Vestey Holdings Limited

Report and Financial Statements

Year Ended

31 December 2020

Company Number 00066076

Vestey Holdings Limited

Annual report and financial statements
for the year ended 31 December 2020

Contents

Country of incorporation of parent company:	United Kingdom
Directors:	G M W Vestey R J H Vestey C G Copland J K Barnes
Secretary and registered office:	N Thornton, 29 Ullswater Crescent, Coulsdon, CR5 2HR
Company number:	00066076
Bankers:	Barclays Bank plc HSBC UK Bank plc
Auditors:	BDO LLP, 55 Baker Street, London, W1U 7EU

Vestey Holdings Limited

Strategic report
for the year ended 31 December 2020

Business review

Results for 2020

Covid-19

There has been considerable impact from Covid-19 in 2020 after it was announced as a global health emergency by the World Health Organisation on 31 January 2020 with the markets that the group operates and sells into facing significant lock down restrictions. Throughout the year our major concern has continued to be to safeguard the health and wellbeing of our staff and as a result business travel was stopped and video conferencing used as an alternative. Arrangements were made for office staff, who could, to work from home. Where staff couldn't work from home staff rotation and appropriate social distancing measures were put in place to protect their wellbeing. In some businesses in the Group where business levels fell the Group took advantage of Government support to furlough staff.

The senior leadership team reacted with extraordinary speed and diligence to the crisis both in terms of contingency planning and innovative thinking and the executive team spent a great deal of time on investigating various scenarios and financial planning.

As essentially a food trading business the Group has been well placed to deal with the volatility in markets. Where Group operating undertakings were seeing a reduction in their sales to the hotel, restaurant and pub customers this has in part been replaced by an increase in supply to retail and food manufacturing customers as well as direct to end consumers.

On the back of the pandemic the Group reported a turnover of £460.5m compared to £536.1m in 2019, but still produced earnings before interest, tax, depreciation and amortisation ("EBITDA") of £7.6m compared with £12.3m in 2019. The profit before tax was £1.7m compared with £4.9m in 2019.

The Vestey Foods Group of companies reported a profit before tax and exceptional items of £6.3m which was behind the profit in 2019 of £7.1m. The decreased profitability compared with 2019 is mainly down to a drop in performance from Vestey Foods UK Ltd as a result of Covid-19, offset partly by Vestey Foods International and Vestey Foods France who traded well despite impacts to local hospitality and food service sectors.

Donald Russell Limited reported a profit before tax of £1.3m (2019: loss of £0.5m). This excellent result was due to the performance of its direct to consumer division which was only partially offset by the impact on its trade and export markets.

The Fine Foods Division, which includes the new WISK division of companies had a very difficult year reporting a loss before tax of £5.7m compared to a loss of £1.2m reported in 2019. With the division's main customers being in the hospitality sector Covid-19 has had a significant impact in 2020. The WISK division, which has companies in the Philippines, Dubai and Spain which were newly incorporated at the end of 2019 and started trading at the start or during the pandemic, accounted for £3.4m of the losses.

The Group finished the year with net borrowings of £17.8m compared with £15.2m in 2019. Cash generation in the year had been strong with the cash inflow from trading has been offset by the £7.0m increase in capital employed across the WISK division.

Outlook

There is still some uncertainty about how Covid-19 will develop over the coming weeks and months. However, with the many proven vaccines know available and the large reduction in the number of cases being reported in most markets operated in by the Group, management are confident that local restrictions will be eased in the coming months which will allow sales in most impacted markets to get back close to pre-Covid-19 levels.

Section 172 statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between shareholders, the Directors consider what is most likely to promote the success of the Company for its shareholders in the long term. Whilst the importance of giving due consideration to our stakeholders is not new, we are explaining in more detail how the Board engages with our stakeholders thus seeking to comply with the requirement to include a statement setting out how our Directors have discharged this duty.

- The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves. Detailed below we set out our principal stakeholders, how and why we engage with them and how stakeholders have influenced some of the key decisions made in the year. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

- The Board continues to enhance its methods of engagement with the workforce. The Group CEO continued his monthly business update to all employees, and another staff survey was carried out in the first quarter of 2020. There is also an in-house magazine, the Vestey Voice, which is sent to all employees quarterly and provides them with details on Group developments, this has not been produced as frequently in 2020 due to Covid-19.

- We aim to work responsibly with our suppliers. We work closely with suppliers and customers to develop new products appropriate for our markets. During the year, the Board reviewed and approved the Group's Modern Slavery and Human Trafficking Statement which sets out the steps taken to prevent modern slavery in our business and supply chains.

- During the year the board approved a continuation of the Group's new Corporate Social Responsibility program (CSR), to enhance its responsibility to communities not just local to our subsidiary and branch offices but also to UK nationwide charities and initiatives. In 2020 despite Covid-19 our employees took part in a number of events to raise funds for the Princes Trust, Chance to Shine and Volunteering Matters as well volunteering and fund raising with local charities, and the Group matched their local fund-raising efforts.

- For a number of years, the Board has sought to diversify the Group to promote the best long terms interest of the shareholders. During the year the decision was made to expand its new WISK international Fine Foods division. The division sells high quality food and ingredients to top hotels and restaurants. Along with its new subsidiary companies in the Philippines, Dubai and Spain, a company was set up in Oman and will start operating in March 2021.

How we create value for our stakeholders

The Vestey Holdings Board develops the broad strategies needed for the Group to create value for stakeholders. The executive Vestey Holdings directors work with the management teams in each of the operating subsidiaries to agree the strategies for their businesses and the implementation of these strategies are planned and monitored through the Group's reporting process.

The table below sets out our focus on the key relationships and shows how the relevant stakeholder engagement is reported up to the Board to help inform our strategy delivery. Not all information is reported directly to the Board. However, the information will inform business-level decisions, with an overview of developments being reported on a regular basis to the Board. In some cases, one or more members of the Board may be involved directly in the engagement (such as shareholder meetings). In each case, it is important for all members of the Board to gain sufficient understanding of the issues relating to every stakeholder, so their views are taken into account in Board discussions.

Section 172 statement *(continued)*

Stakeholder group	Form of engagement	How this stakeholder group influenced the Board agenda and decision-making
Communities We help national charities in the UK and charities local to our subsidiary and branch offices.	Engagement with local and national charities focused on the development of the disadvantaged. The Group also prepares the ground for prisoner rehabilitation through a new mentoring project and the recruitment of prisoners released on temporary licence (ROTL) from prison. During 2020 we continued to work with the same national charities, although as a result of Covid-19 fund raising events were supported remotely.	The Board agenda has been strongly focused on corporate social responsibility issues this year. Several initiatives have been set up in the UK, the key areas being to help the disadvantaged and help with prisoner rehabilitation.
Our customers Our customers in the UK and around the world range from the UK Government, the United Nations, NATO members, manufacturers, food service (restaurants, pubs, other eating out establishments), wholesalers, retailers (supermarkets, garden centres, farm shops) and individual consumers through our direct to consumer business. By delivering the quality products that they need in a timely and reliable manner needed and dealing with them in a transparent and responsive manner, our customers trust us to deliver services of value to them.	The Group is constantly working with customers on product development to ensure that we continue to meet their requirements, with regards quality and service. During the Covid-19 outbreak the Group have worked closely with customers where they had to temporarily close as a result of government restrictions or where we had credit insurance removed, We did this by setting up repayment plans for debt outstanding and putting in place alternative security.	We work closely with customers to develop new products appropriate for their markets.
Shareholders The Group is ultimately owned by the Joint Vestey Settlement dated 25th March 1942, an Alderney based trust, benefiting the future generations of the Vestey family. The Group strongly believes in sharing in the growth of our businesses with our managers. This can be through shareholdings in our subsidiaries, profit shares and bonuses.	Regular meeting between Vestey Holdings Board Directors and the wider Vestey family members. The Vestey Family Council met to consider ownership issues and received business updates from senior managers in the Group. The Vestey Holdings Executive Directors meet regularly with the subsidiary management teams to review progress against agreed strategy.	The Group continued with its diversification into its new Fine Foods division, WISK, in the year to promote the best long terms interest of the shareholders. Subsidiary management teams put forward proposals to the Board meetings for the development of their businesses.

Section 172 statement *(continued)*

Stakeholder group	Form of engagement	How this stakeholder group influenced the Board agenda and decision-making
Our people We create an environment in which our people can make a positive contribution, develop their careers and reach their potential. At 31 December 2020, we had close to 1,000 employees in the Group. Due to the Covid-19 lockdown restrictions in the UK a number of Group undertakings took advantage of the government furlough scheme where sales channels were severely restricted. In some areas where it was envisaged that these channels would not reopen to the same level after the end of restrictions a number of employees were unfortunately made redundant. In the initial lockdown period in the UK, the salary of furloughed employees was not topped up by Group companies, however later in the year some employees had their salaries topped up to their full levels.	Engagement with our people takes many forms, including staff surveys and regular updates from Group and subsidiary senior managers. A staff survey is undertaken every 18 months and is reported to the individual subsidiary company boards as well as the main Vestey Group Board and affects decision-making. A survey was carried out in the first quarter of 2020. A consultation process was undertaken for all redundancies made in the year as a result of Covid-19. Where staff were unable to work from home during Covid-19 suitable PPE was made available and suitable social distancing measure were put in place in the various work places. Regular updates were given to all staff through the lock down and various restriction periods by Group board and subsidiary senior managers.	Issues raised in the staff surveys are actioned by management in order to improve the environment for our staff. Where Group undertakings made use of the government Furlough scheme or where Redundancies were made as a result of Covid-19, these decisions were made by the boards of the individual Group undertakings.
Our suppliers Our worldwide suppliers provide us with the goods and services we rely on to deliver for our customers. They range from substantial multinational companies to small-scale local businesses providing bespoke services when they are needed. During Coivd-19 the Group undertakings were still able to operate all sales channels at varying levels, so throughout 2020 the Group continued to buy from most suppliers and continued to pay all suppliers in line with their credit terms.	Strategic relationship meetings are conducted regularly between suppliers and procurement. Tendering and sourcing events are undertaken to select new suppliers. On anti-corruption and anti-bribery matters, we expect all our suppliers to be compliant with the Modern Slavery Act and we work closely with our suppliers and peers to build on our knowledge and promote best practice. We are constantly engaging with suppliers that we identify as being within potentially high-risk categories.	The Board annually approves the Modern Slavery statement. We work closely with suppliers to develop new products suitable for the markets in which we operate.

Brexit

Following the UK's decision to leave the European Union (EU) in 2016 a free trade deal was finally agreed and signed on 30 December 2020 a day before the end of the transition period.

In preparation for a potential no deal Brexit Vestey Foods (UK) increased its stockholding of EU products to alleviate short term disruption, this stock has now been sold in 2021.

Following the signing of the trade deal, other than a small amount of trade that the Group does with Northern Ireland, goods have been moving freely between the EU and the UK. The level and complexity of the documentation required has increase however, the largest Group UK business Vestey Foods (UK) which is a significant importer of food not only from the EU but many other regions in the world is already set up deal with this.

Principal risks and uncertainties

With the exception of the Covid-19 and Brexit risk detailed earlier in this report and the principal financial risks which are discussed in note 26, the principal operating risks and uncertainties facing the Group are categorised as reputation damage, people and animal disease.

Reputational damage risk

The reputation of the Group and that of its key brands is integral to its success and therefore any major incident which is not effectively managed whether it relates to service, product, external or internal matters could have an impact on trading and profitability.

The Group closely monitors any incidents that arise to ensure they are appropriately managed.

The Board considers that the likelihood of an incident resulting in significant reputational damage is low.

People risk

The Group relies on being able to recruit, develop and retain staff.

The Group operates a management development program for its managers from across the Group. In addition each operating company has its own budget for the training of its staff. The Group carries out staff surveys on a regular basis and operating companies carry out interim surveys to monitor improvements that have been made

The Board considers that the likelihood of being unable to recruit and retain staff to be low.

Animal disease risk

The Group sources meat products from many countries around the world. It is probable that from time to time an animal disease will restrict the ability of a country to export.

The Group mitigates this risk by sourcing from many different countries.

The Board considers that the risk to the Group from an animal disease is low.

Key Performance Indicators

The Group uses a range of financial performance measures to monitor the management of the business effectively; the most significant of these are the key performance indicators (KPI's).

The main KPI's are turnover, gross margin, EBITDA, profit before taxation, average working capital as a percentage of turnover, net funds, return on average capital employed, stock days, debtor days and creditor days.

Key Performance Indicators *(continued)*

The KPI's on operations for the year ended 31 December 2020, with comparatives for the year ended 31 December 2019, are set out below:

	2020	**2019**
Turnover (£'000)	**460,507**	536,121
Gross margin	**13.3%**	12.5%
EBITDA (£'000) (note 4)	**7,564**	11,960
Profit before taxation (£'000)	**1,719**	4,934
Average working capital as a percentage of turnover	**14.1%**	13.7%
Net debt (£'000)	**17,819**	15,218
Average return on capital employed	**4.5%**	4.3%
Average Stock days	**57**	46
Average Debtor days	**38**	44
Average Creditor days	**22**	21

Where there are material changes from last year the KPI's have been discussed in the results for 2020 above. However, where not discussed, we have the following comment:

- The Gross margin improvement is due to a higher percentage of the overall turnover coming from higher margin direct to consumer or Fine Foods Group companies.

- The average stock days were on average 11 days longer than in 2019 mainly as a result of stock being held at the start of the Covid-19 restriction taking longer to be sold.

On behalf of the Board

J K Barnes

Chairman

31 March 2021

Branches outside the UK

The Group did not operate through any overseas branches in the year.

Future developments

Details on future development are presented within the strategic reports on page 4.

Results and dividends

The profit and loss account is set out on page 15 and shows the profit for the year.

The directors approved and paid a dividend during the year of £0.3m (2019 - £4.7m) to the immediate parent undertaking and £0.7m (2019 - £0.3m) to non-controlling interests.

There has been no change in the dividend policy as a result of Covid-19, dividends are expected to be paid in 2021 as a result of profits made in 2020 in line with prior years with regards dividends to the immediate parent undertaking.

Principal activities

The principal activities of Vestey Holdings Limited and its subsidiaries ("the Group") during the year were those of food distribution. The Group operates in seven countries in three main geographical regions: UK, Mainland Europe and the Middle East.

Principal risks and uncertainties

The Group operates in an environment that has a number of operational and financial risks, details of these risks and how they are managed are detailed in note 26.

Going Concern

The ongoing impact of COVID-19 has been reflected in the Directors' assessment of the going concern basis of preparation for the Group and Company financial statements. This has been considered by modelling the impact on the group's cashflow for the 12 months to April 2022.

The directors have modelled the impact on the Group and Company assuming for certain businesses in the group there is a period of months to the end of April with little to no activity with a gradual return to previous levels over the next three months (principally the businesses in the group that supply restaurants, hotels and pubs). For other businesses in the group the modelling assumes that where businesses benefit from increased business levels due to Covid-19 that this benefit will be for a three month period to the end of June 2021.

These projections also incorporate the continued mitigating actions the group are taking to reduce costs, including reducing product purchases to match the lower demand in some instances, delaying planned capital expenditure and reducing variable costs, as well as incorporating government support initiatives, including a continuation of the short term working capital loan finance and the furloughing of some of its workforce. The forecasts for the period to April 2022 indicate that the Group and the Company are able to operate within the currently available banking facilities and to meet their liabilities as they fall due for the 12 months following the signing of the financial statements. A substantial part of the Group's banking facilities (see note 18) which were due to expire on 31 March 2021, have been rolled over for an additional 12 months to 31 March 2022 on the same terms and the intention is to renew for another 3 years from March 2022. Our main Bankers have indicated that they see no reason why these facilities will not be renewed for a further three years.

The Group has also extended the £8.0m UK government back CLBILS loan taken out in July 2020, to be repayable in July 2023. A €8.0m French government loan was also taken out on April 2020 by the main French operating undertaking, this had reduced to €6.0m by the year-end and will be repaid in full over the period to April 2023.

Going Concern *(continued)*

A sensitivity was also modelled that looked at the financial impact on the Group and Company that assumed that local lockdown restrictions remained in pace for an additional two months, before being released over a three month period to August 2021.

In light of the analysis and additional sensitivity, and on the basis of the continued availability of the Groups' banking facilities, the Directors concluded that the Group and the Company had adequate resources to continue in operational existence for at least the 12 months following the signing of the financial statements, that it is appropriate to continue to adopt the going concern basis of preparation in the financial statements and that there is not a material uncertainty in relation to going concern.

Greenhouse gas (GHG) emissions, energy consumption and energy efficiency actions

The Groups GHG emissions and energy consumption is as follows:

	2020
Emissions resulting from activities for which the Group is responsible involving the combustion of gas or consumption of fuel for the purpose of transport (tonnes of CO_2 equivalent).	**1,305**
Emissions resulting from the purchase of electricity by the Group for its own use, including for the purposes of transport (tonnes of CO_2 equivalent).	**1,944**
Energy consumed from activities for which the Group is responsible involving the combustion of gas, or the consumption of fuel for the purposes of transport, and the annual quantity of energy consumed resulting from the purchase of electricity by the Group for its own use, including for the purposes of transport, in kWh	**15,075,076**

The energy usage information was measured by an independent third party using the latest DEFRA (Department for Environment, Food and Rural Affairs) / BEIS (Department for Business, Energy & Industrial Strategy) emissions factors. The Group has elected to claim the exemption to not disclose comparative figures in the year of adoption.

Under normal circumstances this statement would include at least one "Intensity Metrics" by which Senior Management could monitor performance against energy consumption. 2020 however was far from a normal trading year globally due to the Covid-19 pandemic and very few organisations were unaffected by falling trade levels, employees on furlough and in many cases total closure of businesses. This situation, coupled with the extremely diverse nature of Vestey's businesses creates difficulty in assigning meaningful intensity metrics and for this first GHG emissions statement therefore there has been no attempt to generate such an indicator.

This will be the subject of much deliberation over the course of 2021 to enable at least 1 meaningful metric to be determined to assist in future energy and emissions reporting.

The Group engaged with the Energy Saving Opportunities Scheme (ESOS) Phase 2 and reported 100% of energy consumption for the period 01.01.2018 – 31.12.2018.

The ESOS report produced as part of the scheme compliance identified several areas for improvement in terms of energy efficiency and a number of these areas have been addresses in 2019 and 2020 and work will continue into 2021.

Directors

The directors of the company during the year were:

G M W Vestey
R J H Vestey
C G Copland
J A Scott Resigned 27 March 2020
J K Barnes

Employees

The Group continues to provide information to employees through the intermediary of senior managers and by means of management briefings and training. Employees are made aware of significant matters affecting the Groups trading position and any significant organisational Changes. Managers are expected to be in touch with the views of the employees and to consider such views seriously. The Group does not operate any employee share schemes. It continues to be the policy of the Group to encourage employee efforts and to reward employees accordingly. The Group treats each application for employment, training and promotion on merit. Please see the Section 172(1) statement included in the Strategic report.

Suppliers and Customers

Refer to Section 172(1) statement included in the strategic report on page 4.

Employees

Refer to Section 172(1) statement included in the strategic report on page 4.

Qualifying third party indemnity provisions

The company has arranged qualifying third-party indemnity for all of its directors.

Disabled persons

The company is committed to providing equal opportunities in employment. The employment of disabled persons is included in this commitment and the recruitment, training, career development and promotion of disabled persons are based on the aptitudes and abilities of the individual and the working conditions which apply. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

Policy and practice on the payment of creditors

The company will follow its internal policies on best payment practice which is to ensure that all creditor payments are made when they fall due.

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' 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 group financial statements in accordance with International Accounting Standards in conformity with the Companies Act of 2006, and the company financial statements in line with United Kingdom Generally Accepted Accounting Practice. 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 group and company 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 accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Accounting Standards in conformity with the Companies Act of 2006, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' responsibilities *(continued)*

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

Auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board

James K Barnes

J K Barnes
Chairman

31 March 2021

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF VESTEY HOLDINGS LIMITED

Opinion

We have audited the financial statements of Vestey Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the Consolidated income statement, Consolidated statement of other comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of cash flows, Consolidated statement of changes in equity, Company statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the Companies Act of 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework*

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 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the Companies Act of 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic report and the Directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Other information *(continued)*

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the directors, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:

  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established by the group to mitigate risks related to fraud or non-compliance with laws and regulations.

- discussing among the engagement team including significant component audit teams, how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:

  - Management override of controls; and
  - Improper revenue recognition

- obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the UK Companies Act, IFRS and UK Generally Accepted Accounting Principles, and relevant tax and employment legislation.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations noted above;
- enquiring of management, the directors and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing correspondence with HMRC; and
- addressing the risk of fraud through management override of controls by, testing the appropriateness of journal entries including journal entries posted to revenue and other adjustments; assessing whether the judgements made about assumptions reflected in accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- addressing the risk of fraud in revenue recognition by testing a sample of sales transactions throughout the year to confirm these were accurately recorded in line with the group's accounting policy and represented the delivery of product to a customer in line with contractual terms.

Auditor's responsibilities for the audit of the financial statements *(continued)*

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Diane Campbell (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

31 March 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Vestey Holdings Limited

Consolidated income statement
for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	3	**460,507**	536,121
Cost of sales		**(399,111)**	(469,177)
Gross profit		**61,396**	66,944
Administrative expenses before exceptional items		**(30,055)**	(26,391)
Exceptional income	6	**2,500**	2,628
Administrative expenses		**(27,555)**	(23,763)
Distribution expenses		**(32,732)**	(36,501)
Other operating income	5	**1,859**	24
Profit from operations	4	**2,968**	6,704
Finance expense	8	**(1,511)**	(1,968)
Finance income	8	**262**	198
Profit before tax		**1,719**	4,934
Taxation expense	9	**(565)**	(684)
Profit for the year		**1,154**	4,250
Profit for the year attributable to:			
Owners of the parent		**510**	3,315
Non-controlling interest	14	**644**	935
		1,154	4,250

All amounts relate to continuing operations.

The notes on pages 23 to 68 form part of these financial statements.

Vestey Holdings Limited

Consolidated statement of other comprehensive income
for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Profit for the year		**1,154**	4,250
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of unfunded defined benefit pension liability	23	**(139)**	(100)
		(139)	(100)
Items that will or may be reclassified to profit or loss:			
Cash flow hedges		**(233)**	(852)
Exchange gains arising on translation of foreign operations		**702**	(690)
		469	(1,542)
Other comprehensive income for the year, net of tax		**330**	(1,642)
Total comprehensive income		**1,484**	2,608
Total comprehensive income attributable to:			
Owners of the parent		**864**	1,923
Non-controlling interest	14	**620**	685
		1,484	2,608

The notes on pages 23 to 68 form part of these financial statements.

Vestey Holdings Limited

Consolidated statement of financial position
at 31 December 2020
Company Number: 00066076

	Note	31 Dec 2020 £'000	31 Dec 2019 £'000
Assets			
Current assets			
Inventories	15	**56,043**	55,097
Trade and other receivables	16	**57,783**	66,577
Corporation tax receivable		**-**	-
Cash and cash equivalents	26	**19,223**	23,606
		133,049	145,280
Non-current assets			
Property, plant and equipment	10	**12,353**	9,884
Right-of-use assets	11	**6,408**	6,387
Intangible assets	12	**8,609**	8,615
Deferred tax asset	19	**113**	-
		27,483	24,886
Total assets		**160,532**	170,166
Liabilities			
Current liabilities			
Trade and other payables	17	**55,723**	65,446
Loan and borrowings	18	**24,380**	32,525
Lease liabilities	11	**1,291**	1,391
Corporation tax payable		**250**	135
		81,644	99,497
Non-current liabilities			
Trade and other payables	17	**1,211**	1,052
Loan and borrowings	18	**7,430**	150
Lease liabilities	11	**5,077**	4,758
		13,718	5,960
Total liabilities		**95,362**	105,457
NET ASSETS		**65,170**	64,709

The notes on pages 23 to 68 form part of these financial statements.

Vestey Holdings Limited

Consolidated statement of financial position
at 31 December 2020 *(continued)*
Company Number: 00066076

	Note	31 Dec 2020 £'000	31 Dec 2019 £'000
Issued capital and reserves attributable to owners of the parent			
Share capital	20	5,000	5,000
Share premium reserve	21	9,765	9,765
Cash flow hedge reserve	21	(460)	(280)
Foreign exchange reserve	21	1,224	551
Retained earnings	21	47,961	47,890
Shareholder's funds		63,490	62,926
Non-controlling interest	14	1,680	1,783
		65,170	64,709

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2021 and were signed on its behalf by:

J K Barnes

Chairman

The notes on pages 23 to 68 form part of these financial statements.

Vestey Holdings Limited

Consolidated statement of cash flows
for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash Flows from operating activities			
Profit for the year		**1,154**	4,250
Adjustments for:			
Depreciation of property, plant and equipment	10	**2,147**	1,683
Amortisation of right-of-use assets	11	**2,431**	1,779
Amortisation of intangible fixed assets	12	**18**	18
Impairment losses on intangible fixed assets		**-**	1,776
Finance income	8	**(262)**	(198)
Finance expense	8	**1,511**	1,968
Loss on sale of property, plant and equipment		**(35)**	(50)
Corporation tax charge	9	**565**	684
		7,529	11,910
Decrease in trade and other receivables		**11,585**	1,230
Increase in inventories		**(789)**	(1,578)
(Decrease)/increase in trade and other payables		**(12,708)**	4,396
Cash (used in)/generated from operations		**5,617**	15,958
Corporation tax paid		**(574)**	(449)
Net cash flows from operating activities		**5,043**	15,509

The notes on pages 23 to 68 form part of these financial statements.

Vestey Holdings Limited

Consolidated statement of cash flows
for the year ended 31 December 2020 *(Continued)*

	Note	2020 £'000	2019 £'000
Net cash flows from operating activities brought forward		**5,043**	15,509
Investing activities			
Purchase of property, plant and equipment		**(4,749)**	(1,522)
Sale of property, plant and equipment		**55**	114
Interest received		**260**	196
Net cash flows from investing activities		**(4,434)**	(1,212)
Financing activities			
Proceeds from bank borrowing		**17,498**	110
Repayment of bank borrowing		**(18,447)**	(3,041)
Principal paid on lease liabilities		**(2,227)**	(1,910)
Interest paid on lease liabilities		**(175)**	(94)
Interest paid on bank borrowing		**(773)**	(1,797)
Dividends paid to non-controlling minority shareholders		**(723)**	(317)
Dividends paid to parent undertaking		**(300)**	(4,705)
Net cash flows from financing activities		**(5,147)**	(11,754)
Net (decrease)/increase in cash and cash equivalents		**(4,538)**	2,543
Cash and cash equivalents at beginning of year		**23,606**	21,256
Exchange (losses)/gains on cash and cash equivalents		**155**	(193)
Cash and cash equivalents at the year end		**19,223**	23,606

The notes on pages 23 to 68 form part of these financial statements.

Vestey Holdings Limited

Consolidated statement of changes in equity
for the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Cash flow hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total attributed to equity holders of parent £'000	Non-controlling interest £'000	Total equity £'000
31 December 2019	**5,000**	**9,765**	**(280)**	**551**	**47,890**	**62,926**	**1,783**	**64,709**
Comprehensive income for the year								
Profit/(loss)	-	-	-	-	510	510	644	1,154
Other comprehensive income	-	-	(180)	673	(139)	354	(24)	330
Total comprehensive income for the year	**-**	**-**	**(180)**	**673**	**371**	**864**	**620**	**1,484**
Contributions by and distributions to owners								
Dividends to parent	-	-	-	-	(300)	(300)	-	(300)
Dividends to non-controlling interests	-	-	-	-	-	-	(723)	(723)
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**(300)**	**(300)**	**(723)**	**(1,023)**
31 December 2020	**5,000**	**9,765**	**(460)**	**1,224**	**47,961**	**63,490**	**1,680**	**65,170**

Vestey Holdings Limited

Consolidated statement of changes in equity
for the year ended 31 December 2020 *(continued)*

	Share capital £'000	Share premium £'000	Cash flow hedging reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total attributed to equity holders of parent £'000	Non-controlling interest £'000	Total equity £'000
31 December 2018	**5,000**	**9,765**	**372**	**1,191**	**49,380**	**65,708**	**1,415**	**67,123**
Comprehensive income for the year								
Profit/(loss)	-	-	-	-	3,315	3,315	935	4,250
Other comprehensive income			(652)	(640)	(100)	(1,392)	(250)	(1,642)
Total comprehensive income for the year	**-**	**-**	**(652)**	**(640)**	**3,215**	**1,923**	**685**	**2,608**
Contributions by and distributions to owners								
Dividends to parent	-	-	-	-	(4,705)	(4,705)	-	(4,705)
Dividends to non-controlling interests	-	-	-	-	-	-	(317)	(317)
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**(4,705)**	**(4,705)**	**(317)**	**(5,022)**
31 December 2019	**5,000**	**9,765**	**(280)**	**551**	**47,890**	**62,926**	**1,783**	**64,709**

General information

The company is a private limited company, limited by share capital, incorporated in England and Wales. The address of its registered office can be found on the contents page.

1 Accounting policies

Basis of preparation

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

Items in the consolidated financial statements of each of the Group entities are measured using the currency of the country that the entity is incorporated. The Company's functional currency is Pound Sterling. The consolidated financial statements are presented in Pound Sterling, which is the Group's presentation currency. See note 28 for details of the location of Group entities.

Amounts are rounded to the nearest £'000, unless otherwise stated.

The consolidated and parent company accounts are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in compliance with adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial instruments – fair value through profit or loss
- Contingent consideration

Going Concern

The ongoing impact of COVID-19 has been reflected in the Directors' assessment of the going concern basis of preparation for the Group and Company financial statements. This has been considered by modelling the impact on the group's cashflow for the 12 months to April 2022.

The directors have modelled the impact on the Group and Company assuming for certain businesses in the group there is a period of months to the end of April with little to no activity with a gradual return to previous levels over the next three months (principally the businesses in the group that supply restaurants, hotels and pubs). For other businesses in the group the modelling assumes that where businesses benefit from increased business levels due to Covid-19 that this benefit will be for a three month period to the end of June 2021.

These projections also incorporate the continued mitigating actions the group are taking to reduce costs, including reducing product purchases to match the lower demand in some instances, delaying planned capital expenditure and reducing variable costs, as well as incorporating government support initiatives, including a continuation of the short term working capital loan finance and the furloughing of some of its workforce. The forecasts for the period to April 2022 indicate that the Group and the Company are able to operate within the currently available banking facilities and to meet their liabilities as they fall due for the 12 months following the signing of the financial statements. A substantial part of the Group's banking facilities (see note 18) which were due to expire on 31 March 2021, have been rolled over for an additional 12 months to 31 March 2022 on the same terms and the intention is to renew for another 3 years from March 2022. Our main Bankers have indicated that they see no reason why these facilities will not be renewed for a further three years.

1 Accounting policies *(continued)*

Going Concern *(continued)*

The Group has also extended the £8.0m UK government back CLBILS loan taken out in July 2020, to be repayable in July 2023. A €8.0m French government loan was also taken out on April 2020 by the main French operating undertaking, this had reduced to €6.0m by the year-end and will be repaid in full over the period to April 2023.

A sensitivity was also modelled that looked at the financial impact on the Group and Company that assumed that local lockdown restrictions remained in pace for an additional two months, before being released over a three month period to August 2021.

In light of this analysis, and on the basis of the continued availability of the Groups' banking facilities, the Directors concluded that the Group and the Company had adequate resources to continue in operational existence for at least the 12 months following the signing of the financial statements, that it is appropriate to continue to adopt the going concern basis of preparation in the financial statements and that there is not a material uncertainty in relation to going concern.

Changes in accounting policies

New standards, interpretations and amendments effective from 1 January 2020

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Group are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material);
- IFRS 3 Business Combinations (Amendment – Definition of Business); and
- Revised Conceptual Framework for Financial Reporting
- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- COVID-19-Related Rent Concessions (Amendments to IFRS 16);

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022.However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

Vestey Holdings Limited is currently assessing the impact of these new accounting standards and amendments. The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

1 Accounting policies *(continued)*

The principal accounting policies are:

Revenue

Performance obligations and timing of revenue recognition

The Group’s revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

The Group has a small division providing pension advisory services for clients, with revenue recognised typically on completion of a piece of contracted for advice or on a monthly retainer basis.

Determining the transaction value

The Group’s revenue either comes from individual customer orders or from fixed price contracts and therefore the amount of revenue to be earned is determined from each order or by reference to those fixed prices. Exceptions are as follows:

- Value variations can occur if the quantity of an item in terms of unit or weight received by the customer differs from the order, in that instance a credit note is raised to reduce the invoiced amount not delivered

- Where customer rebates are offered for volumes ordered in a particular period. If those volumes are likely to be achieved, then they are deducted for against every invoice raised to that customer as a percentage reduction to turnover. These provisions are then reversed at the end of the period with a formal rebate if the volumes have been achieved.

Allocating amounts to performance obligations

For most orders and contracts, there is a fixed price for each unit or weight of product sold. Therefore, there is no judgement involved in allocating the contract price to each unit ordered, other than weight variations or where customer volume rebates are offered.

Where the Group makes sales acting as an agent, where the counterparty risk remains with the supplier, only the margin on the sale is recognised as revenue rather than showing the gross revenue and associated costs.

Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

1 Accounting policies *(continued)*

Basis of consolidation *(continued)*

Where the sale of an operation is completed in the year and the disposal has a material effect on the nature and focus of the operations, then the sale is defined as a discontinued operation. Results up to the date of sale are disclosed as part of the profit and loss account under the heading discontinued operations. Where the operation is sold after the financial year end, only the results up to the year-end are included in the profit and loss account for that year as discontinued operations. In the subsequent year when the operation is sold, the results up to the date of sale along with the resulting profit or loss on disposal will be shown as discontinued operations in that year.

A subsidiary undertaking is excluded from the consolidation where there are severe long-term restrictions which substantially hinder the exercise of the rights of the Group over the assets or the management of that business.

Non-controlling interests

For business combinations, the Group initially recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. The Group has not elected to take the option to use fair value in acquisitions completed to date.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

No non-controlling interest is accounted for on non-wholly owned subsidiaries where there are restricted rights attached to the minority interest ownership of these subsidiaries, where there is an earn out and where there are put and call options for the minority shareholders to sell and the Group to buy the remaining shares. The deferred consideration for the remaining shares are based on the value of the earn out discounted over the earn out period.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

The only intangible recognised by the Group is brands. Brands that are acquired outside of a business combination are included at cost and not amortised because they are assumed to have an indefinite useful economic life. An impairment review is conducted on an annual basis with a provision made for any impairment.

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

For business combinations cost comprises the fair value of assets given, liabilities assumed, and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, re-measured subsequently through profit or loss. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

1 Accounting policies *(continued)*

Impairment of non-financial assets (excluding inventories and deferred tax assets)

Impairment tests on goodwill and brands with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

On consolidation, the results of overseas operations are translated into GBP at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at the average rates for the year are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in the profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category relates to only in-the-money forward currency hedging contracts (see "Financial liabilities" section for out-of-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. Other than forward currency contracts which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

1 Accounting policies *(continued)*

Financial assets *(continued)*

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other than financial liabilities in a qualifying hedging relationship (see below), the Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category relates to only out-of-the-money forward currency hedging contracts (see "Financial assets" for in the money derivatives). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than forward currency contracts which are not designated as hedging instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

1 Accounting policies *(continued)*

Financial liabilities *(continued)*

*Other financial liabilitie*s

Other financial liabilities include the following items:

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Invoice discounting

Where funds have been received against the discount of sales invoices a separate presentation is adopted whereby the gross amount of the sales invoices discounted is shown on the balance sheet within trade debtors, until the funds are received from the customer, and a corresponding liability in respect of the proceeds advanced shown within bank loans. The amounts are shown gross because the Group retains the credit risk over the debtors.

Hedge accounting

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge;

- The hedge relationship meets all of the hedge effectiveness requirements including that an economic relationship exists between the hedged item and the hedging instrument, the credit risk effect does not dominate the value changes, and the hedge ratio is designated based on actual quantities of the hedged item and hedging instrument.

Cash flow hedges

The effective part of forward contracts designated as a hedge of the variability in cash flows of foreign currency risk arising from firm commitments, and highly probable forecast transactions, are measured at fair value with changes in fair value recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The Group uses such contracts to fix the cost of inventories and the income from foreign currency sales, in the functional currency of the Group entity concerned.

The cumulative gain or loss recognised in other comprehensive income is reclassified from the cash flow hedge reserve to profit or loss at the same time as the hedged transaction affects profit or loss. The two transactions are recognised in the same line item.

If a forecast transaction is no longer considered highly probable but the forecast transaction is still expected to occur, the cumulative gain or loss recognised in other comprehensive income is frozen and recognised in profit or loss in accordance with the policy set out in the paragraph above. Subsequent changes in the fair value of the derivative are recognised in profit or loss. If the Group closes out its position before the transaction takes place (even though it is still expected to take place) the cumulative gain or loss on changes in fair value of the derivative is similarly recognised in accordance with the policy set out in the paragraph above. If, at any point, the hedged transaction is no longer expected to occur, the cumulative gain or loss is reclassified from the cash flow hedge reserve to profit or loss immediately.

1 Accounting policies *(continued)*

Hedge accounting *(continued)*

The effective portion of gains and losses on derivatives used to manage cash flow interest rate risk (such as floating to fixed interest rate swaps) are also recognised in other comprehensive income and accumulated in the cash flow hedge reserve. However, if the Group closes out its position early, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognised in profit or loss within finance expense or finance income.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Defined benefit schemes

Defined benefit scheme liabilities are measured at:

- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- Unrecognised past service costs; less

Remeasurements of the net defined obligation are recognised directly within equity. The re-measurements include:

- Actuarial gains and losses

Service costs are recognised in profit or loss and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (income) is recognised in profit or loss and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

Other long-term service benefits

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities.

Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities.

1 Accounting policies *(continued)*

Deferred consideration on acquisition

Where acquisitions incorporate deferred consideration to employees, a best estimate of this is provided unless in the opinion of the directors it cannot be measured with sufficient reliability. Provisions for deferred consideration are discounted using the appropriate borrowing rate available to the Group. Provisions for deferred consideration are reviewed annually and any adjustments taken to the consolidated income statement.

Leases

The majority of the Group's accounting policies for leases are set out in note 11.

Identifying Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Group obtains substantially all the economic benefits from use of the asset; and
(c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from the use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

Dividends

Dividends are recognised when they become legally payable.

Taxation

The charge for taxation is based on the results for the year. The tax charge differs from the expected statutory rate due to deferred tax on timing differences because of differences between the treatment of certain items for taxation and accounting purposes, profits and losses in some overseas jurisdictions that cannot be offset against UK profits and losses and the fact that some UK subsidiary companies utilise brought forward tax losses.

1 Accounting policies *(continued)*

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).
Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company, or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land and buildings are fair valued when they come into the Group and are subsequently carried at that value, periodic valuations are made by a professionally qualified valuer when it is felt that the fair value has materially changed. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Freehold buildings	-	2% per annum straight line
Plant and machinery	-	20% per annum straight line
Fixtures and fittings	-	10% to 33% per annum straight line
Computer equipment	-	33% per annum straight line
Motor vehicles	-	25% per annum straight line

Fixtures and fittings, computer equipment and motor vehicles are included as Plant, machinery and equipment in the property, plant and equipment, note 10.

1 Accounting policies *(continued)*

Property, plant and equipment *(continued)*

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the consolidated statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is calculated on an average material cost basis along with an estimation of the associated labour and overhead costs. Net realisable value is based on estimated selling price less additional costs to completion.

Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income or netted against the asset purchased. Where grants have been received for the furloughing of staff, the grant received has been shown as other operating income in the consolidated income statement.

Provisions

The group has recognised provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability if material. In the case of leasehold dilapidations, the provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

2 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements

Non-consolidation of Venezuelan entities - Following the illegal expropriation of assets by the Venezuelan government on 4 December 2011 the Group ceased to have any day to day control over the activity of the farming operations of the company, ceased to have beneficial rights to the operations assets or income and ceased to have a liability over the current or past obligations relating to the operations. These entities have therefore not been consolidated.

Break point of lease obligations – The obligations on the Group’s building leases have been measured to a point when the Group is able to break the leases rather than the end of the lease. This is because it was considered reasonably likely that the group would exercise its right to exercise any right to break the lease. See note 11.

2 Critical accounting estimates and judgements *(continued)*

Estimates and assumptions

- *Fair value measurement*

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- *Level 1*: Quoted prices in active markets for identical items (unadjusted)
- *Level 2*: Observable direct or indirect inputs other than Level 1 inputs
- *Level 3*: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur

The Group measures a number of items at fair value.

- Financial instruments (note 27)
- Defined benefit schemes (note 22)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

- *Impairment of goodwill*

The Group is required to test, on an annual basis, whether goodwill and indefinite life intangible assets have suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. More information including carrying values is included in note 13.

- *Unfunded defined benefit obligation*

The costs and liabilities of the defined unfunded benefit schemes operated by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 22. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the consolidated statement of comprehensive income and the consolidated statement of financial position.

- *Income taxes*

The Group is subject to income tax in several jurisdictions. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

2 Critical accounting estimates and judgements *(continued)*

Estimates and assumptions (continued)

- *Deferred tax asset*

A deferred tax asset arising on unrelieved losses has been recognised under IAS 12 where there is a reasonable expectation that suitable taxable profits will be available in the short term against which the deferred tax asset can reverse. Where there is uncertainty as to whether suitable taxable profits will be available in the short term against which the deferred tax asset can reverse the deferred tax asset is not recognised.

- *Lease Liabilities*

The determination of lease term for some lease contracts in which the Group is a lessee, including whether the Company is reasonably certain to exercise lessee options (note 11), and the determination of the incremental borrowing rate used to measure lease liabilities (note 11).

3 Revenue

Revenue arises in the following geographical locations:	2020 £'000	2019 £'000
United Kingdom	**188,973**	263,517
Europe	**136,504**	142,924
Asia	**49,155**	57,223
Africa	**38,127**	39,933
North America	**14,891**	16,450
Middle East	**9,434**	8,125
Other	**23,423**	7,949
	460,507	536,121

Revenue arises in the following customer types:	2020 £'000	2019 £'000
Wholesale	**265,046**	337,232
Foodservice	**65,755**	84,435
Retail	**56,369**	57,836
Hotels and restaurants	**28,656**	32,634
Direct to consumer	**39,856**	21,613
Other	**4,825**	2,371
	460,507	536,121

4 Expenses by nature

	2020 £'000	2019 £'000
Raw materials and consumables used	**386,389**	459,132
Employee benefit expenses (see note 7)	**39,775**	39,054
Depreciation of tangible fixed assets	**2,147**	1,683
Amortisation of right-of-use assets	**2,431**	1,779
Amortisation of intangible fixed assets	**18**	18
Impairment losses on intangible fixed assets	**-**	1,776
Realised exchange gains	**114**	(18)
Government Grant furlough income	**(1,765)**	-
Profit on disposal of property, plant and equipment	**(35)**	(50)
Fees payable to the company auditors and its associates for other services:		
- Audit of the parent company and the consolidation	**73**	52
- Audit of UK subsidiary undertakings	**100**	93
- Audit of overseas subsidiary undertakings	**74**	60
- Taxation services	**39**	25

	2020 £'000	2019 £'000
Group EBITDA as defined in the Strategic report on page 5		
Profit from operations	**2,968**	6,704
Add		
Depreciation of tangible fixed assets:	**2,147**	1,683
Amortisation of right-of-use assets	**2,431**	1,779
Amortisation of intangible fixed assets	**18**	18
Impairment losses on intangible fixed assets	**-**	1,776
	7,564	11,960

5 Other operating income

	2020 £'000	2019 £'000
Other operating income comprise:		
Furlough scheme income	**1,765**	-
Realised exchange	**94**	24
	1,859	24

6 Exceptional items

The exceptional income/(charges) that are one off in nature, included in operating profit relate to the following items:

In 2020 the Group received £2,500,000 for a contract settlement relating to a prior year.

In the prior year fees of £4,394,000 were recharged to Vestey Group Limited, the Companies immediate parent undertaking, in relation to the legal case against the Venezuelan government for their illegal expropriation of all the Group's assets and operations in Venezuela.

Goodwill impairments were also made in the prior year against purchased goodwill in Donald Russell Limited of £1.0m, Friendship Foods Limited of £0.4m, and UAB Vestey Foods Baltics of £0.4m.

7 Employee benefit expenses

	2020 £'000	**2019 £'000**
Employee benefit expenses (including directors) comprise:		
Wages and salaries	**34,969**	34,018
Defined contribution pension cost	**1,264**	1,008
Other-long term employee benefits	**50**	43
Social security contributions and similar taxes	**3,492**	3,985
	39,775	39,054

The average number of employees, including directors, during the year was:	**2020 Number**	**2019 Number**
Management and administration	**309**	253
Selling and distribution	**306**	292
Production and storage	**423**	390
	1,038	935

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the company listed on page 8.

	2020 £'000	**2019 £'000**
Salary	**2,708**	2,436
Employee benefits	**147**	118
	2,855	2,554

Remuneration of the highest paid director

The highest paid director's remuneration was £697,163 (2019 - £685,942).

8 Finance income and expense

Recognised in the profit and loss

Finance Income	**2020 £'000**	**2019 £'000**
Interest received on bank deposits	**18**	97
Ineffective portion of changes in fair value of cash flow hedges	**244**	101
Total finance income	**262**	198

Finance expense	**2020 £'000**	**2019 £'000**
Interest expense on lease liabilities	**175**	94
Interest paid on bank borrowing	**846**	1,023
Ineffective portion of changes in fair value of cash flow hedges	**-**	786
Net foreign exchange loss	**490**	65
Total finance expense	**1,511**	1,968
Net finance expense recognised in profit and loss	**1,249**	1,770

9 Tax expense

	2020 £'000	**2019 £'000**
Corporation tax		
Current tax	**737**	729
Adjustment to prior years' provisions	**(56)**	(45)
Current tax	**681**	684
Deferred tax (Note 19)	**(116)**	-
Taxation on profit on ordinary activities	**565**	684

9 Tax expense *(continued)*

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	**1,719**	4,934
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.0% (2019 – 19.0%)	**327**	937
Effects of:		
Expenses not deductible for tax purposes	**110**	357
Income not included for tax purposes	**(57)**	(835)
Utilisation of brought forward tax losses	**(358)**	-
Tax losses arising in the year and not utilised	**583**	192
Group tax relief not paid for	**(144)**	-
Recognition of deferred tax assets where taxable profits will be available for future utilisation	**(116)**	-
Difference between overseas tax rate and UK tax rate	**196**	-
Other timing differences	**24**	33
Total tax charge for year	**565**	684

10 Property, plant and equipment

	Freehold property Admin-istration £'000	Freehold property Other £'000	Leasehold property £'000	Plant, machinery and equipment £'000	Total £'000
Cost					
At 1 January 2019	1,198	5,969	1,135	14,379	22,681
Reclassification due to adoption of IFRS 16	-	-	-	(1,263)	(1,263)
Additions	85	-	81	1,357	1,523
Disposals	-	-	-	(307)	(307)
Foreign exchange movements	-	(1)	(1)	(73)	(75)
At 31 December 2019	**1,283**	**5,968**	**1,215**	**14,093**	**22,559**
At 1 January 2020	1,283	5,968	1,215	14,093	22,559
Additions	-	120	2,131	2,499	4,750
Disposals	-	-	-	(261)	(261)
Foreign exchange movements	-	-	(113)	83	(30)
At 31 December 2020	**1,283**	**6,088**	**3,233**	**16,414**	**27,018**
Depreciation					
At 1 January 2019	296	1,320	912	9,143	11,671
Reclassification due to adoption of IFRS 16	-	-	-	(342)	(342)
Charge for the year	61	216	64	1,342	1,683
Disposals	-	-	-	(286)	(286)
Foreign exchange movements	-	-	-	(51)	(51)
At 31 December 2019	**357**	**1,536**	**976**	**9,806**	**12,675**
At 1 January 2020	357	1,536	976	9,806	12,675
Charge for the year	61	222	135	1,729	2,147
Disposals	-	-	-	(229)	(229)
Foreign exchange movements	-	-	(3)	75	72
At 31 December 2020	**418**	**1,758**	**1,108**	**11,381**	**14,665**
Net book value					
At 1 January 2019	902	4,649	223	5,236	11,010
At 31 December 2019	926	4,432	239	4,287	9,884
At 31 December 2020	**865**	**4,330**	**2,125**	**5,033**	**12,353**

None of the freehold land and buildings held by the Group have been fair valued since the date of acquisition. Revaluations will be carried out if management believe that the fair value has changed materially.

11 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets (less than £10,000); and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied across the Group is 3.0%, or 8% for lease liabilities in the Philippines.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 3.0%.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

11 Leases *(continued)*

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use assets obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount;

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure it's carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that convey both a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has taken out the service element when calculating the right of use asset and related liability. The service element has been expensed in the income statement.

The group always negotiates break clauses in its property leases. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the group.

At 31 December 2020 the carrying amounts of lease liabilities have been reduced by the amount of payments that would be avoided from exercising break clauses because it was considered reasonably likely that the group would any right to break the lease. As a result of the assumption that the group will exercise the break clauses total lease payments of £3,165,848 (2019 – £3,125,280) will be avoided.

Right-of-use assets

	Land and buildings	**Plant, machinery and motor vehicles**	**Total**
	£'000	**£'000**	**£'000**
At 1 January 2019	1,878	2,110	**3,988**
Addition	1,730	2,543	**4,273**
Amortisation	(595)	(1,173)	**(1,768)**
Effect of modification to lease terms	-	(68)	**(68)**
Foreign Exchange movements	(35)	(3)	**(38)**
At 31 December 2019	**2,978**	**3,409**	**6,387**

11 Leases *(continued)*

Right-of-use assets *(continued)*

	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 1 January 2020	2,978	3,409	**6,387**
Addition	1,159	1,616	**2,775**
Amortisation	(922)	(1,509)	**(2,431)**
Effect of modification to lease terms	(202)	(98)	**(300)**
Foreign Exchange movements	(28)	5	**(23)**
At 31 December 2020	**2,985**	**3,423**	**6,408**

Lease Liabilities

	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 1 January 2019	1,878	1,989	**3,867**
Addition	1,729	2,602	**4,331**
Interest expense	61	33	**94**
Effect of modification to lease terms	-	(104)	**(104)**
Lease payments	(687)	(1,317)	**(2,004)**
Foreign Exchange movements	(31)	(4)	**(35)**
At 31 December 2019	**2,950**	**3,199**	**6,149**

	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 1 January 2020	2,950	3,199	6,149
Addition	1,159	1,616	**2,775**
Interest expense	175	-	**175**
Effect of modification to lease terms	(202)	(98)	**(300)**
Lease payments	(999)	(1,402)	**(2,401)**
Foreign Exchange movements	(36)	6	**(30)**
At 31 December 2020	**3,047**	**3,321**	**6,368**

The Group did not receive any rent concessions during 2020.

11 Leases *(continued)*

	2020 £'000	2019 £'000
Short-term lease expense	1,203	1,997
Low value lease expense	191	289
Aggregate undiscounted commitments for short-term leases	38	38

	2020 £'000	2019 £'000
Leases liabilities payable:		
Up to 3 months	**323**	318
3 months to 12 months	**968**	1,073
In one to two years	**1,552**	1,565
In two to five years	**3,525**	3,193
After five years	**-**	-
	6,368	6,149

12 Intangible assets

	Goodwill £'000	Brands £'000	Customer relationships £'000	Total £'000
Cost				
At 1 January 2019	33,412	1,364	150	34,926
Foreign exchange movements	(23)	(19)	-	(42)
At 31 December 2019	**33,389**	**1,345**	**150**	**34,884**
At 1 January 2020	33,389	1,345	150	34,884
Foreign exchange movements	31	(19)	-	12
At 31 December 2020	**33,420**	**1,326**	**150**	**34,896**
Amortisation and impairment				
At 1 January 2019	24,439	-	36	24,475
Amortisation	-	-	18	18
Impairments	1,776	-	-	1,776
At 31 December 2019	**26,215**	**-**	**54**	**26,269**
At 1 January 2020	26,215	-	54	26,269
Amortisation	-	-	18	18
Impairments	-	-	-	
At 31 December 2020	**26,215**	**-**	**72**	**26,287**
Net book value				
At 1 January 2019	8,973	1,364	114	10,451
At 31 December 2019	7,174	1,345	96	8,615
At 31 December 2020	**7,205**	**1,326**	**78**	**8,609**

13 Goodwill and impairment

The carrying amount of goodwill is allocated to the subsidiary operating companies as follows:

Goodwill carrying amount	**2020 £'000**	**2019 £'000**
UAB Vestey Foods Baltics	**794**	794
Vestey Foods France SAS	**350**	350
Vestey Foods Benelux NV	**225**	225
FineFrance UK Limited	**5,467**	5,467
Other	**369**	338
	7,205	7,174

13 Goodwill and impairment *(continued)*

The recoverable amounts of all the above subsidiary operating companies have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period to 31 December 2025.

For Fine France UK Limited, the major assumptions used are as follows:

	2020	**2019**
	%	%
Discount rate	**8.9**	10.5
Operating margin	**4.4**	5.7
Growth rate	**24.7**	14.8

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to the cash generating unit. Growth rates relate to the expected increase in turnover over the next 5 years. Beyond 2025 growth rates of 0% have been used which are based on growth rate limitations on the operations warehouses.

If any one of the following changes were made to the above key assumptions, the revised carrying amount and recoverable amount for Fine France UK Limited would be equal.

	%	%
	Change from	**To**
Discount rate	**8.9**	21.0
Operating margin	**4.4**	1.7
Growth rate	**24.7**	2.4

An additional sensitivity was carried out on the basis that a post year end lock down appeared likely as a result of Covid-19 and the turnover growth rate would have to remain above 2.8% to support the goodwill level.

For UAB Vestey Foods Baltics Limited, the major assumptions used are as follows:

	2020	**2019**
	%	%
Discount rate	**8.8**	8.9
Operating margin	**1.6**	1.3
Growth rate	**6.8**	2.5

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to the cash generating unit. Growth rates relate to the expected increase in turnover over the next 5 years. Beyond 2025 growth rates of 2% have been used which are based on economic data pertaining to the sector concerned.

Based on these assumptions which are seen to be very cautious and build in a level of sensitivity no impairment of the goodwill carrying value has been made.

14 Non-Controlling interests

Vestey Foods France SAS is a subsidiary of Vestey Foods Group that has a 16% (2019: 16%) non-controlling interest.

Vestey Foods UK Limited is a 100% subsidiary of Vestey Foods UK Holdings Limited a company that has a 23.5% non-controlling interest.

Vestey Foods International Limited is a 100% subsidiary of Vestey Foods International Holdings Limited a company that has a 24% non-controlling interest.

Albion Fine Foods Limited is a subsidiary of Fine Foods Group Limited a company that has a 24.9% non-controlling interest.

The NCI of all other subsidiaries that are not 100% owned by the group are considered to be immaterial.

15 Inventories

	2020 £'000	2019 £'000
Finished goods and goods held for resale	**47,525**	42,649
Raw materials and consumables	**8,518**	12,448
	56,043	55,097

In 2020 £386,389,000 of inventory was charged to the cost of goods sold in the year (2019: £459,132,000).

16 Trade and other receivables

Amounts falling due within one year:	2020 £'000	2019 £'000
Trade receivables	**49,904**	60,057
Less: provision for impairment of trade receivables	**(1,210)**	(1,175)
Trade receivables net	**48,694**	58,882
Receivables from related parties (note 23)	**1,500**	1,500
Receivable from parent undertaking	**203**	10
Other debtors	**3,219**	2,380
Prepayments	**3,832**	3,366
Derivative financial assets	**335**	439
Total trade and other receivables	**57,783**	66,577

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

At 31 December 2020, £16,126,000 (2019: £19,003,000) of trade receivables had been sold to a provider of invoice discounting and debt factoring services. The Group is committed to underwrite any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the debtors repay or default. The proceeds from transferring the debts of £14,513,000 (2019: £17,103,000) are included in loan and borrowings until the debts are collected or the Group makes good any losses incurred by the service provider.

16 Trade and other receivables *(continued)*

The Group does not hold any collateral as security.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the five-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers, in 2020 the loss rates increased as a result of Covid-19. The Group has identified the credit and fiscal environments as well as the markets that subsidiary undertaking are selling to as key macroeconomic factors in the countries where the Group operates.

At 31 December 2020 the lifetime expected loss provision for trade receivables is as follows:

	Expected loss rate %	**Gross carrying amount £'000**	**Loss Provision £'000**
Current	0.02 - 0.03	**35,788**	10
1 to 30 days past due	0.09 – 0.10	**7,906**	8
31 to 60 days past due	0.22 – 0.23	**2,215**	5
61 to 90 days past due	1.9 - 2.0	**620**	12
91 to 120 days past due	3.0 – 4.0	**3,144**	3
121 to 150 days past due	23.0 - 24.0	**4**	1
More than 151 days past due	100	**227**	227
Total		**49,904**	266

At 31 December 2019 the lifetime expected loss provision for trade receivables is as follows:

	Expected loss rate %	**Gross carrying amount £'000**	**Loss Provision £'000**
Current	0.02 - 0.03	**41,173**	6
1 to 30 days past due	0.07 – 0.09	**12,452**	7
31 to 60 days past due	0.10 – 0.12	**3,409**	2
61 to 90 days past due	0.3 – 0.5	**847**	7
91 to 120 days past due	0.6 – 0.8	**1,885**	22
121 to 150 days past due	1.0 – 1.2	**172**	2
More than 151 days past due	100	**119**	119
Total		**60,057**	165

The Group's policy is to deem a debt owed as defaulted the earlier of the customer going into liquidation, ceasing trading or becoming more than 151 days past due.

16 Trade and other receivables *(continued)*

Movements in the impairment allowance for trade receivables are as follows:

Amounts falling due within one year:	**2020 £'000**	**2019 £'000**
At 1 January	**1,175**	487
Increase during the year	**786**	988
Previously provided for debt collected	**(183)**	(65)
Unused amounts reversed	**(581)**	(220)
Foreign exchange movements	**13**	(15)
Impairment loss during the year	**35**	688
At 31 December	**1,210**	1,175

In addition to the general loss provision, as at 31 December 2020 specific trade receivables of £944,000 (2019: £1,010,000) had lifetime expected credit losses of the full value of the receivables. These receivables will be fully written off when there is no chance of receiving these funds.

All receivables from related parties at 31 December 2020 are due on demand. The related parties have sufficient resources to be able to repay the receivable if demanded, consequently, 12 month expected credit losses have been assessed, and there are no expected credit losses.

17 Trade and other payables

	2020 £'000	**2019 £'000**
Current		
Trade payables	**27,220**	33,946
Other payables	**8,727**	6,505
Accruals	**17,932**	22,729
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities at amortised cost	**53,879**	63,180
Derivative financial liabilities	**980**	1,357
Other payables - taxation and social security	**864**	909
	55,723	65,446
Non-Current		
Deferred Income	**46**	46
Unfunded defined benefit scheme (Note 22)	**1,165**	1,006
	1,211	1,052
Total Trade and other payables	**56,934**	66,498

18 Loans and borrowings

	2020 £'000	2019 £'000
Current		
Bank Overdrafts		
- Secured	**-**	-
- Unsecured	**4,802**	2,822
Bank Loans		
- Secured	**13,578**	29,703
- Unsecured	**6,000**	-
	24,380	32,525

	2020 £'000	2019 £'000
Non-Current		
Bank Loans		
- Secured	**5,430**	150
- Unsecured	**2,000**	-
	7,430	150
Total loans and borrowings	**31,810**	32,675

The cash flow and non-cash flow movement in the year on the borrowings are:

	Non-current loans and borrowings £'000	Current loans and borrowings £'000	Total £'000
At 1 January 2019	650	35,834	36,484
Cash Flows:			
Lease / loan repayments	-	(3,038)	(3038)
Lease / loan drawdowns	-	107	107
Non-cash flows:			
Transferred to Leases (Note 11)	(500)	(303)	(803)
Foreign exchange movements	-	(75)	(75)
At 31 December 2019	**150**	**32,525**	**32,675**

18 Loans and borrowings *(continued)*

	Non-current loans and borrowings £'000	Current loans and borrowings £'000	Total £'000
At 1 January 2020	150	32,525	32,675
Cash Flows:			
Loan repayments	(1,928)	(14,132)	(16,060)
Loan drawdowns	9,111	6,000	15,111
Non-cash flows:			
Foreign exchange movements	97	(13)	84
At 31 December 2020	**7,430**	**24,380**	**31,810**

The currency profile of the Group's loans and borrowings is as follows:

	2020 £'000	2019 £'000
GBP	**23,958**	28,777
EUR	**6,391**	3,353
USD	**1,356**	-
Other	**105**	545
	31,810	32,675

The rate at which GBP denominated liabilities are payable is 1.75-2.0% (2019: 1.75-2.0%) above LIBOR. The rate at which Euro denominated liabilities are payable is 1.45-5.25% (2019: 1.45-5.25%).

Bank Borrowings

The secured bank loans are secured by corporate guarantees or against the individual subsidiary company assets that they are financing.

The Group has £42,900,000 (2019: £28,650,000) of undrawn committed borrowing facilities available at 31 December 2020, for which all conditions have been met. Other than £2,000,000 of the UK and all the French Covid-19 government backed loans which are repayable in 2022 and 2023 respectively, the facilities which all expire within 1 year are annual facilities subject to renewal at various dates during 2021.

19 Deferred tax asset

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2019: 17%).

The movement on the deferred tax account is as shown below:

Group	**£'000**
Balance at 1 January 2020	-
Recognition of unrelieved tax losses	116
Foreign Exchange movements	(3)
Balance at 31 December 2020	**113**

Deferred taxation provided in the financial statements and the potential un-provided deferred tax asset amounting to £2,381,000 (2019 - £2,744,000) is made up as follows:

	Not Provided 2020 £'000	**Provided 2020 £'000**	**Not Provided 2019 £'000**	**Provided 2019 £'000**
Unrelieved losses	**1,805**	**113**	2,226	-
Capital allowances in advance of depreciation	**121**	**-**	63	-
	1,926	**113**	2,289	-
Advance corporation tax recoverable	**455**	**-**	455	-
	2,381	**113**	2,744	-

The deferred tax asset has been recognised under IAS 12 as there is certainty that suitable taxable profits will be available in the short term against which the deferred tax asset can reverse. When there is uncertainty as to whether suitable taxable profits will be available in the short term against which the deferred tax asset can reverse the deferred tax asset has not been recognised.

The material tax losses carried forward are approximately £9,373,000 (2019 - £11,852,000) in the UK. In addition, there are capital losses carried forward of approximately £1,301,000 (2019 - £1,301,000) in the UK. These have not been recognised as deferred tax assets.

20 Share capital

	2020 £'000	**2019 £'000**
Authorised		
1,000,000 Ordinary shares of £10 each	**10,000**	10,000
Allotted, called up and fully paid		
500,000 Ordinary shares of £10 each	**5,000**	5,000

21 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Cash flow hedging reserve	Gains/losses arising on the effective portion of hedging instruments carried at fair value in a qualifying cash flow hedge.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations into GBP.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

22 Pension schemes

The Group operates a number of pension schemes, with assets held in separate trustee-administered funds.

The pension schemes are as follows:

- Unfunded Defined Benefit Scheme, which is a United Kingdom unfunded defined benefit scheme for certain past and current directors. The pension costs relating to this scheme are assessed in accordance with the recommendations of a professionally qualified actuary; and

- Western Pension Trust, which is a multi-employer money purchase scheme.

Expected contributions for the next accounting period are £921,000 (2019 - £794,000) in respect of the Western Pension Trust multi-employer money purchase scheme.

The total pension costs for the Group charged in the 2020 profit and loss account amounted to £894,000 (2019 - £842,000), in respect of the Western Pension Trust multi-employer money purchase scheme.

The total actuarial loss for the Group charged to other comprehensive income in 2020 amounted to £139,000 (2019 –£100,000), all of which related to the unfunded defined benefit scheme.

Unfunded defined benefit scheme

The Group operates an unfunded defined benefit scheme. This scheme provides promises to five executive employees, three of whom have left service. No company contributions are presently being paid in respect of these promises.

At 31 December 2020, a provision of £1,165,000 was included within pension liabilities (2019 - £1,006,000) in respect of this scheme. The charge to the profit and loss in 2020 in relation to this scheme was £20,000 (2019 – £25,000).

22 Pension schemes *(continued)*

The scheme is exposed to a number of risks, including:

- *Changes in bond yields*: a decrease in bond yields will increase the value placed on the Scheme's liabilities for accounting purposes.

- *Inflation risk*: A significant portion of the Plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although, in most cases, caps on levels of inflationary increases are in place to protect against extreme inflation).

- *Life expectancy*: The majority of the Plan's obligations are to provide for the life of the member, so increase in life expectancy will result in an increase in the liabilities.

In accordance with the requirements of IAS 19 the main financial assumptions are as follows:

	2020	**2019**
Rate of inflation (%)	**3.2**	3.0
Rate of increase in salaries (%)	**3.2**	3.0
Rate of increase in pensions in payment (%)	**3.1**	2.9
Liquidity discount rate (%)	**1.4**	2.0
Mortality assumption - male (years)	**88.9**	88.8

The plan is an unfunded pension arrangement and thus does not hold any assets in respect of the liabilities.

Reconciliation of the present value of the scheme liabilities

	2020 £'000	**2019 £'000**
Balance at 1 January	**(1,006)**	(881)
Current service cost		
Interest cost	**(20)**	(25)
Included in profit or loss	**(20)**	(25)
Actuarial gain/(loss) due to change in financial assumptions	**(117)**	(87)
Actuarial gain due to demographic assumptions	**(4)**	3
Actuarial loss due to liability experience	**(18)**	(16)
Included in other comprehensive income	**(139)**	(100)
Benefits paid	**-**	-
Balance at 31 December	**(1,165)**	(1,006)

22 Pension schemes *(continued)*

Sensitivity analysis

The key assumptions used are: discount rate, inflation and mortality. If different assumptions are used, this could have a significant effect on the results disclosed. The sensitivity of the results to these assumptions are as follows:

Actuarial assumption	**Reasonably possible change**	**Increase in liability £'000**	**Revised liability £'000**
Discount rate	**Decrease of 0.5%**	(100)	(1,265)
Inflation rate assumption	**Increase of 0.5%**	(30)	(1,195)
Life expectancy	**Increase by 1 year**	(50)	(1,215)

23 Related party transactions

At the end of the year deferred consideration has been provided for future earn-outs to the following minority shareholders, who are also directors or senior managers of those companies:

- £120,000 (2019 - £120,000) payable to Michel Recart, the president and holder of 5.5% of the shares in Vestey Foods France SAS; and
- £120,000 (2019 - £120,000) payable to Gilles Bensimon, the managing director and holder of 5.5% of the shares in Vestey Foods France SAS; and
- £1,500,000 (2019 - £1,500,000) repayable by George Vestey, the chief executive officer and a director of Vestey Holdings Limited. This is an interest free loan repayable on demand.

Vestey Holdings Limited has entered into an agreement with the MoD which guarantees that Purple FoodService Solutions Limited will be provided with the resources necessary to fulfil its obligations under its contract with the MoD.

Vestey Holdings recharged costs totalling £Nil (2019 - £2,400) to Alder Investment Management Limited, a company that George Vestey is also a director of. At 31 December 2020, Alder Investment Management Limited owed £Nil to Vestey Holdings Limited (2019 - £Nil).

24 Contingent liabilities and guarantees

Apart from the corporate guarantee on the unsecured bank loans, there were no guarantees or contingent liabilities for the Group at 31 December 2020 (2019 - £Nil).

25 Immediate and ultimate parent undertaking

The immediate holding company is Vestey Group Limited which is incorporated in Great Britain. The ultimate parent company is Western United Investment Company Limited, which is incorporated in Great Britain and which is head of the largest group of undertakings of which the company is a member for which group financial statements are prepared.

The ultimate control of Western United Investment Company Limited rests with The Lord Vestey, Mr G M W Vestey and Mr R J H Vestey who, between them, have control of all the issued voting shares of the company.

The financial statements of Western United Investment Company Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

26 Financial instruments – Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price risk,
- Other operating risks, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

During the year ended 31 December 2020 there have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The impact of Covid-19 on the Group’s principal risks and on financial instrument risks is set out in the Strategic Report and Directors Report.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Trade receivables
Cash and cash equivalents
Trade and other payables
Bank overdrafts
Floating-rate bank loans
Fixed rate bank loans,
Finance Leases, and
Forward currency contracts (derivatives)

Financial instruments by category

	Fair value through profit or loss		**Amortised cost (Loans and receivables)**	
Financial assets	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**
Cash and cash equivalents	-	-	**20,357**	23,606
Trade and Other receivables	-	-	**53,616**	62,772
Derivatives	**335**	439	**-**	-
Total financial assets	**335**	439	**73,973**	86,378

26 Financial instruments – Risk Management *(continued)*

	Fair value through profit or loss		Amortised costs	
Financial liabilities	**2020**	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Trade and Other payables	-	-	**53,879**	63,131
Loans and borrowings	-	-	**31,810**	32,675
Derivatives	**980**	1,357	**-**	-
Total financial liabilities	**980**	1,357	**85,689**	95,806

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade, other payables and loans and borrowings approximates their fair value.

(b) Financial instruments measured at fair value

The fair value hierarchy of Derivative financial assets and liabilities measured at fair value is Level 2.

The asset / liability fair value is derived from the value of the forward currency contract converted at the period end exchange rate and adjusted for forward points and an internal bank risk assessment compared to the contract converted currency value.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's management team.

In order for Group management to keep these risks under control, subsidiary general and finance managers are subjected to a number of restrictive directors' operating covenants which detail the level of authority they have to operate within without authority from the Group management. These covenants include restrictions on the speculative purchases of stock or currency, the selling of products to uninsured customers, long-term lease commitments, capital expenditure, exceeding local third party borrowing levels and the adherence to Group human resources, ethics and accounting policies.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

The Group's principal 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. The Group is mainly exposed to credit risk from credit sales. To manage this risk in the Trading Division, credit insurance is taken out against customers given credit and their adherence to these limits is closely monitored. In the current economic climate, where credit insurance cover on customers is constantly being reviewed and often reduced, a strong emphasis has been placed by Group management on the subsidiary operating companies to not have outstanding credit from customers which exceeds their insured limits. Where customers wish to receive credit over and above insured limits, they must offer alternative security to cover the Group's exposure or seek permission from Group management. During 2020 a number of credit insurance limits were reduced or removed on customers, sales to these customer were reduced, stopped or alternate security was put in place to allow sales to continue.

26 Financial instruments – Risk Management *(continued)*

Where customers are in politically risky countries and credit insurance is not available, then funds must either be prepaid by the customer before shipment of the goods or before title documents of the goods are transferred or they must offer alternative security to cover the Group's exposure.

Credit limits across all divisions, especially given the current economic climate, are reviewed on a regular basis in conjunction with credit insurance limits, debt ageing and collection history and at the reporting date losses are not expected from non-performance by the counterparties.

All trading subsidiaries prepare monthly debtor reports which are submitted to Group management and are closely monitored, in liaison with local managers, to ensure that internally set customer credit limits and credit insurance limits are adhered to.

Increased checks have also been put in place to counter a noticeable increase in frauds being attempted by individuals and organised groups who are pertaining to be reputable customers. A revised rigorous approval policy is in place to check new customers who receive credit insurance cover. The level of third party confirmation for individual contacts and companies has been increased before customers are approved.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Further disclosures regarding trade and other receivables, including details about provisions made against expected losses under IFRS 9, are provided in note 16.

Cash in bank and short-term deposits

A significant amount of cash is held with the following institutions:

	31 December 2020		**31 December 2019**	
	Cash at bank £'000	**Short term deposits £'000**	**Cash at bank £'000**	**Short term deposits £'000**
Barclays Bank	**8,159**	**-**	9,186	-
Lloyds Bank	**1,915**	**65**	5,483	6,115
BNP Paribas	**3,444**	**-**	500	
Credit Agricole	**2,660**	**-**	486	
Other	**2,980**	**-**	1,846	-
	19,158	**65**	17,501	6,115

Market risk

Market risk mainly arises from the Group's use of foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changing foreign exchange rates (currency risk) or other market factors (other price risk).

Foreign exchange risk

Foreign exchange risk arises in the Trading Division where it generally purchases products in different currencies to the selling and functional local currencies. The Group's policy is to significantly reduce exposure risk by hedging 100% of the actual foreign currency purchases against the appropriate selling currency at the date of order. The non-adherence to these policies and the speculative purchase of currencies are both restricted by the formally agreed directors' operating covenants, unless expressly agreed by Group management.

26 Financial instruments – Risk Management *(continued)*

In order to monitor the continuing effectiveness of this policy, each company produces monthly foreign exchange reconciliations by each non-functional currency that they are exposed to. These reconciliations are reviewed on a regular basis by the Group finance function.

As of 31 December the Group's net exposure to foreign currency exchange risk was as follows:

	Functional currency of individual entity					
	GBP		**EUR**		**Total**	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**
Net foreign currency financial assets / (liabilities)						
EUR	**(5,836)**	(3,613)	**-**	-	**(5,836)**	(3,613)
USD	**1,692**	(1,333)	**-**	452	**1,692**	(881)
YEN	**3,565**	2,805	**-**	-	**3,565**	2,805
SGD	**180**	91	**-**	-	**180**	91
DKK	**8**	(63)	**-**	-	**8**	(63)
Other	**74**	(1,435)	**-**	-	**74**	(1,435)
	(317)	(3,548)	**-**	452	**(317)**	(3,096)

The effect of a 10% weakening of the EUR against GBP at the reporting date on the EUR denominated assets and liabilities carried at that date and not covered by a forward currency hedging contract would, all other variables held constant, have resulted in an increase in pre-tax profit for the year and decrease of net liabilities of £531,000 (2019: £328,000). A 10% strengthening in the exchange rate would, on the same basis, have decreased pre-tax profit and decreased net assets by £584,000 (2019: £361,000).

The effect of a 10% weakening of the YEN against GBP at the reporting date on the YEN denominated assets and liabilities carried at that date and not covered by a forward currency hedging contract would, all other variables held constant, have resulted in a decrease in pre-tax profit for the year and decrease of net assets of £324,000 (2019: £255,000). A 10% strengthening in the exchange rate would, on the same basis, have increase post-tax profit and increased in net assets by £356,000 (2019: £281,000).

Other market price risk

The Group operates in a large number of very competitive markets, where outbreaks of different animal diseases can have a big impact on both the supply and customer base of each subsidiary, where suppliers who may not adhere to our product specifications can present quality issues and where the market value of what are effectively commodity products can vary widely and quickly. The Group manages these risks by ensuring, where possible, that each subsidiary does not have an over-reliance on sales of one product type or one supplier/supply location, that, where possible, stock is only purchased when an order is received, by employing a significant technical resource to regularly audit suppliers, and by ensuring that stocks of perishable, short shelf life items are kept to a minimum.

The Trading Division also operate a number of fixed price, volume and / or period driven customer contracts, supplying specific, but reasonably generic products. The division manages these supply risks by ensuring that they have at least dual suppliers for such contracts going forward.

Other operating risks

There were a number of other operating risks that arose in the year mainly around Covid-19 and Brexit. These are covered in detail in the Strategic report and in individual sections of this note.

26 Financial instruments – Risk Management *(continued)*

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due, which could result in the banks taking ownership of the assets that the Group's funding is secured against.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim cash flow, borrowing and working capital forecasts are prepared by subsidiaries each month in their monthly management accounts. The current and forecast working capital requirements are reviewed in conjunction with budgeted levels and existing financing facilities to ensure that sufficient headroom is maintained within all available facilities. Group management also receive monthly reports from each subsidiary detailing aged debtors, in particular overdue debtors, and an aged stock report detailing all slow-moving stock.

Individual Group subsidiary companies are financed by asset backed secured financing facilities and local management manage the working capital of their businesses within the constraints provided by the stock and debtors that they are financing against. Local management manage working capital levels carefully. They have regular meetings to ensure that stock levels are managed at an optimum level and that slow-moving stock and stock items close to expiry are closely monitored. Debtors ageing reports are regularly monitored and overdue debtors chased. Increases to the facility limits can only be made if authorised by Group management.

Group management formally assess the Group's 12-month cash flow projections on an annual basis as well as informally reviewing the Group management accounts on a monthly basis. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to utilise any of its Head Office held cash reserves.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 December 2020	**Up to 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade Creditors and other payables	**53,879**	**-**	**-**	**-**
Loan and borrowings	**24,380**	**2,000**	**5,430**	**-**
Derivative financial liabilities	**980**	**-**	**-**	**-**
Total	**79,239**	**2,000**	**5,430**	**-**

At 31 December 2019	**Up to 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade Creditors and other payables	63,131	-	-	-
Loan and borrowings	32,525	150	-	-
Derivative financial liabilities	1,357	-	-	-
Total	97,013	150	-	-

26 Financial instruments – Risk Management *(continued)*

Capital Disclosures

The Group monitors its net debt to Capital (Gearing) ratio on an ongoing basis. Capital comprises all components of equity, including non-controlling interests while net debt is calculated as total debt (as shown in the consolidated statement of financial position) less cash and cash equivalents.

The Group's main objectives when minimising its Gearing ratio is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and fund its working capital cycle to meet its contractual agreements with suppliers.

The Group sets the maximum level Gearing it will allow in proportion to risk. The Group manages its level of Gearing in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group's strategy is to preserve a strong cash base and achieve a debt-to-adjusted-capital ratio of less than 25% (2019: 25%). The objective of this strategy is to secure access to finance at reasonable cost by maintaining a high credit rating. In this calculation net debt excludes Lease liability commitments.

The debt-to-capital ratios at 31 December 2020 and at 31 December 2019 were as follows:

	2020 £'000	**2019 £'000**
Loans and borrowings	**31,810**	32,675
Less: cash and cash equivalents	**(19,223)**	(23,606)
Net debt	**12,587**	9,069
Total equity	**65,170**	64,709
Debt to capital ratio (%)	**19.3%**	14.0%

The increase in the Gearing during 2020 resulted primarily from the increase in net debt due as the capital investment in the new WISK division.

27 Derivative financial instruments

	Group 2020 £'000	**Group 2019 £'000**
Derivative financial assets		
Derivatives not designated as hedging instruments		
Forward foreign exchange	**10**	12
Derivatives designated as hedging instruments		
Forward foreign exchange contracts – cash flow hedges	**325**	427
Total derivative financial assets	**335**	439

All derivative financial assets are current assets. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

27 Derivative financial instruments *(continued)*

Derivative financial liabilities	**Group 2020 £'000**	**Group 2019 £'000**
Derivatives not designated as hedging instruments		
Forward foreign exchange	**76**	36
Derivatives designated as hedging instruments		
Forward foreign exchange contracts – cash flow hedges	**904**	1,321
Total derivative financial liabilities	**980**	1,357

All derivative financial liabilities are current liabilities.

The majority of forward currency contracts that are not designated as hedging instruments relate to currency swaps taken out to manage the short-term timing difference occurring between the inflow / outflow of currency and the maturity of forward contracts taken out to hedge those currency flows.

Cash flow forward foreign exchange contracts

Foreign exchange risk arises when individual group undertakings enter into transactions denominated in a currency other than their functional currency. Where this occurs, and a natural hedge is not available each group undertaking will enter into a matching forward foreign exchange contract with a reputable bank.

The amounts of outstanding forward foreign exchange contracts were:

	Notional principal amounts		**Fair value assets / (liabilities)**	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Foreign currency purchase contracts				
Hedging Instrument	**31,382**	41,469	**(821)**	(659)
Non-hedging instrument	**9,574**	10,868	**(80)**	(12)
Foreign currency sale contracts				
Hedging Instrument	**12,310**	17,383	**261**	(247)
Non-hedging instrument	**3,150**	4,769	**(5)**	-

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates within the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as at 31 December 2020 are recognised in the consolidated statement of comprehensive income in the period or periods during which the hedged forecast transaction affects the consolidated statement of comprehensive income. This is within 12 months from the end of the financial year.

28 Subsidiaries

The principal subsidiaries of Vestey Holdings Limited, all of which have been included in these consolidated financial statements, are as follows:

Principal direct subsidiaries	Country of incorporation	Class of shares	Percentage of holding
The following subsidiaries have a registered office at *29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR United Kingdom*			
Vestey Foods Limited	Great Britain	Ordinary	100
Vestey Management Limited	Great Britain	Ordinary	100
Vestey Farms Limited	Great Britain	Ordinary	100
Donald Russell Holdings Limited	Great Britain	Ordinary	100
Fine Foods Group Limited	Great Britain	Ordinary	100
Wisk Holdings Limited	Great Britain	Ordinary	100
Western Solutions Holdings Limited	Great Britain	Ordinary	50
Principal indirect subsidiary undertakings			
Trading Division			
The following subsidiaries have a registered office at *29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR United Kingdom*			
Global Group UK Holdings Limited	Great Britain	Ordinary	100
Vestey Foods UK Limited	Great Britain	Ordinary	76.5
Vestey Foods UK Holdings Limited	Great Britain	Ordinary	76.5
Vestey Foods International Limited	Great Britain	Ordinary	76
Vestey Foods International Holdings Limited	Great Britain	Ordinary	76
VFI Worldwide Limited	Great Britain	Ordinary	76
Donald Russell Limited	Great Britain	Ordinary	100
TecFoods Limited	Great Britain	Ordinary	100
FineFrance UK Limited	Great Britain	Ordinary	100
Albion Fine Foods Limited	Great Britain	Ordinary	75.1
Friendship Foods Limited	Great Britain	Ordinary	100
FineFrance UK Holdings Limited	Great Britain	Ordinary	100
Cottage Delight Properties Limited	Great Britain	Ordinary	100
Cottage Delight Limited	Great Britain	Ordinary	100
The following subsidiaries have a registered office at *15 Avenue de la Grande Armee, 75116 Paris France*			
Vestey Foods International SA	France	Ordinary	76
Vestey Foods France SAS	France	Ordinary	84
The following subsidiary has a registered office at *Herluf Trolles Gade 4, 2.sal, 1052 Copenhagen Denmark*			
Vestey Foods Denmark A/S	Denmark	Ordinary	76
Vestey Foods Nordic A/S	Denmark	Ordinary	76.5
The following subsidiary has a registered office at *PO Box 17748, Jebel Ali, Dubai, UAE*			
Vestey Foods Middle East FZE	UAE	Ordinary	100
The following subsidiary has a registered office at *Riyadhstraat 16 B-2321 Meer, Belgium*			
Vestey Foods Benelux NV	Belgium	Ordinary	100

28 Subsidiaries *(continued)*

Principal direct subsidiaries	**Country of incorporation**	**Class of shares**	**Percentage of holding**
The following subsidiary has a registered office at *321 North Front Street, Wilmington 28401, NC USA*			
Vestey Foods USA Inc	USA	Ordinary	100
The following subsidiary has a registered office at *Advokatfirmaet Sverdrup DA, Akersgata 1 0158 OSLO, Norway*			
Vestey Foods Norge AS	Norway	Ordinary	76
The following subsidiary has a registered office at *RM809, Building A, Hong Kong Middle Road, Qingdao, China*			
Vestey Foods Qingdao	China	Ordinary	76
The following subsidiary has a registered office at *Kedainiu 25, LT-36220 Panevezys, Lithuania*			
UAB Vestey Foods Baltics	Lithuania	Ordinary	100
The following subsidiary has a registered office at *4th floor Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226 Philippines*			
WISK Fine Foods, inc	Philippines	Ordinary	100
WISK Production, inc	Philippines	Ordinary	100
The following subsidiary has a registered office at *Office Floor L41 & L42, Emirates Towers, Dubai UAE*			
WISK Investments LLC	UAE	Ordinary	100
The following subsidiary has a registered office at *22, Isla de Cuba, Madrid 28042, Spain*			
WISK Foods Spain S.L	Spain	Ordinary	80
Other			
The following subsidiary has a registered office at *29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR United Kingdom*			
Vestey Properties Limited	Great Britain	Ordinary	100
K3 Advisory Limited	Great Britain	Ordinary	37.5
Western Pension Solutions	Great Britain	Ordinary	50
The following subsidiary has a registered office at *Urbanizacion La Vina, Av. Carabobo c/c Calle Uslar, Nivel 5, Valencia Edo Carabobo, Venezuela*			
Agropecuaria Flora C.A	Venezuela	Ordinary	*100

28 Subsidiaries *(continued)*

Dormant undertakings	**Country of incorporation**	**Class of shares**	**Percentage of holding**
The following subsidiaries have a registered office at *29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR United Kingdom*			
Angliss (UK) Limited	Great Britain	Ordinary	76.5
Arlington Meats Limited	Great Britain	Ordinary	76.5
Autocarve Limited	Great Britain	Ordinary	76.5
Bancroft Meats Limited	Great Britain	Ordinary	76.5
Banstead Meats Limited	Great Britain	Ordinary	76.5
Breakfield Meats Limited	Great Britain	Ordinary	76.5
Caterham Meats Limited	Great Britain	Ordinary	76.5
Clapham (International) Ltd	Great Britain	Ordinary	76.5
Coulsdon Meats Limited	Great Britain	Ordinary	76.5
Court Meats Limited	Great Britain	Ordinary	76.5
Cranbrook Meats Limited	Great Britain	Ordinary	76.5
Crescent Meats Limited	Great Britain	Ordinary	76.5
Croydon Meats Limited	Great Britain	Ordinary	76.5
Dorking Meats Limited	Great Britain	Ordinary	76.5
Epsom Meats Limited	Great Britain	Ordinary	76.5
Global Food Ingredients Limited	Great Britain	Ordinary	76.5
Global Meat Company Limited	Great Britain	Ordinary	76.5
Global Meat Midlands Limited	Great Britain	Ordinary	76.5
Global Meats (Newcastle) Limited	Great Britain	Ordinary	76.5
Global Meats (Scotland) Limited	Great Britain	Ordinary	76.5
Global Meats (Wales) Limited	Great Britain	Ordinary	76.5
Godstone Meats Limited	Great Britain	Ordinary	76.5
Golden Globe Trading Limited	Great Britain	Ordinary	76.5
Guildford Meats Limited	Great Britain	Ordinary	76.5
Harrow Meats Limited	Great Britain	Ordinary	76.5
Hooley Meats Limited	Great Britain	Ordinary	76.5
International Global Limited	Great Britain	Ordinary	76.5
John Wharton Meats Limited	Great Britain	Ordinary	76.5
Kenley Meats Limited	Great Britain	Ordinary	76.5
Leigh Meats Limited	Great Britain	Ordinary	76.5
Marlpit Meats Limited	Great Britain	Ordinary	76.5
Newhaven Meats Limited	Great Britain	Ordinary	76.5
Ninorc Meats Limited	Great Britain	Ordinary	76.5
Pinnacle Meats Limited	Great Britain	Ordinary	76.5
Putney (International) Ltd	Great Britain	Ordinary	76.5
Redhill Meats Limited	Great Britain	Ordinary	76.5
Redlands Cold Storage Limited	Great Britain	Ordinary	76.5
Reedham Meats Limited	Great Britain	Ordinary	76.5
Reigate Meats Limited	Great Britain	Ordinary	76.5
Repooc Meats Limited	Great Britain	Ordinary	76.5
Rusper Meats Limited	Great Britain	Ordinary	76.5
Semloh Meats Limited	Great Britain	Ordinary	76.5
Sheed Thomson International Limited	Great Britain	Ordinary	76.5
Ullswater Meats Limited	Great Britain	Ordinary	76.5
Vestey (International) Ltd	Great Britain	Ordinary	76.5
Vestey UK Holdings Limited	Great Britain	Ordinary	76.5
Vestey Foods International Trading Limited	Great Britain	Ordinary	100
Vestey UK Investments Limited	Great Britain	Ordinary	76.5
Wammco (Europe) Limited	Great Britain	Ordinary	76.5
Wammco (International) Limited	Great Britain	Ordinary	76.5

28 Subsidiaries *(continued)*

Dormant undertakings	Country of incorporation	Class of shares	Percentage of holding
Wammco (UK) Limited	Great Britain	Ordinary	76.5
Welling Meats Limited	Great Britain	Ordinary	76.5
Whyteleafe Meats Limited	Great Britain	Ordinary	76.5
Woodcote Meats Limited	Great Britain	Ordinary	76.5
Coop Globe (Asia) Limited	Great Britain	Ordinary	76.5
Cresswell Foods Limited	Great Britain	Ordinary	76.5
Vestey UK (Retail) Limited	Great Britain	Ordinary	76.5
Vestey UK (Seafood) Limited	Great Britain	Ordinary	76.5
Vestey UK (Spalding) Limited	Great Britain	Ordinary	76.5
Vestey UK (Foodservice) Limited	Great Britain	Ordinary	76.5
Vestey UK (Ethnic) Limited	Great Britain	Ordinary	76.5
Pulborough Meats Limited	Great Britain	Ordinary	76.5
Cresswell Foods Limited	Great Britain	Ordinary	76.5
Wildbrooks Meats Limited	Great Britain	Ordinary	76.5
Fulham (International) Limited	Great Britain	Ordinary	76.5
Croydon (International) Limited	Great Britain	Ordinary	76.5
Reigate (International) Limited	Great Britain	Ordinary	76.5
Coulsdon (International) Limited	Great Britain	Ordinary	76.5
Redhill (International) Limited	Great Britain	Ordinary	76.5
Wimbledon Meats Limited	Great Britain	Ordinary	76.5
Leeward Meats Limited	Great Britain	Ordinary	76.5
Southpark Meats Limited	Great Britain	Ordinary	76.5
Westminster Meats Limited	Great Britain	Ordinary	76.5
Maidenbower Meats Limited	Great Britain	Ordinary	76.5
Worth Meats Limited	Great Britain	Ordinary	76.5
Glebelands Meats Limited	Great Britain	Ordinary	76.5
Makepeace Meats Limited	Great Britain	Ordinary	76.5
Cavendish Meats Limited	Great Britain	Ordinary	76.5
Hughes 3 (International) Limited	Great Britain	Ordinary	76.5
Mercury 22 (International) Limited	Great Britain	Ordinary	76.5
Venus 32 (International) Limited	Great Britain	Ordinary	76.5
March 41 (International) Limited	Great Britain	Ordinary	76.5
Jupiter 44 (International) Limited	Great Britain	Ordinary	76.5
Saturna 55 (International) Limited	Great Britain	Ordinary	76.5
Uranus 71 (International) Limited	Great Britain	Ordinary	76.5
Neptune 88 (International) Limited	Great Britain	Ordinary	76.5
Pluton 91 (International) Limited	Great Britain	Ordinary	76.5
Galleo 22 (International) Limited	Great Britain	Ordinary	76.5
Waterford Meats Limited	Great Britain	Ordinary	76.5
Arthur Meats Limited.	Great Britain	Ordinary	76.5
Ridgeway Meats Limited.	Great Britain	Ordinary	76.5
Dora Meats Limited	Great Britain	Ordinary	76.5
Beddington Meats Limited.	Great Britain	Ordinary	76.5
Nova Meats Limited.	Great Britain	Ordinary	76.5
Aldwick Meats Limited.	Great Britain	Ordinary	76.5
Wellesford Meats Limited.	Great Britain	Ordinary	76.5
Sausalito Meats Limited.	Great Britain	Ordinary	76.5
Cross Lane Meats Limited.	Great Britain	Ordinary	76.5
Horsham (International) Limited	Great Britain	Ordinary	76.5
Petworth (International) Limited	Great Britain	Ordinary	76.5
Midhurst (International) Limited	Great Britain	Ordinary	76.5
Bolney (International) Limited	Great Britain	Ordinary	76.5
Hassocks (International) Limited	Great Britain	Ordinary	76.5
Crawley (International) Limited	Great Britain	Ordinary	76.5
Faygate (International) Limited	Great Britain	Ordinary	76.5

28 Subsidiaries *(continued)*

Dormant undertakings	Country of incorporation	Class of shares	Percentage of holding
Holbrook (International) Limited	Great Britain	Ordinary	76.5
Roffey (International) Limited	Great Britain	Ordinary	76.5
Ifield (international) Limited	Great Britain	Ordinary	76.5
Rusper (International) Limited	Great Britain	Ordinary	76.5
Warnham (International) Limited	Great Britain	Ordinary	76.5
Kingsfold (International) Limited	Great Britain	Ordinary	76.5
Nuthurst (International) Limited	Great Britain	Ordinary	76.5
Southwater (International) Limited	Great Britain	Ordinary	76.5
Sunnydale Farms Limited	Great Britain	Ordinary	76.5

The following subsidiaries have a registered office at
15 Avenue de la Grande Armee, 75116 Paris
France

Migili SAS	France	Ordinary	100
Société d'Investissement Berger SA	France	Ordinary	84
Sirtos SA	France	Ordinary	84
Telleris SA	France	Ordinary	84
Damexpo SA	France	Ordinary	84
Hegazti SA	France	Ordinary	84
Kigyar SA	France	Ordinary	84
Yetimport SA	France	Ordinary	84
Imexpo SA	France	Ordinary	84
Poultrico SA	France	Ordinary	84
Sealise SA	France	Ordinary	84
Ventaco SA	France	Ordinary	84
Volexa SA	France	Ordinary	84

The following subsidiary has a registered office at
Herluf Trolles Gade 4, 2.sal, 1052 Copenhagen
Denmark

Vestey Foods Aps	Denmark	Ordinary	76
VFD International Aps	Denmark	Ordinary	76
Herluf Trading Aps	Denmark	Ordinary	76

***** In line with the Group accounting policies, this subsidiary has not been consolidated. Following the illegal expropriation of assets by the Venezuelan government on 4 December 2011 the Group ceased to have any day to day control over the activity of the farming operations of the company, ceased to have beneficial rights to the operations assets or income and ceased to have a liability over the current or past obligations relating to the operations.

The Group has received judgement in their legal case against the Venezuelan government with ICSID, the International Court for Arbitration in New York and is in the process of trying to collect against the compensation awarded.

The Group have not recognised any potential proceeds from the legal case in the financial statements because it is still early in the legal process and there is still insufficient certainty with regards to both timing and the final proceeds. This position will be reviewed as the legal process progresses.

28 Subsidiaries *(continued)*

In 2020 the Group is taking advantage of the audit exceptions available under section 479A(2)(a) of the Companies Act 2006 and the following subsidiary companies did not receive an audit:

Vestey Properties Limited
Vestey Foods International Trading Limited
Global Group UK Holdings Limited
Vestey Foods UK Limited
Vestey Foods International Limited
VFI Worldwide Limited
Vestey Foods Limited
Vestey Foods UK (Holdings) Limited
Vestey Foods International Holdings Limited
Angliss (UK) Limited
Autocarve Limited
Cresswell Foods Limited
Global Meats Company Limited
Global Meats Midlands Limited
International Global Limited
Redlands Cold Storage Limited
Sheed Thomson International Limited
Vestey UK Holdings Limited
Vestey UK Investments Limited
Vestey Farms Limited
Donald Russell Limited
Donald Russell Holdings Limited
TecFoods Limited
FineFrance UK Limited
Albion Fine Foods Limited
Cottage Delight Properties Limited
Cottage Delight Limited
Fine Foods Group Limited
FineFrance Holdings Limited
Friendship Foods Limited
Vestey Management Limited
K3 Advisory Limited
Western Solutions Holdings Limited
Western Pension Solutions Limited
Wisk Holdings Limited

Vestey Holdings Limited has given a statutory guarantee for the outstanding liabilities for each of these companies.

Vestey Holdings Limited

Company Only

Report and Financial Statements

Year Ended

31 December 2020

Company Number 00066076

Vestey Holdings Limited

Balance sheet
at 31 December 2020

Company number 00066076	Note	31 Dec 2020 £'000	31 Dec 2019 £'000
Fixed assets			
Tangible Assets	4	**3,169**	3,289
Investments in subsidiaries	5	**57,225**	57,225
		60,394	60,514
Current assets			
Debtors	7	**38,205**	16,246
Cash at bank and in hand		**3,878**	11,809
		42,083	28,055
Creditors: amounts falling due within one year	8	**(11,260)**	(2,055)
Net current assets		**30,823**	26,000
Total assets less current liabilities		**91,217**	86,514
Creditors: amounts falling due after more than one year	9	**(2,000)**	-
Net assets excluding pension liabilities		**89,217**	86,514
Pension scheme liabilities	12	**(1,165)**	(1,006)
		88,052	85,508
Capital and reserves			
Share Capital	10	**5,000**	5,000
Share premium account	11	**9,765**	9,765
Retained earnings	11	**73,287**	70,743
Shareholders' funds		**88,052**	85,508

The Company profit for the year was £2,983,000 (2019 – £4,954,000).

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2021 and were signed on its behalf by:

J K Barnes

Chairman

The notes on pages 72 to 80 form part of these financial statements.

Vestey Holdings Limited

Statement of changes in equity
For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
31 December 2019	5,000	9,765	70,743	85,508
Comprehensive income for the year				
Profit	-	-	2,983	2,983
Other comprehensive income	-	-	(139)	(139)
Total comprehensive income for the year	**-**	**-**	**2,844**	**2,844**
Contributions by and distributions to owners				
Dividends to parent	-	-	(300)	(300)
Total contributions by and distributions to owners	**-**	**-**	(300)	(300)
31 December 2020	**5,000**	**9,765**	**73,287**	**88,052**

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
1 January 2019	**5,000**	**9,765**	**70,594**	**85,359**
Comprehensive income for the year				
Loss	-	-	4,954	4,954
Other comprehensive income	-	-	(100)	(100)
Total comprehensive income for the year	**-**	**-**	**4,854**	**4,854**
Contributions by and distributions to owners				
Dividends to parent	-	-	(4,705)	(4,705)
Total contributions by and distributions to owners	**-**	**-**	**(4,705)**	**(4,705)**
31 December 2019	**5,000**	**9,765**	**70,743**	**85,508**

The notes on pages 72 to 80 form part of these financial statements.

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework which have both been applied. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Contingent consideration
- Net defined benefit liability

Amounts are rounded to the nearest £'000, unless otherwise stated.

The principal accounting policies are:

Valuation of investments

Investments held as fixed assets are stated in the financial statements at the lower of cost and recoverable amount. Any resulting impairment loss is taken to the profit and loss account.

All other accounting policies are detailed in the accounting policies to the consolidated financial statements (see page 22).

Disclosure exemptions adopted

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

- certain comparative information as otherwise required by International Accounting Standards in conformity with the Companies Act 2006;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Vestey Holdings Limited.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Vestey Holdings Limited.

These financial statements do not include certain disclosures in respect of:

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

2 Critical accounting estimates and judgements

The preparation of financial statements in accordance with FRS 101 requires the use of certain critical accounting estimates. The critical accounting estimates that were made in the preparation of these financial statements are detailed in the critical accounting estimates section of the consolidated financial statements (see page 33).

The Group is required to test, on an annual basis, whether investments in group undertakings have suffered any impairment. The carrying value is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

Impairment provisions for receivables from group undertakings are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

3 Profit and loss account

A separate profit and loss account for the Company is not presented, in accordance with Section 408 of the Companies Act 2006.

The remuneration of the directors of the Company is disclosed in note 7 to the group financial statements.

4 Tangible assets

	Freehold property £'000	Leasehold property £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2020	3,470	51	279	3,800
Additions	-	-	-	-
Disposals	-	-	(26)	(26)
At 31 December 2020	**3,470**	**51**	**253**	**3,774**
Depreciation				
At 1 January 2020	205	51	255	511
Charge for year	115	-	3	118
Disposals	-	-	(24)	(24)
At 31 December 2020	**320**	**51**	**234**	**605**
Net book value				
At 31 December 2020	**3,150**	**-**	**19**	**3,169**
At 31 December 2019	3,265	-	24	3,289

5 Investments

	Shares in group undertakings £'000
Cost	
At 1 January 2020	66,029
Disposal	-
At 31 December 2020	**66,029**
Provisions	
At 1 January 2020	8,804
Provision against investment	-
At 31 December 2020	8,804
Net book value	
At 31 December 2020	**57,225**
At 31 December 2019	57,225

6 Additional information on subsidiaries and associated undertakings

Principal direct subsidiaries	**Country of incorporation**	**Class of shares**	**Percentage of holding**
The following subsidiaries have a registered office at *29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR United Kingdom*			
Vestey Foods Limited	Great Britain	Ordinary	100
Vestey Farms Limited	Great Britain	Ordinary	100
Donald Russell Holdings Limited	Great Britain	Ordinary	100
Fine Foods Group Limited	Great Britain	Ordinary	100
Wisk Holdings Limited	Great Britain	Ordinary	100
Western Solutions Holdings Limited	Great Britain	Ordinary	50

Principal indirect subsidiary undertakings

Trading Division
The following subsidiaries have a registered office at
29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR
United Kingdom

Global Group UK Holdings Limited	Great Britain	Ordinary	100
Vestey Foods UK Limited	Great Britain	Ordinary	76.5
Vestey Foods UK Holdings Limited	Great Britain	Ordinary	76.5
Vestey Foods International Limited	Great Britain	Ordinary	76
Vestey Foods International Holdings Limited	Great Britain	Ordinary	76
VFI Worldwide Limited	Great Britain	Ordinary	76
Donald Russell Limited	Great Britain	Ordinary	98
TecFoods Limited	Great Britain	Ordinary	100
FineFrance UK Limited	Great Britain	Ordinary	100
Albion Fine Foods Limited	Great Britain	Ordinary	75.1

6 Additional information on subsidiaries and associated undertakings *(continued)*

Principal indirect subsidiary undertakings	Country of incorporation	Class of shares	Percentage of holding
Friendship Foods Limited	Great Britain	Ordinary	100
FineFrance UK Holdings Limited	Great Britain	Ordinary	100
Cottage Delight Properties Limited	Great Britain	Ordinary	100
Cottage Delight Limited	Great Britain	Ordinary	100
The following subsidiaries have a registered office at *15 Avenue de la Grande Armee, 75116 Paris France*			
Vestey Foods International SA	France	Ordinary	76
Vestey Foods France SAS	France	Ordinary	84
The following subsidiary has a registered office at *Herluf Trolles Gade 4, 2.sal, 1052 Copenhagen Denmark*			
Vestey Foods Denmark A/S	Denmark	Ordinary	76
Vestey Foods Nordic A/S	Denmark	Ordinary	76.5
The following subsidiary has a registered office at *Riyadhstraat 16 B-2321 Meer, Belgium*			
Vestey Foods Benelux NV	Belgium	Ordinary	100
The following subsidiary has a registered office at *PO Box 17748, Jebel Ali, Dubai, UAE*			
Vestey Foods Middle East FZE	UAE	Ordinary	100
The following subsidiary has a registered office at 321 North Front Street, Wilmington 28401, NC USA			
Vestey Foods USA Inc	USA	Ordinary	100
The following subsidiary has a registered office at RM809, Building A, Hong Kong Middle Road, Qingdao, China			
Vestey Foods Qingdao	China	Ordinary	76
The following subsidiary has a registered office at *Kedainiu 25, LT-36220 Panevezys, Lithuania*			
UAB Vestey Foods Baltics	Lithuania	Ordinary	100
The following subsidiary has a registered office at *Office Floor L41 & L42, Emirates Towers, Dubai UAE*			
Wisk Investments LLC	UAE	Ordinary	100
The following subsidiary has a registered office at *4th floor Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226 Philippines*			
Wisk Fine Foods, inc	Philippines	Ordinary	100
WISK Production, inc	Philippines	Ordinary	100
The following subsidiary has a registered office at *22, Isla de Cuba, Madrid 28042, Spain*			
WISK Foods Spain S.L	Spain	Ordinary	80

6 Additional information on subsidiaries and associated undertakings *(continued)*

Principal indirect subsidiary undertakings	Country of incorporation	Class of shares	Percentage of holding
Other			
The following subsidiary has a registered office at *Urbanizacion La Vina, Av. Carabobo c/c Calle Uslar, Nivel 5, Valencia Edo Carabobo, Venezuela*			
Agropecuaria Flora C.A	Venezuela	Ordinary	*100
The following subsidiary has a registered office at *29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR United Kingdom*			
Vestey Properties Limited	Great Britain	Ordinary	100
K3 Advisory Limited	Great Britain	Ordinary	37.5
Western Pension Solutions	Great Britain	Ordinary	50

***** In line with the Group accounting policies, this subsidiary has not been consolidated. Following the illegal expropriation of assets by the Venezuelan government on 4 December 2011 the Group ceased to have any day to day control over the activity of the farming operations of the company, ceased to have beneficial rights to the operations assets or income and ceased to have a liability over the current or past obligations relating to the operations.

The underlying nature of all undertakings is food service.

The proportion of ordinary shares held reflects the proportion of voting rights in the respective entities.

As the full list of subsidiaries and associated undertakings would be of excessive length to include in this report, it will be attached to the next Annual Return filed with the Registrar of Companies as permitted by Section 410 of the Companies Act 2006.

7 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Amounts due from subsidiary undertakings	**45,503**	23,549
Less: provision for impairment of amounts due from subsidiary undertakings	**(9,645)**	(9,495)
Amounts due from subsidiary undertakings net	**35,858**	14,054
Other debtors	**1,667**	1,640
Prepayments	**106**	23
Corporation tax	**574**	529
	38,205	16,246

7 Debtors *(continued)*

The Group applies the IFRS 9 general three-stage approach to measuring expected credit losses using a lifetime expected credit loss provision for amounts due from subsidiary undertakings and other financial assets. The impairment measure looks at changes in expected credit losses and looks at the recognition of both the loan and interest revenue (where the asset has been time discounted).

At 31 December 2020 the lifetime expected loss provision for amounts due from subsidiary undertaking is £9,645,000, which compares to the expected loss provision of £9,495,000 provided on the 31 December 2019.

8 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Amounts due to group undertakings	**4,076**	1,344
Amounts due to parent undertaking	**-**	-
Bank loans and overdrafts	**6,000**	-
Other taxation and social security	**228**	194
Other creditors	**155**	134
Accruals	**801**	383
	11,260	2,055

9 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loans and overdrafts	**2,000**	-
	2,000	-
The repayment terms of debt falling due after more than one year are as follows:		
Between one and two years	**2,000**	-

The bank loan is an £8,000,000 UK Government backed Covid-19 loan, which is repayable £6,000,000 in 2021 and £2,000,000 in 2022, interest rates are between 2.5% and 2.95%. Subsequent to the year-end both elements of the loan have been extended to 2023.

10 Share capital

	2020 £'000	2019 £'000
Authorised		
1,000,000 Ordinary shares of £10 each	**10,000**	10,000
Allotted, called up and fully paid		
500,000 Ordinary shares of £10 each	**5,000**	5,000

11 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

12 Pension schemes

The Company operates a number of pension schemes, with assets held in separate trustee-administered funds. Valuations of each scheme are carried out by independent qualified actuaries at least every three years and the contributions to the schemes are paid in accordance with their recommendations.

The pension schemes are as follows:

- Unfunded Defined Benefit Scheme, which is a United Kingdom unfunded defined benefit scheme for certain past and current directors. The pension costs relating to this scheme are assessed in accordance with the recommendations of a professionally qualified actuary;
- Western Pension Trust, which is a multi-employer money purchase scheme.

Expected contributions for the next accounting period are £61,000 (2019 - £63,000) in respect of the Western Pension Trust multi-employer money purchase scheme.

The total pension costs for the company charged in the 2020 profit and loss account amounted to £65,000 (2019 – £40,000), in respect of the Western Pension Trust multi-employer money purchase scheme.

The total actuarial loss for the Company charged to other operating income in 2020 amounted to £139,000 (2019 –£100,000), all of which related to the unfunded defined benefit scheme.

Unfunded defined benefit scheme

The Company operates an unfunded defined benefit scheme. This scheme provides promises to five executive employees, three of whom have left service. No company contributions are presently being paid in respect of these promises.

The scheme is exposed to a number of risks, including:

- *Changes in bond yields*: a decrease in bond yields will increase the value placed on the Scheme's liabilities for accounting purposes.
- *Inflation risk*: A significant portion of the Plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although, in most cases, caps on levels of inflationary increases are in place to protect against extreme inflation).
- *Life expectancy*: The majority of the Plan's obligations are to provide for the life of the member, so increase in life expectancy will result in an increase in the liabilities.

12 Pension schemes *(continued)*

In accordance with the requirements of IAS 19 the main financial assumptions are as follows:

	2020	2019
Rate of inflation (%)	**3.2**	3.0
Rate of increase in salaries (%)	**3.2**	3.0
Rate of increase in pensions in payment (%)	**3.1**	2.9
Liquidity discount rate (%)	**1.4**	2.0
Mortality assumption - male (years)	**88.9**	88.8

The plan is an unfunded pension arrangement and thus does not hold any assets in respect of the liabilities.

Reconciliation of the present value of the scheme liabilities

	2020 £'000	2019 £'000
Balance at 1 January	**(1,006)**	(881)
Current service cost		
Interest cost	**(20)**	(25)
Included in profit or loss	**(20)**	(25)
Actuarial (loss)/gain due to change in financial assumptions	**(117)**	(87)
Actuarial gain due to demographic assumptions	**(4)**	3
Actuarial (loss)/gain due to liability experience	**(18)**	(16)
Included in other comprehensive income	**(139)**	(100)
Benefits paid	**-**	-
Balance at 31 December	**(1,165)**	(1,006)

Sensitivity analysis

The key assumptions used are: discount rate, inflation and mortality. If different assumptions are used, this could have a significant effect on the results disclosed. The sensitivity of the results to these assumptions are as follows:

Actuarial assumption	Reasonably possible change	Increase in liability £'000	Revised liability £'000
Discount rate	**Decrease of 0.5%**	(100)	(1,265)
Inflation rate assumption	**Increase of 0.5%**	(30)	(1,195)
Life expectancy	**Increase by 1 year**	(50)	(1,215)

13 Contingent liabilities and guarantees

There are contingent liabilities in respect of joint and several liabilities for VAT under the ultimate company group registration.

The unrecognised deferred tax asset in respect of the company as at 31 December 2020 is £1,696,000 (2019 - £1,718,000).

14 Ultimate parent undertaking

The immediate parent company is Vestey Group Limited.

The ultimate parent company is Western United Investment Company Limited. Both companies are incorporated in Great Britain.

The smallest group of companies for which group financial statements are prepared and of which the company is a member is the Western United Investment Company Limited group.

The financial statements of Western United Investment Company Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.