



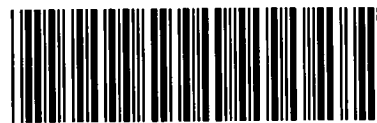
Princes Limited

Annual Report and Consolidated Financial Statements

Year Ended 31 March 2020

Registered No: 02328824

SATURDAY



A9K86SRT

A21

19/12/2020

#174

COMPANIES HOUSE

Registered No: 02328824

Contents

Company information	1
Strategic report	2
Directors' report	7
Directors' responsibilities statement	12
Independent auditor's report	13
Consolidated income statement	16
Consolidated statement of comprehensive income	17
Consolidated statement of financial position	18
Company statement of financial position	20
Consolidated statement of changes in equity	22
Company statement of changes in equity	23
Consolidated cash flow statement	24
Company cash flow statement	25
Notes to financial statements	26

Registered No: 02328824

Company information

Directors

W Kato
N Spruyt
M Oda
C Mackintosh
K Suematsu
S Cardall
Y Shimazu
T Arakawa
Y Katayama

Secretary

K Suematsu

Auditor

Deloitte LLP
Statutory Auditor
Horton House
Exchange St East
Liverpool
L2 3PG

Registered Office

Royal Liver Building
Pier Head
Liverpool
L3 1NX

Solicitors

Eversheds LLP
70 Great Bridgewater Street
Manchester
M60 5ES

Principal Bankers

HSBC
Registered office:
8 Canada Square
London
E14 5HQ

Registered No: 02328824

Strategic report

Principal activity and review of the business

The principal activities of the group, and company, during the year have been the manufacture, importation and distribution of food and drink products to the grocery trade.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The group turnover for the year ended 31 March 2020 was £1,533,093,000 (2019: £1,519,221,000) increase was mainly due to the effect of COVID-19 on demand at the end of the financial year.

The group profit for the year ended 31 March 2020, after taxation and minority interests, amounted to £19,193,000 (2019: £8,554,000). Increase due to the strategic reduction of volume in two areas of the business that generated low margins in the prior year.

The group's profit before tax, restructuring costs and impairment charges, for the year ended 31 March 2020, amounted to £30,449,000 (2019: £26,280,000). Calculations of this measure can be found on page 4.

Yearly strategic reviews of operational performance of the group's manufacturing sites have been undertaken. The review has resulted in an impairment charge of £Nil (2019: £8,346,000) and restructuring costs of £3,835,000 (2019: £5,258,000) being recognised in the year. Further details of this review is included in note 13 to the consolidated financial statements.

An analysis of the group turnover is included in the key performance indicators which are included in the strategic report on page 4.

The consolidated statement of financial position remains consistent in composition compared to the prior year with the exception of recognising right-of-use assets and lease liabilities on transition to IFRS16. The net assets for the group as at 31 March 2020 were £357,542,000 (2019: £322,135,000). Net current liabilities at 31 March 2020 increased to £59,097,000 (2019: £11,923,000) and net debt increased to £529,609,000 (2019: £410,807,000). The increase in net current liabilities is a result of increased short-term borrowings at the year end. The increase in net debt is due to increased borrowings from Princes ultimate parent company in order to fund investment in large scale capital projects and the timing of monthly payment runs. This is reflected by the large increase in property, plant & equipment and the large decrease in trade payables compared to the prior year. The movement in the pension surplus relates to actuarial gains when revaluing the retirement obligation.

The average headcount for the group for the year ended 31 March 2020 was 6,875 (2019: 6,827).

Future developments

The directors aim to maintain the management policies which have resulted in the group's growth in recent years and to invest in projects that will drive improved profitability.

The directors continue to assess the impact of the UK's decision to leave the EU to ensure that the group remains competitive in both the domestic UK market and the wider global markets.

As a resilient, flexible and outward looking business, the group are preparing for both the challenges and opportunities from the UK's exit of the EU. Critically, the group, and our suppliers need clarity and a smooth implementation period to ensure we can remain competitive and continue to operate effectively as one of the leading UK based food and drink groups.

This clarity is also vital for our 7,000 UK, European and Mauritian based employees who are our absolute highest priority. The group is therefore closely monitoring the development of the EU exit process and we are executing a comprehensive engagement plan which covers both industry and political stakeholders.

The directors have fully evaluated the effect of the Covid-19 pandemic on the business; revised forecasts have been prepared and presented to the board with the initial impact being positive on the whole.

Although there are some switches in product sales mixes, demand for Princes products on the whole has significantly increased as a result of the lockdown measures put in place by government. These lockdown measures have meant consumers are buying more and also consuming more as almost all meals are now prepared in home.

Registered No: 02328824

Strategic report (continued)

Future developments (continued)

The safety of Princes workforce remains our top priority with measures being taken across the group to ensure we continue to meet the high demand for our essential products while minimising the personal risk to our key workers.

Princes have had no delays in any ongoing capital or restructuring projects as a result of the pandemic as they have been classified as essential work due to being related to the supply of food and drink. Princes have however taken steps with project partners to ensure their safety and that they were comfortable with returning to work on the projects. There are no issues with the financing required for ongoing projects as discussed in the going concern section below.

A key risk of Covid-19 for Princes is ensuring a constant supply of raw materials during global lockdowns in order to continue to meet the high demand for our essential products. Princes have mitigated this risk by performing full reviews of supply chains to ensure suppliers are able to meet our production demands. There have been no significant supply chain issues noted due to the industry being an essential service.

Going concern

Having made reasonable enquiries the Directors are of the opinion that the group has sufficient resources to continue in operational existence for the foreseeable future. The Directors have considered the impact of COVID-19 on the group's projections and found it has overall had a positive effect on both cash flow and profit forecasts due to Princes providing essential products. The group are profitable and cash generative from day to day operations however as a result of the net liability position and negative cash flows that have arisen primarily through utilising existing short-term facilities to fund large scale fixed asset investment, Mitsubishi Corporation have issued a letter of support for the group. Borrowings from a subsidiary of Princes ultimate parent, Mitsubishi Corporation which makes up 70% of the total group's borrowings have been guaranteed and Mitsubishi Corporation have remained committed to providing the extra funding needed in order to complete the large capital projects that are underway. The Directors have assessed the ability of MC to support the group and have concluded they have the ability. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details are disclosed within note 1.

Principal risks and uncertainties

Treasury policies

The objective of the treasury team is to manage the group's financial risk.

The group finances its activities with a combination of bank borrowings, finance leases, loans from group undertakings and cash. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the group's operating activities. The group also enters into derivative transactions, principally forward currency contracts to manage the currency risks arising from the group's operations. The group does not speculatively trade in financial instruments.

Foreign exchange

The group has invested in operations outside of the United Kingdom and also buys and sells goods and services denominated in currencies other than sterling. As a result the value of the group's non-sterling revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates in general and in the US Dollar and Euro rates in particular. The group's transactional currency exposure arises from sales or purchases in currencies other than its functional currency. The group treasury policy requires its operating units to use forward currency contracts to minimise the currency exposures. Forward currency contracts must be in the same currency as the hedged item. Hedging arrangements are discussed further in note 36.

Registered No: 02328824

Strategic report (continued)**Key performance indicators**

The group uses several measures as indicators of the performance of the group and each of its divisions as follows:

	2020	2019
Revenue (£'000)	1,533,093	1,519,221
Cost of sales (£'000)	1,260,740	1,259,967
Cost of sales as a percentage of revenue (%)	<u>82.2</u>	<u>82.9</u>
Pre-tax profit	30,411	12,676
Add back:		
Restructuring costs (Note 4)	3,835	5,258
Impairment charges (Note 4)	(3,797)	8,346
Pre tax profit, excluding restructuring costs and impairment charges (£'000)	<u>30,449</u>	<u>26,280</u>
Top 10 customer concentration (%)	<u>60.7</u>	<u>59.3</u>
Number of employees		
Employees (average)	6,875	6,827
Temporary sub-contracted agency employees (average)	766	780
Total full time employees (average)	<u>7,641</u>	<u>7,607</u>
Revenue generated per full time employee (average) (£'000)	<u>201</u>	<u>200</u>

Financial performance

The group's revenue has increased from £1,519,221,000 for the year ended 31 March 2019 to £1,533,093,000 for the year ended 31 March 2020 mainly due to the effect of COVID-19 on demand at the end of the financial year.

Costs of sales have increased in line with revenue from £1,259,967,000 for the year ended 31 March 2019 to £1,260,740,000 for the year ended 31 March 2020. Cost of sales as a percentage of revenue has improved from 82.9% for the year ended 31 March 2019 to 82.2% for the year ended 31 March 2020 due to the strategic reduction of volume in two areas of the business that generated low margins in the prior year.

The pre-tax profit, excluding restructuring costs and impairment charges has increased in the current year from £26,280,000 to £30,449,000. This increase is a result of increased gross profit compared to prior year. This is an indicator of the normalised profit of the group.

Top 10 customer concentration

The group's largest 10 customers have remained broadly in line with the prior year, and accounted for 60.7% of group revenue for the year ended 31 March 2020, compared to 59.3% for the year ended 31 March 2019.

Number of employees

For the year ended 31 March 2020, the group had an average headcount of 7,641 across its various sites, generating revenue per employee of £201,000. This shows an increase from £200,000 for the year ended 31 March 2019 which had an average headcount of 7,607. Increase in revenue per employee is caused by increased revenue compared to the prior year with headcount increasing at a smaller rate.

Registered No: 02328824

Strategic report (continued)

Section 172 Statement

In accordance with s172 of the Companies Act 2006, included in this section of the strategic report are representations of how the Directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 when performing their duties.

The Directors are fully aware of their responsibilities to promote the success of the company in accordance of s172 and have acted in accordance with these responsibilities during the year.

Employees

The Directors consider the interests of the company's employees to be essential as part of our vision to make Princes Limited an 'Employer of Choice'.

The Directors maintain the provision of information to and consultation with employees by means of regular and ad hoc meetings of management and employees. The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group.

As part of Princes Limited's drive to become an 'Employer of Choice' various measures have been introduced during the year to create a performance culture, allow employees to reach their full potential and reward people who champion change, improvement and great service.

A key example of this is rolling out the group wide 'Pride in Princes' programme. This is an employee incentive scheme where quarterly awards are issued to employees that have been nominated by their colleagues for going the extra mile in the workplace. Winners receive group wide recognition and cash prizes.

The Environment & Corporate Social Responsibility

Corporate Social Responsibility (CSR) is fundamental to our business, never seen as a project or undertaken for the sake of compliance. Our efforts are focussed on three pillars of CSR: Climate Change & The Environment, Fair Partner & Good Employer & Health & Wellbeing.

Cross functional work streams for each pillar monitor our progress and set new targets while we have a number of specific working groups encompassing seafood sustainability, human rights, packaging, energy and colleague health and safety.

Princes see reducing the environmental impact of the packaging used in our products as a key goal which is fundamental to our vision. During the year various key decisions have been made which have helped us achieve goals in the reduction of non-recyclable packaging & increasing the proportion of recycled materials used in our packaging. See the business relationships section below for a key example of this.

During the year Princes conducted human rights risk assessments in our Thai poultry and pineapple value chains and subsequently engaged with Oxfam Thailand and the International Labour Organization to share insights. Since then, we've collaborated with one of our pineapple suppliers and an external organisation, conducting an independent "worker voice" survey. This pilot project enabled migrant workers to anonymously answer work-related questions via mobile phones. The findings are shaping the development of action plans, training and engagement with workers.

Registered No: 02328824

Strategic report (continued)

Section 172 Statement (Continued)

Business relationships

The Directors hold in high regard the need to foster the company's business relationships with suppliers, customers and others.

At Princes, we regularly engage with colleagues, suppliers, customers, neighbours, Non-Governmental Organisations, Policy makers and many others to build relationships, learn from each other, expand our scope and aim for the greater good. This is done through a range of communication methods and formal agreements such as the formation of strategic partnerships.

A principal decision we have made during the year which illustrates this is signing a breakthrough agreement with Coldiretti, a leading Italian agricultural union. It provides financial stability for tomato growers through guaranteed three-year contracts, while ensuring tomato pricing reflects the true costs of growing and harvesting, enabling long-term industry sustainability..

The reduction of single use non-recyclable plastic is a key desire for both our immediate customers and the end consumers of our products as people and companies alike are starting to realise the damage that these cause to the environment. This has led to changes in how consumers shop as well as retailers own goals being set to reduce single use plastics in the products they sell. Taking the desires of our customers in mind as well as packaging improvements being key area of our CSR, during the year we made the decision to replace the plastic packaging used on our Napolina pasta range with a 100% recyclable cardboard alternative. The decision is estimated to remove 17.5 tonnes of plastic from the UK waste stream annually. We also completed the removal of PVC (Polyvinyl chloride) from our packaging as it is a non-recyclable plastic.

The Impact of long term decisions

The Directors consider the long term consequences of all decisions made to ensure the continuing sustainability of the company and industry. This is depicted by the approval of large capital expenditure in manufacturing sites and commitment to corporate social responsibility ambitions.

The board of Directors hold regular meetings at which key strategic decisions are discussed and approved.

Approval

This report was approved by the board of directors and signed on its behalf by:

Kazuhito Suematsu

K Suematsu
Director

15 September 2020

Registered No: 02328824

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2020.

Matters included in the Strategic Report

In accordance with s414(C) (11) of the Companies Act, included in the Strategic Report is information relating to the future development of the business which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (accounts and reports) regulations 2008' to be contained in a Directors' Report.

Financial risk management objectives and policies

Foreign currency risk

The group is exposed to foreign currency risk with its transactions dominated in foreign currencies. Exchange rate exposures are managed within approved policies set out by the Board of Directors.

At 31 March 2020 the group had hedged the majority of its foreign currency commitments which existed at the statement of financial position (2019: same). See note 36 for further hedging arrangement details.

Interest rate risk

The group's policy is to manage its cost of borrowing using a mix of fixed and variable rate debt depending upon market conditions.

Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the group provides goods and services, enters into derivative contracts requiring settlement by the other party and invests or deposits surplus cash.

Group policies are aimed at minimising such losses, and require that terms are only granted to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored to ensure that the group's exposure to bad debts is not significant. Where appropriate, credit insurance is obtained by the group to mitigate exposures.

Liquidity risk

The group seeks to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the group. Investment is carefully controlled with authorisation limits operating up to the group and parent company board level, and investment return criteria are applied as part of the investment appraisal.

The group's funding strategy is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and loans from external banks and group companies.

Price risk

Other than as stated above (foreign currency risk section) the group hedges the cost of raw material prices where deemed necessary. No speculative trading in derivative financial instruments is undertaken by the group.

Dividends

The directors propose to pay a final dividend out of reserves on the ordinary shares of £5,317,500 (2019: final dividend paid of £211,500), together with the interim dividend paid of £4,279,000 (2019: interim dividend paid of £4,066,000) makes a total of £9,596,500 (2019: £4,277,500). Further details of dividends paid during the year are included in note 10.

Dividends paid after the year end are accounted for in accordance with IAS 10 'Events after the Reporting Period'.

Political and charitable contributions

The group made charitable donations amounting to £42,000 during the year ended 31 March 2020 (2019: £82,000). Corporate responsibility is a fundamental aspect of Princes business strategy and the company financially supports various charities and not-for-profit sustainability organisations which are aligned to its corporate responsibility principles. There were no political contributions (2019: same).

Registered No: 02328824

Directors' report (continued)

Directors

The directors, who served during the year and thereafter, unless otherwise noted below, are as follows:

W Kato
N Spruyt
M Oda
C Mackintosh
S Cardall
C Price (Resigned 30 June 2019)
Y Shimazu
K Suematsu
T Arakawa
I Kano (Resigned 1 April 2020)
Y Katayama (Appointed 1 April 2020)

Overseas branches

Princes Limited had a branch that operated in the Netherlands, Princes MC Foods Europe, for part of the prior year; the branch ceased to trade 31 August 2018 and closed 31 March 2019. Further details of this and the other associated companies are included in notes 15 and 16.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee engagement

Details of how the directors have engaged with employees; and how the directors have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the company during the financial year can be found in the 'Section 172 Statement' included in the Strategic Report.

Business Relationships

Details of how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year can be found in the 'Section 172 Statement' included in the Strategic Report.

Registered No: 02328824

Directors' report (continued)

Energy and Carbon Reporting

In Accordance with part 15 of the Companies Act 2006, included in the directors' report is Princes energy use & associated greenhouse gas emissions for the year ending 31st March 2020.

	2020
Energy consumption used to calculate emissions: (kWh)	303,766,992
Emissions from the combustion of gas	39,370
Emissions from the combustion of fuel for transport purposes	1,023
Emissions from business travel in rental cars or employee owned vehicles where company is responsible for purchasing the fuel:	139
Emissions from purchased electricity	21,509
Total gross tCO₂e based on the above:	62,041
Intensity ratio: Gross tCO ₂ e / £1m revenue	40

Methodology

Gas and electricity usage has been collected using data from 3rd party meter readings, business mileage has been collected by collating data from Princes employee expense system and fuel usage has been estimated by using the amounts expensed in the year. Usage volumes have been multiplied by the Gov.uk greenhouse gas reporting conversion factors to arrive at the reported figures above. Energy use is presented in Gross Calorific Value kWh (kWh) & emissions are presented in Tonnes of CO₂ equivalent (tCO₂e).

Princes have taken the option to exclude energy usage for subsidiaries that would not itself be obliged to include if reporting on its own account. 50% of Edible Oils Limited's energy use has been included in the Princes group report equating to Princes equity share of the joint venture.

Energy Efficiency Action

In the period covered by the report the report Princes have set up a decarbonisation team to help drive Zero Carbon across the business, the team are tasked with forming action plans and investment proposals to reduce the carbon footprint. Princes have also appointed a new electricity supplier to take over in April 2022 supplying 100% RIGO Certified Green Electricity to all UK sites.

Statement of corporate governance arrangements

Princes have not applied a recognised corporate governance code for the financial year; instead as a wholly owned subsidiary follow the corporate governance principles of the wider Mitsubishi Corporation group. Mitsubishi's principles are derived and based upon the Audit & Supervisory Board Member code of corporate governance.

The key principles Princes applied in the year are:

Purpose and Leadership

Our vision is to proudly help families to eat well without costing the earth.

Our Mission: We will deliver sustainable, profitable growth by:

- Being an employer of choice where our colleagues are proud to represent our business
- Embracing consumer insight and evolving to meet their changing needs through innovation
- Serving our customers to the highest standards as a trusted first choice partner
- Sourcing raw materials responsibly and ethically, adding value throughout our supply chain to provide great tasting food and drink.

The board promotes above purpose of the Group and ensures that Princes values, strategy and culture align with our purpose.

Registered No: 02328824

Directors' report (continued)

Composition

The Executive Chairman leads the Board and ensures that the views of all Directors are considered in the decision-making process.

Although there are no independent directors on the board, the Directors are highly experienced business leaders and frequently consider the interests of a broad range of stakeholders (including employees, customers, suppliers & joint venture partners) in their decision-making processes. The board also includes expat directors from Princes ultimate parent Mitsubishi Corporation that ensure the parent entities interests are represented on the board and that views from outside of Princes are represented.

The Directors believe that the Board is of an appropriate size for the size and complexity of the business.

Princes maintains an internal audit team which conducts frequent audits across the business on a regular basis. Furthermore, Princes is also subject to audits from Mitsubishi Corporation and from externally instructed auditors to ensure continued compliance with all relevant legal requirements.

Directors Responsibilities

The Directors have clear well defined roles and responsibilities. As discussed in the 'Section 172 statement' above the Board takes into account the impact on a wide range of stakeholders when making strategic decisions.

The Directors receive detailed information relating to the operations and performance of the Group, both through periodic meetings and ad-hoc full Board meetings when required.

During the year the Group continued to build on the already well developed internal control framework which is managed by our dedicated internal audit team.

Opportunity and Risk

The Board seeks to capitalise on opportunities (for example through capital investment, joint venture agreements and merger and acquisitions) while mitigating risks where possible.

The Board are also committed to new product development and innovation in order to remain competitive and break into new market segments. Risks of product failure are mitigated through extensive market research prior to launching new products.

Remuneration

The Board have the responsibility of developing, maintaining and implementing remuneration policies. The overriding objective of such policies is to attract and retain high-calibre individuals with a competitive reward packages based on the achievement of performance targets. These are linked to individual performance and accountability, and support the Group's commitment to becoming an employer of choice while rewarding long-term value creation.

The Board ensures that levels of compensation across the Group are sufficiently competitive to retain talent within the Group.

Stakeholders

Details of how the Directors engage with some of our key stakeholders, including our workforce, suppliers and customers can be found in the 'Section 172 Statement' included in the Strategic Report.

Registered No: 02328824

Directors' report (continued)

Auditor

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

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) 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.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board of Directors and authorised for issue on 15 September 2020.

Signed on behalf of the Board of Directors:

Kazuhito Suematsu

K Suematsu
Director

15 September 2020

Registered No: 02328824

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 group statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 steps for the prevention and detection of fraud and other irregularities.

Registered No: 02328824

Independent auditor's report to the members of Princes Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Princes Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 37.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 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 financial statements of Princes Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;

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.

Registered No: 02328824

Independent auditor's report to the members of Princes Limited (continued)

Report on the other legal and regulatory requirements (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 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.

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

Registered No: 02328824

Independent auditor's report to the members of Princes Limited (continued)

Report on the other legal and regulatory requirements (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 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.

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.



David Crawford (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Liverpool, United Kingdom
15 September 2020

Registered No: 02328824

Consolidated income statement

For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Revenue	2	1,533,093	1,519,221
Cost of sales		(1,260,740)	(1,259,967)
Gross profit		<u>272,353</u>	<u>259,254</u>
Distribution costs		(88,355)	(91,293)
Administrative expenses		(156,590)	(158,362)
Share of results of associates	16, 17	5,750	5,427
		<u>(239,195)</u>	<u>(244,228)</u>
Operating profit		<u>33,158</u>	<u>15,026</u>
Finance costs	8	(2,747)	(2,350)
Profit before tax		<u>30,411</u>	<u>12,676</u>
Tax	9	(7,979)	(3,375)
Profit for the year from continuing operations	4	<u><u>22,432</u></u>	<u><u>9,301</u></u>
Profit for the year attributable to:			
Owners of the Company		19,193	8,554
Non-controlling interests		3,239	747
		<u><u>22,432</u></u>	<u><u>9,301</u></u>

All revenue and operating profit for the year ended 31 March 2020 relate solely to the group's continuing operations (2019: same).

Princes Limited and Subsidiaries

Registered No: 02328824

Consolidated statement of comprehensive income

For the year ended 31 March 2020

<i>Group</i>	Notes	2020 £'000	2019 £'000
<i>Profit for the year</i>		22,432	9,301
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of net defined benefit asset	31	7,791	1,493
Tax relating to items that will not be reclassified subsequently	9,25	(1,579)	(591)
		6,212	902
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		2,513	(1,244)
Hedging		11,749	1,009
Tax relating to items that may be reclassified subsequently	9,25	(2,259)	(256)
		12,003	(491)
<i>Total other comprehensive income</i>		18,215	411
<i>Total comprehensive income for the year</i>		40,647	9,712
<i>Total comprehensive income attributable to:</i>			
Owners of the Company		36,111	10,117
Non-controlling interests		4,536	(405)
		40,647	9,712

Registered No: 02328824

Consolidated statement of financial position

As at 31 March 2020

	Notes	2020 £'000	2019 £'000
<i>Non-current assets</i>			
Goodwill	11	44,447	44,447
Other intangible assets	12	24,962	25,926
Property, plant and equipment	13	421,606	356,943
Right-of-use Assets	28	84,259	-
Interests in associates	16	9,022	8,763
Investments	17	34,900	32,081
Deferred tax asset	25	-	1,086
Derivative financial instruments	24	20	1
Retirement benefit surplus	31	70,947	60,861
		<u>690,163</u>	<u>530,108</u>
<i>Current assets</i>			
Inventories	18	294,603	295,803
Trade and other receivables	19	227,547	219,405
Current tax receivables		192	204
Cash and bank balances		2,436	8,546
Derivative financial instruments	24	8,387	909
		<u>533,165</u>	<u>524,867</u>
Assets classified as held for sale	20	8,143	-
<i>Total assets</i>		<u><u>1,231,471</u></u>	<u><u>1,054,975</u></u>
<i>Current liabilities</i>			
Trade and other payables	21	(199,893)	(262,276)
Current tax liabilities		-	(4,315)
Lease Liabilities	28	(12,968)	-
Borrowings	22	(360,818)	(253,758)
Provisions	26	(16,065)	(9,780)
Derivative financial instruments	24	(2,422)	(6,565)
Deferred revenue	32	(96)	(96)
		<u>(592,262)</u>	<u>(536,790)</u>
<i>Non-current liabilities</i>			
Borrowings	22	(171,227)	(165,595)
Retirement benefit obligations	31	(3,265)	(3,262)
Deferred tax liability	25	(30,886)	(22,954)
Deferred revenue	32	(3,441)	(3,539)
Lease Liabilities	28	(72,127)	-
Long-term provisions	26	(704)	(638)
Derivative financial instruments	24	(17)	(62)
		<u>(281,667)</u>	<u>(196,050)</u>
<i>Total liabilities</i>		<u><u>(873,929)</u></u>	<u><u>(732,840)</u></u>
<i>Net assets</i>		<u><u>357,542</u></u>	<u><u>322,135</u></u>

Registered No: 02328824

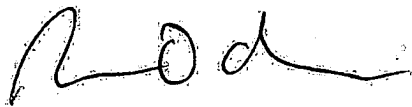
Consolidated statement of financial position (continued)

As at 31 March 2020

	Notes	2020 £'000	2019 £'000
<i>Equity</i>			
Share capital	27	7,000	7,000
Capital redemption reserve		5,400	5,400
Equity reserve		(5,665)	(5,665)
Hedging reserve		4,599	(4,891)
Translation reserve		4,163	3,359
Retained earnings		306,985	285,659
<i>Equity attributable to owners of the Company</i>		322,482	290,862
<i>Non-controlling interest</i>	33	35,060	31,273
<i>Total equity</i>		357,542	322,135

The financial statements were approved by the Board of Directors and authorised for issue on 15 September 2020.

Signed on behalf of the Board of Directors:



M. Oda
Director

Princes Limited and Subsidiaries

Registered No: 02328824

Company statement of financial position As at 31 March 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Goodwill	11	45,320	45,320
Other intangible assets	12	24,962	25,926
Property, plant and equipment	13	298,027	238,028
Right-of-use Assets	28	64,230	-
Investment property	14	3,889	4,009
Investments	15	97,135	99,758
Trade and other receivables	19	44,612	43,246
Deferred tax asset	25	-	1,170
Derivative financial instruments	24	13	1
Retirement benefit surplus	31	70,947	60,861
		<u>649,135</u>	<u>518,319</u>
Current assets			
Inventories	18	151,909	169,040
Trade and other receivables	19	280,803	258,732
Current tax receivables		448	-
Cash and bank balances		63	33
Derivative financial instruments	24	7,354	271
		<u>440,577</u>	<u>428,076</u>
Assets classified as held for sale	20	8,143	-
		<u>1,097,855</u>	<u>946,395</u>
Current liabilities			
Trade and other payables	21	(173,468)	(238,885)
Current tax liabilities		-	(4,219)
Lease Liabilities	28	(7,549)	-
Borrowings	22	(325,765)	(203,743)
Provisions	26	(16,065)	(9,780)
Derivative financial instruments	24	(1,684)	(6,371)
Deferred revenue	32	(96)	(96)
		<u>(524,627)</u>	<u>(463,094)</u>
Non-current liabilities			
Borrowings	22	(210,081)	(208,114)
Deferred tax liability	25	(30,126)	(22,381)
Lease Liabilities	28	(57,459)	-
Deferred revenue	32	(3,427)	(3,522)
Long-term provisions	26	(704)	(638)
Derivative financial instruments	24	(5)	(62)
		<u>(301,802)</u>	<u>(234,717)</u>
		<u>(826,429)</u>	<u>(697,811)</u>
Total liabilities			
		<u>271,426</u>	<u>248,584</u>
Net assets			

Registered No: 02328824

Company statement of financial position (continued)

As at 31 March 2020

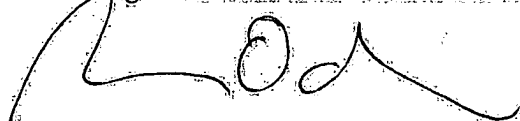
	Notes	2020 £'000	2019 £'000
Equity			
Share capital	27	7,000	7,000
Capital redemption reserve		5,400	5,400
Equity reserve		(5,665)	(5,665)
Hedging reserve		4,363	(5,251)
Translation reserve		-	-
Retained earnings		260,328	247,100
Total equity		271,426	248,584

The company reported a profit before impairment losses of £32,554,000 (2019: £26,100,000) for the financial year ended 31 March 2020.

The company reported a profit after impairment losses of £10,873,000 (2019: £19,963,000 loss) for the financial year ended 31 March 2020.

The financial statements were approved by the Board of Directors and authorised for issue on 15 September 2020.

Signed on behalf of the Board of Directors:



M Oda
Director

Registered No: 02328824

Consolidated statement of changes in equity

For the year ended 31 March 2020

	<i>Share capital</i>	<i>Capital redemption reserve</i>	<i>Equity reserve</i>	<i>Hedging reserve</i>	<i>Translation reserve</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Non-controlling interest</i>	<i>Total equity</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	7,000	5,400	(5,665)	(5,644)	4,376	280,936	286,403	31,678	318,081
Profit for the year	-	-	-	-	-	8,554	8,554	747	9,301
Other comprehensive (loss) / income for the year	-	-	-	753	(1,017)	1,827	1,563	(1,152)	411
Total comprehensive income for the year	-	-	-	753	(1,017)	10,381	10,117	(405)	9,712
Dividends (see note 10)	-	-	-	-	-	(5,658)	(5,658)	-	(5,658)
Balance at 31 March 2019	7,000	5,400	(5,665)	(4,891)	3,359	285,659	290,862	31,273	322,135
Profit for the year	-	-	-	-	-	19,193	19,193	3,239	22,432
Other comprehensive (loss) / income for the year	-	-	-	9,490	804	6,624	16,918	1,297	18,215
Total comprehensive income for the year	-	-	-	9,490	804	25,817	36,111	4,536	40,647
Dividends (see note 10)	-	-	-	-	-	(4,491)	(4,491)	(749)	(5,240)
Balance at 31 March 2020	7,000	5,400	(5,665)	4,599	4,163	306,985	322,482	35,060	357,542

The capital redemption reserve contains the premium arising on issue of equity shares.

The equity reserve relates to the adjustment to the fair value of the brand acquired through the company increasing its holding in Napolina Limited from 76% to 100% on 12 August 2013.

The hedging reserve relates to the gains and losses arising on the effective portion of hedging instruments carried out at fair value in a qualifying cash flow hedge.

The translation reserve represents the gains and losses arising on retranslating the net assets of overseas operations into sterling.

The retained earnings are all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

The non-controlling interest relates to minority interests in Princes Tuna (Mauritius) Limited, Indico Canning Limited & West Yorkshire Industrial Estates (Management) Limited.

Princes Limited and Subsidiaries

Registered No: 02328824

Company statement of changes in equity For the year ended 31 March 2020

	<i>Share capital</i>	<i>Capital redemption reserve</i>	<i>Equity reserve</i>	<i>Hedging reserve</i>	<i>Translation reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	7,000	5,400	(5,665)	(5,622)	442	270,440	271,995
Loss for the year	-	-	-	-	-	(19,963)	(19,963)
Other comprehensive (loss)/ income for the year	-	-	-	371	(442)	2,281	2,210
Total comprehensive income for the year	-	-	-	371	(442)	(17,682)	(17,753)
Dividends (see note 10)	-	-	-	-	-	(5,658)	(5,658)
Balance at 31 March 2019	7,000	5,400	(5,665)	(5,251)	-	247,100	248,584
Profit for the year	-	-	-	-	-	10,873	10,873
Other comprehensive (loss)/ income for the year	-	-	-	9,614	-	6,846	16,460
Total comprehensive income for the year	-	-	-	9,614	-	17,719	27,333
Dividends (see note 10)	-	-	-	-	-	(4,491)	(4,491)
Balance at 31 March 2020	7,000	5,400	(5,665)	4,363	-	260,328	271,426

The capital redemption reserve contains the premium arising on issue of equity shares.

The equity reserve relates to the adjustment to the fair value of the brand acquired through the company increasing its holding in Napolina Limited from 76% to 100% on 12 August 2013.

The hedging reserve relates to the gains and losses arising on the effective portion of hedging instruments carried out at fair value in a qualifying cash flow hedge.

The translation reserve represents the gains and losses arising on retranslating the net assets of overseas operations into sterling. Following the transfer of these operations into another group company, the translation reserve has been released to retained earnings.

The retained earnings are all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

The company reported a profit before impairment losses of £32,554,000 (2019: £26,100,000) for the financial year ended 31 March 2020.

The company reported a profit after impairment losses of £10,873,000 (2019: £19,963,000 loss) for the financial year ended 31 March 2020.

Registered No: 02328824

Consolidated cash flow statement

For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Net cash flows from operating activities	34	(10,073)	47,522
Investing activities			
Dividends received from associates		2,500	2,500
Purchase of property, plant and equipment	13	(97,191)	(64,179)
Proceeds from sale of property, plant and equipment		137	1,664
Net cash flows used in investing activities		(94,554)	(60,015)
Finance activities			
Dividends paid	10	(4,491)	(5,658)
Dividends paid to non-controlling interest		(749)	-
New short-term borrowings		137,427	55,140
Repayment of borrowings		(26,702)	(37,401)
Repayment of lease liabilities		(8,935)	-
Net cash flows generated by finance activities		96,551	12,081
Net decrease in cash and cash equivalents		(8,077)	(412)
Cash and cash equivalents at beginning of year		8,546	7,819
Effect of foreign exchange rate changes		1,967	1,139
Cash and bank balances at end of year		2,436	8,546
		2020	2019
Cash and bank balances:		£'000	£'000
Cash at bank		2,428	8,538
Cash in hand		8	8
		2,436	8,546

Princes Limited and Subsidiaries

Registered No: 02328824

Company cash flow statement
For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Net cash flows from operating activities	34	(12,989)	49,637
Investing activities			
Dividends received from associates		3,318	2,500
Investments in subsidiaries	15	(19,058)	(30,379)
Purchase of property, plant and equipment	13	(85,454)	(51,395)
Additions to investment property	14	(97)	(168)
Net cash flows used in investing activities		(101,291)	(79,442)
Finance activities			
Dividends paid	10	(4,491)	(5,658)
New short-term borrowings		123,989	30,089
Repayment of lease liabilities		(5,188)	-
Net cash flows generated by finance activities		114,311	24,431
Net increase/(decrease) in cash and cash equivalents		30	(5,374)
Cash and cash equivalents at beginning of year		33	5,407
Cash and bank balances at end of year		63	33
Cash and bank balances:			
Cash at bank		55	25
Cash in hand		8	8
		63	33

Registered No: 02328824

Notes to the financial statements

For the year ended 31 March 2020

1. Accounting policies

1.1 General information

Princes Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the strategic report, on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 1.3.

1.2 Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

Standards affecting the financial statements

The following standards and interpretations have come into effect during the year. The adoption of these amendments has not had any material impact on the disclosures or amounts reported in these financial statements, except for IFRS 16 as discussed below:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9 (Oct 2017)	Prepayment Features with Negative Compensation
Amendments to IAS 28 (Oct 2017)	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRS Standards 2015–2017 Cycle (Dec 2017)	Annual Improvements to IFRSs: 2015-17 Cycle.
Amendments to IAS 19 (February 2018)	Plan Amendment, Curtailment or Settlement

IFRS 16 Leases

Description

In the current year, the group has applied IFRS 16 Leases and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2019.

The implementation of IFRS 16 has had a material effect on the Princes Limited's balance sheet. Previously, lease contracts for a lessee were classified as either operating or finance leases. The standard requires the Group to recognise a 'right-of-use' asset where the Group has a long-term arrangement to benefit from an asset which it controls in return for regular consideration (a lease). Therefore the majority of operating leases have to be recognised as lease assets with related lease liabilities, similar to the previous accounting of finance leases.

The lease payments, previously accounted for as operating expenses, have been split into an interest expense and a repayment of the lease liability. The right-of-use assets are depreciated over the term of the lease contract. Previous operating lease expenses included under cost have been replaced by depreciation and financial expenses. The impact on profit is neutral over time, but a minor timing effect does occur due to frontloading of interest expenses.

Reported cash flow from operating activities has increased but is offset by an increased cash outflow from financing activities. Accordingly, total cash flow for the year is unchanged.

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)**1.2 Adoption of new and revised Standards (continued)****IFRS 16 Leases (continued)***Application*

The Group adopted IFRS 16 on 1 April 2019 using the modified retrospective transitional approach in accordance with IFRS 16:C5(a) and consequently the comparative amounts have not been restated.

Right-of-use assets have been presented as a separate line-item in the balance sheet and specified further in note 28 Leases.

The group has made use of the following practical expedients available on transition to IFRS 16:

- Contracts not previously determined to contain a lease in accordance with IAS 17 and IFRIC 4 have not been reassessed at the commencement date
- *Explicit recognition and measurement exemption applied for leases for which the term ends within 12 months or fewer of the date of initial application and accounted for those leases as short-term leases*
- Applying a single discount rate to groups of leases with similar characteristics, e.g. similar period and location
- The use of onerous provision assessment under IAS 37 immediately prior to the date of initial application rather than impairment assessment of right-of-use assets under IAS 36
- The use of hindsight to determine the lease term, if the contract included extensions or break clauses
- Excluding initial direct costs from the measurement of the cost of the asset

Upon adoption of IFRS 16, right-of-use assets of £26,608,000 and lease liabilities of £27,826,000 were recognised as at 1 April 2019. The reconciliation between the operating lease commitments as at 31 March 2019 and the opening balance for the lease liabilities as at 1 April 2019 is as follows:

	£'000
Operating lease commitments at 31st March 2019	18,735
Add: Leases not previously recognised	14,803
Less: Effect of discounting	(5,712)
Total additional lease liabilities recognised on adoption of IFRS 16	27,826
Existing finance lease obligations at 31 March 2019	-
Operating lease commitments at 31st March 2019	27,826

The weighted average incremental borrowing rate applied to the lease liabilities at 1 April 2019 was 2%

The difference between the right-of-use assets and lease liabilities recognised on transition relates to a rent free period accrual which was offset with the related right-of-use asset.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.2 Adoption of new and revised Standards (continued)

At the date of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Amendments to References to the Conceptual Framework in IFRS Standards – effective 1 st Jan 2020	Amendments to References to the Conceptual Framework in IFRS Standards
Amendments to IFRS 3 (October 2018) - Not yet endorsed by EU	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7 - effective 1 st Jan 2020	Interest Rate Benchmark Reform
Amendments to IFRS 3 (August 2019) - effective 1 st Jan 2020	Definition of Material
IFRS 17 - Not yet endorsed by EU	Insurance Contracts
Amendments to IFRS 10 and IAS 28 (Sept 2014) - Not endorsed by EU	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 14 - Not endorsed by EU	Regulatory Deferral Accounts

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the group in future periods.

Standards will all be applied in the first financial period following the effective date.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

1.3 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policy below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 March each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Basis of consolidation

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Investments in joint ventures

In the group financial statements investments in joint ventures are accounted for using the equity method. The group income statement includes the group's share of joint ventures profits less losses while the group's share of the net assets of the joint ventures is shown in the group balance sheet.

Other investments

Other fixed asset investments are stated at the lower of cost and net realisable value. Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the company.

Going concern

The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business. In satisfaction of this responsibility the directors have reviewed in detail the business' cash flow projections, together with the availability of undrawn borrowing facilities, for a period of greater than 12 months from the date of approval of these financial statements. Notwithstanding the net current liability position at 31 March 2020 and negative cash flows in the previous 2 years, which have arisen primarily through utilising existing short-term facilities to fund large scale fixed asset investment, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future.

The Directors prepared revised forecasts following the outbreak of COVID-19. The impact overall has had a positive effect on both the profit and cash flow forecasts. This is due to the fact that Princes being a food and drinks manufacturer provide essential products thus have seen a large increase in demand since lockdown measures have been put in place across the countries we operate in. The effect of Covid-19 is discussed in more detail in the future developments section of the Strategic report.

The group is profitable and cash generative from day to day operations when excluding the fixed asset investments. Further detail of the group's performance is contained in the Strategic Report on pages 2-6 and details of the group's borrowing facilities are included in note 22. Borrowings from a subsidiary of Princes ultimate parent, Mitsubishi Corporation which makes up 70% of the total group's borrowings have been guaranteed and Mitsubishi Corporation have remained committed to providing the extra funding needed in order to complete the large capital projects that are underway. In addition, as a result of the net liability position and the funding structure of the Princes group through revolving/short term facilities, Mitsubishi Corporation have issued a letter of support for the group, the Directors have assessed the ability of MC to support the group and have concluded they have the ability. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

Accounting policies (continued)

1.3 Significant accounting policies (continued)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except that: deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Investments in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Investments in associates (continued)

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and therefore adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate. When the group's share of losses of an associate exceeds the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Revenue recognition

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue on a single performance obligation which is satisfied when it transfers control of a product or service to a customer.

The group operates one principal area of activity, that of the importation, manufacture and distribution of food and drink products. The group also operates within three geographical markets, the United Kingdom, Rest of Europe and Rest of the World.

The total sales from Edible Oils Limited are included within group turnover as detailed in note 29.

Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The group's policy for recognition of income from operating leases is described on pages 30 and 31.

Leases

The group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

For all classes of assets, non-lease components, i.e. service elements, will be separated from the lease components and thereby not form part of the right-of-use asset and financial lease liability recognised in the balance sheet.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Leases (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pound sterling, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity'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 in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRSs as sterling-denominated assets and liabilities.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise deposits with banks and financial institutions, and bank and cash balances. In the balance sheet, bank overdrafts are included in current borrowings.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Research and development

Research and development expenditure is written off as incurred. R&D tax credits are included within operating profit.

Operating profit

Operating profit is stated after the share of results of associates but before investment income and finance costs.

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Usual practice in the UK is for the remeasurement, included in the statement of comprehensive income, to be taken to retained earnings but this is not a requirement of the standard. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current and past service cost;
- net-interest expense or income; and
- remeasurement.

The group presents the first component of defined benefit costs within administrative expenses (see note 30) in its consolidated income statement. Net-interest expense or income is recognised within finance costs (see note 8).

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Taxation (continued)

combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any recognised impairment losses.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold buildings	- over 33-50 years
Leasehold land & buildings	- over 50 years or period of lease, if less
Plant, machinery & equipment	- over 2-30 years
Vehicles	- over 2-10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is stated at cost less accumulated depreciation and any recognised impairment losses. Depreciation is assessed on a straight line basis, over the asset's useful life (50 years).

Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less accumulated impairment losses.

Intangible assets identified as having indefinite useful lives are influenced by the nature of the business and the lifespan of the products sold to which the intangible assets relate.

Brands and licences with finite useful lives are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. Brands and licences with indefinite useful lives are carried at cost less accumulated impairment losses.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

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

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value as follows.

- raw materials, packaging and goods purchased for resale – purchase cost on a first in first out basis; and
- manufactured goods – cost of direct materials and labour plus attributable overheads based on normal level of activity.

Net realisable value represents the estimated selling price less further costs expected to be incurred to completion and disposal.

Financial instruments

Financial assets and financial liabilities are recognised in the group's statement of financial position when the group 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 (other than financial assets financial liabilities at fair value through profit and loss) 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.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Financial assets (continued)

- The group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected losses, through the expected life or the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instruments improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the “finance income – interest income” line item (note 8).

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Financial assets (continued)

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described earlier in this note on page 36.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item; and
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

See hedge accounting policy regarding the recognition of exchange differences where the foreign currency risk component of a financial asset is designated as a hedging instrument for a hedge of foreign currency risk.

Impairment of financial assets

The group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the group recognises lifetime ECL when there has been significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Financial assets (continued)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Financial assets (continued)

The group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the group considers the changes in the risk that the specified debtor will default on the contract.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the group, in full (without taking into account any collateral held by the group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly the group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows or the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss with other gains and losses.

Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and currency swaps. Further details of derivative financial instruments are disclosed in note 24.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the group has both legal right and intention to offset. The impact of the Master Netting Agreements on the Group's financial position is disclosed in note 24. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The group designates its derivative hedging instruments in respect of foreign currency risk. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the group actually uses to hedge that quantity of hedged item.

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Hedge accounting (continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the group applies straight-line amortisation. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Note 36 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. In the event that there is an ineffective portion, the gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

Provisions

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

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.3 Significant accounting policies (continued)

Provisions (continued)

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

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

Deferred consideration

Deferred consideration is held within provisions for liabilities and is recorded at the fair value of consideration payable.

Dividends

A final dividend is recognised when it is declared by the company in general meeting or by the members passing a written resolution. In the case of an interim dividend authorised under common articles of association, this will normally be when the dividend is paid. Accordingly, if an interim dividend is announced before the end of the reporting period but not paid until the next reporting period, this will not result in a liability at the reporting date.

1.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 1.3, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There are no critical accounting judgements that have a material impact on the group financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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.

Impairment of goodwill, intangible assets and property, plant and equipment

Determining whether goodwill, intangible assets and property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units (CGUs) to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was £44,447,000 (2019: £44,447,000). The carrying amount of intangible assets with indefinite lives at the balance sheet date was £18,848,000 (2019: £18,848,000). The carrying amount of property, plant and equipment & right-of-use assets at the balance sheet date was £505,865,000 (2019: £356,943,000), after an impairment loss of £Nil (2019: £8,346,000) was charged to the group income statement.

The group has seven CGUs with material assets attached. Three CGUs have goodwill and intangible assets assigned to them (Canning, PIA and Napolina). The allocation of assets to CGUs and the assessment of expected future cash flows at CGU level gives rise to estimation uncertainty. Details of impairment charges in the year are included in note 13.

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

1.4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment testing is dependent on management's estimates and judgements, particularly as they relate to the forecasting of future cash flows, the discount rates selected and expected long-term growth rates. All CGUs that have goodwill and intangible assets with indefinite lives assigned to them have been subject to the annual impairment review process. With the exception of the PIA CGU, which was impaired in the year ended 31 March 2017, each of the group's CGUs have previously had headroom as a result of the annual impairment review. Impact of COVID-19 on forecasts has been positive across all CGU's. This is considered in detail in the future developments section of the strategic report.

Canning CGU

Notwithstanding an improvement in the performance of the Canning CGU in the current and prior year, the Canning CGU continued to experience challenging macroeconomic conditions, including currency devaluations and commodity price increases. The estimated long-term growth rates beyond the forecast periods included in the impairment model are 1.5% (2019: 1.5%) per annum. Management consider this assumption to be conservative.

Detailed forecasts for a period of five years have been prepared and management concluded that the assets were not impaired. The key drivers of the forecast improvement in performance include achievement of price increases, improved volumes and the realisation of cost savings from large capital investment projects. At 31 March 2020, headroom was £15,921,000 on a CGU carrying value of £172,186,000 (2019: headroom of £6,985,000 on a CGU carrying value of £132,709,000). The increase in carrying value is a result of the large ongoing capital projects at the canning sites.

The critical assumptions underlying the detailed forecasts used in the impairment model are wide-ranging. The key assumptions that are subject to reasonably possible changes that could lead to a reduction in the headroom are the discount rate and volume increases. The discount rate used was 8.82% (2019: 8.72%). The Canning CGU primarily operates in the UK where the factors that impact the discount rate are considered to be limited; a 0.25% increase in the discount rate would reduce the headroom by £9,112,000. Assuming that movements in volume directly correlate to movements in pre-tax cash flows, volumes would have to fall to below 98.1% (2019: 97.6%) of the forecast volumes before the value in use falls below the CGU carrying value. Based on the review performed management have concluded that the carrying value of the Canning CGU included in the financial statements is appropriate.

PIA CGU

The PIA CGU was impaired during the year ended 31 March 2017. This was underpinned by full strategic review and reduction of the cash flow forecasts for that area of the business which continues to be reviewed annually as part of the budget process. As part of the current year review, management have reviewed the underlying asset base of the CGU and have deemed it appropriate to include a proportion of the Napolina brand that is directly attributable to the products manufactured at PIA.

The critical assumptions underlying the detailed forecasts used in the impairment model are wide-ranging, and include average long term growth rates of 1.5% (2019: 1.5%) and a pre-tax discount rate of 8.82% (2019: 8.74%). At 31 March 2020, the impairment headroom is £25,631,000 on a CGU carrying value of £98,132,000 (2019: headroom of £27,475,000 on a CGU carrying value of £93,361,000). A 10% reduction in annual cash flows during five year budget/forecast period would reduce the headroom by £12,376,000. The PIA CGU operates from the manufacturing facility in Italy, with distribution in the UK and mainland Europe, the factors that impact the discount rate are considered to be broader than those of the Canning CGU, a 0.5% increase in the discount rate would reduce the headroom by £9,922,000. Based on the review performed, management have concluded that the carrying value of the PIA CGU included in the financial statements is appropriate.

Napolina CGU

Management has concluded that no reasonably possible change in the key assumptions on which it has determined value in use for the Napolina goodwill and associated intangible assets would cause their carrying values to exceed value in use.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

2. Revenue

Revenue represents the invoiced value of goods sold which fall within the group's continuing ordinary activities and is stated net of value added tax and trading allowances. Revenue is recognised when the risk and rewards have been transferred. The total sales from Edible Oils Limited are included within group revenue as detailed in note 29.

The group operates in one principal area of activity, that of the importation, manufacture and distribution of food and drink products.

An analysis of the group's revenue is as follows:

	<i>Year ended</i> 2020 £'000	<i>Year ended</i> 2019 £'000
Continuing operations		
Sales of goods	1,533,093	1,519,221

3. Operating segments

The class of business the group operates in is the manufacture, importation and distribution of food and drink products to the grocery trade.

The group operates within three geographical markets, the United Kingdom, Rest of Europe and Rest of the World.

Geographical information:

The group's revenue from external customers and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets, retirement benefit surpluses and other financial assets) by geographical location are detailed below:

	<i>Year ended</i> 2020 £'000	<i>Year ended</i> 2019 £'000
Revenue from external customers by location:		
United Kingdom	1,159,299	1,148,042
Rest of Europe	303,860	293,933
Rest of the World	69,934	77,246
	<u>1,533,093</u>	<u>1,519,221</u>
	<i>2020</i> £'000	<i>2019</i> £'000
Consolidated total non-current assets by location of asset:		
United Kingdom	470,472	344,512
Rest of Europe	86,428	80,875
Rest of the World	62,296	42,773
	<u>619,196</u>	<u>468,160</u>

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

4. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	<i>£'000</i>	<i>£'000</i>
Depreciation of property, plant and equipment (see note 13)	29,869	30,863
Depreciation of Right of use assets (see note 28)	8,692	-
Loss on disposal of fixed assets	1,748	446
(Reversal of) / Impairment of property, plant and equipment (see note 13)	(3,797)	8,346
Income from insurance claim	(4,118)	(5,819)
Restructuring costs	3,835	5,258
Research and development costs	2,312	1,738
Amortisation of other intangible fixed assets (see note 12)	964	964
Royalties payable	255	450
Net foreign exchange (gains)	288	(270)
Operating lease expense	-	7,607
Cost of inventories recognised as an expense (see note 18)	1,127,162	1,137,643
Write downs of inventories recognised as an expense	2,550	3,353
Employee benefit expenses (see note 7)	167,468	159,407

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own income statement for the year. The company reported a profit before impairment losses for the financial year ended 31 March 2020 of £32,554,000 (2019: £26,100,000) and a profit after impairment losses of £10,873,000 (2019 loss: £19,963,000).

The auditor's remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements.

The restructuring costs incurred in the year arose from the announcement of a strategic restructuring programme in relation to the closure of the Manchester and Chichester sites.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

5. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	<i>Year ended 2020 £'000</i>	<i>Year ended 2019 £'000</i>
Fees payable to the company's auditor and their associates for the audit of the company's financial statements	188	182
Fees payable to the company's auditor and their associates for other services to the group:		
– The audit of the company's subsidiaries	185	151
Total audit fees	<u>373</u>	<u>333</u>
Fees payable to the company's auditor for other services to the group pursuant to legislation:		
– Audit-related assurance services	151	149
Total non-audit fees	<u>151</u>	<u>149</u>

5. Auditor's remuneration (continued)

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed separately as they are included in the consolidated fees above.

Fees payable to Deloitte LLP and their associates for the respective audits of the financial statements of Edible Oils Limited and its overseas incorporated subsidiaries, in which the group has a joint venture interest, for the year ended 31 March 2020 were £43,000 (2019: £42,000) and are not recharged to the group.

6. Directors' remuneration

The remuneration of the directors, who are the key management personnel of the group, is set out below.

The total amounts for directors' remuneration in accordance with Schedule 5 to the Accounting Regulations were as follows:

	<i>Year ended 2020 £'000</i>	<i>Year ended 2019 £'000</i>
Short-term employee benefits	1,482	2,191
Directors to whom retirement benefits are accruing for qualifying services in respect of defined benefit pension schemes	<i>No.</i>	<i>No.</i>

The emoluments of the highest paid director were £446,000 (2019: £486,000).

Directors' remuneration disclosed includes only directors that are paid by the Princes Group and not remuneration for Directors that are paid directly by Princes ultimate parent Mitsubishi Corporation.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

7. Employee benefit expenses

Employee benefit expenses (including directors) comprise:

	<i>Year ended 2020 £'000</i>	<i>Year ended 2019 £'000</i>
Wages and salaries	140,965	138,533
Social security costs	16,430	14,133
Other pension costs	10,072	6,741
	<u>167,468</u>	<u>159,407</u>

Included within wages and salaries costs are costs in respect of temporary sub-contracted agency employees of £10,525,000 (2019: £11,633,000).

The average monthly number of employees during the year, including directors, was:

	<i>Year ended 2020 No.</i>	<i>Year ended 2019 No.</i>
Office management	1,289	1,169
Manufacturing, warehousing and transport	5,586	5,658
	<u>6,875</u>	<u>6,827</u>
Temporary sub-contracted agency staff	766	780
	<u>7,641</u>	<u>7,607</u>

8. Finance income and costs**Group**

	<i>Year ended 2020 £'000</i>	<i>Year ended 2019 £'000</i>
Finance income:		
Interest on defined benefit pension schemes (note 31)	1,341	1,318
Finance costs:		
Interest on loans and overdrafts	(637)	(1,441)
Interest on lease liabilities	(688)	-
Interest on loans from group undertakings	(2,763)	(2,227)
	<u>(4,088)</u>	<u>(3,668)</u>
Net finance income and costs	<u>(2,747)</u>	<u>(2,350)</u>

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

9. Tax

a) Analysis of tax expense in the year:

	<i>Year ended 2020 £'000</i>	<i>Year ended 2019 £'000</i>
Current tax:		
UK corporation tax on profits for the year	3,154	3,577
Adjustments in respect of previous years	(119)	1,113
	<u>3,035</u>	<u>4,690</u>
Foreign tax	374	193
Total current tax	<u>3,409</u>	<u>4,883</u>
Deferred tax:		
Origination and reversal of timing differences	3,100	227
Effect of changes in tax rates	1,885	-
Adjustments in respect of prior years	(414)	(1,735)
Total deferred tax (note 25)	<u>4,571</u>	<u>(1,508)</u>
Total tax expense for the year (note 9(b))	<u>7,979</u>	<u>3,375</u>

b) The charge for the year can be reconciled to the profit in the income statement as follows:

	<i>Year ended 2020 £'000</i>	<i>Year ended 2019 £'000</i>
Profit on ordinary activities before tax	<u>30,411</u>	<u>12,676</u>
Tax at the UK corporation tax rate of 19% (2019: 19%)	5,778	2,408
Effects of:		
Tax effect of share of results of associates	(1,093)	(968)
Tax effect of income not taxable in determining taxable profit	(1,300)	(1,152)
Effect of change in tax rates	1,885	-
Other differences	1,040	(340)
Non-deductible impairment charges	-	400
Adjustments to tax charge in respect of previous periods	(534)	(620)
Tax effect of utilisation of tax losses not previously recognised	(563)	-
Change in unrecognised deferred tax assets	5,226	5,254
Effect of different rates of subsidiaries operating in other jurisdictions	(2,460)	(1,607)
Tax expense for the year (note 9(a))	<u>7,979</u>	<u>3,375</u>

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

9. Tax (continued)

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted for IFRS purposes on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 percent, rather than the previously enacted reduction to 17 percent.

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	<i>Year ended 2020 £'000</i>	<i>Year ended 2019 £'000</i>
Deferred tax relating to items that will not be reclassified to profit or loss	(1,579)	(591)
Tax relating to items that may be reclassified to profit or loss	(2,259)	(256)
	<u>(3,838)</u>	<u>(847)</u>

10. Dividends

	<i>Year ended 2020 £'000</i>	<i>Year ended 2019 £'000</i>
<i>Amounts recognised as distributions to equity holders in the period:</i>		
Final dividend for the year ended 31 March 2018 of 3.0p (2017: 22.7p) per ordinary share	211	1,592
Interim dividend for the year ended 31 March 2019 of 61.1p (2018: 58.1p) per ordinary share	4,279	4,066
	<u>4,491</u>	<u>5,658</u>

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

11. Goodwill

<i>Group</i>	<i>Napolina</i>	<i>Canning</i>	<i>PIA</i>	<i>Goodwill</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:				
At 1 April 2018, 31 March 2019 and 31 March 2020	18,519	25,928	628	45,075
Impairment				
At 1 April 2018, 31 March 2019 and 31 March 2020	-	-	628	628
Carrying Values:				
At 1 April 2018, 31 March 2019 and 31 March 2020	18,519	25,928	-	44,447
Company				
	<i>Napolina</i>	<i>Canning</i>	<i>Foods</i>	<i>Goodwill</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost and carrying values:				
At 1 April 2018, 31 March 2019 and 31 March 2020	18,519	25,928	873	45,320

In accordance with IAS 36, goodwill is not amortised, but is reviewed annually for indications of impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash-generating units and the group of units are determined from value in use calculations using the most recent 5 year projections for each cash-generating unit. The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five/ten years based on estimated growth rates that do not exceed the average long-term growth rate for the relevant markets.

There are a number of assumptions within each forecast and these have been revised in the year in light of the current economic environment which has resulted in continued estimates about the future. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units and the group of units. The growth rates are based on industry growth forecasts, specific to each cash-generating unit. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The pre tax rate used to discount the forecast cash flows ranges from 8.44% – 8.94% (2019: 8.72% – 12.75%).

Some of the Napolina branded products are manufactured at PIA (Princes Industrie Alimentari's Foggia site). In understanding the underlying asset base of the PIA cash generating unit for the purpose of impairment test management, £8,501,000 of Napolina goodwill and £3,348,000 of the other intangible assets (Brand) have been included.

The group has conducted various sensitivity analyses on the impairment test of each cash-generating unit, see note 1.4. The directors have considered reasonably possible changes across all significant assumptions and none are present that would give rise to an indicator of impairment in the current year.

The Directors have considered the impact of COVID-19 on forecasts and have found the impact to be positive across all CGU's. This is considered in detail in the future developments section of the strategic report.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

12. Other intangible assets*Group*

	<i>Brands</i> £'000	<i>Licences</i> £'000	<i>Total</i> £'000
Cost:			
At 1 April 2018, 31 March 2019 and 31 March 2020	18,848	14,610	33,458
Amortisation:			
Balance at 1 April 2018	-	6,568	6,568
Charge for the year	-	964	964
Balance at 31 March 2019	-	7,532	7,532
Charge for the year	-	964	964
Balance at 31 March 2020	-	8,496	8,496
Carrying values:			
Balance at 31 March 2020	18,848	6,114	24,962
Balance at 31 March 2019	18,848	7,078	25,926
Balance at 1 April 2018	18,848	8,042	26,890

Licences are amortised over their estimated useful lives, which is on average 15 years. Amortisation is charge to the income statement, within administrative expenses.

Brands are not amortised but are tested annually by an estimation of the value in use of the cash generating units to determine whether there is any indication the brands have suffered an impairment loss. Full details of the impairment review process are included in note 11.

The cash generating units are as follows:

Group

	<i>Canning</i> £'000	<i>Napolina</i> £'000	<i>Total</i> £'000
Cost and carrying value:			
At 1 April 2018, 31 March 2019 & 31 March 2020	11,555	7,293	18,848

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

12. Other intangible assets (continued)*Company*

	<i>Brands</i> £'000	<i>Licences</i> £'000	<i>Total</i> £'000
Cost:			
At 1 April 2018, 31 March 2019 and 31 March 2020	18,848	14,610	33,458
Amortisation:			
Balance at 1 April 2018	-	6,568	6,568
Charge for the year	-	964	964
Balance at 31 March 2019	-	7,532	7,532
Charge for the year	-	964	964
Balance at 31 March 2020	-	8,496	8,496
Carrying values:			
Balance at 31 March 2020	18,848	6,114	24,962
Balance at 31 March 2019	18,848	7,078	25,926
Balance at 1 April 2018	18,848	8,042	26,890

Licences are amortised over their estimated useful lives, which is on average 15 years. Amortisation is charge to the income statement, within administrative expenses.

Brands are not amortised but are tested annually by an estimation of the value in use of the cash generating units to determine whether there is any indication the brands have suffered an impairment loss. Full details of the impairment review process are included in note 11.

The cash generating units are as follows:

Company

	<i>Canning</i> £'000	<i>Napolina</i> £'000	<i>Total</i> £'000
Cost and carrying value:			
At 1 April 2018, 31 March 2019 & 31 March 2020	11,555	7,293	18,848

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

13. Property, plant and equipment

<i>Group</i>	<i>Assets in the course of construction</i>	<i>Land and buildings</i>	<i>Plant, machinery & equipment</i>	<i>Vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:					
At 1 April 2018	18,151	182,967	400,597	2,114	603,829
Additions	51,562	394	12,083	140	64,179
Transfers	(22,258)	5,611	16,603	44	-
Disposals	(1,293)	(295)	(7,785)	(154)	(9,527)
Exchange differences	(78)	(1,446)	(2,610)	(44)	(4,178)
At 31 March 2019	46,084	187,231	418,888	2,100	654,303
Additions	86,420	1,334	9,437	-	97,191
Transfers	(28,374)	5,990	22,252	132	-
Disposals	-	(1,721)	(10,794)	(218)	(12,733)
Transferred to HFS (Note 20)	-	(14,877)	(11,523)	-	(26,400)
Exchange differences	112	2,250	4,122	67	6,551
At 31 March 2020	104,242	180,207	432,382	2,081	718,912
Accumulated depreciation and impairment:					
At 1 April 2018	-	47,014	218,559	1,747	267,320
Charge for the year	-	5,583	25,120	160	30,863
Impairment loss	-	-	8,346	-	8,346
Disposals	-	(295)	(6,968)	(154)	(7,417)
Exchange differences	-	(380)	(1,335)	(37)	(1,752)
At 31 March 2019	-	51,922	243,722	1,716	297,360
Charge for the year	-	5,366	24,336	167	29,869
Impairment reversal	-	-	(3,797)	-	(3,797)
Disposals	-	(1,447)	(9,183)	(218)	(10,848)
Transferred to HFS (Note 20)	-	(7,711)	(10,446)	-	(18,157)
Exchange differences	-	634	2,189	56	2,879
At 31 March 2020	-	48,764	246,821	1,721	297,306
Carrying values:					
At 31 March 2020	104,242	131,443	185,561	360	421,606
At 31 March 2019	46,084	135,309	175,166	384	356,943
At 1 April 2018	18,151	135,953	182,038	367	336,509

Impairment losses recognised in the year

In addition to the impairment reviews completed on cash-generating units with goodwill and other intangible assets (see note 11), management have considered whether there are any other indicators of impairment are present. During the year, as the result of a strategic review of a manufacturing plant, the group carried out a review of the recoverable amount of that manufacturing plant and the related equipment. The review led to the recognition of an impairment loss of £Nil (2019: £8,346,000), which has been recognised in profit or loss within administrative expenses.

The impairment reversal in the year relates to a reversal of the prior year impairment following a reassessment of assumptions surrounding the restructuring programme based upon the latest information.

Assets pledged as security

There is a fixed and floating charge over certain assets of the group, including property, plant and equipment.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

13. Property, plant and equipment (continued)

<i>Company</i>	<i>Assets in the course of construction</i>	<i>Land and buildings</i>	<i>Plant, machinery & equipment</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:				
At 1 April 2018	13,769	103,928	262,162	379,859
Additions	51,395	-	-	51,395
Transfer from assets under construction	(22,258)	3,132	19,126	-
Disposals	-	(284)	(3,552)	(3,836)
At 31 March 2019	42,906	106,776	277,736	427,418
Additions	85,454	-	-	85,454
Transfer from assets under construction	(28,256)	5,944	22,312	-
Disposals	-	(1,705)	(8,943)	(10,648)
Transferred to HFS (Note 20)	-	(14,877)	(11,523)	(26,400)
At 31 March 2020	100,104	96,138	279,582	475,824
Accumulated depreciation:				
At 1 April 2018	-	23,357	140,971	164,328
Charge for the year	-	3,385	16,925	20,310
Impairment loss	-	-	8,346	8,346
Disposals	-	(283)	(3,311)	(3,594)
At 31 March 2019	-	26,459	162,931	189,390
Charge for the year	-	3,017	16,224	19,241
Impairment reversal	-	-	(3,797)	(3,797)
Disposals	-	(1,434)	(7,446)	(8,880)
Transferred to HFS (Note 20)	-	(7,711)	(10,446)	(18,157)
At 31 March 2020	-	20,331	157,466	177,797
Carrying values:				
At 31 March 2020	100,104	75,807	122,116	298,027
At 31 March 2019	42,906	80,317	114,805	238,028
At 1 April 2018	13,769	80,571	121,191	215,531

In the opinion of the directors, the open market value of the group's and company's interest in land and buildings is not materially different to the book value.

Impairment losses recognised in the year

In addition to the impairment reviews completed on cash-generating units with goodwill and other intangible assets (see note 11), management have considered whether there are any other indicators of impairment are present. During the year, as the result of a strategic review of a manufacturing plant, the group carried out a review of the recoverable amount of that manufacturing plant and the related equipment. The review led to the recognition of an impairment loss of £Nil (2019: £8,346,000), which has been recognised in profit or loss within administrative expenses.

The impairment reversal in the year relates to a reversal of the prior year impairment following a reassessment of assumptions surrounding the restructuring programme based upon the latest information.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

13. Property, plant and equipment (continued)

Details of split between freehold and long leasehold property are as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Freehold	92,088	97,900	37,938	44,394
Long leasehold	39,355	37,409	37,869	35,923
	<u>131,443</u>	<u>135,309</u>	<u>75,807</u>	<u>80,317</u>

14. Investment property

<i>Company</i>	<i>Investment property £'000</i>
Cost:	
At 1 April 2018	6,966
Additions	168
Disposals	-
At 31 March 2019	<u>7,134</u>
Additions	97
At 31 March 2020	<u>7,231</u>
Amortisation:	
At 1 April 2018	2,934
Charge for the year	191
Disposals	-
At 31 March 2019	<u>3,125</u>
Charge for the year	217
At 31 March 2020	<u>3,342</u>
Carrying values:	
At 31 March 2020	<u>3,889</u>
At 31 March 2019	<u>4,009</u>
At 1 April 2018	<u>4,032</u>

In the opinion of the directors the fair value of the company's investment property at 31 March 2020 is not materially different to the book value. This has been arrived at on the basis of a valuation on 17 March 2015 by Lambert Smith Hampton, an independent valuer with experience in the location and class of investment property being valued. The valuation conforms to International Valuation Standards. The method of determining fair value was derived using recent comparable market transaction on arms length terms at the time of the valuation and based on normal assumptions applied in carrying out similar valuation. There are no restrictions on the realisability of investment property.

The property rental income earned by the company from its investment property, which is leased out under an operating lease, amounted to 2020: £nil (2019: £nil). See note 28.

Princes Limited and Subsidiaries

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

15. Subsidiaries

The subsidiary undertakings of Princes Limited, all of which have been included in these consolidated financial statements, are as follows:

<i>Subsidiary undertakings</i>	<i>Place of business and registered office</i>	<i>Ordinary holding</i>	<i>Proportion of ownership interests and voting rights held</i>	<i>Nature of business</i>
Princes Tuna (Mauritius) Limited	PO Box 131, New Trunk Road, Riche Terre, Port Louis, Republic of Mauritius	Direct	51%	Processing & packaging of tuna fish
Indico Canning Limited	Marine Road, Port Louis, Republic of Mauritius	Indirect	68%	Processing & packaging
Princes Foods BV	Boompjes 40, PO Box 19157, 3001 BD, Rotterdam, Holland	Direct	100%	Distribution of food products
Princes Industrie Alimentari Srl	Srl Localita Incoronata Zona ASI 71122 Foggia (FG), Italy	Direct	100%	Production of ambient tomato and pulse products
West Yorkshire Industrial Estates (Management) Limited	Royal Liver Building, Pier Head, Liverpool, L3 1NX, England & Wales	Direct	56%	Estate management
Princes Holding Rotterdam BV	Boompjes 40, PO Box 19157, 3001 BD, Rotterdam, Holland	Direct	100%	Trademark Holding
Abbey Foods (Liverpool) Limited	England & Wales*	Direct	100%	Dormant
Barracough (1996) Limited	England & Wales*	Direct	100%	Dormant
Beta Foods Limited	England & Wales*	Direct	100%	Dormant
C Shippam Limited	England & Wales*	Direct	100%	Dormant
Cima Foods Limited	England & Wales*	Direct	100%	Dormant
Gee Bee Limited	England & Wales*	Direct	100%	Dormant
Jack L. Israel Limited	England & Wales*	Indirect	100%	Dormant
Leon Frenkel Limited	England & Wales*	Direct	100%	Dormant
Napolina Limited	England & Wales*	Direct	100%	Dormant
Princes Foods (1989) Limited	England & Wales*	Direct	100%	Dormant
Princes Foods Limited	England & Wales*	Indirect	100%	Dormant
Princes Soft Drinks Limited	England & Wales*	Direct	100%	Dormant
Eden Valley Water Limited (previously Stretton Hills Mineral Water Company Limited)	England & Wales*	Indirect	100%	Dormant
Well Well Well (UK) Limited	England & Wales*	Direct	100%	Dormant

*The dormant subsidiaries are all registered at Royal Liver Building, Pier Head, Liverpool, L3 1NX.

During the year Princes Limited acquired Princes Holding Rotterdam BV from Mitsubishi Corporation. The Principle activity of Princes Holding Rotterdam BV is holding the trademarks to the Princes Brands.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

15. Subsidiaries (continued)

<i>Company</i>	<i>Subsidiary Undertakings £'000</i>
Cost:	
At 1 April 2019	195,532
Additions	19,058
At 31 March 2020	<u>214,590</u>
Provisions for impairment	
At 1 April 2019	(95,774)
Written off	(21,681)
At 31 March 2020	<u>(117,455)</u>
Carrying values:	
At 31 March 2020	<u>97,135</u>
At 31 March 2019	<u>99,758</u>

Additions relate to the recapitalisation of Princes Italian subsidiary Princes Industrie Alimentari SRL.

At a company level, management have reviewed the carrying value of investments. The impairment charge recognised in the year ensures that the carrying value of investments in subsidiary undertakings does not exceed the expected value of each subsidiary, based on discounted cash flow forecasts. All amounts written off in the year relate to Princes Italian subsidiary Princes Industrie Alimentari SRL.

The reconciliation of non-controlling interests in note 33 includes an analysis of the profit or loss allocated to non-controlling interests of each subsidiary where the non-controlling interest is material to the group.

16. Interests in associates

Details of the group's associate at the end of the reporting period are as follows:

<i>Name of associate</i>	<i>Place of business and registered office</i>	<i>Ordinary holding</i>	<i>Proportion of ownership interests and voting rights held</i>	<i>Nature of business</i>
Marine Biotechnology Products Limited	IBL House, Caudan, Port Louis, Republic of Mauritius	Indirect	33%	Processing of fish meal

The associate is accounted for using the equity method in these consolidated financial statements as set out in the group accounting policies in note 1.3. Shareholding relates to Ordinary shares.

The summarised financial information represents amounts in accordance with IFRSs, adjusted by the group for equity accounting purposes.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

16. Interests in associates (continued)

	<i>Year ended 2020 £'000</i>	<i>Year ended 2019 £'000</i>
The Group's share of profit from continuing operations	845	362
Exchange differences	(586)	(259)
The Group's share of total comprehensive income	<u>259</u>	<u>103</u>
Aggregate carrying amount of the Group's interests in associates	<u>9,022</u>	<u>8,763</u>

17. Investment in joint venture

The group has a 50% (2019: 50%) interest in a joint venture, Edible Oils Limited. All of Princes Limited's shareholding relates to ordinary shares. The principal activity of Edible Oils Limited is the processing of edible oils and the company is incorporated in England and Wales, with a registered office at Royal Liver Building, Pier Head, Liverpool, L3 1NX.

The contractual arrangement provides the group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for liabilities of the joint arrangement resting primarily with Edible Oils Limited. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

Summarised statement of financial position:

	<i>2020 £'000</i>	<i>2019 £'000</i>
Current assets	65,231	62,219
Non-current assets	42,055	39,998
Current liabilities	(34,370)	(35,741)
Non-current liabilities	(3,117)	(2,314)
Net assets (100%)	<u>69,799</u>	<u>64,162</u>
Group share of net assets (50%)	<u>34,900</u>	<u>32,081</u>

Summarised income statement and statement of comprehensive income:

	<i>2020 £'000</i>	<i>2019 £'000</i>
Revenues	218,706	228,876
Profit for the year (continuing operations)	<u>10,640</u>	<u>10,130</u>
Total comprehensive income for the year (continuing operations)	<u>10,637</u>	<u>10,130</u>
Group share of total comprehensive income (50%)	<u>5,319</u>	<u>5,065</u>
Dividends received by group from joint venture	<u>2,500</u>	<u>2,500</u>

The joint venture had no other contingent liabilities or capital commitments as at 31 March 2020 (2019: same), except as disclosed in note 29. Edible Oils Limited cannot distribute its profits without the consent from the two venture partners.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

18. Inventories

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Raw materials and consumables	84,317	86,358	38,272	36,094
Finished goods and goods for resale	210,286	209,445	113,637	132,946
	<u>294,603</u>	<u>295,803</u>	<u>151,909</u>	<u>169,040</u>

The cost of inventories recognised as an expense during the year in respect of continuing operations was £1,127,162,000 (2019: £1,137,643,000).

Inventories of £nil (2019: £nil) are expected to be recovered after more than twelve months.

Inventories with a carrying amount of £48,428,000 (2019: £49,352,000) have been pledged with a fixed floating charge over the assets of the respective subsidiary entity for certain of the group's bank overdrafts.

19. Trade and other receivables

<i>Non-current assets</i>	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts owed by subsidiary undertakings	-	-	44,612	43,246
	<u>-</u>	<u>-</u>	<u>44,612</u>	<u>43,246</u>
<i>Current assets</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade receivables	195,476	181,811	142,139	135,291
Amounts owed by parent undertakings	1,588	3,180	-	-
Amounts owed by subsidiary undertakings	-	-	114,514	94,442
Amounts owed by related parties (note 29)	7,174	1,857	6,690	-
Other receivables	12,790	24,707	7,282	21,670
Prepayments	10,519	7,850	10,178	7,329
	<u>227,547</u>	<u>219,405</u>	<u>280,803</u>	<u>258,732</u>
Ageing of past due but not impaired receivables:				
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
31-60 days	9,281	13,976	5,272	9,309
61-90 days	2,280	603	878	123
91-120 days	1,443	516	1,408	455
Total	<u>13,004</u>	<u>15,095</u>	<u>7,558</u>	<u>9,887</u>

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

19. Trade and other receivables (continued)**Trade receivables**

The credit risk associated with receivables for the group are as per the directors' report, page 5, with credit risk management as per note 36. Group policies in managing credit risk are designed to reduce exposure to risks and minimise any losses and include dealing with creditworthy counterparties and the use of credit ratings provided by rating agencies which are applied to counterparties.

All intergroup trade payables and receivables are repayable on demand and are interest free.

The group's largest 10 customers accounted for 61% of trade receivables as at 31 March 2020 (2019: 59%).

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

20. Assets Held for Sale

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Non-current assets Held for Sale</i>	8,143	-	8,143	-

During the prior year, the directors of Princes Limited decided to sell the manufacturing sites in Manchester and Chichester. As this plan has progressed in the current year the sites now meet the requirements to be classified as held for sale assets. Purchase agreements have been reached with interested parties for both sites. The sale of Chichester is forecasted to complete in December 2020 and Manchester in July 2021.

21. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	91,076	127,812	42,873	84,438
Other payables	4,065	5,268	2,800	3,903
Other taxes and social security costs	2,531	2,600	2,417	2,254
Accruals	59,124	79,974	47,633	70,753
Amounts due to parent undertakings	6	-	4,623	8,976
Amounts due to subsidiary undertakings	-	-	26,915	40,510
Amounts due to other group undertakings	7,931	13,713	7,931	13,713
Amounts due to related parties (note 29)	35,160	32,909	38,276	14,338
Total trade and other payables	199,893	262,276	173,468	238,885

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The directors consider that the carrying amount of trade payables approximates to their fair value.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

22. Borrowings

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Unsecured borrowing at amortised cost				
Bank overdrafts	141,357	51,277	111,797	28,237
Loans from subsidiary undertakings	-	-	51,109	51,109
Amounts due to parent undertakings and other group companies	372,940	332,511	372,940	332,511
Total unsecured borrowings	514,297	383,788	535,846	411,857
Secured borrowing at amortised cost				
Bank loans	17,748	35,565	-	-
Total borrowings	532,045	419,353	535,846	411,857
Amount due for settlement within 12 months	360,818	253,758	325,765	203,743
Amount due for settlement after 12 months	171,227	165,595	210,081	208,114
Analysis of borrowings by currency:				
	<i>Group</i>			<i>Total</i>
	<i>Sterling</i>	<i>Euros</i>	<i>Other*</i>	<i>£'000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
31 March 2020				
Bank overdrafts	89,623	46,856	4,878	141,357
Bank loans	-	17,748	-	17,748
Amounts due to parent undertakings and other group companies	308,968	63,972	-	372,940
	398,591	128,576	4,878	532,045
31 March 2019				
Bank overdrafts	30,466	16,405	4,406	51,277
Bank loans	-	35,565	-	35,565
Amounts due to parent undertakings and other group companies	270,506	62,005	-	332,511
	300,972	113,975	4,406	419,353

* Other currencies comprise Polish Zloty and US Dollar balances.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

22. Borrowings (continued)

Analysis of borrowings by currency:

	Sterling £'000	Company		Total £'000
		Euros £'000	Other* £'000	
31 March 2020				
Bank overdrafts	106,919	-	4,878	111,797
Loans from subsidiary undertakings	51,109	-	-	51,109
Amounts due to parent undertakings and other group companies	308,968	63,972	-	372,940
	<u>466,996</u>	<u>63,972</u>	<u>4,878</u>	<u>535,846</u>
31 March 2019				
Bank overdrafts	23,831	-	4,406	28,237
Loans from subsidiary undertakings	51,109	-	-	51,109
Amounts due to parent undertakings and other group companies	270,506	62,005	-	332,511
	<u>345,446</u>	<u>62,005</u>	<u>4,406</u>	<u>411,857</u>

* Other currencies comprise Polish Zloty and US Dollar balances.

The other principal features of the group's borrowings are as follows:

Bank borrowings are made against short – term or overdraft facilities, all at commercial rates of interest.

Bank overdrafts are repayable on demand. Overdrafts of £nil (2019: £nil) have been secured with a fixed floating charge over the assets of the respective subsidiary entity.

Included in amounts owed by the group and company to parent undertakings and other group companies is £213,968,000 (2019: £175,506,000) relating to short – term borrowings and £95,000,000 (2019: £95,000,000) repayable by 21 July 2021 on which interest is based on 3 months LIBOR and £63,972,000 (2019: £62,005,000) repayable by 2 May 2022 on which interest is based on 3 months Euribor.

At the year end, the group's aggregate borrowing facilities total £582,670,000 (2019: £583,400,000), of which £52,814,000 is available for draw down (2019: £164,047,000).

All borrowings due to parent and other group companies are secured under a guarantee from Mitsubishi Corporation.

23. Capital commitments

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Amounts contracted but not provided for	<u>49,831</u>	<u>35,471</u>	<u>43,501</u>	<u>29,741</u>

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

24. Derivative financial instruments

<i>Group</i>	<i>Current</i>		<i>Non-current</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Derivative financial assets				
<i>Derivatives that are designated and effective as hedging instruments carried at fair value:</i>				
- Forward foreign currency contracts	8,387	909	20	1
Total derivative financial assets	8,387	909	20	1
Derivative financial liabilities				
<i>Derivatives that are designated and effective as hedging instruments carried at fair value:</i>				
- Forward foreign currency contracts	(2,422)	(6,565)	(17)	(62)
Total derivative financial liabilities	(2,422)	(6,565)	(17)	(62)
<i>Company</i>	<i>Current</i>		<i>Non-current</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Derivative financial assets				
<i>Derivatives that are designated and effective as hedging instruments carried at fair value:</i>				
- Forward foreign currency contracts	7,354	271	13	1
Total derivative financial assets	7,354	271	13	1
Derivative financial liabilities				
<i>Derivatives that are designated and effective as hedging instruments carried at fair value:</i>				
- Forward foreign currency contracts	(1,684)	(6,371)	(5)	(62)
Total derivative financial liabilities	(1,684)	(6,371)	(5)	(62)

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Foreign exchange risk arises when group enter into transactions denominated in a currency other than their functional currency. To cover this risk treasury will enter into a matching forward foreign exchange contract with a reputable bank.

Further details of derivative financial instruments are provided in note 36.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

25. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting period.

<i>Group</i>	Accelerated tax depreciation £'000	Revaluation of financial assets £'000	Retirement benefit obligations £'000	Total £'000
At 1 April 2018	14,945	(1,324)	8,908	22,529
Credit to profit or loss	(633)	-	860	227
Charge to other comprehensive income	-	238	594	832
Exchange differences	18	-	(3)	15
Adjustments in respect of previous years	(1,735)	-	-	(1,735)
At 31 March 2019	12,595	(1,086)	10,359	21,868
(Credit)/charge to profit or loss	2,789	-	311	3,100
Charge to other comprehensive income	-	2,220	1,579	3,799
Exchange differences	39	-	-	39
Adjustments in respect of previous years	(414)	-	-	(414)
Effect of change in tax rate:				
- Income statement	1,276	-	609	1,885
- Other comprehensive income	-	-	609	609
At 31 March 2020	16,285	1,134	13,467	30,886
<i>Company</i>				
	Accelerated tax depreciation £'000	Revaluation of financial assets £'000	Retirement benefit obligations £'000	Total £'000
At 1 April 2018	13,408	(1,318)	9,139	21,229
Charge to profit or loss	(1,373)	-	860	(513)
Charge to other comprehensive income	-	148	347	495
At 31 March 2019	12,035	(1,170)	10,346	21,211
Charge to profit or loss	2,256	-	311	2,567
Charge to other comprehensive income	-	2,249	1,605	3,854
Effect of change in tax rate:				
- Income statement	1,276	-	609	1,885
- Other comprehensive income	-	-	609	609
At 31 March 2020	15,567	1,079	13,480	30,126

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

25. Deferred tax (continued)

Deferred tax assets and liabilities are offset where the group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Deferred tax asset	-	1,086	-	1,170
Deferred tax liability	(30,886)	(22,954)	(30,126)	(22,381)
Total deferred tax liability	<u>(30,886)</u>	<u>(21,868)</u>	<u>(30,126)</u>	<u>(21,211)</u>

At the balance sheet date, the group has unused tax losses of £110,077,000 (2019: £89,149,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the losses as it is not considered probable that there will be future taxable profits available. All losses may be carried forward indefinitely.

26. Provisions

<i>Group and company</i>	<i>Restructuring provision</i>	<i>Leasehold dilapidations</i>	<i>Litigation Provision</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 April 2019	9,780	638	-	10,418
Additional provision in the year	2,828	66	5,238	8,132
Amounts utilised in the year	(1,781)	-	-	(1,781)
At 31 March 2020	<u>10,828</u>	<u>704</u>	<u>5,238</u>	<u>16,769</u>
Current	10,828	-	5,238	16,065
Non-current	-	704	-	704
	<u>10,828</u>	<u>704</u>	<u>5,238</u>	<u>16,769</u>

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease. The restructuring provision represents management's best estimate of the costs arising from the announcement of a strategic restructuring programmes. The main uncertainty relates to the estimation of the costs that will be incurred during the programmes and the timing of their conclusions. The litigation provision represents management's best estimates of the costs arising for the settlement of ongoing legal cases at year end. The main uncertainty relates to the estimation of the costs that will be settled for the ongoing cases and the timing of their conclusions.

27. Share capital

	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
<i>Authorised</i>		
29,600,000 ordinary shares of £1 each	<u>29,600</u>	<u>29,600</u>
<i>Issued and fully paid</i>		
7,000,000 ordinary shares of £1 each	<u>7,000</u>	<u>7,000</u>

The company has one class of ordinary shares which carry no right to fixed income.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

28. Leases

Right of use assets

Group

	<i>Land and buildings</i>	<i>Plant, machinery & equipment</i>	<i>Vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:				
At 31 March 2019	-	-	-	-
Cost On Transition To IFRS16	15,807	7,000	3,801	26,608
Additions and remeasurements	46,244	19,598	482	66,324
Disposals	(4)	(469)	(121)	(593)
At 31 March 2020	<u>62,047</u>	<u>26,130</u>	<u>4,162</u>	<u>92,339</u>
Accumulated depreciation:				
At 31 March 2019	-	-	-	-
Charge for the year	2,086	5,148	1,457	8,692
Disposals	(4)	(480)	(129)	(612)
At 31 March 2020	<u>2,083</u>	<u>4,669</u>	<u>1,328</u>	<u>8,080</u>
Carrying values:				
At 31 March 2020	<u>59,964</u>	<u>21,461</u>	<u>2,834</u>	<u>84,259</u>
At 31 March 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Company

	<i>Land and buildings</i>	<i>Plant, machinery & equipment</i>	<i>Vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:				
At 31 March 2019	-	-	-	-
Cost On Transition To IFRS16	4,556	3,729	3,069	11,354
Additions and remeasurements	46,118	11,342	162	57,622
Disposals	-	(460)	(121)	(581)
At 31 March 2020	<u>50,674</u>	<u>14,611</u>	<u>3,110</u>	<u>68,395</u>
Accumulated depreciation:				
At 31 March 2019	-	-	-	-
Charge for the year	801	2,771	1,174	4,746
Disposals	-	(460)	(121)	(581)
At 31 March 2020	<u>801</u>	<u>2,311</u>	<u>1,053</u>	<u>4,165</u>
Carrying values:				
At 31 March 2020	<u>49,873</u>	<u>12,301</u>	<u>2,057</u>	<u>64,230</u>
At 31 March 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

28. Leases (Continued)**Lease Liabilities**

Lease liabilities are recognised in the balance sheet as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Current Liabilities	12,968	-	7,549	-
Non-Current Liabilities	72,127	-	57,459	-
	<u>85,095</u>	<u>-</u>	<u>65,008</u>	<u>-</u>

Amounts recognised in profit and loss

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Depreciation expense on right-of-use assets	8,692	-	4,746	-
Interest expense on lease liabilities	688	-	354	-
	<u>9,380</u>	<u>-</u>	<u>5,100</u>	<u>-</u>

Lease payments include rentals payable by the group for certain of its office properties, plant and equipment and vehicles. The lease terms vary in duration from 1 to 15 years and are all priced at prevailing market rates.

In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise termination option, are considered. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or terminated).

The group had no expenses relates to low-value or short term leases included in the profit and loss for the year ending 31st March 2020.

The group does not have any sub-lease agreements, variable lease payment terms, committed but not yet commenced leases that have not been reflected in lease liabilities or short term lease commitments at 31st March 2020.

See note 36 for a maturity analysis of lease liabilities.

The total cash outflow for leases in the period was £9,623,000

Operating leases - lessor

Property rental income earned during the year was £nil (2019: £nil). The property held is leased to Edible Oils Limited, a joint venture of the group which is committed for the next 37 years. The lessee paid a premium at the start of the lease in March 2006 which is being amortised over the length of the lease of 51 years which was £96,000 during the year (2019: £96,000). The lessee does not have an option to purchase the property at the expiry of the lease period.

The minimum rent receivables under non-cancellable operating leases are as follows:

	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	96	107
In the second to fifth years inclusive	384	428
After five years	3,072	3,531
	<u>3,552</u>	<u>4,066</u>

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

29. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in the group note. During the year, group companies entered into the following transactions with related parties and other associated companies:

<i>Group</i>	Sale of goods and provision of services		Purchase of goods	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Edible Oils Limited	4,341	4,424	218,691	228,876
Marine Biotechnology Products Limited	2,119	2,168	-	-
	<u>6,460</u>	<u>6,592</u>	<u>218,691</u>	<u>228,876</u>
	Amounts owed by related parties		Amounts owed to related parties	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Edible Oils Limited	6,754	1,484	35,160	32,909
Marine Biotechnology Products Limited	420	373	-	-
	<u>7,174</u>	<u>1,857</u>	<u>35,160</u>	<u>32,909</u>

During the year, the company entered into the following transactions with related parties and other associated companies:

<i>Company</i>	Sale of goods and provision of services		Purchase of goods	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Edible Oils Limited	3,036	3,037	161,876	178,860
Princes Tuna (Mauritius) Limited	56,314	56,849	-	-
	<u>59,350</u>	<u>60,886</u>	<u>161,876</u>	<u>178,860</u>
	Amounts owed by related parties		Amounts owed to related parties	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Edible Oils Limited	6,663	1,484	30,036	27,785
Princes Tuna (Mauritius) Limited	27	58	8,240	14,338
	<u>6,690</u>	<u>1,542</u>	<u>38,276</u>	<u>42,123</u>

All transactions were in the normal course of business and the prices for each individual purchase and sale were at arm's length prices. No interest accrues on trading balances.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

30. Contingent liabilities

The group and company have issued general indemnities in the normal course of business; however, none are considered material for disclosure in the financial statements (2019: same).

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

31. Retirement benefit schemes*Defined benefit plans*

The group operates a number of defined benefit pension schemes, which are funded by the payment of contributions to independently administered trust funds. The assets of these schemes are held separately from those of the group. The trustees of the pension funds are required by law to act in the interest of the funds and of all relevant stakeholders in the schemes. The trustees of the funds are responsible for the investment policy with regards to the assets of the funds. The pension cost figures included in the financial statements relating to the pension schemes are stated in accordance with IAS 19 – Employee Benefits. The schemes provide final salary based benefits to the members.

The principal pension schemes operated by the group are the Princes Pension Schemes, which are operated by the company. Princes Tuna (Mauritius) Limited, a subsidiary undertaking, also operates a defined benefit scheme and retirement gratuities scheme which has an overall deficit of £3,265,000 (2019: £3,262,000) and is therefore considered by the directors to be insignificant compared to the overall surplus within the group.

The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the attained age method.

The schemes expose the group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. These risks, over time, will affect the schemes' total cost and will depend on a number of factors, including the amount of benefits the scheme pays, the number of people paid benefits, the period of time over which benefits are paid, plan expenses and the amount earned on any assets invested to pay benefits. These amounts and other variables are uncertain and unknowable at the valuation date and therefore summary information, estimates, or simplifications of estimates are used to carry out valuation.

The valuation used for IAS 19 purposes has been based on the most recent actuarial valuations and updated by the scheme actuaries to take account of the requirements of IAS 19 in order to assess the liabilities of the schemes at 31 March 2020 and 31 March 2019. Scheme assets are stated at their market values at the respective balance sheet dates.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

<i>Group</i>	<i>2020</i>	<i>2019</i>
Key assumptions:		
Discount rate	3.28%	4.38%
Expected rate salary increase	2.50%	5.00%
Average longevity at retirement age for pensioners retiring today (years)*		
- Male	21.8	21.8
- Female	24.7	24.7
Average longevity at retirement age for pensioners retiring in 20 years (years)*		
- Male	22.7	22.7
- Female	25.6	25.6
Expected rate of increase in pensions in payment	1.16%	1.42%
Expected rate of increase in deferred pensions	0.70%	1.05%
Inflation assumption - RPI	1.95%	3.30%

**Longevity assumptions:*

Investigations have been carried out within the past three years into the mortality experience of the group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65, using weighted average life expectancy for mortality tables, are disclosed above.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

31. Retirement benefit schemes (continued)

Amounts recognised in income in respect of these defined benefit schemes are as follows:

<i>Group</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Current service cost	(819)	387
Net interest income	1,341	1,318
Total costs recognised in the income statement	<u>522</u>	<u>1,705</u>

The current service costs have been included in the income statement as administrative expenses. The net interest income has been included within net finance costs (see note 8).

Amounts recognised in the statement of comprehensive income are as follows:

	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
The return on plan assets	(1,474)	9,660
Changes in assumptions underlying the present value of scheme liabilities	9,265	(8,167)
Remeasurement of the net defined benefit asset	<u>7,791</u>	<u>1,493</u>

The amount included in the consolidated statement of financial position arising from the group's obligations in respect of the defined benefit retirement benefit schemes is as follows:

	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Present value of defined benefit obligations	(195,372)	(209,691)
Fair value of plan assets	<u>263,054</u>	<u>267,290</u>
Net asset arising from the defined benefit obligation	<u>67,682</u>	<u>57,599</u>
	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Retirement benefit surplus	70,947	60,861
Retirement benefit obligations	<u>(3,265)</u>	<u>(3,262)</u>
Net asset arising from the defined benefit obligation	<u>67,682</u>	<u>57,599</u>

The difference between the Princes Limited company only net pension asset of £70,947,000 (2019: £60,861,000) and the Princes Limited group net pension asset of £67,682,000 (2019: £57,599,000) relates to the deficit on the Princes Tuna (Mauritius) Limited pension and retirement gratuities schemes. The directors do not consider it necessary to include the full disclosure for the Princes Limited company only position as the differences between the company and group balances are not significant.

The valuation at 31 March 2020 showed an increase in the net surplus for the Princes Pension Schemes from £57,599,000 to £67,682,000. Normal employer contributions decreased from £3,258,000 to £1,582,000. The group expects to contribute £564,000 in 2021/22 in line with its agreement on contribution rates with the schemes' trustees.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

31. Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations were as follows:

<i>Group</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Opening defined benefit obligation	209,691	209,540
Current service costs	337	1,810
Interest cost	5,318	5,667
Past service costs	-	235
Settlement loss	-	39
Contributions from scheme members	6	797
Actuarial gains and losses	(9,265)	8,167
Curtailments	-	(3,038)
Benefits paid	(10,318)	(13,698)
Exchange difference on foreign scheme	(397)	172
Closing defined benefit obligation	<u>195,372</u>	<u>209,691</u>

Movements in the fair value of scheme assets were as follows:

<i>Group</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Opening fair value of plan assets	267,290	260,767
The return on plan assets (excluding amounts included in net interest income)	6,659	6,985
Actuarial gains and losses	(1,476)	9,660
Employer contributions	1,582	3,258
Member contributions	6	797
Benefits paid	(10,318)	(13,698)
Administrative expenses paid from plan assets	(482)	(567)
Exchange difference	(207)	88
Closing fair value of plan assets	<u>263,054</u>	<u>267,290</u>

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

31. Retirement benefit schemes (continued)

The major categories and fair values of plan assets at the end of the reporting period for each category are as follows:

Group	2020			2019		
	Level 1 £'000	Level 2 & 3 £'000	Total £'000	Level 1 £'000	Level 2 & 3 £'000	Total £'000
Cash and equivalents	25,081	-	25,081	1,897	-	1,897
Equity instruments:						
- Global shares	1,412	57,886	59,298	588	100,491	101,079
Subtotal equity	1,412	57,886	59,298	588	100,491	101,079
Debt instruments:						
- Bond for a particular country or region	-	84,791	84,791	-	120,520	120,520
- Other	-	92,472	92,472	-	43,794	43,794
Subtotal debt	-	177,263	177,263	-	164,314	164,314
Total	26,493	235,149	261,642	2,485	264,805	267,290

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, rate of inflation, expected salary increase and mortality. The sensitivity analysis, set out in the table below, has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Increase/decrease by £18,756,000 (2019: £21,808,000)
Rate of inflation	Increase/decrease by 0.5%	Decrease/increase by £12,504,000 (2019: £14,259,000)
Life expectancy	Increase by 1 year	Increase by £6,057,000 (2019: £6,710,000)

Other retirement benefit plans

The group's Dutch subsidiary operates an insured retirement plan and a contributory retirement plan for eligible employees. All pension costs are funded as incurred and the total cost for the year was £856,000 (2019: £757,000).

Contributions payable during the year in respect of defined contribution schemes and included in the income statements for the year were £10,072,000 (2019: £6,277,000).

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

32. Deferred revenue

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Deferred lease income (1)	3,523	3,618	3,523	3,618
Other deferred income (2)	14	17	-	-
	<u>3,537</u>	<u>3,635</u>	<u>3,523</u>	<u>3,618</u>
Current	96	96	96	96
Non-current	3,441	3,539	3,427	3,522
	<u>3,537</u>	<u>3,635</u>	<u>3,523</u>	<u>3,618</u>

1. The deferred lease income included in the financial statements is owed by Princes Limited to Edible Oils and was paid in March 2005 and is being amortised over the life of the lease of 51 years.

2. Other deferred income relates to funds received from shareholders of West Yorkshire Industrial Estates, of which Princes Limited owns 56% (see note 15) for the express purpose of acquiring specific tangible assets. This deferred income is released to the income statement in line with the depreciation on the relevant tangible assets.

33. Non-controlling interest

	<i>Princes Tuna Mauritius Ltd £'000</i>
At 1 April 2018	(31,678)
Total comprehensive income	(353)
Retranslation of subsidiary undertakings' net assets	758
At 1 April 2019	(31,273)
Total comprehensive income	(3,027)
Dividends paid	749
Retranslation of subsidiary undertakings' net assets	(1,509)
At 31 March 2020	<u>(35,060)</u>

Summarised financial information in respect of each of the group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

33. Non-controlling interest (continued)

Princes Tuna Mauritius Limited	2020 £'000	2019 £'000
Current assets	88,185	89,318
Non-current assets	62,296	42,773
Current liabilities	(54,182)	(65,861)
Non-current liabilities	(23,312)	(561)
Total equity	72,987	65,669
Revenue	208,643	223,632
Profit/(loss) for the year	7,010	4,092
Total comprehensive income attributable to owners of the company	3,150	778
Total comprehensive income attributable to non-controlling interests	3,027	747
Total comprehensive income for the year	6,177	1,525

34. Notes to the cash flow statement

Group	2020 £'000	2019 £'000
Profit for the year	22,432	9,301
Adjustments for:		
Share of profit of associates	(5,319)	(5,065)
Income tax expense	7,979	3,375
Finance costs	4,088	3,668
Finance income	(1,341)	(1,318)
Exchange losses	(1,640)	543
Depreciation of property, plant and equipment / Right-of-use assets	38,542	30,863
Loss on disposal of property, plant and equipment	1,748	446
Amortisation of intangible fixed assets	964	964
Impairment (Reversal) / charges on property, plant and equipment	(3,797)	8,346
Adjustment for pension funding	(241)	(3,025)
Operating cash flows before movements in working capital	63,416	48,098
Decrease in inventories	1,200	2,803
Increase in receivables	(8,117)	(8,916)
(Decrease) / Increase in payables	(49,407)	5,020
Cash generated by operations	7,092	47,005
Income taxes paid	(13,077)	4,185
Interest paid	(4,088)	(3,668)
Net cash from operating activities	(10,073)	47,522

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

34. Notes to the cash flow statement (continued)

<i>Company</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Profit / (Loss) for the year	10,873	(19,963)
Adjustments for:		
Income tax expense	7,486	4,192
Finance costs	2,980	1,946
Finance income	(6,326)	(6,211)
Exchange losses	2	143
Depreciation of property, plant and equipment / Right of use		
Assets and amortisation of investment property	24,204	20,501
Impairment (Reversal) / charges on property, plant and equipment	(3,797)	8,346
Impairment of investments	21,681	46,063
Dividends received from associates	(3,318)	(2,500)
Loss on disposal of property, plant and equipment	1,768	242
Amortisation of intangible fixed assets	964	964
Adjustment for pension funding	496	(3,597)
Operating cash flows before movements in working capital	<u>57,013</u>	<u>50,126</u>
Decrease / (Increase) in inventories	17,131	(14,104)
Increase in receivables	(23,413)	(1,471)
(Decrease) / Increase in payables	(52,473)	8,258
Cash generated by operations	<u>(1,742)</u>	<u>42,809</u>
Income taxes paid	(13,071)	4,024
Interest paid	(2,980)	(1,946)
Interest received	4,804	4,750
Net cash from operating activities	<u><u>(12,989)</u></u>	<u><u>49,637</u></u>

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

35. Events occurring after the reporting period

On the 6th September 2020 Princes Limited sold its water manufacturing site in Eden Valley and Princes unflavoured water business (including the Aqua Pura brand) for a consideration of £35,000,000. The net book value of the assets sold at the point of sale was £27,389,000. The financial effects of this transaction have not been recognised at 31 March 2020.

36. Financial instruments**Classes and categories of financial instruments and their fair values**

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics;
- The carrying amounts of financial instruments;
- Fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- Fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<i>Group</i>	<i>Amortised cost</i>	<i>FVTPL</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Financial assets			
Cash and cash equivalents	2,436	-	2,436
Investments (note 17)	34,900	-	34,900
Trade and other receivables (note 19)	217,028	-	217,028
Derivative financial instruments (note 24) (level 2)	-	8,407	8,407
At 31 March 2020	254,364	8,407	262,771
Cash and cash equivalents	8,546	-	8,546
Investments (note 17)	32,081	-	32,081
Trade and other receivables (note 19)	211,555	-	211,555
Derivative financial instruments (note 24) (level 2)	-	910	910
At 31 March 2019	252,182	910	253,092

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

36. Financial instruments (continued)**Classes and categories of financial instruments and their fair values (continued)***Group*

	<i>Amortised cost</i>	<i>FVTPL</i>	<i>Total</i>
Financial liabilities	£'000	£'000	£'000
Trade and other payables (note 21)	(197,362)	-	(197,362)
Lease Liabilities (Note 28)	(85,095)	-	(85,095)
Current borrowings (note 22)	(360,818)	-	(360,818)
Non-current borrowings (note 22)	(171,227)	-	(171,227)
Derivative financial instruments (note 24) (level 2)	-	(2,439)	(2,439)
At 31 March 2020	(814,502)	(2,439)	(816,941)
Trade and other payables (note 21)	(259,676)	-	(259,676)
Current borrowings (note 22)	(253,758)	-	(253,758)
Non-current borrowings (note 22)	(165,595)	-	(165,595)
Derivative financial instruments (note 24) (level 2)	-	(6,627)	(6,627)
At 31 March 2019	(679,029)	(6,627)	(685,656)

Company

	<i>Amortised cost</i>	<i>FVTPL</i>	<i>Total</i>
Financial assets	£'000	£'000	£'000
Cash and cash equivalents	63	-	63
Investments (note 17)	97,135	-	97,135
Trade and other receivables (note 19)	270,625	-	270,625
Derivative financial instruments (note 24) (level 2)	-	7,367	7,367
At 31 March 2020	367,823	7,367	375,190
Cash and cash equivalents	33	-	33
Investments (note 17)	99,758	-	99,758
Trade and other receivables (note 19)	251,403	-	251,403
Derivative financial instruments (note 24) (level 2)	-	272	272
At 31 March 2019	351,194	272	351,466

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

36. Financial instruments (continued)**Classes and categories of financial instruments and their fair values (continued)***Company*

	<i>Amortised cost</i>	<i>FVTPL</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Financial liabilities			
Trade and other payables (note 21)	(171,051)	-	(171,051)
Lease Liabilities (Note 28)	(65,008)	-	(65,008)
Current borrowings (note 22)	(325,765)	-	(325,765)
Non-current borrowings (note 22)	(210,081)	-	(210,081)
Derivative financial instruments (note 24) (level 2)	-	(1,689)	(1,689)
At 31 March 2020	(771,905)	(1,689)	(773,594)
Trade and other payables (note 21)	(236,631)	-	(236,631)
Current borrowings (note 22)	(203,743)	-	(203,743)
Non-current borrowings (note 22)	(208,114)	-	(208,114)
Derivative financial instruments (note 24) (level 2)	-	(6,433)	(6,433)
At 31 March 2019	(648,488)	(6,433)	(654,921)

There has been no reclassification of assets or liabilities during the year (2019: same).

Fair value of the group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

<i>Financial assets/ financial liabilities</i>	<i>Fair value hierarchy</i>	<i>Valuation technique(s) and key input(s)</i>	<i>Significant unobservable input(s)</i>	<i>Relationship of unobservable inputs to fair value</i>
Foreign currency forward contracts	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	Not applicable	Not applicable

There were no transfers between Level 1 and 2 during the current or prior year.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

36. Financial instruments (continued)**Financial risk management objectives**

The group's corporate treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages to financial risks relating to the operations of the group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency risk management

The group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations rise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<i>Liabilities</i>		<i>Assets</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Euro	20,923	47,075	812	1,373
US Dollar	5,564	19,604	2,386	-

Foreign currency sensitivity analysis

The group is mainly exposed to the currency of Euros and the currency of US Dollars.

The following table details the group's sensitivity to a 1% increase and decrease in sterling against relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. No adjustment has been made for the compensating impact of open forward foreign exchange contracts or for the reduction in tax.

<i>Currency</i>	<i>Impact on equity</i>	
	<i>2020</i>	<i>2019</i>
	<i>£'000</i>	<i>£'000</i>
Euro	(1,446)	(1,604)
US Dollar	(2)	28
Others	29	(198)

Foreign exchange forward contracts

It is the policy of the group to enter into forward foreign exchange contracts to cover all foreign currency payments and receipts. The group enters into forward foreign currency exchange contracts to manage the risk associated with sales and purchases from the date that contracts are agreed.

The following tables detail the foreign currency forward contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items. Foreign currency forward contract assets and liabilities are presented in the line "derivative financial instruments" (either as asset or as liabilities) within the statement of financial position (see note 24 for further details):

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

36. Financial instruments (continued)

Company	Notional value: Foreign currency		Notional value: Local currency (GBP)		Notional value: Local currency (EUR)		Notional value: Local currency (PLN)		Fair value	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
			£'000	£'000	€'000	€'000	PLN '000	PLN '000	£'000	£'000
Cash flow hedges										
Buy (USD)										
Less than 12 months	115,259	149,222	90,070	113,659	-	-	-	-	3,165	(282)
More than 12 months	133	1,130	110	847	-	-	-	-	(3)	1
Sell (USD)										
Less than 12 months	17,119	459	13,259	345	-	-	-	-	(586)	(2)
More than 12 months	-	-	-	-	-	-	-	-	-	-
Buy (EUR)										
Less than 12 months	217,525	259,405	189,842	229,567	-	-	2,127	-	3,207	(5,861)
More than 12 months	631	2,700	555	2,410	-	-	-	-	11	(62)
Sell (EUR)										
Less than 12 months	8,297	2,284	7,250	2,011	-	-	-	-	(118)	46
More than 12 months	-	-	-	-	-	-	-	-	-	-
Sell (PLN)										
Less than 12 months	218	1,027	44	205	-	-	-	-	2	-
More than 12 months	-	-	-	-	-	-	-	-	-	-
									5,678	(6,161)

Group	Notional value: Foreign currency		Notional value: Local currency (GBP)		Notional value: Local currency (EUR)		Notional value: Local currency (PLN)		Fair value	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
			£'000	£'000	€'000	€'000	PLN '000	PLN '000	£'000	£'000
Cash flow hedges										
Buy (USD)										
Less than 12 months	156,850	185,666	90,070	113,659	36,840	31,607	-	-	4,055	280
More than 12 months	133	1,130	110	847	-	-	-	-	(3)	1
Sell (USD)										
Less than 12 months	41,239	6,071	13,259	345	21,808	4,798	-	-	(706)	(139)
Buy (EUR)										
Less than 12 months	221,520	264,183	189,842	229,567	-	-	19,801	20,741	3,327	(5,869)
More than 12 months	799	2,824	555	2,410	-	-	741	547	17	(63)
Sell (EUR)										
Less than 12 months	25,128	14,749	7,250	2,011	-	-	74,429	54,225	(617)	116
More than 12 months	(967)	-	-	-	-	-	(4,409)	-	(12)	-
Buy (PLN)										
Less than 12 months	-	-	-	-	-	-	-	-	-	-
Sell (PLN)										
Less than 12 months	536	1,027	44	205	74	-	-	-	5	-
Buy (GBP)										
Less than 12 months	-	-	-	-	-	-	-	-	-	-
Sell (GBP)										
Less than 12 months	3,103	2,334	-	-	3,383	2,666	-	-	(99)	(42)
									5,968	(5,717)

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

36. Financial instruments (continued)

Interest rate risk management

The group is exposed to interest rate risk because entities in the group borrow funds at both fixed and floating interest rates. The group's exposure to interest rate risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings. Due to the nature of the group's borrowings, principally group facilities, the exposure to interest rate risk is considered to be immaterial.

Credit risk management

In order to minimise credit risk, the group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit rating information is supplied by independent rating agencies where available and, if not available, the group uses other publicly available financial information and its own trading records to rate its major customers. The group's exposure and the credit ratings of its counterparties are continuously monitored.

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the group reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the company consider that the group's credit risk is significantly reduced.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

36. Financial instruments (continued)**Overview of the group's exposure to credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. As at 31 December 2019, the group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the group has developed and maintained credit risk gradings to categorise exposures according to their degree of risk of default. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counter-party has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL-not credit-impaired
In default	Amount is > 90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the group's financial assets, contract assets and financial guarantee contracts, as well as the group's maximum exposure to credit risk by credit risk rating grades.

	<i>Note</i>	<i>External credit rating</i>	<i>Internal credit rating</i>	<i>12-month or lifetime ECL?</i>	<i>Gross & net carrying amount (i)</i>
Amounts owed by parent undertakings	19	N/a	Performing	Lifetime ECL (not credit impaired)	1,588
Trade receivables	19	N/a	(i)	Lifetime ECL (simplified approach)	195,476
At 31 March 2020					197,064

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

36. Financial instruments (continued)

	<i>Note</i>	<i>External credit rating</i>	<i>Internal credit rating</i>	<i>12-month or lifetime ECL?</i>	<i>Gross carrying amount (i)</i>
Amounts owed by parent undertakings	19	N/a	Performing	Lifetime ECL (not credit impaired)	3,180
Trade receivables	19	N/a	(i)	(simplified approach)	181,811
At 31 March 2019					184,991

No adjustments for loss allowances have been made (2019: none).

(i) For trade receivables, the group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The group determines the expected credit loss on these items by using a provision matrix.

The carrying amount of the group's financial assets at FVTPL as disclosed in note 24 best represents their respective maximum exposure to credit risk. The group holds no collateral over any of these balances.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the group's short, medium and long term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate cash reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The contractual maturity is based on the earliest date on which the group may be required to pay.

	<i>Less than 1 month £'000</i>	<i>1 - 3 months £'000</i>	<i>3 months to 1 year £'000</i>	<i>1 - 5 years £'000</i>	<i>5 + years £'000</i>	<i>Total £'000</i>
Trade and other payables	138,238	59,124	-	-	-	197,362
Lease Liabilities	1,385	2,771	12,468	42,100	37,108	95,831
Borrowings	355,325	2,006	3,487	12,255	158,972	532,045
At 31 March 2020	494,948	63,901	15,954	54,355	196,079	825,238

	<i>Less than 1 month £'000</i>	<i>1 - 3 months £'000</i>	<i>3 months to 1 year £'000</i>	<i>1 - 5 years £'000</i>	<i>5 + years £'000</i>	<i>Total £'000</i>
Trade and other payables	179,702	79,974	-	-	-	259,676
Borrowings	226,783	1,227	25,748	8,590	157,005	419,353
At 31 March 2019	406,485	81,201	25,748	8,590	157,005	679,029

Registered No: 02328824

Notes to the financial statements (continued)

For the year ended 31 March 2020

36. Financial instruments (Continued)

Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2019.

The capital structure of the group consists of net debt (borrowings disclosed in note 22 after deducting cash and bank balances) and equity of the group (comprising issued capital, other reserves, retained earnings and non-controlling interests) as disclosed in the consolidated and company statements of changes in equity).

The group is not subject to any externally imposed capital requirements.

The group's board of directors review the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital.

37. Ultimate holding company and controlling party

The smallest group of which the company is a member and for which consolidated financial statements are drawn up is that headed by this company. The parent undertaking of the largest group of which the company is a member, and the ultimate controlling party, is the Mitsubishi Corporation, a company incorporated in Japan.

Copies of the group financial statements are available to the public from the following address, which is the registered office:

Investor Relations Department,
Mitsubishi Corporation,
3 - 1 Marunouchi, 2-Chome,
Chiyoda-Ku,
Tokyo,
100-8086,
Japan