

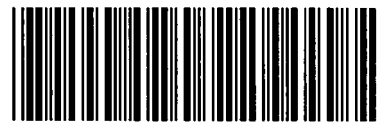
**Farmfoods Distribution Limited**

**Annual report and financial statements**

**Registered number SC101798**

**2015**

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## Strategic Report

The directors have pleasure in submitting their Strategic Report and financial statements for the year ended 2 January 2016.

### Principal activity and business review

The company's principal activity is the provision of contracted logistics services within the United Kingdom handling food at frozen, chill and ambient temperatures.

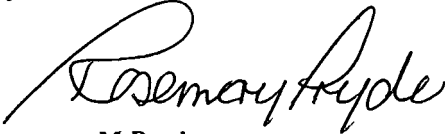
The principal operations are provided under a dedicated contract which includes key liabilities being underwritten by the customer. Risks are linked with the company's customer and are principally competitive risk, energy costs and fuel prices. The company made a profit after taxation of £343,000 for the period (2014: £352,000).

### Financial performance indicators

The directors closely monitor the company's financing requirements, sales and margins. Sales in the period were £28,093,000 compared with £32,053,000 in the previous period and the profit before tax was £443,000 (2014: £447,000). The average number of employees in the period was 729 (2014: 807).

The company's day to day working capital needs is typically funded from the Company's own internally generated cash flows. The directors consider these to be satisfactory and believe the company will be able to operate in this manner for the foreseeable future.

By order of the board



**Rosemary M Pryde**  
Secretary

18<sup>th</sup> May 2016

## Directors' Report

### Proposed dividend

The directors do not recommend the payment of a dividend (2014: £Nil).

### Directors

The directors who held office during the year and up to the date of this report were as follows:

Gerard C Savage  
Rosemary M Pryde  
Douglas R Heaney

### Employees

It is the policy of the company to develop all members of staff. The company has a well-established policy of filling vacancies from within the workforce, and many opportunities for internal promotion are created.

The company is committed to the principles of equal opportunities in employment and opposes all forms of discrimination on the grounds of race, age, nationality, religion, ethnic origin, gender, marital status or sexual orientation.

The company's policy is that, where it is reasonable and practicable, all employees including disabled persons are treated in the same way in matters relating to employment, training, career development and promotion.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

The company provides a comprehensive vocational training programme for its staff, creating the opportunity for employees to maintain and improve their performance and to develop their potential, enabling them to make a positive contribution to the company and to be suitable candidates for career opportunities as they emerge.

### Political contributions

The Company made no political or charitable donations or incurred any political expenditure during the year.

### Disclosure of information to auditor

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

### Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

### Auditor

Pursuant to with Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Rosemary M Pryde  
Secretary

7 Greens Road  
Cumbernauld  
G67 2TU

18<sup>th</sup> May 2016

## **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



**KPMG LLP**

191 West George Street  
Glasgow  
G2 2LJ  
United Kingdom

**Independent auditor's report to the members of Farmfoods Distribution Limited**

We have audited the financial statements of Farmfoods Distribution Limited for the year ended 2 January 2016 set out on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 2 January 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Bruce Marks (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

18 May 2016

**Profit and Loss Account and Other Comprehensive Income**  
*for the 52 weeks ended 2 January 2016*

	<i>Note</i>	<b>2015 £000</b>	<b>2014 £000</b>
<b>Turnover</b>	<b>2</b>	<b>28,093</b>	<b>32,053</b>
Staff costs	4	(18,947)	(20,961)
Other operating charges		(8,703)	(10,645)
<b>Profit on ordinary activities before taxation</b>	<b>3, 5</b>	<b>443</b>	<b>447</b>
Tax on profit on ordinary activities	6	(100)	(95)
<b>Profit for the financial period and total Comprehensive Income for the period</b>		<b>343</b>	<b>352</b>

All amounts relate to continuing activities.

**Balance Sheet**  
*at 2 January 2016*

	<i>Note</i>	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
<b>Fixed assets</b>			
Tangible assets	7	-	-
<b>Current assets</b>			
Stocks	8	170	236
Debtors	9	2,141	2,091
Cash at bank and in hand		13	83
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	10	<b>2,324</b> <b>(2,208)</b>	2,410 (2,637)
		<hr/>	<hr/>
<b>Net current assets/ (liabilities)</b>		<b>116</b>	(227)
		<hr/>	<hr/>
<b>Net assets/ (liabilities)</b>		<b>116</b>	(227)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital		33	33
Profit and loss account	13	83	(260)
		<hr/>	<hr/>
<b>Equity shareholders' funds/(deficit)</b>		<b>116</b>	(227)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 18<sup>th</sup> May 2016 and were signed on its behalf by:



**Gerard C Savage**  
*Director*

Company registered number: Registered number SC101798



## Statement of Changes in Equity

	<b>Called up Share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
Balance at 29 December 2013	33	(612)	(579)
<b>Total comprehensive income for the period</b>			
Profit for the financial period	-	352	352
	<hr/>	<hr/>	<hr/>
<b>Balance at 3 January 2015</b>	<b>33</b>	<b>(260)</b>	<b>(227)</b>
	<hr/>	<hr/>	<hr/>

	<b>Called up Share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
Balance at 4 January 2015	33	(260)	(227)
<b>Total comprehensive income for the period</b>			
Profit for the financial year	-	343	343
	<hr/>	<hr/>	<hr/>
<b>Balance at 2 January 2016</b>	<b>33</b>	<b>83</b>	<b>116</b>
	<hr/>	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Farmfoods Distribution Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 19.

The Company's parent undertaking, Farmfoods Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Farmfoods Limited are available to the public and may be obtained from The Registrar of Companies, Companies House, 4<sup>th</sup> Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Farmfoods Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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 17.

#### 1.11 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

The financial statements have been prepared on a going concern basis for the reasons set out in page 1.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.3 Basic financial instruments

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### 1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Plant and equipment	-	5 years
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Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### 1.5 Stocks

Stock primarily represents consumable materials for use in day to day operations and is stated at cost less any provision for impairment where subsequent consumption is deemed to be uncertain.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Impairment excluding stocks, and deferred tax assets

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### 1.7 Employee benefits

##### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

#### 1.8 Turnover

Turnover represents amounts invoiced to customers and is stated net of value added tax. Turnover is recognised when services are performed.

#### 1.9 Expenses

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

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

#### 1.11 Dividends

Dividends are recognised at the time they are received or paid in accordance with accounting standards. Dividends declared and paid are not presented in the profit and loss account but instead included in the notes to the accounts and the reconciliation of reserves.

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### 2 Turnover

	2015 £000	2014 £000
Rendering of services in the UK	28,093	32,053
Total turnover	<u>28,093</u>	<u>32,053</u>

## Notes (continued)

### 3 Expenses and auditor's remuneration

Included in profit are the following:

#### Auditor's remuneration:

	2015 £000	2014 £000
Audit of these financial statements	5	5
Amounts receivable by the company's auditor and its associates in respect of: Taxation compliance services	2	2
	<u>7</u>	<u>7</u>

### 4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Administration	47	55
Other operational	682	752
	<u>729</u>	<u>807</u>

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	17,239	19,060
Social security costs	1,557	1,763
Contributions to defined contribution plans	150	138
	<u>18,946</u>	<u>20,961</u>

### 5 Director's remuneration

	2015 £000	2014 £000
Director's emoluments	179	175
Company contributions to defined contribution scheme	11	11
	<u>190</u>	<u>186</u>

## Notes (continued)

### 6 Taxation

#### Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2015 £000	£000	2014 £000	£000
<i>Current tax</i>				
Current tax on income for the period	73		72	
Adjustment in respect of prior periods	(5)		-	
	<hr/>		<hr/>	
Total current tax charge		68		72
<i>Deferred tax (see note 11)</i>				
Origination and reversal of timing differences	19		23	
Impact of change in rate	13		-	
	<hr/>		<hr/>	
Total deferred tax		32		23
		<hr/>		<hr/>
Total tax		100		95
		<hr/>		<hr/>

#### Reconciliation of effective tax rate

	2015 £000	2014 £000
Profit for the year	343	352
Total tax expense	100	95
	<hr/>	<hr/>
Profit excluding taxation	443	447
Tax using the UK corporation tax rate of 20.25% (2014: 21.5%)	90	96
Expenses not deductible for tax purposes	5	5
Other short term timing differences	(3)	(6)
Reduction in rate on deferred tax balances	13	-
Adjustment in respect of prior periods	(5)	-
	<hr/>	<hr/>
Total tax expense included in profit or loss	100	95
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2015 has been calculated based on these rates.

## Notes (continued)

### 7 Tangible fixed assets

	Plant and equipment £000
<b>Cost</b>	
Balance at 4 January 2015	683
Disposals	(46)
	<hr/>
Balance at 2 January 2016	637
	<hr/>
<b>Depreciation and impairment</b>	
Balance at 4 January 2015	683
Disposals	(46)
	<hr/>
Balance at 2 January 2016	637
	<hr/>
<b>Net book value</b>	
At 3 January 2015 and 2 January 2016	-
	<hr/>

### 8 Stocks

	2015 £000	2014 £000
Raw materials and consumables	170	236
	<hr/>	<hr/>

### 9 Debtors

	2015 £000	2014 £000
<i>Amounts receivable within one year</i>		
Trade debtors	17	11
Amounts owed by parent company	1,899	1,750
Prepayments and accrued income	128	201
Deferred tax assets (see note 11)	97	129
	<hr/>	<hr/>
Total debtors	2,141	2,091
	<hr/>	<hr/>

### 10 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	376	469
Corporation tax	73	72
Taxation and social security	1,021	1,253
Accruals and deferred income	738	843
	<hr/>	<hr/>
	2,208	2,637
	<hr/>	<hr/>



## Notes (continued)

### 11 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2015 £000	Assets 2014 £000
Accelerated capital allowances	92	125
Short term timing differences	5	4
	<hr/>	<hr/>
Tax (assets)	97	129
	<hr/>	<hr/>

### 12 Employee benefits

#### Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £150,407 (2014: £138,000).

### 13 Capital and reserves

#### Share capital

	2015 £000	2014 £000
<i>Allotted, called up and fully paid</i>		
33,002 ordinary shares of £1 each	33	33
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 14 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015 £000	2014 £000
Less than one year	-	6
Between one and five years	28	43
	<hr/>	<hr/>
	28	49
	<hr/>	<hr/>

During the year £16,000 as recognised as an expense in the profit and loss account in respect of operating leases (2014: £42,000).

## Notes (continued)

### 15 Related parties

#### *Identity of related parties with which the Company has transacted*

As a wholly owned subsidiary of Farmfoods Limited the company is exempt from the requirements of FRS102.33 to disclose transactions with other members of the group headed by Farmfoods Limited.

### 16 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Farmfoods Limited. The ultimate controlling party is Farmfoods Limited.

The largest group in which the results of the Company are consolidated is that headed by Farmfoods Limited, registered in Scotland. Copies of its financial statements can be obtained from The Registrar of Companies, Companies House, 4<sup>th</sup> Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

### 17 Accounting estimates and judgements

#### *Key sources of estimated uncertainty*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical estimates and assumptions that are applied in the preparation of the financial statements include:

#### *Depreciation and amortisation*

The company exercises judgement to determine useful lives and residual values of intangibles, property, plant and equipment. The assets are depreciated down to their residual values over their estimated useful lives.

#### *Provisions*

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events and market conditions. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

#### *Income taxes*

The company recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these items differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made.

### 18 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 2 January 2016 and the comparative information presented in these financial statements for the year ended 3 January 2015.

In preparing its FRS 102 balance sheet, the Company has not required to adjust amounts reported previously in financial statements prepared in accordance with its old basis of accounting UK GAAP.