(loss)	5	14,911	(2,365)	12,546	11,706	(7,888)	3,818
Finance income		14	-	14	793	-	793
Finance costs	8	(7,902)	-	(7,902)	(5,908)	(287)	(6,195)
Profit/(loss) on ordinary activities before taxation		7,023	(2,365)	4,658	6,591	(8,175)	(1,584)
Taxation	10	197	249	446	(1,228)	1,456	228
Profit/(loss) for the period		7,220	(2,116)	5,104	5,363	(6,719)	(1,356)

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

BAXTERS FOOD GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	10 month period ended 2 April 2016 £'000	Restated year ended 30 May 2015 £'000
Profit/(loss) for the period		**5,104**	(1,356)
Other comprehensive (expenditure)/income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	12	**-**	5,800
Re-measurement of defined benefit liability	26	**(2,714)**	(5,414)
Income tax on revaluation of property, plant and equipment		**-**	(1,248)
Income tax on re-measurement of defined benefit liability		**489**	1,083
		(2,225)	221
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**1,735**	114
Other comprehensive (expenditure)/income, net of tax		**(490)**	335
Total comprehensive income/(expenditure) for the period		**4,614**	(1,021)

BAXTERS FOOD GROUP LIMITED

BALANCE SHEETS

		Group		Company	
			Restated		
		2 April 2016	30 May 2015	**2 April 2016**	30 May 2015
Assets	**Notes**	**£'000**	£'000	**£'000**	£'000
Non-current assets					
Property, plant and equipment	12	**95,005**	94,185	47,248	47,019
Intangible assets	13	**110,801**	106,740	27,247	27,471
Investments	14	**15**	15	50,003	51,027
Trade and other receivables	17	**487**	603	60,315	69,760
Deferred tax assets	11	**2,885**	2,839	1,992	1,637
		209,193	204,382	186,805	196,914
Current assets					
Inventories	16	**46,100**	39,082	16,733	15,053
Trade and other receivables	17	**31,666**	29,646	26,712	29,759
Current tax receivable		**751**	969	274	339
Cash and cash equivalents	18	**8,549**	14,219	5,265	6,651
		87,066	83,916	48,984	51,802
Liabilities					
Current liabilities					
Loans and borrowings	21	**(42,232)**	(32,322)	(42,232)	(32,322)
Trade and other payables	19	**(42,785)**	(38,514)	(22,313)	(25,535)
Current tax payable		**-**	-	-	(27)
Other financial liabilities	20	**(888)**	(116)	(888)	(116)
		(85,905)	(70,952)	(65,433)	(58,000)
Net current assets/(liabilities)		**1,161**	12,964	(16,449)	(6,198)
Non-current liabilities					
Loans and borrowings	21	**(96,008)**	(107,185)	(96,008)	(107,185)
Retirement benefit obligations	26	**(11,066)**	(8,187)	(11,066)	(8,187)
Deferred income	25	**(769)**	(911)	-	-
Provisions	24	**(6,203)**	(6,714)	-	-
Deferred tax liabilities	11	**(19,970)**	(20,520)	(5,560)	(6,757)
Net assets		**76,338**	73,829	57,722	68,587
Equity					
Called up share capital	27	**637**	637	637	637
Merger reserve		**350**	350	350	350
Revaluation reserve		**19,138**	19,632	16,197	16,601
Capital contribution reserve		**-**	-	1,422	-
Translation reserve		**1,849**	114	(5,498)	-
Retained earnings		**54,364**	53,096	44,614	50,999
Total equity		**76,338**	73,829	57,722	68,587

Approved by the board for issue on 28 September 2016 and signed on its behalf by:

A Baxter

Audrey C Baxter DBA
Director
Company Registration No. SC023572

STATEMENTS OF CHANGES IN EQUITY

GROUP	Called up share capital £'000	Merger reserve £'000	Revaluation reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 June 2014 restated	637	350	15,442	-	60,436	76,865
Loss for the year restated	-	-	-	-	(1,356)	(1,356)
Other comprehensive income/ (expense) restated	-	-	4,552	114	(4,331)	335
Total comprehensive income/(expense) restated	-	-	4,552	114	(5,687)	(1,021)
Difference between historical cost and actual depreciation charge	-	-	(362)	-	362	-
Dividend paid	-	-	-	-	(2,015)	(2,015)
At 30 May 2015 restated	637	350	19,632	114	53,096	73,829
Profit for the period	-	-	-	-	5,104	5,104
Other comprehensive income/(expense)	-	-	-	1,735	(2,225)	(490)
Total comprehensive income	-	-	-	1,735	2,879	4,614
Difference between historical cost and actual depreciation charge	-	-	(494)	-	494	-
Dividend paid	-	-	-	-	(2,105)	(2,105)
At 2 April 2016	**637**	**350**	**19,138**	**1,849**	**54,364**	**76,338**

COMPANY	Called up share capital £'000	Merger reserve £'000	Revaluation reserve £'000	Capital contribution reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 June 2014 restated	637	350	12,668	-	-	57,894	71,549
Profit for the year restated	-	-	-	-	-	385	385
Other comprehensive income/(expense) restated	-	-	4,309	-	-	(5,641)	(1,332)
Total comprehensive income/(expense) restated	-	-	4,309	-	-	(5,256)	(947)
Difference between historical cost and actual depreciation charge	-	-	(376)	-	-	376	-
Dividend paid	-	-	-	-	-	(2,015)	(2,015)
At 30 May 2015 restated	637	350	16,601	-	-	50,999	68,587
Loss for the period	-	-	-	-	-	(2,459)	(2,459)
Other comprehensive income/(expense)	-	-	-	-	(5,498)	(2,225)	(7,723)
Total comprehensive income/(expense)	-	-	-	-	(5,498)	(4,684)	(10,182)
Difference between historical cost and actual depreciation charge	-	-	(404)	-	-	404	-
Capital contribution	-	-	-	1,422	-	-	1,422
Dividend paid	-	-	-	-	-	(2,105)	(2,105)
At 2 April 2016	**637**	**350**	**16,197**	**1,422**	**(5,498)**	**44.614**	**57,722**

BAXTERS FOOD GROUP LIMITED

CASH FLOW STATEMENTS

	Group		Company	
	10 month period ended 2 April 2016 £'000	Restated year ended 30 May 2015 £'000	10 month period ended 2 April 2016 £'000	Year ended 30 May 2015 £'000
Cash flows from operating activities				
Profit/(loss) for the period	**5,104**	(1,356)	**(2,459)**	385
Adjusted for:				
Depreciation and amortisation	**8,204**	7,689	**3,272**	3,536
Foreign exchange losses	**1,220**	1,981	**1,476**	2,040
Financial income	**(14)**	(793)	**(4,006)**	(2,912)
Financial expense	**6,682**	6,080	**6,678**	5,229
Deferred government grant	**(31)**	(39)	**-**	-
Investment impairment	**-**	-	**1,024**	-
Taxation	**(446)**	(228)	**(877)**	(133)
Pension costs less contributions	**165**	(664)	**165**	(664)
(Increase)/decrease in trade and other receivables	**(1,006)**	(908)	**12,154**	(69,989)
(Increase)/decrease in inventories	**(5,362)**	4,921	**(1,680)**	2,697
Increase/(decrease) in trade and other payables	**2,424**	1,363	**(1,800)**	4,637
Decrease in provisions	**(1,301)**	-	**-**	-
Cash generated from/(used in) operating activities	**15,639**	18,046	**13,947**	(55,174)
Interest paid	**(5,608)**	(5,919)	**(5,604)**	(5,068)
Tax (expense)/income	**(297)**	47	**(148)**	(223)
Net cash generated from/(used in) operating activities	**9,734**	12,174	**8,195**	(60,465)
Cash flow from investing activities				
Payments to acquire property, plant and equipment	**(5,012)**	(5,000)	**(3,177)**	(2,521)
Capitalised development expenditure	**(298)**	-	**(100)**	-
Acquisition of subsidiary net of cash acquired	**-**	(86,675)	**-**	(25,128)
Repayment of government grants	**(165)**	-	**-**	-
Interest received	**14**	793	**4,006**	2,912
Net cash (used)/generated from investing activities	**(5,461)**	(90,882)	**729**	(24,737)
Cash flows from financing activities				
New bank loan	**-**	137,745	**-**	138,179
Repayment of borrowings	**(8,205)**	(47,066)	**(8,205)**	(47,066)
Dividends paid	**(2,105)**	(2,015)	**(2,105)**	(2,015)
Net cash (used)/generated from financing activities	**(10,310)**	88,664	**(10,310)**	89,098
Net (decrease)/increase in cash and cash equivalents	**(6,037)**	9,956	**(1,386)**	3,896
Cash and cash equivalents at beginning of period	**14,219**	4,357	**6,651**	2,755
Effects of exchange fluctuations on cash held	**367**	(94)	**-**	-
Cash and cash equivalents at end of period	**8,549**	14,219	**5,265**	6,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 10 MONTH PERIOD ENDED 2 APRIL 2016

1. Reporting entity

Baxters Food Group Limited ("the company") is domiciled in the United Kingdom. The current year financial statements present the results for the 10 month period ended 2 April 2016. The comparable figures in these financial statements are for the year to 30 May 2015.

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

2. Accounting policies

Basis of preparation

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

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

Both the parent company financial statements and the group financial statements have historically been prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"). This is the first time that the group and company have prepared their financial statements in accordance with Adopted IFRSs. Details of how the transition from UK GAAP to IFRS has affected the group and company's reported financial position are given in note 32.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 June 2014 for the purposes of the transition to Adopted IFRSs.

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

Going concern

The financial statements have been prepared on a going concern basis for the following reasons. The group has recognised a profit after tax of £5,104,000 and has net current assets of £1,161,000 at the reporting date. The directors have prepared detailed cash flow projections for a period of at least 12 months from the date of singing these financial statements. The directors are of the opinion that following their review of the cash flow projections and taking account of the debt facilities available to the group, the group will be able to meet its liabilities as they fall due for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

2. Accounting policies (continued)

New standards not yet applied

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

		Effective for accounting periods on or after
IFRS 9	Financial Instruments – will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. Early adoption is permitted.	1 January 2018
IFRS 15	Revenue from Contracts with Customers – is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. This supersedes IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity is expected to be entitled to, in exchange for those goods or services. Early adoption is permitted	1 January 2018
IFRS 16	Leases – will replace IAS 17 Leases, IFRIC 14 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions involving the Legal Form of a Lease. The new standard cancels a currently used dual lessee accounting model. This model requires classification of the lease as an on-balance sheet finance lease and off-balance sheet operating lease. It will be replaced by a single model, which implies that the lease is recognised on the balance sheet and is similar to the current accounting treatment for finance leases. Early adoption if permitted provided that IFRS 15 Revenue from Contracts with Customers is also applied.	1 January 2019
Disclosure initiative	On 18 December 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but should facilitate improved financial statements disclosures. The directors intend to adopt these amendments in its financial statements for the annual period beginning 3 April 2016.	1 January 2016

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and all its subsidiary undertakings which are made up to 2 April 2016.

Subsidiaries

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

Transactions

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

Separate parent company financial statements

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

2. **Accounting policies (continued)**

Functional and presentational currency
The group and company financial statements are presented in sterling, which is their functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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

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

Revenue
Revenue comprises sales to external customers at the fair value of the consideration received or receivable, excluding VAT, trade discounts and other sales taxes. Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

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

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

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

2. Accounting policies (continued)

Taxation (continued)
Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Accounting policies (continued)

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

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

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

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

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

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

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

Impairment of non-financial assets
At each balance sheet date, the group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Goodwill is tested annually for impairment. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

2. **Accounting policies (continued)**

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

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

An impairment loss in respect of goodwill is not reversed.

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

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

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

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

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

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

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

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

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

2. Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Critical accounting estimates and judgements

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

Employee Benefits

The present value of the group's defined benefit pension obligations depends on a number of actuarial assumptions. The key assumptions used include the discount rate, future salary and pension increases, mortality rates applicable to scheme members and long term inflation rates. Due to the long-term nature of these schemes, the estimates are subject to significant uncertainty. An analysis of the sensitivity of the pension obligations to changes in key assumptions is provided in note 26.

Goodwill and other intangible assets

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

The group has considered the impact of the assumptions used on the calculations and has conducted sensitivity analysis on the impairment tests of the cash generating units' carrying values. Further details of the sensitivity analysis is provided in note 13.

Acquired brands, trademarks and customer relationships are considered to have finite lives that range from 20-45 years. Acquired trade names are considered to have an indefinite useful life. The determination of the useful lives takes into account certain quantitative factors such as sales expectations and also many qualitative factors such as history and market positioning, hence the determination of useful lives are subject to estimates and judgement. Further details are provided in note 13.

Deferred tax

The recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available against which deductible temporary differences can be utilised. In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future years. Further details of recognised (and unrecognised) deferred tax assets are provided in note 11.

4. Revenue

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

	10 months ended 2 April 2016 £'000	Restated year ended 30 May 2015 £'000
United Kingdom	**80,605**	101,126
International	**168,035**	124,472
	248,640	225,598

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

5. Operating profit/(loss)

	10 months *ended* 2 April 2016 £'000	Restated *year ended* 30 May 2015 £'000
Operating profit/(loss) is stated after charging/(crediting):		
Amortisation of intangible assets	**1,215**	1,072
Depreciation of tangible assets	**6,989**	6,617
Operating lease rentals	**3,813**	3,270
Research and development costs	**396**	432
Exceptional items – note 9	**2,365**	7,888
Amortisation of government grants	**(31)**	(39)

Services provided by the group's auditor

During the year the group obtained the following services from the group's auditors, Johnston Carmichael LLP:

			10 months ended 2 April 2016 £'000	Restated year ended 30 May 2015 £'000
Audit services				
Statutory audit	–	Company and group	**7**	7
	–	UK subsidiaries	**100**	100
	–	Baxters Food Group Pension Scheme	**9**	9
Tax services			**31**	31
Other services			**76**	178
			223	325

6. Directors' emoluments

	10 months ended 2 April 2016 £'000	Restated year ended 30 May 2015 £'000
Emoluments for qualifying services	**998**	1,218
Company contributions to defined benefit scheme	**15**	50

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 3 (2015: 4).

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

	10 months ended 2 April 2016 £'000	Restated year ended 30 May 2015 £'000
Emoluments for qualifying services	**586**	620
Accrued pension at the end of the year	**8**	8

7. Employees

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

	10 months ended 2 April 2016 Number	Year ended 30 May 2015 Number
Direct	858	817
Others	681	783
	1,539	1,600

Staff costs for the group were:

	10 months ended 2 April 2016 £'000	Restated Year ended 30 May 2015 £'000
Wages and salaries	35,259	36,615
Social security costs	4,018	3,044
Other pension costs	1,504	2,322
	40,781	41,981

8. Finance costs

	10 months ended 2 April 2016 £'000	Restated year ended 30 May 2015 £'000
Net loss on financial instruments designated as fair value through profit or loss	772	161
Interest on loans and overdrafts (including exceptionals of £nil (2015: £287,000)	5,469	5,692
Other interest expense	206	227
Net interest on net defined benefit pension plan liability	235	115
Foreign exchange loss	1,220	-
Total finance costs	7,902	6,195

9. Exceptional items

The group reports the following exceptional items:

	10 months ended 2 April 2016 £'000	Restated year ended 30 May 2015 £'000
One-off projects	1,379	1,254
Restructuring and related costs	550	4,265
Acquisition costs	-	2,369
Refinancing costs	-	287
New contract costs	436	-
	2,365	8,175
Tax on exceptional items above	(249)	(1,456)
Total exceptional items expense	2,116	6,719

10. Taxation

Recognised in income statement	10 months ended 2 April 2016 £'000	Restated year ended 30 May 2015 £'000
Domestic current tax		
Current period	-	(295)
Adjustment in respect of prior periods	186	14
Domestic current tax charge/(credit)	186	(281)
Foreign current tax		
Current period	342	(56)
Adjustment in respect of prior periods	(13)	(5)
Foreign current tax charge/(credit)	329	(61)
Current tax charge/(credit)	515	(342)
Deferred tax		
Relating to origination and reversal of temporary timing differences	(284)	226
Recognition of a recoverable deferred tax asset	(269)	(242)
Reversal of previous recognised deferred tax asset	363	-
Deferred tax on pension liability	(30)	122
Reduction in tax rate	(599)	-
Adjustment in respect of prior periods	(142)	8
Deferred tax (credit)/expense	(961)	114
Total tax credit	(446)	(228)

Recognised in other comprehensive income	10 months ended 2 April 2016 £'000	Restated year ended 30 May 2015 £'000
Revaluation of property, plant and equipment	-	1,248
Re-measurement of defined benefit liability	(489)	(1,083)
Foreign exchange translation differences	854	464
	365	629

10. Taxation (continued)

	10 months ended 2 April 2016 £'000	Restated year ended 30 May 2015 £'000
Reconciliation of effective tax rate		
Profit/(loss) for the period	5,104	(1,356)
Total tax credit	(446)	(228)
Profit/(loss) on ordinary activities before tax	4,658	(1,584)
Profit/(loss) on ordinary activities multiplied by standard rate of UK corporation tax of 20% (2015: 20.83%)	932	(330)
Expenses not deductible for tax purposes	29	468
Income not taxable	(223)	-
Fixed asset differences	11	-
Recognition of previously unrecognised tax losses	(1,378)	(552)
Reversal of previous recognised deferred tax asset	363	-
Current year losses for which no deferred tax asset was recognised	199	101
Effect of tax on foreign jurisdictions	40	79
Effect of change in UK tax rate	(397)	-
Effect of pension costs	(54)	(45)
R&D tax credit	1	34
Adjustment in respect of prior periods	31	17
Total tax credit	(446)	(228)

11. Deferred tax assets and liabilities
Group
The group recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2 April 2016 £'000	Restated 30 May 2015 £'000	2 April 2016 £'000	Restated 30 May 2015 £'000
Property, plant and equipment	-	-	(14,810)	(15,952)
Intangible assets	-	-	(15,035)	(14,052)
Employee benefits	1,992	1,637	-	-
Tax value of loss carry-forwards	8,572	8,091	-	-
Other	2,196	2,595	-	-
Tax assets/(liabilities)	12,760	12,323	(29,845)	(30,004)
Net of tax assets	(9,875)	(9,484)	9,875	9,484
Net tax assets/(liabilities)	2,885	2,839	(19,970)	(20,520)

A deferred tax asset has not been recognised on unutilised tax losses of £11,301,000 (2015: £14,996,000), because it is not probable that future taxable profit will be available against which the group can utilise the asset.

11. Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

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

Movement in deferred tax during the prior year

	Restated 1 June 2014 £'000	As restated Recognised in income statement £'000	As restated Recognised in other comprehensive income £'000	As restated Acquired in business combination £'000	Restated 30 May 2015 £'000
Property, plant and equipment	(8,295)	589	(1,496)	(6,750)	(15,952)
Intangible assets	-	-	(663)	(13,389)	(14,052)
Employee benefits	676	(122)	1,083	-	1,637
Tax value of loss carry-forwards	960	242	325	6,564	8,091
Other	44	(823)	122	3,252	2,595
	(6,615)	(114)	(629)	(10,323)	(17,681)

Company

The company recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2 April 2016 £'000	Restated 30 May 2015 £'000	**2 April 2016 £'000**	Restated 30 May 2015 £'000
Property, plant and equipment	**-**	-	**(5,874)**	(6,805)
Employee benefits	**1,992**	1,637	**-**	-
Tax value of loss carry-forwards	**269**	-	**-**	-
Other	**45**	48	**-**	-
Tax assets/(liabilities)	**2,306**	1,685	**(5,874)**	(6,805)
Net of tax assets	**(314)**	(48)	**314**	48
Net tax assets/(liabilities)	**1,992**	1,637	**(5,560)**	(6,757)

11. Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

	Restated 31 May 2015 £'000	Recognised in income statement £'000	Recognised in other comprehensive income £'000	2 April 2016 £'000
Property, plant and equipment	(6,805)	931	-	**(5,874)**
Employee benefits	1,637	(134)	489	**1,992**
Tax value of loss carry-forwards	-	269	-	**269**
Other	48	(3)	-	**45**
	(5,120)	1,063	489	**(3,568)**

Movement in deferred tax during the prior year

	Restated 1 June 2014 £'000	As restated Recognised in income statement £'000	As restated Recognised in other comprehensive income £'000	Restated 30 May 2015 £'000
Property, plant and equipment	(5,863)	41	(983)	(6,805)
Employee benefits	676	(122)	1,083	1,637
Other	44	4	-	48
	(5,143)	(77)	100	(5,120)

12. Property, plant and equipment

Group	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost or valuation				
At 1 June 2014	37,077	2,567	63,970	103,614
Exchange adjustments	(577)	124	576	123
Acquisitions	-	2,291	26,794	29,085
Additions	955	377	3,668	5,000
Disposals	-	-	(67)	(67)
Revaluations	2,058	-	-	2,058
At 30 May 2015	39,513	5,359	94,941	139,813
Exchange adjustments	309	223	3,033	3,565
Additions	153	130	4,796	5,079
Disposals	-	(2,137)	(407)	(2,544)
At 2 April 2016	**39,975**	**3,575**	**102,363**	**145,913**
Accumulated depreciation				
At 1 June 2014	2,646	2,409	38,111	43,166
Exchange adjustments	(115)	49	(280)	(346)
Charge for the period	1,211	508	4,898	6,617
Disposals	-	-	(67)	(67)
Revaluations	(3,742)	-	-	(3,742)
At 30 May 2015	-	2,966	42,662	45,628
Exchange adjustments	14	62	692	768
Charge for the period	1,264	369	5,423	7,056
Disposals	-	(2,137)	(407)	(2,544)
At 2 April 2016	**1,278**	**1,260**	**48,370**	**50,908**
Net book value				
At 2 April 2016	**38,697**	**2,315**	**53,993**	**95,005**
At 30 May 2015	39,513	2,393	52,279	94,185
At 1 June 2014	34,431	158	25,859	60,448

12. Property, plant and equipment (continued)

Company	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost or valuation				
At 1 June 2014	27,848	390	46,374	74,612
Additions	821	-	1,700	2,521
Disposals	-	-	(93)	(93)
Revaluations	2,613	-	-	2,613
At 30 May 2015	31,282	390	47,981	79,653
Additions	275	7	2,987	3,269
At 2 April 2016	**31,557**	**397**	**50,968**	**82,922**
Accumulated depreciation				
At 1 June 2014	1,754	263	30,191	32,208
Charge for the period	925	17	2,256	3,198
Disposals	-	-	(93)	(93)
Revaluations	(2,679)	-	-	(2,679)
At 30 May 2015	-	280	32,354	32,634
Charge for the period	1,009	15	2,016	3,040
At 2 April 2016	**1,009**	**295**	**34,370**	**35,674**
Net book value				
At 2 April 2016	**30,548**	**102**	**16,598**	**47,248**
At 30 May 2015	31,282	110	15,627	47,019
At 1 June 2014	26,094	127	16,183	42,404

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

	Group		Company	
	2 April 2016 £'000	30 May 2015 £'000	2 April 2016 £'000	30 May 2015 £'000
Valuation (30 May 2015)	**34,492**	34,183	26,142	26,142
Cost	**5,483**	5,330	5,415	5,140
	39,975	39,513	31,557	31,282

13. Intangible assets

Group

	Goodwill £'000	Customer relationships £'000	Brands & trademarks £'000	Development expenditure £'000	Total £'000
Cost or valuation					
At 1 June 2014 (Restated)	29,645	-	18,603	701	48,949
Exchange adjustments (Restated)	(95)	1,367	663	-	1,935
Additions on acquisition of a subsidiary (Restated)	18,148	27,612	14,517	-	60,277
At 30 May 2015 (Restated)	47,698	28,979	33,783	701	111,161
Exchange adjustments	1,689	2,194	1,194	12	5,089
Additions	-	-	-	361	361
At 2 April 2016	**49,387**	**31,173**	**34,977**	**1,074**	**116,611**
Accumulated amortisation					
At 1 June 2014 (Restated)	-	-	2,679	648	3,327
Exchange adjustments (Restated)	-	13	9	-	22
Charge for the period (Restated)	-	362	754	(44)	1,072
At 30 May 2015 (Restated)	-	375	3,442	604	4,421
Exchange adjustments	-	61	50	-	111
Charge for the period	-	554	661	63	1,278
At 2 April 2016	**-**	**990**	**4,153**	**667**	**5,810**
Net book value					
At 2 April 2016	**49,387**	**30,183**	**30,824**	**407**	**110,801**
At 30 May 2015 (Restated)	47,698	28,604	30,341	97	106,740
At 1 June 2014 (Restated)	29,645	-	15,924	53	45,622

Impairment testing

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

	Goodwill		Indefinite life intangible assets	
	2 April 2016 £'000	30 May 2015 £'000	**2 April 2016 £'000**	30 May 2015 £'000
USA	**20,048**	18,874	**15,591**	14,493
Canada	**12,473**	12,122	**-**	-
CCL	**7,514**	7,514	**-**	-
Garners	**7,159**	7,159	**-**	-

13. Intangible assets (continued)

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

	2 April 2016	30 May 2015
Period on which management approved forecasts are based	**5 years**	5 years
Discount rate	**10%**	10%

The discount rate is an estimate based on the historical industry weighted-average cost of capital. The cash flow projections include specific estimates for five years and a terminal growth rate thereafter, based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

The Wornick Company trade name has an indefinite useful life. There are no legal, regulatory or contractual provisions that the directors believe limit the useful life of this tradename. The tradename was created 37 years ago and there are no plans to discontinue the use of the tradename. Accordingly, the Directors believe that it is appropriate that the tradename is treated as having an indefinite useful life for accounting purposes and therefore is not amortised.

Company	**Goodwill £'000**	**Brands & trademarks £'000**	**Development expenditure £'000**	**Total £'000**
Cost or valuation				
At 1 June 2014 and 30 May 2015 (Restated)	12,316	18,047	701	31,064
Exchange adjustments (Restated)				
Additions	-	-	163	163
At 2 April 2016	**12,316**	**18,047**	**864**	**31,227**
Accumulated depreciation				
At 1 June 2014 (Restated)	-	2,607	648	3,255
Charge for the period (Restated)	-	382	(44)	338
At 30 May 2015 (Restated)	-	2,989	604	3,593
Charge for the period	-	324	63	387
At 2 April 2016	**-**	**3,313**	**667**	**3,980**
Net book value				
At 2 April 2016	**12,316**	**14,734**	**197**	**27,247**
At 30 May 2015 (Restated)	12,316	15,058	97	27,471
At 1 June 2014 (Restated)	12,316	15,440	53	27,809

13. Intangible assets (continued)

Impairment testing

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

	Goodwill		*Indefinite life intangible assets*	
	2 April 2016	30 May 2015	**2 April 2016**	30 May 2015
	£'000	£'000	**£'000**	£'000
CCL	**7,514**	7,514	**-**	-
Garners	**7,159**	7,159	**-**	-

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

	2 April 2016	30 May 2015
Period on which management approved forecasts are based	**5 years**	5 years
Discount rate	**10%**	10%

The discount rate is an estimate based on the historical industry weighted-average cost of capital. The cash flow projections include specific estimates for five years and a terminal growth rate thereafter, based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

14. Fixed asset investments

Group	**Unlisted investments**	**Total**
	£'000	**£'000**
Cost		
At 1 June 2014, 30 May 2015 and 2 April 2016	**15**	**15**

Company	**Unlisted investments**	**Capital contributions to subsidiary undertaking**	**Shares in group undertakings**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 June 2014	15	125	27,393	27,533
Additions	-	-	25,128	25,128
At 30 May 2015	15	125	52,521	52,661
Write off in the period	-	-	(1,024)	(1,024)
At 2 April 2016	**15**	**125**	**51,497**	**51,637**
Impairment				
At 1 June 2014, 30 May 2015 and 2 April 2016	**-**	**-**	**1,634**	**1,634**
Net Book Value				
2 April 2016	**15**	**125**	**49,863**	**50,003**
At 30 May 2015	15	125	50,887	51,027
At 1 June 2014	15	125	25,759	25,899

14. Fixed asset investments (continued)

Principal group investments

On 2 April 2016 the parent company and the group have investments in the following subsidiary undertakings which principally affected the profits or net assets of the group:

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

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

15. Business combinations

The Wornick Company

On 10 October 2014, Baxters North America Inc. acquired the entire share capital of The Wornick Company Inc. for a consideration of £87.4m in cash, excluding deal fees and expenses. The cash transferred represented the fair value of the consideration and the group incurred acquisition-related costs of £2.4m on legal fees and due diligence costs. These costs have been included in exceptional costs within the consolidated income statement. The acquisition was accounted for under the acquisition method of accounting; the resulting goodwill was capitalised and will be tested annually for impairment.

16. Inventories

	Group 2016	Group 2015	Company 2016	Company 2015
Group	**£'000**	£'000	**£'000**	£'000
Raw materials and consumables	**8,913**	7,490	**1,246**	1,011
Packing materials	**4,701**	4,105	**1,155**	1,106
Finished goods	**32,486**	27,487	**14,332**	12,936
	46,100	39,082	**16,733**	15,053

Inventories of £141,337,000 (2015: £123,134,000) were recognised as an expense during the period and included in the group cost of sales.

17. Trade and other receivables

	Group 2016	Group 2015	Company 2016	Company 2015
Group	**£'000**	£'000	**£'000**	£'000
Trade receivables	**25,988**	25,574	**9,018**	11,767
Other receivables	**3,855**	2,542	**2,787**	1,513
Prepayments and accrued income	**1,947**	1,770	**1,541**	1,476
Amounts owed by group undertaking	**363**	363	**73,681**	84,763
	32,153	30,249	**87,027**	99,519
Non-current	**487**	603	**60,315**	69,760
Current	**31,666**	29,646	**26,712**	29,759
	32,153	30,249	**87,027**	99,519

17. Trade and other receivables (continued)

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

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

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

Trade receivables that are neither impaired nor past due are made up of 96% debtors' balances (2015: 95%). None of the individual balances is considered to represent a significant portion of the total balance. Historically these debtors have always paid balances when due, unless the balance or the quality of goods or services delivered is disputed. The average age of these debtors is 32 days (2015: 41 days). No debtors' balances have been renegotiated during the year or in the prior year.

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

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

At 2 April 2016, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

	Group		Company	
	2016	2015	**2016**	2015
Carrying amount	**£'000**	£'000	**£'000**	£'000
UK	**9,018**	11,767	**9,018**	11,767
US	**11,153**	9,181	**-**	-
Canada	**4,189**	3,273	**-**	-
Australia	**1,626**	1,351	**-**	-
Other	**2**	2	**-**	-
	25,988	25,574	**9,018**	11,767

Impairment

At 2 April 2016, the ageing of trade and other receivables that were not impaired was as follows:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Neither past due nor impaired	**24,821**	24,355	**8,990**	11,738
Past due 61-90 days	**513**	417	**11**	12
Past due 91-120 days	**261**	177	**-**	-
Past due over 120 days	**393**	625	**17**	17
	25,988	25,574	**9,018**	11,767

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

18. Cash and cash equivalents

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Cash on hand and balances with banks	**8,549**	14,219	**5,265**	6,651

19. Trade and other payables

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Trade payables	**29,153**	27,766	**11,026**	11,906
Amounts owed to group undertakings	**-**	-	**4,019**	10,046
Accruals and deferred income	**13,086**	9,932	**6,833**	3,077
Other payables	**546**	816	**435**	506
	42,785	38,514	**22,313**	25,535

20. Other financial liabilities

Group and company

	2016 £'000	2015 £'000
Financial liabilities designated as fair value through the profit and loss (note 22)	**888**	116

21. Loans and borrowings

Group and Company

	2016 £'000	2015 £'000
Current		
Secured bank loans	**41,661**	31,739
Other loans	**571**	583
	42,232	32,322
Non-current		
Secured bank loans	**95,848**	106,710
Other loans	**160**	475
	96,008	107,185

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

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

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

22. Financial instruments – accounting classifications and fair value

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

Group

2 April 2016	Derivatives (FVTPL) £'000	Loans and receivables £'000	Other financial liabilities £'000	Total £'000
Financial assets not measured at fair value				
Trade and other receivables	-	29,843	-	29,843
Cash and cash equivalents	-	8,549	-	8,549
	-	38,392	-	38,392
Financial liabilities measured at fair value				
Forward exchange contracts (note 20)	(888)	-	-	(888)
	(888)	-	-	(888)
Financial liabilities not measured at fair value				
Secured bank loans	-	-	(137,509)	(137,509)
Unsecured other loans	-	-	(731)	(731)
Trade and other payables	-	-	(29,699)	(29,699)
	-	-	(167,939)	(167,939)

30 May 2015	Derivatives (FVTPL) £'000	Loans and receivables £'000	Other financial liabilities £'000	Total £'000
Financial assets not measured at fair value				
Trade and other receivables	-	28,116	-	28,116
Cash and cash equivalents	-	14,219	-	14,219
	-	42,335	-	42,335
Financial liabilities measured at fair value				
Forward exchange contracts	(116)	-	-	(116)
	(116)	-	-	(116)
Financial liabilities not measured at fair value				
Secured bank loans	-	-	(138,449)	(138,449)
Unsecured other loans	-	-	(1,058)	(1,058)
Trade and other payables	-	-	(28,582)	(28,582)
	-	-	(168,089)	(168,089)

22. Financial instruments – accounting classification and fair value (continued)

Company

2 April 2016	Derivatives (FVTPL) £'000	Loans and receivables £'000	Other financial liabilities £'000	Total £'000
Financial assets not measured at fair value				
Trade and other receivables	-	11,805	-	11,805
Cash and cash equivalents	-	5,265	-	5,265
	-	17,070	-	17,070
Financial liabilities measured at fair value				
Forward exchange contracts	(888)	-	-	(888)
	(888)	-	-	(888)
Financial liabilities not measured at fair value				
Secured bank loans	-	-	(137,509)	(137,509)
Unsecured other loans	-	-	(731)	(731)
Trade and other payables	-	-	(11,461)	(11,461)
	-	-	(149,701)	(149,701)

30 May 2015	Derivatives (FVTPL) £'000	Loans and receivables £'000	Other financial liabilities £'000	Total £'000
Financial assets not measured at fair value				
Trade and other receivables	-	13,280	-	13,280
Cash and cash equivalents	-	6,651	-	6,651
	-	19,931	-	19,931
Financial liabilities measured at fair value				
Forward exchange contracts	(116)	-	-	(116)
	(116)	-	-	(116)
Financial liabilities not measured at fair value				
Secured bank loans	-	-	(138,449)	(138,449)
Unsecured other loans	-	-	(1,058)	(1,058)
Trade and other payables	-	-	(12,412)	(12,412)
	-	-	(151,919)	(151,919)

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

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

23. Financial risk management

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

23.1 Capital risk management

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

The Board monitors the strength of the group's balance sheet by reference to the gearing ratio, which expresses the group's net debt as a percentage of its equity. Net debt is total borrowings less cash and cash equivalents. Equity comprises issued share capital, reserves and retained earnings. The gearing ratios at 2nd April 2016 and 30th May 2015 were as follows:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Total borrowings (note 21)	**138,240**	139,507	**138,240**	139,507
Less: cash and cash equivalents (note 18)	**(8,549)**	(14,219)	**(5,265)**	(6,651)
Net debt	**129,691**	125,288	**132,975**	132,856
Equity	**76,338**	73,829	**57,722**	68,587
Gearing ratio	**170%**	170%	**230%**	194%

23.2 Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure.

<u>Cash and cash equivalents</u>

The group held cash and cash equivalents of £8,549,000 at 2 April 2016 (2015: £14,219,000). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A to A+, based on Standard & Poor's ratings.

<u>Derivatives</u>

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

23.3 Liquidity risk

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

The group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 2 April 2016, the expected cash flows from trade and other receivables maturing within two months were £61.3m (2015: £59.0m). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition to internally generated liquidity, the group maintains a £22m secured multicurrency revolving credit facility.

23. Financial risk management (continued)

Exposure to liquidity risk

Maturity of financial liabilities

The tables below analyse the group's and company's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period to the contractual maturity dates at 2 April 2016 and 30 May 2015. The amounts disclosed in the tables are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest repayments.

Group

2 April 2016	**1 year or less £'000**	**1-2 years £'000**	**2-5 years £'000**	**Over 5 years £'000**
Bank borrowings and other loans	**42,232**	**11,919**	**47,747**	**36,342**
Derivative financial instruments	**888**	**-**	**-**	**-**
Trade and other payables	**42,785**	**-**	**-**	**-**
	85,905	**11,919**	**47,747**	**36,342**

30 May 2015	1 year or less £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000
Bank borrowings and other loans	32,322	19,212	43,569	44,404
Derivative financial instruments	116	-	-	-
Trade and other payables	38,514	-	-	-
	70,952	19,212	43,569	44,404

Company

2 April 2016	**1 year or less £'000**	**1-2 years £'000**	**2-5 years £'000**	**Over 5 years £'000**
Bank borrowings and other loans	**42,232**	**11,919**	**47,747**	**36,342**
Derivative financial instruments	**888**	**-**	**-**	**-**
Trade and other payables	**22,313**	**-**	**-**	**-**
	65,433	**11,919**	**47,747**	**36,342**

30 May 2015	1 year or less £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000
Bank borrowings and other loans	32,322	19,212	43,569	44,404
Derivative financial instruments	116	-	-	-
Trade and other payables	25,535	-	-	-
	57,973	19,212	43,569	44,404

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

23. Financial risk management (continued)

As disclosed in note 21, the group has a secured bank loan that contains a loan covenant. A future breach of covenant may require the group to repay the loan earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by the finance department and regularly reported to the Board to ensure compliance with the agreement.

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

23.4 Market risk

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

a) Foreign exchange risk

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

The group makes use of forward exchange contracts to manage risk relating to future transactions, in accordance with its risk management policy. The fair value of the forward exchange contracts was £0.9m (2015: £0.1m). Losses on the forward exchange contracts were £0.8m (2015: £0.2m).

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the group's derivative financial instruments that are measured at fair value were classified as Level 2 as at 2 April 2016 (2015: Level 2) and comprise forward foreign exchange contracts as disclosed above. There are no financial instruments measured as Level 3.

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

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

The group's investment in its US subsidiary is hedged by a US denominated secured bank loan (carrying amount: £86.1m (2015: £89.2m)). The loan is designated as a net investment hedge.

The table below details the impact changes in foreign exchange rates would have had on the group's post-tax profit for the periods ended 2 April 2016 and 30 May 2015 due to the translation of both subsidiary profits from their functional currency into sterling, and also underlying currency transactions and balances within group companies which are denominated in currencies other than the reporting currency of that group company. The movements in equity as at 2 April 2016 and 30 May 2015 includes the impact changes in foreign exchange rates would have on the translation of subsidiary net assets, as well as the effect of cash flow currency and net investment hedges.

23. **Financial risk management (continued)**

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

	Impact on operating profit before exceptionals gains/(losses)		Impact on profit after tax gains/(losses)		Impact on equity Increase/(decrease)	
	Strengthening £'000	Weakening £'000	Strengthening £'000	Weakening £'000	Strengthening £'000	Weakening £'000
2016						
US Dollar: 14%	**1,558**	**(1,175)**	**506**	**(382)**	**8,470**	**(6,390)**
Australian Dollar: 30%	**(342)**	**184**	**(516)**	**278**	**(1,853)**	**998**
Canadian Dollar 20%	**453**	**(302)**	**212**	**(141)**	**2,796**	**(1,864)**
2015						
US Dollar: 14%	1,221	(921)	333	(251)	5,884	(4,438)
Australian Dollar: 30%	(524)	282	(791)	426	185	(100)
Canadian Dollar: 20%	(619)	413	(769)	513	1,757	(1,172)

b) **Interest rate risk**

The group's interest rate risk arises from borrowings and cash deposits. The group has a policy of monitoring interest rate exposure on a regular basis and structures borrowings in the desired currencies at floating interest rates. No interest rate hedging was in place at 2 April 2016 or 30 May 2015.

24. **Provisions**

	Group £'000
Balance at 1 June 2014	-
Exchange adjustments	421
Acquired (note 15)	6,293
Balance at 30 May 2015	6,714
Exchange adjustments	790
Profit and loss account – current period	(1,301)
Balance at 2 April 2016	**6,203**

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

25. Deferred income

Group	Government Grants £'000
Balance at 1 June 2014	1,066
Exchange adjustments	(116)
Amortisation in the year	(39)
Balance at 30 May 2015	911
Exchange adjustments	54
Amortisation in the period	(31)
Repayment	(165)
Balance at 2 April 2016	**769**

26. Retirement benefit obligations

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

Defined contribution pension scheme
The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £680,000 (2015: £796,000).

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

The valuation used for the IAS 19 disclosures has been based on the most recent actuarial valuation and updated by an independent qualified actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 2 April 2016. Scheme assets are stated at their market value at 2 April 2016.

The scheme is funded by the group and funding requirements are based on the pension fund's actuarial measurement framework, as set out within the funding policies of the plan. The group paid normal contributions of £658,000 (2015: £605,000) during the period and special contributions of £nil (2015: £813,000). At the year end, contributions of £156,000 (2015: £126,000) were included in accruals.

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

The estimated amounts of contributions expected to be paid to the scheme during the 2017 financial year is £624,000.

The principal actuarial assumptions are as follows:		**At 2 April 2016**	Restated At 30 May 2015
Rate of increase in salaries		**2.25%**	2.25%
Rate of increase in pensions		**2.00%**	2.00%
Discount rate		**3.60%**	3.60%
Inflation assumption	- RPI	**2.25%**	2.25%
	- CPI	**1.75%**	1.75%

26. Retirement benefit obligations (continued)

Demographic assumptions

The specific mortality rates used are based on the S1PA and PA92 tables adjusted to allow for the experience of scheme pensioners. The life expectancies underlying the valuation are as follows:

		2 April 2016 years	Restated 30 May 2015 years
Current pensioners (at age 65)	Males	**21.9**	22.1
	Females	**23.9**	24.1
Future pensioners (at age 65)	Males	**23.2**	23.4
	Females	**25.4**	25.6

	2 April 2016 £'000	30 May 2015 £'000
The balance sheet position of the scheme is as follows:		
Fair value of assets	**49,105**	51,076
Present value of obligations (fully funded)	**(60,171)**	(59,263)
Net pension liability	**(11,066)**	(8,187)

Plan assets as a percentage of total plan assets are as follows:	2 April 2016 %	30 May 2015 %
Equities	**50**	58
Bonds	**37**	32
Property	**11**	7
Cash	**2**	3

The scheme's investment strategy is to invest broadly 70% in equity type assets and 30% in bond type assets. This strategy reflects the scheme's liability profile and the trustees' and employer's attitude to risk.

26. **Retirement benefit obligations (continued)**

Movements in net defined benefit liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2 April 2016 £'000	Restated 30 May 2015 £'000	2 April 2016 £'000	Restated 30 May 2015 £'000	2 April 2016 £'000	Restated 30 May 2015 £'000
Balance at start of period	**(59,263)**	(49,771)	**51,076**	46,398	**(8,187)**	(3,373)
Included in income statement						
Service cost	**(588)**	(703)	**-**	-	**(588)**	(703)
Interest (cost)/income	**(1,748)**	(2,103)	**1,513**	1,988	**(235)**	(115)
	(2,336)	(2,806)	**1,513**	1,988	**(823)**	(818)
Included in other comprehensive income						
Actuarial losses arising from:						
- Changes in demographic assumptions	**542**	(1,187)	**-**	-	**542**	(1,187)
- Changes in financial assumptions	**-**	(6,294)	**-**	-	**-**	(6,294)
- Experience adjustment	**(771)**	(919)	**-**	-	**(771)**	(919)
Return on plan assets	**-**	-	**(2,485)**	2,986	**(2,485)**	2,986
	(229)	(8,400)	**(2,485)**	2,986	**(2,714)**	(5,414)
Other						
Contributions by employees	**(6)**	(9)	**6**	9	**-**	-
Contributions by employer	**-**	-	**658**	1,418	**658**	1,418
Benefits paid	**1,663**	1,723	**(1,663)**	(1,723)	**-**	-
	1,657	1,714	**(999)**	(296)	**658**	1,418
Balance at end of period	**(60,171)**	(59,263)	**49,105**	51,076	**(11,066)**	(8,187)

Scheme assets include property occupied by the group with a fair value of £5,330,000 (2015: £3,387,000).

Sensitivity analysis

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

	Group	
	2 April 2016 £000	30 May 2015 £000
Decrease in discount rate	**5,200**	5,910
Future salary increases	**800**	690
Increase in inflation (RPI, CPI)	**2,000**	3,370

27. Capital and reserves

Share capital	2 April 2016	30 May 2015
	£'000	£'000
Allotted, called up and fully paid		
636,548 ordinary shares of £1 each	**637**	637

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

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

Capital contribution reserve
The capital contribution reserve is a company only reserve and comprises intercompany loans due from the company which have been forgiven by the counterparty.

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

Dividends
During the year a dividend of £2,105,000 (2015: £2,015,000) was recognised in the period.

After the balance sheet date, a dividend of £2,200,000 (2015: £2,015,000) has been proposed by the directors. The dividend has not been provided for.

28. Operating lease commitments

Group	2016	Restated 2015
	£'000	£'000
Future minimum lease payments under non-cancellable operating leases:		
Within one year	**5,032**	3,969
From one to five years	**16,398**	9,643
After five years	**18,733**	8,982
	40,163	22,594

Company	2016	Restated 2015
	£'000	£'000
Future minimum lease payments under non-cancellable operating leases:		
Within one year	**859**	1,142
From one to five years	**2,647**	1,498
After five years	**3,495**	381
	7,001	3,021

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

29. Capital commitments

	Group		Company	
	2016	2015	**2016**	2015
Group	**£'000**	£'000	**£'000**	£'000
Contracted for but not provided	**955**	1,460	**-**	211

30. Control

The company is controlled by the directors.

31. Related party transactions

Group

During the year the group leased a property from the Baxters Food Group Pensions Scheme. The rent payable by the group during the period ended 2 April 2016 was £108,000 (2015: £78,000). In addition, property recharges from the Scheme amounted to £457,000 (2015: £8,000). The balance due to the scheme at the year end was £nil (2015: £18,000).

At the year end, Baxters Food Group Limited was due £192,000 (2015: £207,000) to The Baxter Family Trust, a shareholder of the group. During the year £15,000 (2015: £50,000) was repaid to the Trust. The loan bears interest of 0.75% above the Bank of Scotland base rate and is repayable on demand.

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

	10 months ended 2 April 2016 £'000	Restated year ended 30 May 2015 £'000
Emoluments payable to executive and non-executive directors		
Emoluments for qualifying services	**998**	1,218
Post employment benefits	**15**	50
Emoluments payable to remainder of the executive board		
Emoluments for qualifying services	**933**	547
Post-employment benefits	**35**	30
Total emoluments payable to key management	**1,981**	1,845

Company

At the year end the company had a non-interest bearing loan of £362,000 (2015: £362,000) outstanding from the parent company. The loan is payable on demand.

32. Transition to IFRS

As stated in note 2, these are the group and company's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the 10 month period ended 2 April 2016, the comparative information presented in these financial statements for the year ended 30 May 2015 and in the preparation of an opening IFRS balance sheet at 1 June 2014 (the group and company's date of transition).

In preparing its opening IFRS balance sheet, the group and company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

32. Transition to IFRS (continued)

Group

Reconciliation of equity at 1 June 2014

	Note	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets				
Property, Plant and Equipment		60,448	-	60,448
Intangible assets	1	33,224	12,398	45,622
Investments		15	-	15
Trade and other receivables		751	-	751
Deferred tax assets	3	300	1,336	1,636
		94,738	13,734	108,472
Current assets				
Inventories	4	27,102	(102)	27,000
Trade and other receivables	3	20,236	(495)	19,741
Current tax receivable	1, 4, 6	352	358	710
Deferred tax assets	3	180	(180)	-
Other financial assets	5	-	45	45
Cash and cash equivalents		4,357	-	4,357
		52,227	(374)	51,853
Current liabilities				
Bank overdraft	9	(16,411)	16,411	-
Loans and borrowings	9	(6,197)	(16,411)	(22,608)
Trade and other payables	6	(24,649)	(643)	(25,292)
		(47,257)	(643)	(47,900)
Non-current liabilities				
Loans and borrowings		(22,870)	-	(22,870)
Retirement benefit obligations	3	(2,697)	(676)	(3,373)
Deferred income		(1,066)	-	(1,066)
Deferred tax liabilities	7	(3,212)	(5,039)	(8,251)
		(29,845)	(5,715)	(35,560)
Net assets		69,863	7,002	76,865
Equity				
Share capital		637	-	637
Merger reserve		350	-	350
Revaluation reserve	7	19,229	(3,787)	15,442
Retained earnings	1, 4, 5, 6	49,647	10,789	60,436
		69,863	7,002	76,865

32. Transition to IFRS (continued)

Reconciliation of equity at 30 May 2015

	Note	UK GAAP	Effect of transition to IFRS Opening balance	Current year	IFRS
Non-current assets		£'000	£'000	£'000	£'000
Property, Plant and Equipment	2	94,356	-	(171)	94,185
Intangible assets	1, 2	80,394	12,398	13,948	106,740
Investments		15	-	-	15
Trade and other receivables		603	-	-	603
Deferred tax assets	3	3,191	1,336	(1,688)	2,839
		178,559	13,734	12,089	204,382
Current assets					
Inventories	2, 4	39,447	(102)	(263)	39,082
Trade and other receivables	3	30,141	(495)	-	29,646
Current tax receivable	1, 2, 4, 6	380	358	231	969
Deferred tax assets	3	-	(180)	180	-
Other financial assets	5	-	45	(45)	-
Cash and cash equivalents		14,219	-	-	14,219
		84,187	(374)	103	83,916
Current liabilities					
Bank overdraft	9	(20,907)	16,411	4,496	-
Loans and borrowings	9	(11,415)	(16,411)	(4,496)	(32,322)
Trade and other payables	2, 6	(38,546)	(643)	675	(38,514)
Other financial liabilities	5	-	-	(116)	(116)
		(70,868)	(643)	559	(70,952)
Non-current liabilities					
Loans and borrowings		(107,185)	-	-	(107,185)
Retirement benefit obligations	3	(6,550)	(676)	(961)	(8,187)
Deferred income		(911)	-	-	(911)
Other provisions	2	(6,621)	-	(93)	(6,714)
Deferred tax liabilities	2, 3	(2,951)	(5,039)	(12,530)	(20,520)
		(124,218)	(5,715)	(13,584)	(143,517)
Net assets		67,660	7,002	(833)	73,829
Equity					
Share capital		637	-		637
Merger reserve		350	-		350
Revaluation reserve	7	24,573	(3,787)	(1,154)	19,632
Translation reserve	2, 8	-	-	114	114
Retained earnings	1, 2, 4, 5, 6, 8	42,100	10,789	207	53,096
		67,660	7,002	(833)	73,829

32. Transition to IFRS (continued)

Notes to the reconciliation of equity at 1 June 2014 and 30 May 2015

1. On transition:
   - An increase in intangible assets as a result of negative goodwill of £3,078,000 under UK GAAP being written off to the income statement.
   - *Business combinations pre transition were restated under IFRS 3, resulting in an uplift in goodwill of £9,320,000 from* acquisition costs being expensed and the reversal of goodwill amortisation. This resulted in a current tax debtor of £313,000.

   In the year to 30 May 2015:
   - A further £164,000 of negative goodwill amortisation was reversed, resulting in a decrease to intangible assets.
   - Goodwill amortisation for the year under UK GAAP of £3,014,000 was written back, resulting in an increase to intangible assets.
   - The net foreign exchange impact on the above resulted in a £258,000 increase in intangibles in the year to 30 May 2015.

2. In the year to 30 May 2015 the business combination accounting for Wornick under IFRS 3 resulting in:
   - An additional £40,578,000 cost of intangibles recognised in relation to customer relationships and trademarks, with a corresponding decrease in goodwill.
   - A decrease in intangibles assets due to an additional amortisation charge of £706,000 was recognised in the year as a result of the uplift in the intangibles base cost.
   - Additional deferred tax liabilities of £13,389,000 were recognised on acquisition under IFRS compared to UK GAAP, resulting in an increase in goodwill.
   - Acquisition costs of £2,389,000 were expensed to the income statement under IFRS 3 compared to UK GAAP where they were capitalised within goodwill. Resulting in a current tax debtor of £239,000.
   - A retrospective review of the fair value of assets acquired resulted in a decrease to goodwill of £82,000 with a corresponding decrease of £171,000 in property, plant and equipment, £293,000 in inventories, £667,000 in trade and other payables and an increase of £93,000 in provisions.
   - The net foreign exchange impact on the above resulted in a £628,000 increase in intangibles in the year to 30 May 2015.
   - The additional deferred tax liabilities recognised as a result of the Wornick business combination resulted in a net foreign exchange impact increasing the deferred tax liability by £617,000 and an additional deferred tax charge to the income statement of £218,000.

3. Reclassification of deferred tax asset of £660,000 and deferred tax asset element of retirement benefit obligations of £676,000 as required under IAS 12 at 1 June 2014. A further reclassification of £2,649,000 deferred tax asset and £961,000 retirement benefit obligation deferred tax liability at 30 May 2015.

4. Removal of borrowing costs included within inventory of £102,000 at transition (30 May 2015: £72,000). Resulting in a corresponding current tax debtor of £20,000 on transition (30 May 2015 reduction in current tax debtor of £6,000).

5. Recognition of fair value of forward currency exchange contracts.

6. Recognition of holiday pay accrual required under IAS 19 and corresponding current tax impact.

7. Recognition of £3,787,000 deferred tax liability at 1 June 2014 and £1,154,000 at 30 May 2015 in relation revaluation of property under to IAS 12.

8. Recognition of translation reserve as required under IAS 21.

9. Reclassification of the revolving credit facilities from overdraft to loans due within one year.

32. Transition to IFRS (continued)

Reconciliation of total comprehensive income for year ended 30 May 2015

	Note	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue	a	226,346	(748)	225,598
Cost of sales		(158,541)	-	(158,541)
Gross profit		67,805	(748)	67,057
Distribution expenses		(13,765)	-	(13,765)
Administration expenses	b, c, d	(40,634)	(2,376)	(43,010)
Other income		1,225	-	1,225
Earnings before interest, tax, depreciation and amortisation		14,631	(3,124)	11,507
Amortisation	e	(3,216)	2,144	(1,072)
Depreciation		(6,617)	-	(6,617)
Operating profit		4,798	(980)	3,818
Finance income	d	2,056	(1,263)	793
Finance expense	a, d, f	(6,697)	502	(6,195)
Profit/(loss) on ordinary activities before taxation		157	(1,741)	(1,584)
Taxation	b, c, d, f, g	(536)	764	228
Loss for the year		(379)	(977)	(1,356)
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Revaluation of property, plant and equipment		5,800	-	5,800
Re-measurement of defined benefit liability	d	(6,807)	1,393	(5,414)
Income tax on items that will not be reclassified to profit or loss		1,361	(1,526)	(165)
		354	(133)	221
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences – foreign operations		(163)	277	114
Other comprehensive income, net of tax		191	144	335
Total comprehensive expenditure for the year		(188)	(833)	(1,021)

32. **Transition to IFRS (continued)**

Notes to the reconciliation of profit/(loss)

a. Reclassification of prompt payment discounts to be netted against revenue under IFRS rather than disclosed as finance income under UK GAAP.
b. Acquisition costs of £2,369,000 incurred in the year to 30 May 2015 with a corresponding current tax credit of £239,000.
c. Holiday pay accrual movement of £8,000 in the year to 30 May 2015 with a corresponding current tax expense of £2,000.
d. IAS 19 adjustment increasing administration expenses by £15,000, reducing finance income by £1,263,000 and increasing finance expense by £115,000, with the net effect decreasing the expense recorded in other comprehensive income. Resulting in a reclassification of £278,000 of deferred tax credit from the income statement to other comprehensive income.
e. Reversal of UK GAAP goodwill amortisation of £3,014,000 and negative goodwill amortisation of £164,000. Recognition of additional intangible amortisation of £706,000.
f. Increase in finance costs resulting from reclassification of £30,000 of borrowing costs included in stock and £161,000 income statement impact of recognition of fair value of foreign currency exchange contracts. Resulting in a current tax expense of £6,000.
g. Deferred tax movement through the income statement of £255,000.

Cash flows

As a result of the transition to IFRS the following changes have resulted in the consolidated statement of cash flows.

Under UK GAAP interest receipts and payments were classified as part of 'returns on investments and servicing of finance' whilst under IFRS such interest receipts have been reclassified to 'investing activities' and interest payments have been reclassified to 'operating activities'.

Under UK GAAP payments to acquire property, plant and equipment were classified as part of 'capital expenditure and financial investment' whilst under IFRS such payments have been reclassified as part of 'investing activities'.

There are no other material differences between the consolidated statement of cash flows presented under IFRS and that presented under UK GAAP other than the presentational convention.

32. Transition to IFRS (continued)

Company

Reconciliation of equity at 1 June 2014

	Note	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets				
Property, Plant and Equipment		42,404	-	42,404
Intangible assets	1	18,596	9,213	27,809
Investments	2	26,572	(673)	25,899
Trade and other receivables		546	-	546
Deferred tax assets	3	-	676	676
		88,118	9,216	97,334
Current assets				
Inventories	4	17,852	(102)	17,750
Trade and other receivables		28,984	-	28,984
Current tax receivable	1, 4, 6	-	108	108
Other financial assets	5	-	45	45
Cash and cash equivalents		2,755	-	2,755
		49,591	51	49,642
Current liabilities				
Bank overdraft	8	(16,545)	16,545	-
Loans and borrowings	8	(5,629)	(16,545)	(22,174)
Trade and other payables	6	(20,857)	(105)	(20,962)
Current tax payable		(229)	-	(229)
		(43,260)	(105)	(43,365)
Non-current liabilities				
Loans and borrowings		(22,870)	-	(22,870)
Retirement benefit obligations	3	(2,697)	(676)	(3,373)
Deferred tax liabilities	7	(1,641)	(4,178)	(5,819)
		(27,208)	(4,854)	(32,062)
Net assets		67,241	4,308	71,549
Equity				
Share capital		637	-	637
Capital redemption reserve		350	-	350
Revaluation reserve	7	15,835	(3,167)	12,668
Retained earnings	1, 2, 4, 5, 6	50,419	7,475	57,894
		67,241	4,308	71,549

32. **Transition to IFRS (continued)**

Reconciliation of equity at 30 May 2015

	Note	UK GAAP	Effect of transition to IFRS Opening balance	Current year	IFRS
Non-current assets		£'000	£'000	£'000	£'000
Property, Plant and Equipment		47,019	-	-	47,019
Intangible assets	1	17,669	9,213	589	27,471
Investments	2	51,700	(673)	-	51,027
Trade and other receivables		69,760	-	-	69,760
Deferred tax assets	3	-	676	961	1,637
		186,148	9,216	1,550	196,914
Current assets					
Inventories	4	15,125	(102)	30	15,053
Trade and other receivables	9	30,066	-	(307)	29,759
Current tax receivable	1, 4, 6	-	108	231	339
Other financial assets	5	-	45	(45)	-
Cash and cash equivalents		6,651	-	-	6,651
		51,842	51	(91)	51,802
Current liabilities					
Bank overdraft	8	(20,907)	16,545	4,362	-
Loans and borrowings	8	(11,415)	(16,545)	(4,362)	(32,322)
Trade and other payables	6	(25,438)	(105)	8	(25,535)
Current tax payable		(27)	-	-	(27)
Other financial liabilities	5	-	-	(116)	(116)
		(57,787)	(105)	(108)	(58,000)
Non-current liabilities					
Loans and borrowings		(107,185)	-	-	(107,185)
Retirement benefit obligations	3	(6,550)	(676)	(961)	(8,187)
Deferred tax liabilities	7	(1,785)	(4,178)	(794)	(6,757)
		(115,520)	(4,854)	(1,755)	(122,129)
Net assets		64,683	4,308	(404)	68,587
Equity					
Share capital		637	-	-	637
Capital redemption reserve		350	-	-	350
Revaluation reserve	7	20,751	(3,167)	(983)	16,601
Retained earnings	1, 2, 4, 5, 6, 9	42,945	7,475	579	50,999
		64,683	4,308	(404)	68,587

32. Transition to IFRS (continued)

Notes to the reconciliation of equity at 1 June 2014 and 30 May 2015

1. On transition:
   - An increase in intangible assets as a result of negative goodwill of £3,078,000 under UK GAAP being written off to the income statement.
   - Business combinations pre transition were restated under IFRS 3, resulting in an uplift in goodwill of £6,135,000 from acquisition costs being expensed and the reversal of goodwill amortisation. This resulted in a current tax debtor of £62,000.

   In the year to 30 May 2015:
   - A further £164,000 of negative goodwill amortisation was reversed, resulting in a decrease to intangible assets.
   - Goodwill amortisation for the year under UK GAAP of £753,000 was written back, resulting in an increase to intangible assets.

2. An impairment of £673,000 has been recognised on the Australian investment.

3. Reclassification of deferred tax asset element of retirement benefit obligations of £676,000 as required under IAS 12 at 1 June 2014. A further reclassification of £961,000 retirement benefit obligation deferred tax liability at 30 May 2015.

4. Removal of borrowing costs included within inventory of £102,000 at transition (30 May 2015: £72,000). Resulting in a corresponding current tax debtor of £20,000 on transition (30 May 2015 reduction in current tax debtor of £6,000).

5. Recognition of fair value of forward currency exchange contracts.

6. Recognition of holiday pay accrual required under IAS 19 and corresponding current tax impact.

7. Recognition of £3,167,000 deferred tax liability at 1 June 2014 plus other deferred tax adjustments and £983,000 at 30 May 2015 in relation revaluation of property under to IAS 12 plus other compensating deferred tax adjustments.

8. Reclassification of the revolving credit facilities from overdraft to loans due within one year.

9. Write-off of £307,000 of acquisition costs relating to the purchase of Wornick which were disclosed in other receivables under UK GAAP. Resulting in a corresponding current tax debtor of £239,000.

33. Non-principal investments within the group

	Country of registration or incorporation	Shares held		Principal activity
		Class	%	
Baxters North America Inc.	USA	Ordinary	100	Intermediate holding company
The Wornick Holding Company Inc.	USA	Ordinary	100	Intermediate holding company
GEB Retail (Blackford) Limited	Scotland	Ordinary	100	Sale of retail goods and foodstuffs
Baxters of Speyside Ltd	Scotland	Ordinary	100	Dormant
Baxters Scottish Seafoods Ltd	Scotland	Ordinary	100	Dormant
Baxters Foodservice Ltd	Scotland	Ordinary	100	Dormant
Fonds de Cuisine Ltd	Scotland	Ordinary	100	Dormant
Gordon and Ena Baxter Ltd	Scotland	Ordinary	100	Dormant
Garner's Foods Ltd	England & Wales	Ordinary	100	Dormant
Baxters (Colchester) Ltd	England & Wales	Ordinary	100	Dormant
Baxters (Earls Colne) Ltd	England & Wales	Ordinary	100	Dormant
Audrey Baxter Ltd	Scotland	Ordinary	100	Dormant
Audrey Baxter Signature Range Ltd	Scotland	Ordinary	100	Dormant
Moray Microbiological Laboratories Ltd	Scotland	Ordinary	100	Dormant
Baxters Ontario Inc	Canada	Ordinary	100	Dormant
Jensons Choice Foods Pty Ltd	Australia	Ordinary	100	Dormant
Right Away Management Corporation	USA	Ordinary	100	Dormant
The Wornick Company Right Away Division	USA	Ordinary	100	Dormant
The Wornick Company Right Away Division L.P.	USA	Ordinary	100	Dormant