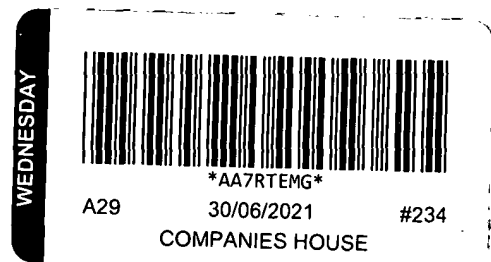


McCain Foods (G.B.) Limited
Annual report and unaudited financial
statements for the financial year ended 30
June 2020

Registered number: 00733218 (England and Wales)



McCain Foods (G.B.) Limited

Annual report and unaudited financial statements for the financial year ended 30 June 2020

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McCain Foods (G.B.) Limited

Directors and advisors

Directors

A D McCain

A N Bridges

A Bates

M Hodge

R M Jones

B Puri

A J Hoff

H D Snape

H Watts

Registered Office

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Eastfield

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YO11 3BS

Bankers

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SE1 9DZ

Solicitors

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Water Lane

Leeds

LS11 5DR

McCain Foods (G.B.) Limited

Strategic report for the financial year ended 30 June 2020

The directors present their strategic report of the Company for the unaudited financial year ended 30 June 2020.

Review of the business

McCain Foods (GB) Ltd is the UK's leading manufacturer of frozen potato products. The Company operates in two distinct sectors of the UK food market, In Home (Retail) and Out of Home (Food Service & QSR) eating.

As a result of COVID-19, the business re-prioritised, focusing on 3 core objectives: safety of our workforce, cash preservation and revenue generation.

For the financial year ended June 2020, total sales have declined marginally due to sales demand being impacted in the final quarter by the COVID-19 pandemic and the subsequent closures/restrictions within Out of Home markets. This in turn has also impacted operations as a result of managing demand and supply across all channels, including a surplus of raw potatoes.

Operationally, the business was also impacted by a challenging 2019-2020 potato crop. Harvesting of the crop was significantly impacted by severe rainfall and flooding, leading to a large proportion of the storage crop being left in the ground and resulting in increased potato costs for the year.

The Company continued to make significant investments throughout the year in both capital, including the renewal of the Scarborough facility, and the brand including media advertising. Restructuring costs associated with the Scarborough regeneration investment were incurred during the year, reflecting impairment of fixed assets and associated employee costs.

The Company's loss for the financial year is £2,572,000 (2019: Profit £33,427,000). The company has net assets of £160,901,000 (2019: £188,654,000).

The directors are satisfied with the financial position of the company at the end of the year.

Strategy

The Company's strategy is to maintain its brand leadership in frozen potato products, in both the Retail and Out of Home channels. Focus remains on product quality, innovation and category leadership, delivered through planet-friendly practices.

Our key measure in determining the success of this strategy is growth in sales % and operating profit %. Please see the section entitled "Key Performance Indicators" for an overview of how these measures are calculated and our performance in relation to them.

Key performance indicators (KPIs)

The board of directors monitor the company's progress overall by referencing four KPIs. Performance during the financial year, together with historical trend data, is set out in the table below:

	2020	2019	
Growth in sales %	(2.1)	(0.3)	Year on year sales (decline) expressed as a percentage.
Operating profit %	0.4	4.2	Operating profit is profit before tax, investment income and interest expressed as a percentage of sales.
Return on net assets %	0.3	9.4	Return on net assets (RONA) is profit after tax but before interest expressed as a percentage of net assets.
Employee retention %	99.9	96.9	Employee retention is the percentage of employees remaining in employment with the company at the end of each 12-month period, compared with the previous period

McCain Foods (G.B.) Limited

Strategic report for the financial year ended 30 June 2020 (continued)

A decline in sales can be seen year on year, as a result of sales demand being impacted in the final quarter by the COVID-19 pandemic. Operating profit and RONA have declined versus 2019 as a result of the same COVID-19 pandemic impacts

Principal risks and uncertainties

Management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks affecting the Company are set out below:

Competition:

The Company operates in highly competitive sectors of the frozen food market. In order to ensure awareness of competitor activity the directors constantly track brand share performance and market activity in all areas. This ensures the Company's strategy of delivering differentiated added value for customers and consumers is effectively executed and relevant to the Company's position as the leading brand in our category.

Supply chain:

The Company is dependent on a continual supply of raw materials, principally potatoes, vegetable oils and packaging. This risk is mitigated by contracting for a proportion of our supplies as far in advance as is practical and by having multiple supply sources to cover any shortfalls from individual suppliers.

Environmental:

The Company is seeing increased climate events impacting the UK's potato harvest. Our supply of potatoes is specifically managed through the 'Smart and Sustainable Farming' pillar of our global corporate social responsibility strategy. This focuses on leveraging best agricultural practices and technologies including development of new potato varieties resilient to climate change

Financial risk management

The Company's operations expose it to a variety of financial risks. McCain Foods Group Inc., the Company's ultimate parent undertaking, has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company (and the group) by monitoring levels of debt finance and the related finance costs for the group as a whole.

Directors' statement of compliance with duty to promote the success of the company

The directors of the Company consider, both individually and collectively as a Board, that they have acted in the way that would be most likely to promote the success of the company for the benefit of its members as a whole whilst having regard to matters set out in S172(1) (a - f) of the Act:

- (a) the likely consequences of any decision in the long term;
- (b) the interest of the company's employees;
- (c) the need to foster the company's business relationships with suppliers, customers and others;
- (d) the impact of the company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business and conduct; and
- (f) the need to act fairly as between members of the company.

In coming to this conclusion, the Board have considered who the stakeholders of the business are and the issues they need to take into consideration.

The Board primarily considers the interests of its sole member, McCain UK H2 Limited, and ultimate parent company, McCain Foods Group Inc., when performing their duties under S172(1). All Board decisions during the year were made to promote the long-term success of the Company, and its immediate and ultimate parent companies, and were in line with the strategic goals and objectives of the group.

On behalf of the Board



B Puri
Director

29 June 2021

McCain Foods (G.B.) Limited

Directors' report for the financial year ended 30 June 2020

The directors present their report and the unaudited financial statements of the Company for the year ended 30 June 2020.

Principal activities

McCain Foods (GB) Limited is a manufacturer and supplier of frozen and ambient food products, principally for the UK market. Products sold include a large variety of frozen french fry and other potato products and a range of frozen appetisers.

Future developments

As a brand leader, the Company believes it can continue to stimulate growth in a planet-friendly way, through innovation, quality and service and continues to invest in capacity to support this growth. The Company has a crisis management plan in place to respond to future risks including Covid-19.

Dividends

No interim dividend has been paid in respect of the financial year ended 30 June 2020 (2019: £nil). The directors do not propose the payment of a final dividend (2019: £nil).

Research and development

The Company is committed to research and development activity, to seek new product lines and sources of raw materials, and to improve efficiency.

Details of research and development expenditure are set out in note 3 to the financial statements.

Charitable contributions

The contributions made by the Company during the financial year for charitable purposes amounted to £107,228 (2019: £66,629). There were no political contributions (2019: £nil). During this period, the company also continued to support its partner FareShare, with over 400,000 meal donations of frozen and raw potatoes.

Directors

The directors who held office during the financial year and up to the date of signing these financial statements are given below:

A D McCain	
M C McCain	(resigned 4 August 2020)
R A Hunter	(resigned 31 December 2020)
A N Bridges	
M Hodge	
R M Jones	
S N Amin	(resigned 31 July 2019)
A J Hoff	
D D Metheringham	(resigned 28 February 2021)
H D Snape	
H Watts	
B Puri	(appointed 1 September 2019)
A Bates	(appointed 1 October 2019)
J Holborn	(appointed 1 October 2019, resigned 30 June 2020)

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

McCain Foods (G.B.) Limited

Directors' report for the financial year ended 30 June 2020 (continued)

Streamlined Energy and Carbon Reporting

There are no comparatives for the prior year, with this being the first reporting year:

	<u>To 30 June 2020</u>
Total Energy consumption used to calculate emissions (kwh)	620,335,312
Breakdown of Consumption (kwh):	
Electricity	124,070,723
Gas	447,286,570
Gas Oil	1,294,057
Biogas	45,036,919
Transport (SC1)	2,039,882
Transport (ScC3)	579,330
Emissions from (kgCO₂e)	
Combustion of Scope 1 Fuels	83,097,016
Biogenic Fuels	9,458
Combustion of fuel for transport purposes (Scope 1)	520,635
Business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel (*Scope 3)	163,485
Purchased electricity (Scope 2, location-based)	26,379,715
Total gross CO₂e based on above	110,082,707
Total Nett CO₂e based on above	109,649,674
Intensity ratio Gross: tCO ₂ e/tonne (Production) (kgCO ₂ e)	272.39
Intensity ratio Nett: tCO ₂ e/tonne (Production) (kgCO ₂ e)	271.31
Market based:	
Emissions from purchased electricity (Scope 2, market based factor) (kgCO ₂ e)	2,315,381
Total Gross CO ₂ e (kgCO ₂ e)	86,018,373
Total Nett CO ₂ e (kgCO ₂ e)	85,585,340
Intensity ratio Gross: tCO ₂ e/tonne (Production)	212.8414884
Intensity ratio Nett: tCO ₂ e/tonne (Production)	211.770005

Methodology:

We have followed the March 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2019 & 2020 UK Government's Conversion Factors for Company Reporting. This report has been independently verified to ISO 14064-3:2006.

McCain Foods (G.B.) Limited

Directors' report for the financial year ended 30 June 2020 (continued)

Stakeholder Engagement

Training and development

The Company has consistently sought to recruit and retain the best employees in order to maintain quality and service, which are the foundations of the Company's success.

In order to ensure all employees are properly trained and able to develop to the best of their ability, the Company has a comprehensive training and development suite of programmes, both locally and internationally. These programmes focus on all aspects of the business, from basic health and safety to customer and category management.

Feedback is taken and given at regular intervals and all employees are formally appraised at least once a year.

The key measure in this area is employee retention. Please see the section within the Strategic Report entitled "Key performance indicators" for an overview of how this measure is calculated and the company's performance in relation to it.

Employment of disabled persons

The Company's policy is to support the employment of disabled persons where suitable jobs are available, to retain, wherever possible, those who become disabled during their employment and to assist with the training and career development of disabled persons.

Employee involvement

The Company operates consultative committees at which employees are provided with information on matters of concern to them. A briefing system is also used to inform employees of matters which affect them directly in their own place of work. All GB employees are informed of company news via a range of internal communications channels, including a newsletter and noticeboards, and developments in McCain group companies around the world are shared via an online Intranet system. This is underpinned by an annual employee 'Our Voice' survey, to measure and enhance employee engagement.

Customers and Suppliers

The Company operates in two distinct sectors of the UK food market, In Home (Retail) and Out of Home (Food Service & QSR) eating. To serve these sectors, the Company actively develops relationships across the supply chain, including with its customers and suppliers. During this financial year, the business has managed and supported these relationships to help mitigate supply and demand implications due to COVID-19.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

McCain Foods (G.B.) Limited

Directors' report for the financial year ended 30 June 2020 (continued)

Directors' confirmations

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Audit exemption

For the year ended 30 June 2020 the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies. The Company's results and position are included within the consolidated financial statements of its intermediate parent, McCain Luxembourg Holdings S.à.r.l. The shareholder of the Company has not required the company to obtain an audit of its financial statements for the period in question in accordance with Section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

On behalf of the Board



B Puri
Director

29 June 2021

McCain Foods (G.B.) Limited

Income statement for the financial year ended 30 June 2020

	Note	2020 £'000	2019 £'000
Revenue	2	499,130	509,944
Cost of sales		(402,332)	(404,574)
Gross profit		96,798	105,370
Other operating expenses		(94,776)	(84,073)
Operating profit	3	2,022	21,297
Gain on liquidation of group undertaking		-	16,705
Finance income	7	-	4
Finance expense	8	(3,041)	(1,016)
(Loss)/Profit before taxation		(1,019)	36,990
Income tax expense	9	(1,553)	(3,563)
(Loss)/Profit for the financial year		(2,572)	33,427

Statement of comprehensive income for the financial year ended 30 June 2020

	Note	2020 £'000	2019 £'000
(Loss)/Profit for the financial year		(2,572)	33,427
<i>Other comprehensive income/(expense): Items that may be reclassified to profit or loss</i>			
Cash flow hedges		(661)	718
Deferred tax on cash flow hedges	9	126	(147)
Effect of increase in future tax rates on deferred tax	9	10	-
<i>Other comprehensive income/(expense): Items that will not be reclassified to profit or loss</i>			
Re-measurements on defined benefit pension scheme	22	(31,192)	3,084
Deferred tax on re-measurements on defined benefit pension scheme	9	5,926	(537)
Effect of increase in future tax rates on deferred tax	9	480	-
Re-measurements on pension scheme (International Employee Mobility)		130	(50)
Total Other comprehensive (expense)/income for the year, net of tax		(25,181)	3,068
Total Comprehensive (expense)/income for the financial year		(27,753)	36,495

McCain Foods (G.B.) Limited

Balance sheet as at 30 June 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Property, plant and equipment	11	229,098	217,851
Right-of-use assets	17	2,237	-
Deferred tax asset	18	360	-
		231,695	217,851
Current assets			
Inventories	12	60,360	58,312
Debtors	13	87,184	75,414
Cash and cash equivalents		2,990	1,206
		150,534	134,932
Creditors: amounts falling due within one year	14	(98,760)	(142,666)
Net current asset/(liability)		51,774	(7,734)
Total assets less current liabilities		283,469	210,117
Creditors: amounts falling due after more than one year	16	(81,253)	-
Provisions for liabilities	18	(1,793)	(7,263)
Net assets excluding pension liability		200,423	202,854
Defined benefit pension liability	22	(39,522)	(14,200)
Net assets including pension liability		160,901	188,654
Equity			
Called up share capital	19	119	119
Share premium		50	50
Capital redemption reserve		4,090	4,090
Retained earnings		156,597	183,825
Hedging reserve, net of tax		45	570
Total shareholders' funds		160,901	188,654

The notes on page 19 to 36 are an integral part of these financial statements.

For the year ended 30 June 2020 the company was entitled to exemption from audit under Section 479A of the Companies Act 2006. The members of the company have not required the company to obtain an audit of its financial statements for the period in question in accordance with Section 476. The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

McCain Foods (G.B.) Limited

Balance sheet as at 30 June 2020 (continued)

The unaudited financial statements on pages 9 to 36 were approved by the board of directors and authorised for issue on 29 June 2021 and are signed on its behalf by:



H D Snape
Director



B Puri
Director

McCain Foods (G.B.) Limited – Registered number 00733218

McCain Foods (G.B.) Limited

Statement of Changes in Equity for the financial year ended 30 June 2020

	Called up share capital £'000	Hedging reserve £'000	Retained earnings £'000	Share premium £'000	Capital redemption reserve £'000	Total Shareholders' funds £'000
At 1 July 2019	119	570	183,825	50	4,090	188,654
Loss for the financial year	-	-	(2,572)	-	-	(2,572)
Cash flow hedges	-	(661)	-	-	-	(661)
Deferred tax on cash flow hedges	-	126	-	-	-	126
Effect of increase in future tax rates on deferred tax	-	10	-	-	-	10
Re-measurements on defined benefit pension scheme	-	-	(31,192)	-	-	(31,192)
Deferred tax on re-measurements on defined benefit pension scheme	-	-	5,926	-	-	5,926
Effect of increase in future tax rates on deferred tax	-	-	480	-	-	480
Re-measurements on pension scheme (International Employee Mobility)	-	-	130	-	-	130
Total comprehensive income/(expense) for the year	-	(525)	(27,228)	-	-	(27,753)
At 30 June 2020	119	45	156,597	50	4,090	160,901

McCain Foods (G.B.) Limited

Statement of Changes in Equity for the financial year ended 30 June 2020 (continued)

	Called up share capital £'000	Hedging reserve £'000	Retained earnings £'000	Share premium £'000	Capital redemption reserve £'000	Total Shareholders' funds £'000
At 1 July 2018	119	(1)	147,901	50	4,090	152,159
Profit for the financial year	-	-	33,427	-	-	33,427
Cash flow hedges	-	718	-	-	-	718
Deferred tax on cash flow hedges	-	(147)	-	-	-	(147)
Re-measurements on defined benefit pension scheme	-	-	3,084	-	-	3,084
Deferred tax on re- measurements on defined benefit pension scheme	-	-	(537)	-	-	(537)
Re-measurements on pension scheme (International Employee Mobility)	-	-	(50)	-	-	(50)
Total comprehensive income/(expense) for the year	-	571	35,924	-	-	36,495
At 30 June 2019	119	570	183,825	50	4,090	188,654

McCain Foods (G.B.) Limited

Accounting policies for the financial year ended 30 June 2020

General information

The principal activity of the company during the year was the manufacture and supply of frozen and ambient food products, principally for the UK market, and is expected to remain so for the foreseeable future. The company, a private company limited by shares, is a subsidiary of McCain UK H2 Limited, a private limited company incorporated and domiciled in the UK. The address of its registered office is Havers Hill, Eastfield, Scarborough, N. Yorkshire, YO11 3BS.

Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis and under the historical cost convention, modified for financial assets and financial liabilities held at fair value through profit and loss. The principal accounting policies applied in the preparation of these financial statements are set out below, and, unless otherwise stated, these policies have been consistently applied to all the periods presented.

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to produce group financial statements because it is a wholly owned subsidiary of McCain Luxembourg Holdings S.a.r.l., registered in Luxembourg. These financial statements present information about the company as an individual undertaking and not about its group.

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 "Reduced Disclosure Framework (FRS 101) and, the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 23 gives details of the company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained. The principle disclosure exemptions adopted by the company in accordance with FRS 101 are as follows:

- Statement of cash flows;
- IFRS 13 fair value disclosures;
- IAS 1 information on management of capital;
- IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 disclosure of key management personnel compensation;
- IAS 24 disclosures in respect of related party transactions entered into between fellow group companies (the company has no other related party transactions); and
- Roll-forward reconciliations in respect of share capital (IAS 1), property, plant and equipment (IAS 16) and Intangible assets (IAS 38).

New and amended standards adopted by the Company in the current period

The following standards have been adopted by the Company for the first time in the year beginning 1 July 2019.

IFRS 16 Leases

IFRS 16, Leases ("IFRS 16"), replaces IAS 17, Leases, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the assets being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduced significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to previous finance lease accounting with limited exceptions for short-term leases or leases of low-value assets (note 17). Lessor accounting remains similar to prior accounting practice.

McCain Foods (G.B.) Limited

Accounting policies for the financial year ended 30 June 2020 (continued)

Going Concern

The directors have reviewed the budgets and forecast for the Company and expect that the company will continue to be profitable and generate a positive cash inflow. The Company also has access to the available resources via the group cash pool facility if required. The directors therefore have a reasonable expectation that the Company has adequate financial resources to meet its obligations as they fall due for a period of at least 12 months from the signing of the financial statements and continue in existence for the foreseeable future.

For this reason, the directors continue to adopt the going concern basis of preparation in these financial statements.

Foreign currencies

Foreign currency transactions are translated into the functional currency either at daily rates or at the average rate of exchange prevailing during the month the transaction occurs. Monetary assets and liabilities are translated at the period end rate and any resulting gains and losses are included in the net income of the foreign operation.

Financial instruments and hedging activities

Cash flow hedges consist of forward foreign exchange contracts used to hedge known or highly probable anticipated foreign currency sales and purchases in order to convert foreign costs or revenues into domestic currencies.

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. Any gain or loss in fair value relating to the ineffective portion is recognised immediately in other expense.

Property, plant and equipment

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned.

The annual depreciation rates used for this purpose are:

Annual rate	%
Freehold buildings	2.5 - 5
Plant, equipment and motor vehicles	4 - 33

Freehold land and capital work in progress are not depreciated.

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the income statement in the period of de-recognition.

Goodwill

The amount by which the purchase cost exceeds the fair market value of net assets acquired in a business acquisition represents goodwill. Goodwill is carried at cost less accumulated impairment. If the purchase cost is less than the fair value of the assets acquired, then the excess of net assets acquired over purchase cost is recorded in income during the period it arises.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the cash-generating unit (CGU) containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Intellectual property rights

The cost of intellectual property rights, which vest in the company, and the rights over certain production processes, are capitalised as intangible fixed assets and amortised on a straight-line basis over 5 years, being the period over which the Company expects to derive economic benefits therefrom.

McCain Foods (G.B.) Limited

Accounting policies for the financial year ended 30 June 2020 (continued)

Research and development expenditure

Development costs relating to potato seed programmes intended for commercial exploitation are deferred during the seed development period and included in other non-current assets. At the end of this period, the costs are transferred to inventory, unless it is determined that the costs will not be recovered from future sales, in which case they are charged to the income statement.

Expenditures on pure and applied research are expensed as incurred.

Impairment

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined principally on a first-in, first-out basis, except for certain crop materials, and includes a portion of factory overhead. Inventories of raw crop materials, primarily potatoes, and the raw material component of finished goods, are valued at the weighted average cost over the year to date and include appropriate storage costs.

Net realisable value is the price at which the inventory can be sold in the normal course of business after allowing for the costs of realisation. Where necessary, provision is made for obsolete, slow moving and defective inventory. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet bank overdrafts are shown in current liabilities.

Current and deferred income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

McCain Foods (G.B.) Limited

Accounting policies for the financial year ended 30 June 2020 (continued)

Current and deferred income tax (continued)

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Employee benefits

The Company operates a defined benefit pension scheme and a long-term disability scheme for its employees.

(a) Defined benefit pension scheme

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Past-service costs are recognised immediately in the income statement.

(b) Long term disability scheme

The Company operates a long-term disability scheme for its employees. A fund is being accumulated to meet accruing liabilities which is held under a trust that is entirely separate from the Company's assets. The cost of providing benefits for employees is charged to the income statement over the duration of the scheme in accordance with the recommendations of the qualified actuaries.

Revenue

The Company recognises revenue when significant risks and benefits of ownership are transferred, which is usually when the goods are shipped or delivered. Sales incentives and allowances are deducted in arriving at sales. Historical experience and estimates of annual performance measures are used to determine sales allowances.

McCain Foods (G.B.) Limited

Accounting policies for the financial year ended 30 June 2020 (continued)

Leases

The Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Right of use ("ROU") assets and lease liability are initially recognized at the present value of the lease payments, discounted using the interest rate implied in the lease, or if that cannot be determined, then by the Company's incremental borrowing rate. ROU assets are amortized and tested for impairment on the same basis as property, plant and equipment. Lease liabilities are accounted for using the effective interest rate method.

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020

1 Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Pension benefits

The Company operates a defined benefit pension scheme. In producing an estimated year end position for the scheme the directors use a series of assumptions related to, for example, mortality, inflation and discount rates. In setting these assumptions the directors rely on advice given to them by the scheme actuary, although the final decision as to what assumptions are to be used rests with the directors. Details of the assumptions used in the financial statements can be found in note 21.

(ii) Useful economic lives of property, plant and equipment and intangible assets

The annual depreciation charge for property and plant and equipment assets are sensitive to changes in the estimates useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(iii) Inventory provisioning

The Company manufactures and supplies frozen and ambient food and is subject to changing industry and consumer demands. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required.

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

(iv) Impairment of trade receivables

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

(v) Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

(vi) Hedge accounting

The directors consider the Company to have met the criteria for the hedge accounting and the company has therefore recognised fair value movements on the derivatives in the effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

2 Revenue

The analysis by geographical area of the company's revenue by destination is set out below:

	2020 £'000	2019 £'000
Revenue by destination		
United Kingdom	474,562	478,824
Rest of Europe	23,438	29,325
Rest of World	1,130	1,795
	499,130	509,944

All of the company's revenue, profits on ordinary activities before taxation and net assets originate in the United Kingdom. The directors consider that the Company has one major class of business, being the manufacture, purchase and sale of frozen foods and associated activities.

3 Operating profit

	2020 £'000	2019 £'000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	19,439	12,618
Depreciation of right-of-use assets	1,335	-
Impairment of fixed assets	509	-
(Profit)/Loss on disposal of tangible fixed assets	(45)	49
Research and development expenditure	3,836	4,002
Auditors' remuneration for:		
- Audit	125	93
- Other non-audit services	10	83
Restructuring costs		
- Impairment of fixed assets	9,642	5,867
- Impairment of maintenance spares	25,667	965
- Severance	3,934	971
- Other non-audit services		
- Other non-audit services		

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

4 Directors' emoluments

The emoluments of Mr A D McCain and Mr M C McCain are paid by the ultimate parent company, McCain Foods Group Inc., and are disclosed in the financial statements of that company, but do not relate to their services as directors of McCain Foods (G.B.) Limited.

The emoluments paid to the remaining directors were:

	2020 £'000	2019 £'000
Aggregate emoluments (including benefits in kind and annual incentive payments)	7,527	3,476

Aggregate emoluments disclosed above include amounts paid to the highest paid director, as follows:

	2020 £'000	2019 £'000
Aggregate emoluments	4,500	685

Ten of the directors (2019: ten) are members of a group defined benefit pension scheme.

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the financial year was:

	2020 Number	2019 Number
Production	1,164	1,285
Selling and distribution	132	130
Administration	89	97
	1,385	1,512

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

6 Employee costs

	2020 £'000	2019 £'000
Wages and salaries	56,470	58,536
Social security costs	6,973	7,020
Other pension costs (note 22)	6,657	6,506
	70,100	72,062

7 Finance income

	2020 £'000	2019 £'000
On amounts due from group undertakings	-	4
	-	4

8 Finance expense

	2020 £'000	2019 £'000
On amounts due to group undertakings	2,796	531
Interest on liabilities	35	-
Net finance expense on defined benefit pension scheme	210	485
	3,041	1,016

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

9 Income tax expense

	2020 £'000	2019 £'000
UK corporation tax:		
Current tax arising in the year	1,104	1,814
Adjustments in respect of prior years	32	464
Total current tax	1,136	2,278
Deferred tax:		
Origination and reversal of timing differences	(706)	2,130
Adjustments in respect of prior years	(31)	(651)
Effect of increase/(reduction) in future tax rates	1,154	(194)
Total deferred tax	417	1,285
Total income tax expense	1,553	3,563

Income tax relating to items expensed to Other comprehensive income

	2020 £'000	2019 £'000
Deferred tax on cash flow hedges asset	(126)	147
Deferred tax movement in defined benefit pension scheme liability	(5,926)	537
Effect of (increase)/reduction in future tax rates on deferred tax	(490)	-
Income tax (credit)/expense within Other comprehensive income	(6,542)	684

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2019: 19%). The actual tax charge for the year is higher (2019: lower) than the standard rate for the reasons set out in the following reconciliation:

	2020 £'000	2019 £'000
(Loss)/Profit before taxation	(1,019)	36,990
(Loss)/Profit before taxation multiplied by the standard rate of UK tax of 19% (2019: 19%)	(194)	7,028
Exempt gain on liquidation of group undertaking	-	(3,174)
Adjustments in respect of prior years	1	(187)
Expenses not deductible for tax purposes	592	90
Effect of increase/(reduction) in future tax rates	1,154	(194)
Total income tax expense	1,553	3,563

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

9 Income tax expense (continued)

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. An increase in the UK corporation tax rate from 17% to 19% (effective from 1 April 2020) was substantively enacted on 17 March 2020, and deferred tax as at 30 June 2020 has been calculated based on this rate (2019: 17%).

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This rate increase will impact the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £114,000.

10 Intangible assets

	Intellectual property rights £'000	Goodwill £'000	Total £'000
At 1 July 2019 and 30 June 2020	839	12,864	13,703
Accumulated amortisation			
At 1 July 2019 and 30 June 2020	(839)	(12,864)	(13,703)
Net book value			
At 30 June 2019 and 30 June 2020	-	-	-

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

11 Property, plant and equipment

	Freehold land and buildings	Plant, equipment and motor vehicles	Total
	£'000	£'000	£'000
At 1 July 2019	68,671	445,444	514,115
Reclassification between asset classes	32,175	(32,175)	-
Additions	-	41,812	41,812
Elimination in respect of disposals	(492)	(54,248)	(54,740)
At 30 June 2020	100,354	400,833	501,187
Accumulated depreciation			
At 1 July 2019	(38,165)	(258,099)	(296,264)
Charge for the financial year	(2,984)	(16,455)	(19,439)
Impairment in the financial year	(4,634)	(5,517)	(10,151)
Elimination in respect of disposals	261	53,504	53,765
At 30 June 2020	(45,522)	(226,567)	(272,089)
Net book value			
At 30 June 2020	54,832	174,266	229,098
At 30 June 2019	30,506	187,345	217,851

Depreciation has not been charged on freehold land which is stated at its cost of £1,976,000 (2019: £1,976,000). The balance of assets under construction at June 2020, included within Plant, equipment and motor vehicles, was £40,024,000 (2019: £101,007,000).

12 Inventories

	2020 £'000	2019 £'000
Raw materials	15,555	14,915
Finished goods and goods for resale	44,805	43,397
	60,360	58,312

There is no significant difference between the replacement cost of raw materials and finished goods and their carrying amounts.

Inventories are stated after provisions for impairment of £9,032,000 (2019: £3,684,000). The total value of inventory recognised in cost of sales in the year was £344,175,000 (2019: £301,952,000).

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

13 Debtors

	2020 £'000	2019 £'000
Trade receivables	35,286	61,306
Amounts owed by group undertakings	43,518	3,234
Corporation tax	383	-
Other receivables	219	20
Other taxation and social security	4,425	5,724
Prepayments and accrued income	3,297	4,413
Derivative financial instrument (note 15)	56	717
	87,184	75,414

Amounts owed by group undertakings are unsecured and include a loan of £40,893,000 (2019: £nil) which bears interest at a commercial rate of nil% (2019: nil%), and an interest free amount of £2,625,000 (2019: £3,234,000) repayable on commercial terms.

Trade receivables are stated after provisions for impairment of £453,557 (2019: £14,482).

14 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	52,633	57,815
Amounts owed to group undertakings	2,487	51,630
Corporation tax	-	815
Lease liabilities (note 17)	990	-
Other taxation and social security	6,467	1,901
Other creditors	639	629
Accruals and deferred income	35,544	29,876
	98,760	142,666

Amounts due to group undertakings are unsecured and include a loan of £nil (2019: £50,025,000) which bears interest at a commercial rate of nil% (2019: 1.85%), and an interest free amount of £2,487,000 (2019: £1,605,000) repayable on commercial terms.

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

15 Derivative financial instruments

Derivatives that are designated and effective as hedging instruments carried at fair value.

	2020 £'000	2019 £'000
Forward foreign exchange cash flow hedges	56	717
At 30 June – Asset	56	717

The company enters into contracts to purchase or sell foreign currencies in order to convert foreign capital or operating costs or revenues into domestic currencies. In each case, there is a known or highly expected foreign exchange revenue or cost, which, if left unhedged, would create a foreign currency exposure.

All foreign exchange contracts are designated as cash flow hedges. Due to the short product business cycle of the company, the forward foreign exchange contracts outstanding at the balance sheet date mature within the next 12 months.

16 Creditors: amounts falling after more than one year

	2020 £'000	2019 £'000
Amounts owed to group undertakings	80,000	-
Lease liabilities (note 17)	1,253	-
	81,253	-

Amounts owed to group undertakings are unsecured and represent loans from fellow subsidiaries of the ultimate parent company McCain Foods Group Inc, of which £50,000,000 (2019: £nil) is repayable in July 2024 and bears interest at a commercial rate of 4.5% (2019: nil%), and £30,000,000 (2019: £nil) is repayable in January 2025 and bears interest at a commercial rate of 4.5% (2019: nil%).

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

17 Leases

The Company adopted IFRS 16, Leases, on 1 July 2019. Prior to 1 July 2019, leases were treated as finance or operating leases under IAS 17.

Transitional impact

The Company applied IFRS 16 using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17. Upon adoption, the Company recognized ROU assets and corresponding lease liabilities, except for certain low-value and short-term leases. The lease liabilities recognize the discounted present value of the remaining lease payments. The ROU assets will generally be equal to the lease liabilities at adoption, adjusted by the amount of any prepaid lease payments and/or lease incentives.

The ROU assets are depreciated using the straight-line method and the lease liabilities are measured at amortized cost using the effective interest rate method. Depreciation expense on ROU assets and interest expense on lease liabilities replaces operating lease expense, which was recognized as incurred under IAS 17.

IFRS 16 permits the use of recognition exemptions and practical expedients. The Company applied the following recognition exemptions and practical expedients:

- Maintain lease classification assessment made under previous standards
- Apply a single discount rate to a portfolio of leases with similar contract length and economic environment
- Exclude low-value and/or short-term (less than 12 months) leases from IFRS 16 lease accounting
- Exclude the initial direct costs from the measurement of the right of use assets
- Use of hindsight on transition for renewable leases

When measuring lease liabilities at 1 July 2019, the Company applied a weighted average discount rate of 3.4%.

The following summarises the movement on lease liabilities for the year.

	Note	2020 £'000
At 1 July 2019		-
Additions and modifications		3,577
Payments		(1,349)
Disposals and modifications		(18)
Interest expense on lease liabilities	8	35
Foreign exchange		(2)
At 30 June 2020		2,243
Less: current portion		(990)
Lease liabilities, net of current portion		1,253

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

17 Leases (continued)

The maturity of undiscounted lease liabilities is as follows:

	2020 £'000
Lease liabilities due:	
Within one year	1,051
One to two years	590
Two to three years	354
Three to four years	224
Four to five years	78
More than five years	129
Total undiscounted lease liabilities at 30 June 2020	2,426

The following summarizes the movements on ROU assets for the year:

	Freehold Land & Buildings £000	Plant, Machinery & Equipment £000	Total £000
Cost			
At 1 July 2019	-	-	-
Additions and modifications	483	3,107	3,590
Disposals and modifications	(47)	(112)	(159)
At 30 June 2020	436	2,995	3,431
Accumulated depreciation			
At 1 July 2019	-	-	-
Depreciation	(145)	(1,190)	(1,335)
Disposals and modifications	47	94	141
At 30 June 2020	(98)	(1,096)	(1,194)
Net book value at 30 June 2020	338	1,899	2,237

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

17 Leases (continued)

The following summarizes the amounts recognized in profit or loss:

	Note	2020 £'000
Depreciation of ROU assets		1,335
Interest on lease liabilities	8	35
Total amount recognised in profit or loss		1,370

18 Provisions for liabilities

	Long term disability scheme £'000	Deferred taxation £'000	Total £'000
At 1 July 2019	1,498	5,765	7,263
Expense to the Income statement	465	417	882
Credit to Other comprehensive income	-	(6,542)	(6,542)
Utilised in the year	(170)	-	(170)
Re-classified as non-current asset	-	360	360
At 30 June 2020	1,793	-	1,793

The company operates a long-term disability scheme for its employees. A fund is being accumulated to meet accruing liabilities which is held under a trust which is entirely separate from the company's assets. The cost of providing benefits for employees is charged to the Income statement over the duration of the scheme in accordance with the recommendations of the qualified actuaries.

Deferred taxation

Provision for deferred taxation is made in the financial statements as follows (there are no un-provided amounts):

	2020 £'000	2019 £'000
Excess of capital allowances over depreciation	7,168	8,398
Short term timing differences	252	155
Defined benefit pension	(7,791)	(2,935)
Cash flow hedges	11	147
(Asset)/Liability	(360)	5,765

Deferred taxation is calculated at the substantively enacted rate of 19% (2019: 17%).

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

19 Called up share capital

	2020 £'000	2019 £'000
Authorised		
120,000 (2019: 120,000) ordinary shares of £1 each	120	120
2,000,000 (2019: 2,000,000) 6% non-cumulative redeemable preference shares of £1 each	2,000	2,000
	2,120	2,120
Allotted and fully paid		
119,300 (2019: 119,300) ordinary shares of £1 each	119	119

The ordinary shares in issue carry equal rights to dividends, equal voting rights and would rank equally on winding up.

20 Capital commitments

There were capital commitments of £10,250,000 at 30 June 2020 for capital expenditure contracted but not provided for in the financial statements (2019: £19,062,000).

21 Financial commitments

The company is committed under contracts in the normal course of business for the forward purchase of potatoes, oil, gas and electricity totalling £138,712,822 (2019: £126,586,127).

Additional commitments at 30 June 2020 (not included above) relate to the husbandry, land rent and harvesting costs in respect of potato seed stock and amount to £6,336,009 (2019: £4,578,178).

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

22 Pension and similar obligations

The Company operates a defined benefit pension scheme, the McCain Foods (G.B.) Limited Pension & Life Assurance Scheme. The scheme funds are administered by trustees and are independent of the Company's finances.

A funding valuation is carried out at least every three years, with the scheme's most recent valuation having an effective date of 30 June 2017. Contributions are paid to the scheme in accordance with the Schedule of Contributions which was agreed between the trustees and the Company at the 2017 funding valuation.

Over the year to 30 June 2020, overall contributions of £12.9million (2019: £13.3million) were paid to the scheme by the Company. Regular employer contributions were paid at the rates of 13.5% of pensionable salaries, together with additional contributions on behalf of scheme members relating to a salary sacrifice arrangement. In addition, a deficit contribution of £7million was paid.

The scheme exposes the Company to a number of risks:

- Investment risk – the scheme holds investments in asset classes such as equities, hedge funds, high yield bonds and property which have volatile market values.
- Interest rate risk – the scheme's liabilities are valued using the market yields on high quality corporate bonds to discount the liabilities. As the scheme holds assets such as equities, hedge funds, high yield bonds and property, the assets and liabilities may not move in the same way.
- Inflation risk – a significant proportion of the scheme's benefits are linked to CPI inflation. Although the scheme's assets are designed to provide a good hedge against inflation over the long term, movements over the short term could lead to deficits emerging.
- Mortality risk – in the event that members live longer than assumed, a deficit will emerge.

The value of the scheme's defined benefit liabilities for FRS101 purposes has been measured using the projected unit method. The key assumptions are set out below.

Assumptions	30th June 2020 % pa	30th June 2019 % pa	30th June 2018 % pa
Discount rate - DBO	1.5	2.4	2.8
Discount rate – service cost	1.6	2.5	2.9
CPI price inflation	2.0	2.0	2.0
Pension increases (CPI/5%)	2.0	2.0	2.0
Pension increases (CPI/2.5%)	1.75	1.75	1.75
Salary increases	3.2	3.2	3.2

On the basis of the assumptions used for mortality, a male pensioner currently aged 65 would be expected to live for a further 20.0 years (2019: 19.8 years) and a female pensioner currently aged 65 would be expected to live for a further 22.9 years (2019: 22.7 years).

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

22 Pension and similar obligations (continued)

The following tables show the:

- fair value of scheme assets broken down into the main asset classes
- present value of the liabilities (known as the defined benefit obligation)
- surplus/shortfall of assets relative to the defined benefit obligation, which is the defined benefit asset/liability
- sensitivity of the liabilities to the key assumptions
- movements in the defined benefit obligation and fair value of assets
- operating charge, net interest expense and total defined benefit expense
- statement of comprehensive income
- movements in the defined benefit asset/liability.

There were no scheme amendments or settlements during the two years to 30 June 2020, but there was a curtailment due to 60 redundancies at the Grantham site during the year to 30 June 2020.

Fair value of assets

	30 June 2020 £'000	30 June 2019 £'000	30 June 2018 £'000
Equities	103,448	82,356	75,971
Hedge funds/high yield bonds	82,146	98,441	94,216
Gilts and LDI funds	111,375	82,988	71,444
Property	21,063	14,861	14,045
Cash	35,391	31,824	20,376
Total	353,423	310,470	276,052

Balance Sheet

	30 June 2020 £'000	30 June 2019 £'000	30 June 2018 £'000
Fair value of assets	353,423	310,470	276,052
Defined benefit obligation (DBO)	(392,945)	(324,670)	(299,597)
Defined benefit (liability)	(39,522)	(14,200)	(23,545)

Sensitivity to key assumptions

	Change in assumption	Impact on scheme liabilities
Discount rate - DBO	Increase by 0.1%	Decrease by £7 million
CPI price inflation	Increase by 0.1%	Increase by £5 million
Post retirement mortality	Increase in life expectancy of one year	Increase by £12 million

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

22 Pension and similar obligations (continued)

Movements in the defined benefit obligation

	2020	2019
	£'000	£'000
Liability at the start of the financial year	324,670	299,597
Current service cost	6,523	6,086
Member contributions	205	205
Interest cost	7,846	8,356
Benefits paid	(8,687)	(8,238)
Curtail loss / (gain)	(200)	-
Actuarial loss	62,588	18,664
Liability at the end of the financial year	392,945	324,670

Movement in fair value of assets

	2020	2019
	£'000	£'000
Assets at the start of the financial year	310,470	276,052
Interest income	7,636	7,871
Actual return less interest income	31,396	21,748
Employer contributions	12,737	13,252
Member contributions	205	205
Benefits paid	(8,687)	(8,238)
Administration expenses	(334)	(420)
Assets at the end of the financial year	353,423	310,470

The following amounts have been included within operating profit:

	2020	2019
	£'000	£'000
Current service cost (includes contributions paid by employer as part of the salary sacrifice arrangement)	6,523	6,086
Administration expenses	334	420
Curtailment loss	(200)	-
Total operating expense	6,657	6,506

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

22 Pension and similar obligations (continued)

The following amounts have been included as net interest expense;

	2020	2019
	£'000	£'000
Interest cost on defined benefit obligation	7,846	8,356
Interest income on scheme assets	(7,636)	(7,871)
Net interest expense	210	485

Total defined benefit expense within comprehensive income;

	2020	2019
	£'000	£'000
Total operating charge	6,657	6,506
Net interest income	210	485
Total defined benefit expense	6,867	6,991

The following amounts have been recognised within the statement of Other comprehensive income:

	2020	2019
	£'000	£'000
Return on scheme assets (in excess of interest income)	31,396	21,748
Actuarial (loss) from changes to financial assumptions	(59,161)	(22,570)
Actuarial (loss)/gain/ from changes to demographic assumptions	(3,254)	4,716
Actuarial (loss) from changes to assumptions – GMP equalisation	(173)	(810)
Amounts recognised in Other comprehensive Income	(31,192)	3,084

Movement in defined liability

	2020	2019
	£'000	£'000
Defined benefit liability at start of year	(14,200)	(23,545)
Total defined benefit expense	(6,867)	(6,991)
Employer contributions	12,737	13,252
Amount recognised in other comprehensive income	(31,192)	3,084
Defined benefit liability at end of year	(39,522)	(14,200)

The company expects to contribute £33,000,000 (2019: £13,000,000) to its defined benefit pension scheme within the next twelve months.

McCain Foods (G.B.) Limited

Notes to the financial statements for the financial year ended 30 June 2020 (continued)

23 Ultimate and immediate parent companies

The directors regard McCain Foods Group Inc., a company registered in Canada, as the ultimate parent company and the ultimate controlling party and is the parent undertaking of the largest group of undertakings to consolidate these financial statements.

According to the register kept by the company, McCain UK H2 Limited, a company registered in England and Wales, has a 100% interest in the equity share capital of the company as at 30 June 2020.

McCain Luxembourg Holdings S.a.r.l is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of McCain Luxembourg Holdings S.a.r.l can be obtained from 46a Avenue John F Kennedy, L-1855, Luxembourg.