

Greenfields Ireland Limited

Report and Financial Statements

For the year ended 31 December 2018



Directors

R A Laird
M A Guiler
B A Gribben
B McCabe
C R Miller
M C MacDonald
R M Doherty

Secretary

M A Guiler

Auditors

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast BT2 7DT

Bankers

Ulster Bank
11-16 Donegal Square East
Belfast BT1 5UB

Solicitors

Carson McDowell
Murray House
Murray Street
Belfast BT1 6DN

Registered Office

Greenfields House
Quayside Office Park
14 Dargan Crescent
Belfast
Northern Ireland BT3 9JP

Registration Number

NI026972

Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2018.

Principal activity and review of the business

The company's principal activity during the year was the buying and selling of dairy products including butter, milk powders, cheese, cream and UHT milk. We sourced from Ireland, UK, Continental Europe, USA and New Zealand and sold in Europe, MENA, Americas & Caribbean, Indian subcontinent and South East Asia.

Price volatility continued to be a feature of the dairy market sector in 2018. European butter prices rose steadily throughout the first half of the year, then fell steadily throughout the second half. European SMP prices fell throughout the first quarter of 2018, reaching historic lows at the end of the first quarter. This was reversed and accelerated by the reduction in intervention SMP stocks during the second half 2018. The rise in the SMP price has continued from April 2018 through the end of December and into 2019.

Hedging of commodity ingredients continues to be very important to both our customers and suppliers as a way to manage the volatility in the market.

Key performance indicators

The directors have determined that the following key performance indicators (KPIs) are the most effective measures of progress towards achieving Greenfields Ireland Limited's objectives:

| | 2018 | 2017 |
|------------------------|---------|---------|
| | £000 | £000 |
| Turnover | 216,152 | 242,290 |
| Profit before taxation | 263 | 440 |
| Number of employees | 33 | 33 |

Principal risks and uncertainties

Risk management

The company's strategy is to follow an appropriate risk policy, which effectively manages exposures in the business. Due to the nature of the business the key risks are those of a financial nature, as detailed within the financial risk management policy section below. Further to these, management exercises financial and business control through a combination of qualified and experienced financial teams, daily cash flow forecasting, monthly management accounting and clearly defined approval limits.

Financial risk management policy

The company's principal financial instruments comprise cash, a bank loan and overdraft, trade debtors and trade creditors, foreign currency contracts and commodity hedges. The main risks associated with these financial assets and liabilities are set out below:

Foreign currency risk

The company's exposure to foreign currency risk, arising from revenues and costs denominated in Euro and US Dollars, is managed by calculating all foreign currency exposures arising from its operating activities and hedging this exposure using a combination of natural hedging and foreign exchange forward contracts. Sales and purchases in identical currencies which realise at or near the same point in time are hedged against each other; all other foreign currency transactions are hedged by forward foreign currency contracts (foreign exchange hedges).

Strategic report (continued)

Principal risks and uncertainties (continued)

Financial risk management policy (continued)

Credit risk

Credit risk arises on third party derived revenues. Company policy is aimed at minimising such risk, and requires that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures or who pay in advance of transfer of title or supply an appropriate letter of credit. The company holds credit insurance to mitigate the credit risk. In addition, individual exposures are monitored with customers subject to credit limits to minimise the company's exposure to potential bad debts.

Liquidity risk

The company's liquidity risk is managed by the company directors through daily assessment of required cash levels and resultant utilisation of various available banking facilities.

Interest rate risk

The company's external borrowings exist only to the extent of a bank loan and overdraft. Thus, the directors do not believe that the company has significant exposures arising from interest rate risks.

Market price risk

Due to the nature of its principal activity the company must manage movements in market prices of local and world markets for dairy products. The company seeks to mitigate risk through the policy of entering into purchases and sales only if matched by physical sales and purchases or through commodity hedging contracts.

FRS 102 requires the marked-to-market movement of commodity hedges to be recognised in the balance sheet within shareholders' funds.

There is no recognition of the corresponding gain or loss of the contracted purchases and sales maturing in 2019 being hedged by the hedging instruments.

On behalf of the Board



B A Gribben
Director

Date: 23 May 2019

Registered No. NI026972

Directors' report

The directors present their report and financial statements for the year ended 31 December 2018.

Results and dividends

The profit for the year after taxation amounted to £201,000 (2017 – £340,000). The directors do not recommend a final dividend (2017 – £nil).

Future developments

2018 was a challenging year across the Dairy Market sector. Despite this, Greenfields Ireland Limited was able to call upon its experience and expertise to deliver another strong performance for the year. Whilst butter volumes fell compared to 2017, this was reflective of a period of reduced demand. The tailored propositions we offer have added value to our relationships with our global customers and suppliers and they have remained loyal.

2019 has started positively, with volumes to export customers improving, driven somewhat by the more attractive European prices in relation to world market prices. We continue to consolidate existing relationships and establish new relationships in order to guarantee our lines of supply globally and to enable us to benefit from new opportunities as they arise.

Directors

The directors who served the company during the year unless otherwise stated were as follows:

R A Laird
M A Guiler
B A Gribben
B McCabe
C R Miller
M C MacDonald
R M Doherty

Political and charitable contributions

During the year, Greenfields Ireland Limited made charitable donations totalling £1,737 (2017 – £2,696).

Financial instruments

Details of financial instruments are provided in the strategic report on pages 2 & 3.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



B A Gribben

Director

Date: 23 May 2019

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 period. 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102'). 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditors' report

to the members of Greenfields Ireland Limited

Opinion

We have audited the financial statements of Greenfields Ireland Limited for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. 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 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 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.

Independent auditors' report (continued)

to the members of Greenfields Ireland Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

Responsibilities of directors

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

Independent auditors' report (continued)

to the members of Greenfields Ireland Limited

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 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 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.



Michael Kidd

for and on behalf of Ernst & Young LLP, Statutory Auditor

Belfast

Date

23 May 2019

Profit and loss account

for the year ended 31 December 2018

| | | 2018 | 2017 |
|--|-------|-----------|-----------|
| | Notes | £'000 | £'000 |
| Turnover | 2 | 216,152 | 242,290 |
| Cost of sales | | (212,002) | (237,089) |
| Gross profit | | 4,150 | 5,201 |
| Net loss on financial instruments held at fair value | | (23) | (34) |
| Administrative expenses | | (3,435) | (4,436) |
| Operating profit | 3 | 692 | 731 |
| Interest receivable and similar income | | 2 | – |
| Interest payable and similar charges | 7 | (431) | (291) |
| Profit before taxation | | 263 | 440 |
| Tax | 8 | (62) | (100) |
| Profit for the financial year | | 201 | 340 |

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2018

| | 2018 | 2017 |
|---|-------|---------|
| | £'000 | £'000 |
| Profit for the financial year | 201 | 340 |
| Marked-to-market movement of commodity and FX hedges (net of deferred tax) | (666) | (2,484) |
| Total recognised gains and losses relating to the year | (465) | (2,144) |

The notes on pages 12 to 24 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2018

| | <i>Called up share capital £'000</i> | <i>Share premium £'000</i> | <i>Profit and loss account £'000</i> | <i>Hedge reserve £'000</i> | <i>Total equity £'000</i> |
|---|--|------------------------------------|--|------------------------------------|-------------------------------|
| At 1 January 2017 | 115 | 65 | 5,152 | (1,268) | 4,064 |
| Profit for the year | – | – | 340 | – | 340 |
| Reversal of marked-to-market movement of commodity and FX hedges | – | – | – | 1,570 | 1,570 |
| Reversal of deferred tax in other comprehensive income | – | – | – | (302) | (302) |
| Marked-to-market movement of commodity and FX hedges | – | – | – | (2,693) | (2,693) |
| Deferred tax recognised in other comprehensive income | – | – | – | 209 | 209 |
| At 31 December 2017 | 115 | 65 | 5,492 | (2,484) | 3,188 |
| Profit for the year | – | – | 201 | – | 201 |
| Reversal of marked-to-market movement of commodity and FX hedges | – | – | – | 2,693 | 2,693 |
| Reversal of deferred tax in other comprehensive income | – | – | – | (209) | (209) |
| Marked-to-market movement of commodity and FX hedges | – | – | – | (821) | (821) |
| Deferred tax recognised in other comprehensive income | – | – | – | 155 | 155 |
| At 31 December 2018 | 115 | 65 | 5,693 | (666) | 5,207 |

Registered No. NI026972

Balance sheet

at 31 December 2018

| | Notes | 2018 £'000 | 2017 £'000 |
|---|-------|-----------------|-----------------|
| Fixed assets | | | |
| Intangible asset | 9 | 5 | 10 |
| Tangible assets | 10 | 674 | 698 |
| Investments | 11 | 76 | 76 |
| | | <u>755</u> | <u>784</u> |
| Current assets | | | |
| Stocks | 12 | 12,976 | 14,722 |
| Debtors | 13 | 27,496 | 35,999 |
| Cash at bank and in hand | | 1,811 | 3,495 |
| | | <u>42,283</u> | <u>54,216</u> |
| Creditors: amounts falling due within one year | 14 | <u>(37,519)</u> | <u>(51,452)</u> |
| Net current assets | | <u>4,764</u> | <u>2,764</u> |
| Total assets less current liabilities | | <u>5,519</u> | <u>3,548</u> |
| Creditors: amounts falling due in more than one year | 15 | <u>(312)</u> | <u>(360)</u> |
| Net assets | | <u>5,207</u> | <u>3,188</u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 115 | 115 |
| Share premium account | 18 | 65 | 65 |
| Hedge reserve | 19 | (666) | (2,484) |
| Profit and loss account | 18 | 5,693 | 5,492 |
| Shareholders' funds | | <u>5,207</u> | <u>3,188</u> |



B A Gribben

Director

Date: 23 May 2019



R M Doherty

Director

Date: 23 May 2019

The notes on pages 12 to 24 form part of these financial statements.

Notes to the financial statements

at 31 December 2018

1. Accounting policies

Statement of compliance

Greenfields Ireland Limited is a private limited liability company incorporated in Northern Ireland. The Registered Office is Greenfields House, Quayside Office Park, 14 Dargan Crescent, Belfast, Northern Ireland BT3 9JP.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2018.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements are prepared in Sterling which is the functional currency of the company, and rounded to nearest £'000, except when otherwise indicated.

Reduced disclosure framework

The company has taken advantage of the following disclosure exemptions under FRS 102:

- (a) The requirements of Section 4 *Statement of Financial Position* paragraph 4.12(a)(iv).
- (b) The requirements of Section 7 *Statement of Cash Flows* and Section 3 *Financial Statement Presentation* paragraph 3.17(d).
- (c) The requirements of Section 11 *Basic Financial Instruments* paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and Section 12 paragraphs 12.26
- (d) Section 33 *Related Party Disclosures* paragraph 33.7.

The company's immediate and ultimate parent undertaking and controlling party is Greenfields Ireland Holdings Limited, a company incorporated in Northern Ireland, which is the parent undertaking of the largest group to consolidate these financial statements. Greenfields Ireland Holdings Limited financial statements are available from Greenfields House, Quayside Office Park, 14 Dargan Crescent, Belfast, Northern Ireland BT3 9JP.

Going concern

The directors have assessed, based on the anticipated activities of the company, that there are adequate resources in place to meet the ongoing costs of the business for a minimum of 12 months from the date of signing the financial statements. In coming to this conclusion, the directors have assessed the entity's current financing arrangements and liquid resources. For this reason the financial statements have been prepared on a going concern basis which presumes the realisation of assets and liabilities in the normal course of business.

Group financial statements

The financial statements present information about Greenfields Ireland Limited as a single undertaking and not about its group. Greenfields Ireland Limited is exempt from preparing consolidated group financial statements under section 400 of the Companies Act 2006, on the grounds that it is a wholly owned subsidiary undertaking of Greenfields Ireland Holdings Limited (incorporated in the United Kingdom and established under the law of a member state of the European Union) and is included in the group financial statements of Greenfields Ireland Holdings Limited.

Statement of cash flows

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose group financial statements are publicly available, is exempt from the requirement to draw up a statement of cash flows in accordance with FRS 102 Section 7 *Statement of Cash Flows*.

Notes to the financial statements

at 31 December 2018

1. Accounting policies (continued)

Judgements and key sources of estimation

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. In the Directors' opinion, there are no areas of significant judgment (apart from those involving estimates) in preparing the financial statements.

The following are the company's key sources of estimation uncertainty:

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Details of the company's tax charge are contained in note 8.

Significant accounting policies

Turnover

Turnover which arises from continuing operations comprises the invoiced value of goods and services supplied by the company exclusive of value added tax and net of trade discounts. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, usually on dispatch of the goods.

Intangible fixed assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives.

The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The useful economic lives of intangible asset is as follows:

License – 3 years

Notes to the financial statements

at 31 December 2018

1. Accounting policies (continued)

Significant accounting policies (continued)

Intangible fixed assets (continued)

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, on a straight-line basis over their expected useful lives on the following bases:

Land and buildings – 50 years

Fixtures, fittings and equipment – 3 to 5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Notes to the financial statements

at 31 December 2018

1. Accounting policies (continued)

Significant accounting policies (continued)

Financial instruments (continued)

(ii) Financial liabilities (continued)

Trade payables are obligations to pay for goods or services that have been received in the ordinary course of business from suppliers. Trade payables are classified into amounts falling due within one year if payment is due within one year or less. If not, they are presented as amounts falling due after one year. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their year-end marked-to-market value. Changes in the marked-to-market value of derivatives are recognised in profit or loss, unless they are included in a hedging arrangement, in which case the change in fair value is recognised in balance sheet reserves. The hedging relationship exists when a financial instrument is used to hedge a risk on a hedged item such as an actual purchase or sale.

Under hedge accounting, FRS 102 requires the marked-to-market movement of commodity and foreign currency hedges to be recognised in the balance sheet within shareholders' funds at year end.

There is no recognition of the corresponding gain or loss of the contracted purchases and sales being hedged by the hedging instruments.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Current tax

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

Notes to the financial statements

at 31 December 2018

1. Accounting policies (continued)

Significant accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded in the company's functional currency by applying the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account unless they arise on a hedged item.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment.

2. Turnover

Turnover which arises from continuing operations comprises the invoiced value of goods and services supplied by Greenfields Ireland Limited exclusive of value added tax. Disclosure of the turnover for each business and geographical segment is not given because, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of Greenfields Ireland Limited.

3. Operating profit

This is stated after charging:

| | 2018 | 2017 |
|--|-------|-------|
| | £'000 | £'000 |
| Depreciation of owned fixed assets | 26 | 24 |
| Amortisation of intangible asset | 5 | 5 |
| Operating lease rentals – land and buildings | 14 | 13 |
| Foreign exchange | 23 | 318 |

4. Auditors' remuneration

| | 2018 | 2017 |
|--|-------|-------|
| | £'000 | £'000 |
| Fees payable to the company's auditor for the audit of the company's annual financial statements | 22 | 22 |

The company is exempt from giving the disclosures of non-audit remuneration which would otherwise be required by regulation 5(1)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 ("the Regulations") as it is included in the group financial statements of its parent, Greenfields Ireland Holdings Limited, which are required to comply with regulation 6(1) of the Regulations.

Notes to the financial statements

at 31 December 2018

5. Directors' remuneration

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Remuneration | <u>518</u> | <u>688</u> |
| Company contributions paid to defined contribution pension schemes | <u>30</u> | <u>32</u> |

During the year retirement benefits were accruing to 4 directors (2017 – 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £93,903 (2017 – £207,743).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,748 (2017 – £12,007).

6. Staff costs

| | 2018 £'000 | 2017 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 1,922 | 2,246 |
| Social security costs | 203 | 251 |
| Other pension costs | 227 | 288 |
| | <u>2,352</u> | <u>2,785</u> |

The average monthly number of employees during the year was made up as follows:

| | No. | No. |
|-----------------------|-----------|-----------|
| Office and management | <u>33</u> | <u>33</u> |

7. Interest payable and similar charges

| | 2018 £'000 | 2017 £'000 |
|---------------------------|---------------|---------------|
| Bank loans and overdrafts | <u>431</u> | <u>291</u> |

Notes to the financial statements

at 31 December 2018

8. Tax

(a) Tax on profit

The tax charge is made up as follows:

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Current tax: | | |
| UK corporation tax on the profit for the year (note 8(b)) | 50 | 123 |
| Adjustments in respect of previous periods | - | - |
| | <u>50</u> | <u>123</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | 12 | (24) |
| Effect of decreased tax rate on opening asset | - | 1 |
| Adjustments in respect of previous periods | - | - |
| Total deferred tax (note 8(c)) | <u>12</u> | <u>(23)</u> |
| Tax on profit | <u>62</u> | <u>100</u> |

(b) Factors affecting total tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017 – 19.25%). The differences are explained below:

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Profit before tax | 263 | 440 |
| Profit multiplied by standard rate of corporation tax in the UK of 19% (2017– 19.25%) | 50 | 85 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 9 | 11 |
| Depreciation in excess of capital allowances | 3 | 3 |
| Difference in tax rate/Movement in deferred tax | - | 1 |
| Adjustments in respect of previous periods | - | - |
| Total tax for the year (note 8(a)) | <u>62</u> | <u>100</u> |

Notes to the financial statements

at 31 December 2018

8. Tax (continued)

(c) Deferred tax

| | 2018 | 2017 |
|---|------------|------------|
| | £'000 | £'000 |
| Accelerated capital allowances | (1) | (3) |
| Short term timing differences and hedging | 241 | 309 |
| Deferred tax asset | <u>240</u> | <u>306</u> |
| | | £'000 |
| At 1 January 2018 | | 306 |
| Adjustments in respect of previous periods | | (209) |
| Charged to profit and loss account for the year (note 8(a)) | | (12) |
| Charged to equity for the year | | 155 |
| At 31 December 2018 | | <u>240</u> |

(d) Factors that may affect future tax charges

The UK corporation tax rate is 19% and this is the rate at which deferred tax has been provided. The UK corporation tax rate will reduce further to 17% from 1 April 2020. The reduction to 17% was announced in the March 2016 Budget and was substantively enacted on 6 September 2016.

9. Intangible asset

| | <i>Licence</i> |
|--------------------------|----------------|
| | £'000 |
| Cost: | |
| At 1 January 2018 | 15 |
| Additions | - |
| At 31 December 2018 | <u>15</u> |
| Amortisation: | |
| At 1 January 2018 | 5 |
| Provided during the year | 5 |
| At 31 December 2018 | <u>10</u> |
| Net book value: | |
| At 31 December 2018 | <u>5</u> |
| At 31 December 2017 | <u>10</u> |

Notes to the financial statements

at 31 December 2018

10. Tangible fixed assets

| | <i>Land and building</i> | <i>Fixtures, fittings and equipment</i> | <i>Total</i> |
|---------------------|------------------------------|---|--------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Cost: | | | |
| At 1 January 2018 | 689 | 139 | 828 |
| Additions | - | 2 | 2 |
| Disposals | - | - | - |
| At 31 December 2018 | <u>689</u> | <u>141</u> | <u>830</u> |
| Depreciation: | | | |
| At 1 January 2018 | 21 | 109 | 130 |
| Charge for the year | 13 | 13 | 26 |
| On disposals | - | - | - |
| At 31 December 2018 | <u>34</u> | <u>122</u> | <u>156</u> |
| Net book value: | | | |
| At 31 December 2018 | <u>655</u> | <u>19</u> | <u>674</u> |
| At 31 December 2017 | <u>668</u> | <u>30</u> | <u>698</u> |

11. Investments

| | <i>Subsidiary undertakings £'000</i> |
|--|--|
| Cost or valuation: | |
| At 1 January 2018 and 31 December 2018 | <u>76</u> |
| Net book value: | |
| At 1 January 2018 and 31 December 2018 | 76 |

Subsidiary undertakings

The following are the subsidiary undertakings of the company:

| <i>Name</i> | <i>Place of incorporation</i> | <i>Class of share</i> | <i>Holding</i> |
|---------------------------------|-------------------------------|-----------------------|----------------|
| Laganmore Food Products Limited | Northern Ireland | Ordinary | 100% |
| GFI Dairy Ingredients Limited | Republic of Ireland | Ordinary | 100% |

Laganmore Food Products Limited is dormant.

GFI Dairy Ingredients Limited was incorporated on 19 June 2017 and has commenced trading from 1 October 2018.

Notes to the financial statements

at 31 December 2018

12. Stocks

| | 2018 £'000 | 2017 £'000 |
|-------------------------------------|---------------|---------------|
| Finished goods and goods for resale | <u>12,976</u> | <u>14,722</u> |

Stock expensed for the year was £377,000 (2017: £1,446,000).

13. Debtors

| | 2018 £'000 | 2017 £'000 |
|-------------------------------------|---------------|---------------|
| Trade debtors | 26,368 | 35,014 |
| Other debtors | 49 | 50 |
| Amounts due from group undertakings | 714 | 540 |
| Prepayments and accrued income | 125 | 89 |
| Deferred tax asset (note 8(c)) | 240 | 306 |
| | <u>27,496</u> | <u>35,999</u> |

14. Creditors: amounts falling due within one year

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Bank loan and overdraft | 13,426 | 20,794 |
| Trade creditors | 21,126 | 25,931 |
| Amounts owed to group undertakings | 1,158 | 76 |
| Corporation tax | 50 | 123 |
| Other taxes and social security costs | 70 | 134 |
| Derivative instruments – commodity and FX hedges | 844 | 2,727 |
| Other creditors | 845 | 1,667 |
| | <u>37,519</u> | <u>51,452</u> |

15. Creditors: amounts falling due in more than one year

| | 2018 £'000 | 2017 £'000 |
|---------------------|---------------|---------------|
| Bank loan (note 16) | <u>312</u> | <u>360</u> |
| | <u>312</u> | <u>360</u> |

Notes to the financial statements

at 31 December 2018

16. Loans

Bank loans, included within creditors, are analysed as follows:

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Wholly repayable within five years | 6,610 | 5,483 |
| Not wholly repayable within five years | — | — |
| | <u>6,610</u> | <u>5,483</u> |

Bank loans are secured by legal charge over company's property at Greenfields House, Unit 1 Quayside Office Park, 2-14 Dargan Crescent, Belfast, BT3 9JP.

17. Issued share capital

| | No. | 2018 £'000 | No. | 2017 £'000 |
|---|---------|---------------|---------|---------------|
| <i>Allotted, called up and fully paid</i> | | | | |
| Ordinary shares of £1 each | 115,380 | <u>115</u> | 115,380 | <u>115</u> |

18. Reserves

Called up share capital

The balance classified as called up share capital includes the nominal value of issued company's share capital.

Share premium

This reserve includes the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account

The company's profit and loss account includes the accumulated profits and losses of the company less any dividends declared.

19. Hedge reserve

Commodity and foreign currency hedges are specific to contracted purchases and sales and are held until maturity to hedge the foreign currency risk and commodity price risk of those contracted purchases and sales.

Under hedge accounting, FRS 102 requires the marked-to-market movement of commodity and foreign currency hedges to be recognised in the balance sheet within shareholders' funds.

There is no recognition of the corresponding gain or loss of the contracted purchases and sales maturing in 2018 being hedged by the hedging instruments.

20. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. Contributions totalling £65,850 (2017 – £147,422) were payable to the fund at the year end and are included in creditors.

21. Other financial commitments

At 31 December 2018 the company had no annual commitments under non-cancellable operating leases.

Notes to the financial statements

at 31 December 2018

22. Security

At the year end, Ulster Bank held a Mortgage Debenture over the assets of the company.

23. Financial instruments

| | 2018 | 2017 |
|--|--------|--------|
| | £'000 | £'000 |
| Financial assets | | |
| Financial assets at amortised cost: | | |
| Trade and other receivables (note 13) | 27,256 | 35,693 |

Trade and other receivables are non-derivative financial assets carried at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

| | 2018 | 2017 |
|---|--------|--------|
| | £'000 | £'000 |
| Financial liabilities | | |
| Derivatives designated as hedging instruments: | | |
| Forward foreign currency contracts and commodity hedges | 821 | 2,693 |
| Derivatives not designated as hedging instruments: | | |
| Forward foreign currency contracts and commodity hedges | 23 | 34 |
| Financial liabilities at amortised cost: | | |
| Bank loans and overdrafts (note 14, 15, 16) | 13,738 | 21,154 |
| Trade and other payables (note 14) | 23,249 | 27,931 |

Derivatives not designated as hedging instruments reflect the change in fair value of forward foreign currency and commodity hedges that are not designated in hedge relationships, but are nevertheless intended to reduce the level of exposure to foreign currency risk. Other financial instruments are disclosed in notes 13, 14 and 15.

As at 31 December 2018, the marked-to-market value of the derivatives has been calculated, using significant variable inputs.

Bank loans and overdrafts principally comprise an overdraft facility, which is repayable on demand, and a stocking loan facility with a 12 month duration.

24. Related party transactions

As a wholly owned subsidiary of Greenfields Ireland Holdings Limited, the company is exempt from the requirements of FRS 102 Section 33 Related Party Disclosures paragraph 33.11 to disclose transactions with other members of the group which are party to the transaction.

Key management personnel

All directors who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. During 2018 and 2017, there were no transactions with key management personnel other than the directors' remuneration disclosed in note 5.

Notes to the financial statements

at 31 December 2018

25. Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking is Greenfields Ireland Holdings Limited, a company incorporated in the United Kingdom. The ultimate controlling parties of Greenfields Ireland Holdings Limited are its shareholders.