Benecol Limited

Annual Report and Financial Statements

Year Ended

31 December 2017

Company Number 09062361

Benecol Limited

Company Information

Directors	A J Elevuori M Laurila
Registered number	09062361
Registered office	The Mille 1000 Great West Road Brentford TW8 9DW
Independent auditor	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
Bankers	Danske Bank 75 King William Street London EC4N 7DT
Solicitors	Eversheds Bridgewater Place Water Lane Leeds LS11 1EU

Benecol Limited

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Strategic Report
For the Year Ended 31 December 2017

Introduction

The directors present their Strategic Report on the Company for the year ended 31 December 2017.

Business review

The principal activity of the business is selling and marketing a range of cholesterol lowering foods. The Company operates in the UK and EU.

The directors consider Benecol Limited to be in a good position and are confident that the business will continue successfully in future years.

Principal risks and uncertainties

The business operates in a highly competitive environment, where maintaining commercial and operational focus is vital to the success of the business. The Company's commercial awareness ensures that the business is well placed to meet the needs of an ever changing market place.

As the Company imports its products from Switzerland and the EU, the terms of the UK withdrawal from the EU is a major risk. Currency exchange rate variability can also impact on the Company's performance: the Company uses forward rate currency contracts in order to mitigate the risk of fluctuations in currency and provide more certainty over the margins made on sale of goods. This risk is also managed at Raisio Group level.

Other significant risks include increased global raw material increases, competition from retailer private label goods and the changing shopping habits of consumers, especially in the UK market.

Key performance indicators

The directors monitor the progress of the company by reference to monthly KPI's which include, but are not limited to:

- Net Sales;
- Gross Margin;
- EBIT;
- Net working capital ratios;
- Cash generation;
- Delivery accuracy.

Credit risk

The Company does not carry any credit risk cover on its customers. The Company enforces adherence to agreed credit terms rigidly and obtains credit insurance on selected customers when felt necessary.

Liquidity and cashflow risk

The Company manages its liquidity and cash flow within limits agreed by the Raisio group.

Business risk

The board has established a formal process for identifying, evaluating and managing the business risks faced, with an ongoing review of progress against strategic objectives. The business risks reviewed include:

- external business risks, including regulatory obligations;
- operational risks arising from e.g. supplier dependency, fire, material damage etc;
- legal risks, e.g. risks under contracts with suppliers;
- information risks, including the integrity of IT systems and the security information.

This report was approved by the board on 19th October 2018 and signed on its behalf.

M Laurila
Director

Directors' Report
For the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Principal activity

The Company's principal activity is sale and distribution of food products designed to lower cholesterol.

Results and dividends

The profit for the year, after taxation, amounted to £10,905,000 (2016 - £10,760,000).

The directors do not recommend the payment of a final dividend (2016 - £Nil).

Internal control

The Board is responsible for maintaining a system of internal control to safeguard shareholders' investment and the Company's assets, as well as reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material loss and misstatement.

The key control procedures operating within the Company include but are not limited to:

- A comprehensive system of budgeting and forecasting with a detailed periodic review of actual results compared with budget and previous years;
- Procedures for appraisal, review and authorisation of capital expenditure;
- Treasury procedures and banking arrangements;
- Financial controls and operating procedures to be adopted by operational managers;
- Monitoring and assessment of business risk and performance for each operating site;
- Periodic review of future supply commitments;
- Regular updates on tax, insurance and health and safety matters;
- Secure storage and back up data held on computer systems.

The directors have put in place an organisational structure appropriate for the size of the Company with defined lines of responsibility and delegation of authority where the board considers it necessary.

Directors

The directors who served during the year were:

A J Elevuori
O E Mustonen (resigned 3 May 2018)
V M A F Poujardieu (resigned 1 February 2018)

M Laurila was appointed as a director on 9 May 2018.

Employee involvement

The Board proposes to maintain and develop the involvement of employees in the progress and operation of the company. Regular communications also take place with employee representatives.

Matters covered in the strategic report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the Strategic Report as the directors consider them to be of strategic importance to the Company.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006

This report was approved by the board on 19th October 2018 and signed on its behalf.

M Laurila
Director

Directors' Responsibilities Statement
For the Year Ended 31 December 2017

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Benecol Limited

Independent Auditor's report to the members of Benecol Limited

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Opinion

We have audited the financial statements of Benecol Limited ("the company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Posiotion, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Neil Calder

Neil Calder (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
St Nicholas House
Park Row
Nottingham
NG1 6FQ
United Kingdom

Date: 19 October 2018

Benecol Limited

Statement of Comprehensive Income
For the Year Ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	4	**59,732**	56,325
Cost of sales		**(35,181)**	(32,412)
Gross profit		**24,551**	23,913
Administrative expenses		**(10,881)**	(9,999)
Operating profit	5	**13,670**	13,914
Interest receivable and similar income	8	**17**	73
Interest payable and expenses	9	**(246)**	(676)
Profit before tax		**13,441**	13,311
Tax on profit	10	**(2,536)**	(2,551)
Profit for the financial year		**10,905**	10,760
Other comprehensive income		**-**	-
Total comprehensive income for the year		**10,905**	10,760

The notes on pages 11 to 26 form part of these financial statements.

Benecol Limited
Registered number: 09062361

Statement of Financial Position
As at 31 December 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Goodwill	12		**41,833**		41,833
Other intangible assets	11		**25,303**		25,779
Tangible assets	13		**7**		15
			67,143		67,627
Current assets					
Stocks	14	**1,183**		1,449	
Debtors: amounts falling due within one year	15	**8,487**		8,204	
Cash at bank and in hand		**2,041**		-	
		11,711		9,653	
Creditors: amounts falling due within one year	16	**(20,675)**		(30,458)	
Net current liabilities			**(8,964)**		(20,805)
Total assets less current liabilities			**58,179**		46,822
Provisions for liabilities					
Deferred taxation	17		**(1,404)**		(952)
Net assets			**56,775**		45,870
Capital and reserves					
Called up share capital	19		**100**		100
Share premium account	20		**24,164**		24,164
Profit and loss account	20		**32,511**		21,606
Shareholders' funds			**56,775**		45,870

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
19th October 2018

M Laurila
Director

The notes on pages 11 to 26 form part of these financial statements.

Benecol Limited

Statement of Changes in Equity
For the Year Ended 31 December 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	100	24,164	21,606	45,870
Comprehensive income for the year				
Profit for the year	-	-	10,905	10,905
Total comprehensive income for the year	-	-	10,905	10,905
At 31 December 2017	100	24,164	32,511	56,775

Statement of Changes in Equity
For the Year Ended 31 December 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2015	100	24,164	10,846	35,110
Comprehensive income for the year				
Profit for the year	-	-	10,760	10,760
Total comprehensive income for the year	-	-	10,760	10,760
At 31 December 2016	100	24,164	21,606	45,870

The notes on pages 11 to 26 form part of these financial statements.

1. General information

Benecol Limited is a private company, limited by shares, incorporated, domiciled and registered in England & Wales. The registered number of the Company is 09062361. The address of the registered office can be found on the Company Information page. The nature of the company's operations and its principal activities are set out in the Strategic Report and the Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's functional and presentational currency is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The Company's ultimate parent undertaking, Raisio Oyj, includes the Company in its consolidated financial statements. The consolidated financial statements are prepared in accordnace with IFRS and are available to the public and may be obtained from Raisionkaari 55, P O Box 101 FL-21201 Raisio, Finland.

2.3 Going concern

These financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The company is financed by loan funding from its parent company, Raisio UK Limited. The loan is due for repayment on 31 December 2018. The directors have prepared forecasts for the period of at least 12 months from the date of approval of these financial statements which demonstrate that the company will continue to generate strong profitability and cash flow supporting its ability to repay this loan as it falls due. As a result, the directors consider it appropriate for the financial statements to be prepared on the going concern basis.

2.4 Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax, trade discounts and sales incentives. Revenue is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer.

2.5 Research and development

Expenditure on pure and applied research is written off in the year in which it is incurred.

2. Accounting policies (continued)

2.6 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.7 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.8 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probably and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

2.9 Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on the following bases:

Software & Licenses	-	20 % straight line

There is no amortisation on the brand intangible as the company considers that the brand has an indefinite economic life. Brand values are subject to annual impairment testing, in which the recoverable amount is calculated. If the recoverable amount does not exceed the carrying amount the company will recognize an impairment loss.

2. Accounting policies (continued)

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant & machinery, office and equipment	-	33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.12 Debtors

Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Accounting policies (continued)

2.14 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Fair value through profit or loss

The Company enters into derivative financial instruments, being forward rate currency contracts in order to mitigate the risk of currency exposure. These instruments are carried at fair value with movements in the fair value recognised as gains or losses in the Statement of Comprehensive Income.

Financial assets

Financial assets at amortised cost comprise loans and receivables with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

2.15 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.16 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.17 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2. Accounting policies (continued)

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether there are indicators of impairment of the Company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Valuation of derivative financial instruments
  The Company uses forward rate currency contracts in order to mitigate the risk of fluctuations in currency and provide more certainty over the margins made on sale of goods. The currency contracts are recorded on the Statement of Financial Position at their fair value at the reporting date. The fair value is estimated using valuations provided by Raisio Oyj, the ultimate parent undertaking. The directors consider that the group valuations are an approximate of the fair value of the instruments held at the reporting date.

4. Turnover

The Company's turnover and operating profit relate entirely to its principal activity. The geographical analysis of turnover by destination is:

	2017 £000	2016 £000
United Kingdom	**47,995**	48,600
Rest of Europe	**11,737**	7,725
	59,732	56,325

5. Operating profit

The operating profit is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	**9**	7
Amortisation of intangible assets, including goodwill	**476**	476
Exchange differences	**(823)**	549
Audit fees payable for the audit of the Company	**18**	18

6. Employees

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	**1,335**	1,177
Social security costs	**170**	148
Cost of defined contribution scheme	**55**	54
	1,560	1,379

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

	2017 No.	2016 No.
Administration	**15**	14

7. Directors' remuneration

There were no directors receiving contributions into personal defined contribution schemes during the period.

The directors are remunerated for their services to the Company by the parent company, Raisio Oyj. The amount of remuneration paid in the year by Raisio Oyj for services provided was £430,000 (2016 - £210,000).

The total amount payable to the highest paid director in respect of emoluments was £430,000 (2016 - £210,000).

8. Interest receivable

	2017 £000	2016 £000
Interest receivable from group companies	**17**	73

9. Interest payable and similar charges

	2017 £000	2016 £000
Interest on loans from group undertakings	**246**	676

10. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	**1,895**	742
Adjustments in respect of previous periods	**1**	(3)
Group tax relief	**188**	1,392
Total current tax	**2,084**	2,131
Deferred tax		
Origination and reversal of timing differences	**452**	451
Changes to tax rates	**-**	(29)
Adjustments in respect of prior periods	**-**	(2)
Total deferred tax	**452**	420
Taxation on profit	**2,536**	2,551

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are explained below:

	2017 £000	2016 £000
Profit before tax	**13,441**	13,311
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	**2,587**	2,662
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**8**	1
Adjustments to tax charge in respect of prior periods	**1**	(4)
Change in deferred tax rates	**(60)**	(108)
Group relief	**(189)**	(1,392)
Payment for group relief	**189**	1,392
Total tax charge for the year	**2,536**	2,551

10. Taxation (continued)

Factors that may affect future tax charges

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2015-2016 on 26 October 2015, reducing the effective tax rate from 20% to 19% from April 2017, with a further reduction to 17% from April 2020. Deferred taxes at the Statement of Financial Position date have been measured using these enacted tax rates and reflected in these financial statements.

11. Intangible assets

	Licence and software £000	Brand £000	Total £000
Cost			
At 1 January 2017	**2,323**	**24,455**	**26,778**
At 31 December 2017	**2,323**	**24,455**	**26,778**
Amortisation			
At 1 January 2017	**999**	**-**	**999**
Charge for the year	**476**	**-**	**476**
At 31 December 2017	**1,475**	**-**	**1,475**
Net book value			
At 31 December 2017	**848**	**24,455**	**25,303**
At 31 December 2016	1,324	24,455	25,779

12. Goodwill

	2017 £000
Cost	
At 1 January 2017	**41,833**
At 31 December 2017	**41,833**
Amortisation	
At 1 January 2017	**-**
Charge for the year	**-**
At 31 December 2017	**-**
Net book value	
At 31 December 2017	**41,833**
At 31 December 2016	41,833

13. Tangible assets

	Plant and machinery, office equipment £000
Cost	
At 1 January 2017	30
Additions	10
Disposals	(10)
At 31 December 2017	30
Depreciation	
At 1 January 2017	15
Charge for the year	9
Disposals	(1)
At 31 December 2017	23
Net book value	
At 31 December 2017	7
At 31 December 2016	15

14. Stocks

	2017 £000	2016 £000
Raw materials and consumables	13	9
Finished goods and goods for resale	1,170	1,440
	1,183	1,449

Stock recognised in cost of sales during the year as an expense was £33,074,000 (2016 - £34,272,000).

An impairment charge of £20,000 (2015 - £14,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

The difference between purchase price or production cost of stocks and their replacement cost is not material.

15. Debtors

	2017 £000	2016 £000
Trade debtors	**7,648**	7,012
Amounts owed by group undertakings	**174**	58
Other debtors	**619**	790
Prepayments and accrued income	**46**	69
Derivative financial assets	**-**	275
	8,487	8,204

Derivative financial assets are described in note 18.

Amounts owed by group undertakings attract interest at 3mth LIBOR + 1 % margin. The repayment date is 31 December 2018.

16. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Bank overdrafts	**12**	21
Trade creditors	**5,711**	4,762
Amounts owed to group undertakings	**12,023**	20,053
Corporation tax	**729**	2,134
Other taxation and social security	**23**	101
Other creditors	**-**	57
Accruals and deferred income	**1,743**	2,487
Derivative financial liabilities	**434**	843
	20,675	30,458

Derivative financial liabilities are described in note 18.

Amounts owed by group undertakings attract interest at 3mth LIBOR + 1 % margin. The repayment date is 31 December 2018.

17. Deferred taxation

	2017 £000	2016 £000
At beginning of year	**952**	532
Charged to profit or loss	**452**	420
At end of year	**1,404**	952

The provision for deferred taxation is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	**1,404**	952

18. Derivative financial instruments

The Company enters into derivative financial instruments being forward rate currency contracts in order to mitigate the risk of currency exposure. These instruments are carried at fair value with movements in the fair value recognised as gains or losses in the Statement of Comprehensive Income.

Derivative financial assets comprise the fair value of forward contracts for foreign currency assets at the reporting date. The fair value movement in the year on these contracts was a charge of £275,000 (2016 - credit £275,000) which has been recognised as administrative expenses in the Statement of Comprehensive Income.

Derivative financial liabilities comprise the fair value of forward contracts for foreign currency liabilities at the reporting date. The fair value movement in the year on these contracts was a credit £409,000 (2016 - charge £843,000) which has been recognised as turnover in the Statement of Comprehensive Income.

Foreign exchange forward contracts

The fair value of forward exchange contracts is determined by reference to forward exchange rates at the reporting date.

The fair value of forward currency exchange contracts was determined using quoted forward exchange rates matching the maturity of the contracts.

There were no changes to the valuation techniques during either year.

Fair value hierarchy

The fair value hierarchy of financial instruments measured at fair value is as follows:

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

18. Derivative financial instruments (continued)

The Company's financial instruments may be analysed as follows:

	2017 £000	2016 £000
Level 2		
Financial assets measured at fair value through profit or loss	-	275
Financial liabilities measured at fair value through profit or loss	(434)	(843)

19. Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
100,000 Ordinary A shares of £1 each	100	100

20. Reserves

Share capital

Called up share capital reserve represents the nominal value of the shares issued.

Share premium

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

Profit and loss represents cumulative profits or losses net of dividends paid and other adjustments.

21. Pension commitments

The Company manages a defined contribution pension scheme for the staff and contributes to directors personal pension schemes. The assets of the schemes are held separately from those of the Company in an independently administered fund. The pension charge amounted to £55,440 (2016 - £54,135). Contributions amounting to £7,156 (2016 - £8,862) were payable to the funds and are included in creditors.

22. Controlling party

The Company is a wholly owned subsidiary of Raisio UK Limited which is the immediate parent company incorporated in England and Wales.

The ultimate parent undertaking is Raisio Oyj, a company incorporated in Finland. Raisio Oyj is the smallest and largest group in which the results of the Company are consolidated. No other group financial statements include the results of the Company. Copies of the group financial statements can be obtained from the registered office (Raisio Oyj, Raisionkaari 55, P O. Box 101, FL-21201 Raisio, Finland) or the company website www.raisio.com.