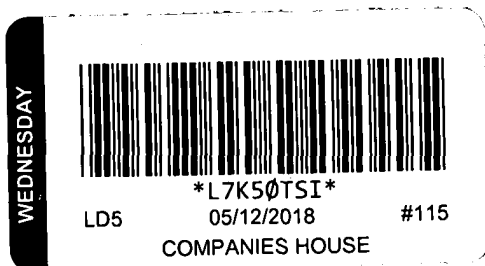


Company Registration No. 02016345

NH Foods U.K. Limited

Annual Report and Financial Statements

For the year ended 31 March 2018



NH Foods U.K. Limited

Annual Report and financial statements for the year ended 31 March 2018

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NH Foods U.K. Limited

Annual Report and financial statements for the year ended 31 March 2018

Officers and professional advisers

Directors

K Mimura
H Fujii

Company secretary

K Mimura

Registered office

100 New Bridge Street
London
EC4V 6JA

Bankers

MUFG Bank, Ltd
Ropemaker Place, 25 Ropemaker Street
London
EC2Y 9AN

Sumitomo Mitsui Banking Corporation Europe Ltd
99 Queen Victoria Street
London
EC4V 4EH

Solicitors

Baker & McKenzie LLP
100 New Bridge Street
London
EC4V 6JA

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

NH Foods U.K. Limited

Strategic report

The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Business review and principal activities

The company is a wholly-owned subsidiary of NH Foods Ltd., a company incorporated in Japan. (whose English name until June 2014 was Nippon Meat Packers Inc.). The company's principal activities are to buy and sell meat cuts largely on behalf of NH Foods Ltd. There have been no significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

As shown in the company's statement of comprehensive income on page 9, the company's revenue has decreased by 1.23% over the prior year, and profit after tax has decreased by 154.49% to a loss after tax for 2017/18 of ¥50,373,000. The significant decline in profit is largely due to adverse pork market conditions.

The pork purchase price varies due to the weather and other natural phenomena as well as political and economic factors. In the year 2017/18, the European pork market was stable, with strong demand resulting in a tendency for the purchase price to rise. On the other hand, in Japan where our main customers are located, the pork sales price cannot easily be changed due to the pork gate price tariff system. This has resulted in a decrease in the gross profit margin of pork sales from 4.52% in the year 2016/17 to 2.55% in the year 2017/18.

Despite the decline of profit from pork sales, the quantity of sales remained more consistent. We consider the stable pork sales to Japan is a positive aspect to foresee our future business prospects. Our branded pork "Doitsu-Buta" and "Dolce Porco" are now firmly established. Additionally, we have started a semi-processed meat product for the Japanese market. We expect those existing and new projects will continue to contribute to our sales and profits in the future.

Furthermore, we keep working to develop business and expand in the European consumer market. We import processed foods from our fellow group companies in Asia, and are trying to sell these all over Europe. We have also started to develop OEM (Original Equipment Manufacturer) products in cooperation with European food processing companies to sell in Europe. Those products are now sold in oriental food grocery stores and at some big local events. Although the market is still small and very limited, the sales are increasing gradually. We will keep trying to expand our sales channels.

The company continues to promote its business with Asian third party companies, although profit margins for this business are considerably lower and sales quantities remain low compared to the business with group companies in Japan. However, the Japanese market and the business with Japanese group companies is mature with little space for further expansion. On the other hand, the Asian market is growing. The company believes that the development of Asian business, especially in China, could make a significant contribution to future sales and profits, and could form an important part of the group's overseas business strategy.

The balance sheet on page 10 of the financial statements shows that the company's financial position at the year-end is, in respect of net assets, a decline compared to the prior year. Details of amounts owed by the company's parent company are shown in note 10 on page 18.

There have been no significant events since the balance sheet date. The company uses gross profit margin as a key performance indicator. The basis of the calculation is gross profit as a percentage of revenue as shown on page 9 of these financial statements. The result this year is 1.83% (2017: 3.46%), which has decreased in comparison to the prior year as explained above.

NH Foods U.K. Limited

Strategic report (continued)

Future prospects

The company will aim to increase its present business activities and to expand business volume in future years. Regarding pork trading, the company anticipates that the tough market situation will not change significantly in the near future. However, spreading the two established brands in Japan would guarantee us stable and increasing sales and profit. We also expect further growth of sales of semi-processed pork product with a fellow group company in Japan. In addition to our main business of exporting pork, we intend to expand into the export sales of fish and other meats such as chicken, beef and others.

Furthermore, in the business targeting European Consumer Markets, our products are gradually acquiring popularity. The products imported from our fellow group companies in Asia used to be sold only in oriental foods markets, however now they have been taken up by more general foods markets such as local pubs and restaurants. Although we still need to conduct detailed market research to determine how best to adjust to fit into the various European markets, we recognise that this is a good sign of opportunities for future expansion.

The company is also seeking new opportunities in food related businesses with other member companies of the NH Foods group and other non-group companies in Asia.

Principal risks and uncertainties

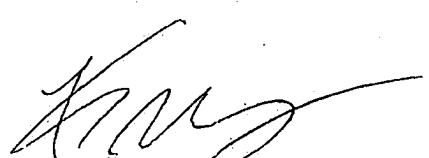
The directors consider there to be minimal risk with respect to price as the contracted purchase price and sales price are agreed simultaneously and normally in the same currency. The risk for the minority of contracts which are arranged in different currencies is dependent on exchange rate fluctuations, which is avoided by 100% hedging of the contract price.

The directors consider there to be minimal risk with respect to credit, as company policy is only to agree contracts with group companies, or other companies with high credit ratings, or to arrange contracts on letter of credit terms.

The directors consider there to be minimal risk regarding liquidity as little inventory is held by the company and funds are held in current accounts. Hence all current assets are considered to be liquid. The directors ensure that reserves exceed annual expenses, or that adequate overdraft facilities or other loans are arranged to cover liabilities.

The directors consider the risk over cash flow to be currently low. Payment terms are generally advantageous to the company. The due date for the purchase invoices from our suppliers usually falls after the receipt of money from our customers. It is ensured that a positive cash flow is maintained by operating credit control processes that keep receipts ahead of payments. For all contracts, receipts are monitored against invoice and any systematic failure to adhere to agreed terms is hence identified.

Approved by the Board of Directors
and signed on behalf of the Board



K Mimura
Managing Director

04 December 2018

NH Foods U.K. Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

The directors include information on principal risks and uncertainties and future developments, including financial risk management, in the Strategic report which is required by regulations to be disclosed in the Directors' report as the directors consider this information is of strategic importance to the company.

Going concern

As described on page 12 of the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

Dividends and transfers to reserves

No dividend is recommended by the directors (2017: ¥ nil). The loss after tax for the year of -¥50,373,000 (2017: profit of ¥92,441,000) has been transferred to reserves.

Directors

The current directors are shown on page 1. The directors who served throughout the year and up to the date of this report (except as noted) were:

K Mimura
H Fujii
K Bando (resigned on 1 April 2017)

All of the directors are Japanese nationals. None of the directors hold any shareholdings in the company.

Information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



K Mimura
Managing Director

04 December 2018

NH Foods U.K. Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United-Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

NH Foods U.K. Limited

Independent auditor's report to the members of NH Foods U.K. Limited

Opinion

In our opinion the financial statements of NH Foods U.K. Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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.

NH Foods U.K. Limited

Independent auditor's report to the members of NH Foods U.K. Limited (continued)

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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

NH Foods U.K. Limited

Independent auditor's report to the members of NH Foods U.K. Limited (continued)

Matters on which we are required to report by exception

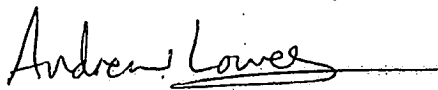
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Andrew Lowes (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
4 December 2018

NH Foods U.K. Limited

Statement of comprehensive income For the year ended 31 March 2018

	Notes	2018 ¥'000	2017 ¥'000
Revenue	4	23,313,679	23,604,598
Cost of sales		(22,887,649)	(22,787,030)
Gross profit		426,030	817,568
Administrative expenses		(527,712)	(479,637)
Operating (loss)/profit		(101,682)	337,931
Interest payable and similar charges	5	(95)	(56)
Foreign exchange gain / (loss)		43,774	(218,293)
Other gains		-	53
(Loss)/Profit before taxation	6	(58,003)	119,634
Tax on loss/profit	8	7,630	(27,193)
(Loss)/Profit after taxation and total comprehensive (loss)/income		(50,373)	92,441

Revenue and operating loss are all derived from continuing operations.

The company has no items of other comprehensive income in the period for which financial statements are presented. As such, no separate statement of other comprehensive income is presented.

NH Foods U.K. Limited

Balance sheet As at 31 March 2018

	Notes	2018 ¥'000	2017 ¥'000
Non-current assets			
Property, plant and equipment	9	28,147	35,580
Deferred tax assets		7,906	1,705
		<u>36,053</u>	<u>37,285</u>
Current assets			
Trade and other receivables	10	2,478,548	1,196,711
Inventories		33,249	7,361
Cash and bank balances		896,543	2,179,397
		<u>3,408,340</u>	<u>3,383,469</u>
Total assets		<u>3,444,393</u>	<u>3,420,754</u>
Current liabilities			
Trade and other payables	11	(1,444,031)	(1,370,018)
		<u>(1,444,031)</u>	<u>(1,370,018)</u>
Net current assets		<u>1,964,309</u>	<u>2,013,451</u>
Net assets		<u>2,000,362</u>	<u>2,050,736</u>
Equity			
Share capital	12	78,366	78,366
Retained earnings	13	1,921,996	1,972,370
Equity attributable to owners of the company		<u>2,000,362</u>	<u>2,050,736</u>

These financial statements of NH Foods U.K. Limited, registered number 02016345, were approved by the Board of Directors and authorised for issue on 04 December 2018.
Signed on behalf of the Board of Directors

K Mimura

NH Foods U.K. Limited

Statement of changes in equity For the year ended 31 March 2018

		Share capital	Retained earnings	Total
Balance at 31 March 2016	¥'000	78,366	1,879,929	1,958,295
Profit for the year and total comprehensive income for the year	¥'000	-	92,441	92,441
Balance at 31 March 2017	¥'000	78,366	1,972,370	2,050,736
Loss for the year and total comprehensive loss for the year	¥'000	-	(50,373)	(50,373)
Balance at 31 March 2018	¥'000	78,366	1,921,996	2,000,362

NH Foods U.K. Limited

Notes to the financial statements For the year ended 31 March 2018

1. General Information

NH Foods U.K. Limited (the company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

These financial statements are presented in yen which is the same currency as its functional currency that is the currency of the primary economic environment in which the company operates.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council. The company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC).

The financial statements are prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding year.

2. Significant accounting policies

Basis of accounting

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, fair value, capital management, presentation of a cash flow statement, standards not yet effective and related party transactions. Where relevant, equivalent disclosures have been given in the group financial statements of NH Foods Ltd. The group financial statements of NH Foods Ltd. are available to the public and can be obtained as set out in note 16.

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

Going concern basis

The company has considerable financial resources which include "Cash and bank balances" of ¥896,543,000 as shown on page 10, and stable borrowing facilities with banks. As the company's major customer is a member of the NH Foods group, the company can maintain a good trading relationship with the customer. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

NH Foods U.K. Limited

Notes to the financial statements For the year ended 31 March 2018 (continued)

2. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at historical cost net of depreciation and any provision for impairment. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of assets at the following rates:

Short-term leasehold improvements	Over the period of the lease
Furniture and fittings	25% per annum
Motor vehicles	25% per annum

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Foreign exchange

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NH Foods U.K. Limited

Notes to the financial statements For the year ended 31 March 2018 (continued)

2. Significant accounting policies (continued)

Revenue

Revenue represents amounts receivable for goods provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Revenue is recognised upon delivering the products.

Leases

The costs of operating leases are charged to profit and loss on a straight-line basis over the period of the lease.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The company does not hold or issue derivative financial instruments for speculative purposes. Gains and losses arising on these contracts are recognised at fair value through profit and loss.

NH Foods U.K. Limited

Notes to the financial statements For the year ended 31 March 2018 (continued)

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

It is the opinion of directors that there are no such critical judgements or estimates.

4. Revenue

Revenue comprises a single class of business, being the amount received or receivable from the sale of meat products excluding any value-added tax. The amount of sales to other group companies (Japan Food Corporation, NH Foods Taiwan, Nippo Hong Kong, NH Foods Singapore, and Day Lee Foods) included in revenue is ¥21,546,631,000 (2017: ¥22,259,163,000).

Geographical analysis of revenue by destination is as follows:

	2018 ¥'000	2017 ¥'000
Japan	21,230,054	21,807,136
Other Asian countries	1,480,722	1,268,478
Europe	495,918	492,555
USA	106,985	36,429
	<u>23,313,679</u>	<u>23,604,598</u>

5. Interest payable and similar charges

	2018 ¥'000	2017 ¥'000
Bank interest payable	<u>95</u>	<u>56</u>

6. (Loss)/Profit before taxation

(Loss)/Profit before taxation is stated after charging:

	2018 ¥'000	2017 ¥'000
Fees payable to the company's auditor for the audit of the company's financial statements	2,980	3,780
Fees payable to the company's auditor for non-audit work		
- Taxation compliance services	5,355	4,517
- Other services	15,570	10,072
Depreciation – owned assets	9,225	4,195
Cost of inventories recognised as expense	22,827,100	22,781,900
Rentals under operating leases	30,421	16,695
Contributions to the Company's Pension Plan	4,356	1,608
Foreign exchange loss / (gain)	<u>43,774</u>	<u>(218,293)</u>

NH Foods U.K. Limited

Notes to the financial statements For the year ended 31 March 2018 (continued)

7. Information regarding directors and employees

	2018 ¥'000	2017 ¥'000
Directors' emoluments	55,362	50,995
Remuneration of the highest paid director	55,362	50,995
Average number of persons employed (including directors):	No.	No.
Sales and distribution	19	16
Administration	5	6
	24	22
Employees' costs during the year (including directors):	¥'000	¥'000
Wages and salaries	269,802	247,187
Social security costs	14,076	12,981
	283,878	260,168

There are two directors serving the company. One of them is stationed in Japan, and not paid for services provided to the company.

NH Foods U.K. Limited

Notes to the financial statements For the year ended 31 March 2018 (continued)

8. Taxation

(a) Tax on ordinary activities

	2018 ¥'000	2017 ¥'000
Current tax:		
United Kingdom corporation tax at 19% (2017: 20%) based on the (loss)/profit for the year	-	(23,058)
Adjustments in respect of prior years	1,429	570
Total current tax	1,429	(22,488)
Deferred tax:		
Property, plant and equipment	1,132	(1,092)
Derivatives contracts	(4,957)	(3,077)
Losses	10,729	-
Adjustments in respect of prior years	(702)	(536)
Total deferred tax	6,202	(4,705)
Tax on (loss)/profit	7,630	(27,193)

(b) Factors affecting current tax charge

The tax assessed in the period is higher (2017: higher) than that resulting from applying the standard rate of corporation tax in the UK: 19% (2017: 20%). The differences are explained below:

	2018 ¥'000	2017 ¥'000
(Loss)/Profit before tax	(58,003)	119,634
Tax at 19% (2017: 20%) thereon:	11,021	(23,927)
Expenses not deductible for tax purposes	(2,996)	(3,210)
Adjustments in respect of prior years	727	33
Effect of changes in tax rates	(1,121)	(90)
Total current tax credit/(charge) for the year	7,630	(27,193)

A deferred tax asset has been recognised in respect of temporary differences; the amount of the asset recognised is 7,906,000 yen at a 19% tax rate (2017: the amount of the asset recognised was 1,705,000 yen at a 20% tax rate).

Factors that may affect future tax charges

Deferred tax is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date. A reduction in the rate of corporation tax to 19% from April 2017 and 18% from April 2020 has been applied in the calculation of deferred tax. On 16 March 2016 the chancellor announced a further reduction to 17% in the statutory rate of UK corporation tax from 1 April 2020 and this was enacted on 15 September 2016.

NH Foods U.K. Limited

Notes to the financial statements For the year ended 31 March 2018 (continued)

9. Property, plant and equipment

	Short-term leasehold improvements ¥'000	Furniture and fittings ¥'000	Motor vehicles ¥'000	Total ¥'000
Cost				
At 1 April 2017	28,238	14,624	7,376	50,238
Additions	-	1,792	-	1,792
At 31 March 2018	28,238	16,416	7,376	52,030
Depreciation				
At 1 April 2017	2,190	10,059	2,409	14,658
Charge for the year	5,389	1,992	1,844	9,225
At 31 March 2018	7,579	12,051	4,253	23,883
Net book value				
At 1 April 2017	26,048	4,565	4,967	35,580
At 31 March 2018	20,659	4,365	3,123	28,147

10. Trade and other receivables

	2018 ¥'000	2017 ¥'000
Trade receivables	386,766	145,441
Amounts owed by group undertakings	2,052,312	1,019,306
Other receivables; Corporation tax for the year	2,001	-
Others	10,974	17,993
Prepayments	14,936	13,971
Derivative assets	11,559	-
	2,478,548	1,196,711

The amounts owed by group undertakings have no fixed repayment schedule, are unsecured and do not bear interest.

NH Foods U.K. Limited

Notes to the financial statements For the year ended 31 March 2018 (continued)

11. Trade and other payables

	2018 ¥'000	2017 ¥'000
Trade payables	1,428,477	1,332,916
Amounts owned to group undertakings	307	12,163
Other creditors: Corporation tax for the year	-	489
Other taxation and social security	6,742	1,716
Accruals	5,493	5,189
Derivative liabilities	3,012	17,545
	<u>1,444,031</u>	<u>1,370,018</u>

The amounts owed to group undertakings have no fixed repayment schedule, are unsecured and do not bear interest.

12. Share capital

	2018	2017
Authorised: 500,000 ordinary shares of £1 each	<u>£500,000</u>	<u>£500,000</u>
Called up, allotted, and fully paid: 300,000 ordinary shares of £1 each Equivalent in Japanese Yen. (¥'000)	<u>£300,000 78,366</u>	<u>£300,000 78,366</u>

13. Retained earnings

	¥'000
Balance at 1 April 2016	1,879,929
Net profit for the financial year	<u>92,441</u>
Balance at 1 April 2017	1,972,370
Net loss for the financial year	<u>(50,373)</u>
Balance at 31 March 2018	<u>1,921,996</u>

NH Foods U.K. Limited

Notes to the financial statements For the year ended 31 March 2018 (continued)

14. Operating lease commitments

At 31 March 2018, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings	
	2018	2017
	¥'000	¥'000
Within one year	32,250	29,538
In the second to fifth years inclusive	83,313	108,242
After five years	-	-
	<u>115,563</u>	<u>137,780</u>

15. Derivative financial instruments

	2018	2017
	¥'000	¥'000
Financial assets or liabilities carried at fair value through profit or loss (FVTPL)		
Forward foreign currency contracts gain	11,559	67
Forward foreign currency contracts loss	(3,012)	(17,612)
	<u>8,547</u>	<u>(17,545)</u>
Forward foreign currency contracts principal	<u>1,111,022</u>	<u>949,035</u>

The company uses derivatives to economically hedge its exposures to changes in foreign currency exchange rates arising from foreign currency purchases or sales. The fair values are based on market values of equivalent instruments at the balance sheet date.

16. Controlling party

In the opinion of the directors, the company's immediate and ultimate parent company and controlling party is NH Foods Ltd., a company incorporated in Japan. The parent company of the largest and smallest group of which the company is a part and which prepares consolidated financial statements is NH Foods Ltd.

Copies of the group consolidated financial statements of the ultimate parent company can be obtained from its registered office: NH Foods Ltd., 4-9 Umeda 2-chome, Kita-ku, Osaka 530-0001, Japan.