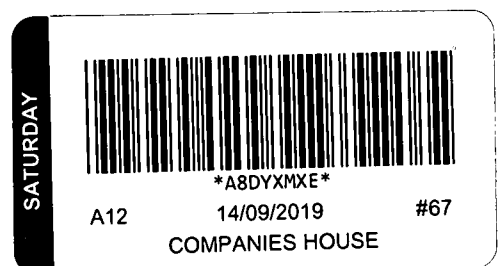


Company Registration No. 58397

TOWERS & CO., LIMITED

**STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**



TOWERS & CO., LIMITED

STRATEGIC REPORT

Business Review

Towers & Co., Limited ('Towers') is a long-established UK business which was founded in 1898, with its origins in the distribution of meat and poultry products. Today the business is an international food group trading meat, poultry and seafood in the UK and many key markets overseas.

The business operates internationally and today more than 20% of our turnover is sold to countries outside the EU.

Rassau Seafood GmbH, the Company's wholly owned subsidiary based in Hamburg, Germany continues to build upon its success and reported another excellent year of trading profits.

Financial Performance

The Company's turnover decreased by 17.8% to £66.1 mln (2017: £80.4 mln).

The operating loss for the year was £484,000 (2017: loss £311,000).

During the year there was a substantial decrease in the turnover of our Far East Export business due to the uncertainty surrounding trade tariffs between the USA and China. This business will remain subdued until the geopolitical situation is clarified.

The gross profit margin in 2018 was 10.9% as compared to 9.4% in 2017. The improvement in gross margin was not enough to compensate for the loss in turnover, resulting in a slightly higher gross and operating loss than for the previous year.

The Company's net current assets remained consistent with £4.3 mln (2017: £4.3 mln) and the net assets decreased to £11.3 mln (2017: £11.4 mln).

Brexit

On 23 June 2016, the United Kingdom (UK) held a referendum in which voters approved an exit from the E.U., commonly referred to as "Brexit". The decision by the UK in favour of leaving the E.U. will inevitably lead to uncertainties over the coming months and years. Although it is unknown what those terms will be, it is possible that there will be greater restrictions on imports and exports between the UK and E.U. countries and increased regulatory complexities. It is unknown at this time if Brexit will have a material impact on our business.

Wholesale Distribution

Our Wholesale Distribution business consists of our four depots in Mexborough, Northfleet, Portsmouth and Avonmouth.

The business experienced a challenging year in 2018, with higher raw material prices and weakening credit lines available in our customers. A number of changes have been made to the business, including new computer systems and we expect an improved performance in 2019.

STRATEGIC REPORT (continued)

Far East Exports

Our Far Eastern trading business had a very difficult year due to the geopolitical tensions between the USA and China.

UK Trading

This part of the business imports beef, lamb and poultry from around the World. It sells to wholesalers, processors and distributors in the UK and Europe and has established customer and supplier relationships developed over many years.

The weaker exchange of sterling against the euro and the US dollar impacted the trading business significantly and resulted in falling margins in this part of the Company. The business has subsequently recovered its margin to normal levels as the exchange rates have become less volatile.

Seafood

Rassau Seafood GmbH ('Rassau') is a wholly owned subsidiary of Towers & Co., Limited. The operating results of Rassau are not included in these financial statements but included in the consolidated group financial statements of Towers Thompson Holdings Limited.

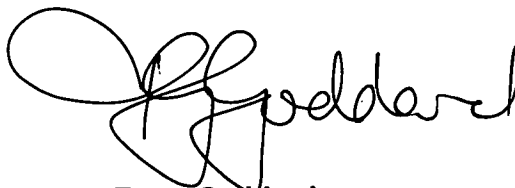
The Outlook

Recent trading conditions have been challenging particularly in the UK. The business is focused on maintaining acceptable margins and improving profitability in all its trading businesses.

We thank our talented staff for their dedication and hard work in continuing to successfully meet the everyday challenges facing the Company.



Paul Dolan
Executive Chairman



Terry Goddard
Managing Director

9 September 2019

DIRECTORS' REPORT

Principal Activities

Towers is an International Food Company specialising in the import, export and distribution of chilled, frozen and cooked meat, poultry and frozen seafood.

Key Performance Indicators (KPI)

The main KPI, gross margin, increased to 10.9% in 2017 from 9.4% in 2017.

Financial Instruments

The major foreign currency involved in the Company's trading activities is the US dollar. The Company's policy is to hedge using forward foreign exchange contracts as soon as commitment has been given to the underlying transaction.

Practically all sales made on credit terms to the Company's customers are covered by credit insurance policies covering several different geographical territories.

Results

The results for the year are set out in the profit and loss account on page 9.

Proposed Dividend

The directors do not recommend the payment of a dividend (2017: £nil).

Directors

Details of directors who held office during the financial year are:

T G Goddard
P Dolan

Political and Charitable Donations

The Company made no political contributions during the current or prior year. Donations to UK charities amounted to £1,000 (2017: £1,000).

Disclosure of Information to Auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (continued)

Employment of Disabled Persons

The Company's policy and practice is to encourage and assist the employment of disabled people and to retain employees who become disabled.

Employees

The Company considers that a loyal and highly skilled workforce is essential to the future of its business, and therefore recognises that employees should be kept informed of the progress of their business and of the Company as a whole.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Paul Dolan
Executive Chairman



Terry Goddard
Managing Director

9 September 2019

3-5 Tower House
Amwell Street
Hoddesdon
Hertfordshire
EN11 8UR

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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;
- 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.

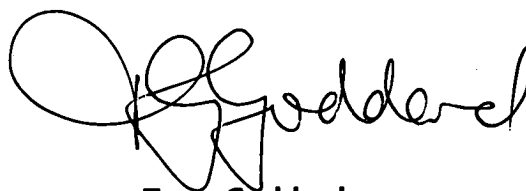
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies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

This report was approved by the board on 9 September 2019 and signed on its behalf.



Paul Dolan

Executive Chairman



Terry Goddard

Managing Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWERS & CO., LIMITED

Opinion

We have audited the financial statements of Towers & Co., Limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

The Impact of Uncertainties due to the UK Exiting the European Union on our Audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors such as recoverability of debtors and investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessment of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWERS & CO., LIMITED

(continued)

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic Report and Directors' Report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements do 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 have 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWERS & CO., LIMITED
(continued)

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.



Kelly Dunn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Date: 9 September 2019

**PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<i>Note</i>	2018	2017
		£'000	£'000
Turnover	1.11, 2	66,105	80,389
Cost of Sales		(58,916)	(72,805)
Gross Profit		<u>7,189</u>	<u>7,584</u>
Distribution Costs		(1,405)	(1,398)
Administrative Expenses		<u>(6,267)</u>	<u>(6,497)</u>
Operating Loss	4	(483)	(311)
Income from Shares in Group Undertakings		900	1,725
Amounts Written Off Investments	1.4, 9	-	(664)
Interest Payable and Similar Charges	1.12, 5	(350)	(305)
Other Interest Receivable and Similar Income	1.12, 6	<u>-</u>	<u>3</u>
Profit Before Taxation		67	448
Tax on Profit	1.13, 7	19	(26)
Profit for the Financial Year		<u>86</u>	<u>422</u>
Other Comprehensive Income			
For the year ended 31 December 2018			
Actuarial loss on defined benefit pension scheme		(150)	(144)
Total Comprehensive (Expense) / Income for the year		<u>(64)</u>	<u>278</u>

The accompanying notes on pages 12-31 are an integral part of the financial statements.

BALANCE SHEET
AT 31 DECEMBER 2018

	Note	2018		2017	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets	1.6,8		1,911		1,755
Investments	1.4,9		<u>5,261</u>		<u>5,261</u>
			7,172		7,016
Current Assets					
Stocks	1.7,10		4,591		4,770
Debtors	11		16,020		16,970
Cash at Bank and in Hand	1.5		<u>10</u>		<u>615</u>
			20,621		22,355
Creditors Due within One Year	13		<u>(16,273)</u>		<u>(18,023)</u>
Net Current Assets			<u>4,348</u>		<u>4,332</u>
Total Assets Less Current Liabilities			11,520		11,348
Provision for Liabilities					
Pensions and Similar Obligations	16		(232)		4
Net Assets			<u>11,288</u>		<u>11,352</u>
Capital and Reserves					
Called Up Share Capital	14		13,549		13,549
Profit and Loss Account			(6,011)		(5,947)
Revaluation Reserve			<u>3,750</u>		<u>3,750</u>
Shareholder's Funds			<u>11,288</u>		<u>11,352</u>

The accompanying notes on pages 12-31 are an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 9 September 2019 and were signed on its behalf by:


Paul Dolan
Executive Chairman


Terry Goddard
Managing Director

Company Registration number: 58397

TOWERS & CO., LIMITED
STATEMENT OF CHANGES IN EQUITY

	Called Up Share Capital £'000	Profit and Loss Account £'000	Revaluation Reserve £'000	Total Equity £'000
Balance at 1 January 2018	13,549	(5,947)	3,750	11,352
Total Comprehensive Expense for the year	-	(64)	-	(64)
Balance at 31 December 2018	<u>13,549</u>	<u>(6,011)</u>	<u>3,750</u>	<u>11,288</u>

	Called Up Share Capital £'000	Profit and Loss Account £'000	Revaluation Reserve £'000	Total Equity £'000
Balance at 1 January 2017	13,549	(6,135)	3,750	11,164
Total Comprehensive Income	-	278	-	278
Exchange differences	-	(90)	-	(90)
Balance at 31 December 2017	<u>13,549</u>	<u>(5,947)</u>	<u>3,750</u>	<u>11,352</u>

The accompanying notes on pages 12-31 are an integral part of the financial statements.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Towers & Co., Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 58397 and the registered address is 3-5 Tower House, Amwell Street, Hoddesdon, Hertfordshire and EN11 8UR.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102, *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Towers Thompson Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Towers Thompson Holdings Limited are prepared in accordance with Financial Reporting Standards 102, are available to the public and may be obtained from 3-5 Tower House, Amwell Street, Hoddesdon, Hertfordshire EN11 8UR.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: tangible fixed assets and intangible assets measured in accordance with the revaluation model.

NOTES TO THE ACCOUNTS (continued)

1.2 Going concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons. The Directors have prepared cash flow forecasts for the Company for a period of at least 12 months from the date of approval of these financial statements and these show that the Company should be able to operate within the current facilities. In doing so, the Directors have considered all factors likely to affect future developments, performance and the businesses financial position, including cashflows, liquidity position and borrowing facilities and the risks and uncertainties relating to business activities and current economic climate. There can be no certainty as to the timing or quantum of these cash flows. However, the Company has held discussions with its bankers about its future borrowing needs and no matters have been drawn to the Company's attention to suggest that renewal or support from the bank to meet the Company's cashflow needs may not be forthcoming on acceptable terms. On the strength of this assurance, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

These are separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

NOTES TO THE ACCOUNTS (continued)

1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition, a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.12 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings 50 to 100 years
- Leasehold buildings period of the lease
- Plant and equipment 5 to 10 years
- Motor vehicles 4 to 10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

NOTES TO THE ACCOUNTS (continued)

1.6 Tangible fixed assets (continued)

Revaluation

Freehold buildings are stated at fair value less any subsequent accumulated depreciation and impairment losses.

Gains on revaluation are recognised in other comprehensive income and accumulated in equity/revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in profit or loss.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

1.8 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

NOTES TO THE ACCOUNTS (continued)

1.8 Impairment excluding stocks, and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

1.9 Employee benefits

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans and other long term employee benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed every three years by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in the profit and loss accounts in the periods during which services are rendered by employees.

NOTES TO THE ACCOUNTS (continued)

1.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.11 Turnover

Turnover represents the invoiced value of sales during the year excluding transactions between companies within the group and excluding value added tax where applicable. Turnover is recognised upon despatch of the goods or services.

1.12 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

NOTES TO THE ACCOUNTS (continued)

1.12 Expenses (continued)

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

NOTES TO THE ACCOUNTS (continued)

2. ANALYSIS OF TURNOVER

All the Company's turnover is derived from the Company's main activity, food wholesaling. Turnover is analysed by geographical market as follows:

	2018	2017
	£'000	£'000
United Kingdom	51,796	55,254
Europe	724	2,146
Rest of World	13,585	22,989
Total turnover	<u>66,105</u>	<u>80,389</u>

3. EMPLOYEES AND DIRECTORS

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

	Number of employees	
	2018	2017
Management	3	3
Administration	21	20
Production & distribution	102	94
	<u>126</u>	<u>117</u>

	2018	2017
	£'000	£'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	3,623	3,956
Social security costs	383	424
Contributions made to defined contribution plans	104	156
	<u>4,110</u>	<u>4,536</u>

	2018	2017
	£'000	£'000
Remuneration paid to executive directors	187	206
Pension contributions	-	18
	<u>187</u>	<u>224</u>

The remuneration paid to the highest paid director, excluding defined benefit pension contributions, amounted to £120,000 (2017: £120,000). Pension contributions of £nil (2017: £nil) were paid on his behalf during the year. One director accrued benefits in the previous year. The highest paid director had an accrued pension at the year end of £nil (2017: £nil).

NOTES TO THE ACCOUNTS (continued)

4. EXPENSES AND AUDITOR'S REMUNERATION

Included in profit / (loss) are the following:

	2018 £'000	2017 £'000
Auditor's remuneration:		
Audit of these financial statements	58	49
Operating lease charges:		
Plant & machinery	470	462
Other	190	195
Depreciation - owned assets	137	135

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £'000	2017 £'000
On bank loans and overdrafts	226	234
Interest payable to group undertakings	78	71
Net interest cost on net defined benefit plan assets (note 16)	1	-
Net foreign exchange losses	45	-
Total interest payable and similar charges	350	305

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £'000	2017 £'000
Net interest income on net defined benefit plan assets (note 16)	-	3

NOTES TO THE ACCOUNTS (continued)

7. TAXATION

Total tax expense recognised in the profit and loss account, other comprehensive income and equity	2018 £'000	2017 £'000
Current tax		
Adjustments in respect of prior periods	-	35
Current tax on income for the year	-	-
Total current tax	-	35
<i>Deferred tax (note 12)</i>		
Origination/reversal of timing differences	19	(61)
Total deferred tax	19	(61)
Deferred tax on pension scheme asset	-	-
Total tax	19	(26)

	2018		2017	
	Current Tax £000s	Deferred Tax £000s	Total Tax £000s	
Recognised in Profit and Loss Account	-	19	19	
Total tax	-	19	19	

	Current Tax £000s	Deferred Tax £000s	Total Tax £000s	
Recognised in Profit and Loss Account	35	(61)	(26)	
Total tax	35	(61)	(26)	

NOTES TO THE ACCOUNTS (continued)

7. TAXATION (continued)

	2018 £'000	2017 £'000
Reconciliation of effective tax rate		
Profit for the year	86	422
Total taxation credit / (charge)	<u>19</u>	<u>(26)</u>
Profit excluding taxation	<u>67</u>	<u>448</u>
<i>Tax using the UK corporation tax rate of 19% (2017: 19.25%)</i>	13	86
Expenses not deductible for tax purposes	5	3
Non-taxable income	(171)	(332)
Adjustments in respect of prior periods	-	35
Current year losses for which no deferred tax asset was recognised	172	182
Total tax expense included in profit and loss	<u>19</u>	<u>(26)</u>

A reduction in the UK corporation tax rate to 18% (effective 1 April 2020) was enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

NOTES TO THE ACCOUNTS (continued)

8. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £'000	Short Leasehold Property £'000	Plant, Equipment & Vehicles £'000	Total £'000
Cost or Valuation				
At 1 January 2018	414	335	4,835	5,584
Additions	-	-	293	293
Disposals	-	-	(25)	(25)
At 31 December 2018	<u>414</u>	<u>335</u>	<u>5,103</u>	<u>5,852</u>
Depreciation				
At 1 January 2018	5	183	3,641	3,829
Charge For Year	-	12	125	137
Disposals	-	-	(25)	(25)
At 31 December 2018	<u>5</u>	<u>195</u>	<u>3,741</u>	<u>3,941</u>
Net Book Value				
At 31 December 2018	<u>409</u>	<u>140</u>	<u>1,362</u>	<u>1,911</u>
At 1 January 2018	<u>409</u>	<u>152</u>	<u>1,194</u>	<u>1,755</u>

Included in the total for freehold land and buildings is land of £120,000 which is not depreciated (2017: £120,000).

The directors are not aware of any material change in value to the other classes of assets.

NOTES TO THE ACCOUNTS (continued)

9. FIXED ASSET INVESTMENTS

	Shares in Subsidiary Undertakings £'000
At 1 January 2018	5,261
Impairment losses	-
At 31 December 2018	<u>5,261</u>

The principal subsidiary undertaking which is wholly owned is as follows:

Operating Subsidiary	Activity	Country of Incorporation	Registered Address	Ordinary Share Capital
Rassau Seafood GmbH	Seafood Distribution	Germany	Virchowstrasse 17, 22767 Hamburg	100%

This subsidiary is included in the consolidated results of the parent company,
Towers Thompson Holdings Limited.

10. STOCKS

	2018 £'000	2017 £'000
Finished goods	<u>4,591</u>	<u>4,770</u>

11. DEBTORS

	2018 £'000	2017 £'000
Amounts receivable within one year:		
Trade debtors	6,710	8,311
Amounts owed by group undertakings	7,483	6,974
Other debtors	554	428
Prepayments and accrued income	<u>149</u>	<u>155</u>
	<u>14,896</u>	<u>15,868</u>
Amounts receivable after more than one year:		
Deferred tax asset (note 12)	1,124	1,102
	<u>16,020</u>	<u>16,970</u>

NOTES TO THE ACCOUNTS (continued)

12. DEFERRED TAXATION

The elements of deferred taxation are as follows:

	2018 £'000	2017 £'000
Difference between accumulated depreciation and capital allowances	(106)	(128)
Effect of trading losses	1,230	1,230
	<u>1,124</u>	<u>1,102</u>

The Company holds tax losses of £9,784,000 (2017: £8,770,000) available for carry forward. However, £2,549,000 (2017: £1,535,000) of these losses with a potential deferred tax asset of £433,000 (2017: £261,000), have not been recognised in these financial statements as the future recovery is uncertain. This potential deferred tax asset will be recognised when it can be regarded as more likely than not that there will be sufficient taxable profits from which tax losses can be deducted.

13. CREDITORS DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Bank overdrafts	6,341	7,683
Trade creditors	4,146	5,197
Amounts owed to group undertakings	4,037	3,296
Taxation and social security	246	233
Other creditors	114	252
Accruals and deferred income	1,389	1,362
	<u>16,273</u>	<u>18,023</u>

The majority of the Group's bank overdrafts are secured by a debenture. These are repayable on demand and attract a core blended interest rate of 3.25%.

14. CALLED UP SHARE CAPITAL

	At 1 January and 31 December 2018 £'000
Authorised	
17,000,000 ordinary shares at £1 each	<u>17,000</u>
Allotted, Called Up and Fully Paid	
13,548,673 ordinary shares at £1 each	<u>13,549</u>
Shares Classified in Shareholder's Funds	<u>13,549</u>

NOTES TO THE ACCOUNTS (continued)

15. FINANCIAL INSTRUMENTS

Fair values of financial instruments

Set out in the table below are the carrying values and fair values of all of the Company's financial instruments at 31 December 2018 and 31 December 2017:

	Fair Value Hierarchy level	Fair Value		Carrying Value	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial Assets					
Loans and debtors					
Trade debtors	3	6,710	8,311	6,710	8,311
Other debtors	3	554	428	554	428
Cash and cash equivalents	1	10	615	10	615
		<u>7,274</u>	<u>9,354</u>	<u>7,274</u>	<u>9,354</u>
Financial Liabilities					
Trade creditors	3	4,146	5,197	4,146	5,197
Short term borrowings	3	6,341	7,683	6,341	7,683
		<u>10,487</u>	<u>12,880</u>	<u>10,487</u>	<u>12,880</u>

The following assumptions were used to estimate fair values:

Trade and other receivables – these are carried at amortised cost using the year end exchange rate and fair value is deemed to be the same as this.

Cash and cash equivalents – the fair value is aligned to the carrying amounts stated in the accounts.

Trade payables – these are carried at amortised cost using the year end exchange rate and fair value is deemed to be the same as this.

Loans – the fair value approximates to the carrying amount because of the short maturity of these instruments. Interest is calculated at the rate stated in the contract and is not discounted as it is due within less than one year.

NOTES TO THE ACCOUNTS (continued)

15. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. Policies and procedures exist to ensure that the trade debtors have an appropriate credit history. The Company maintains a credit insurance policy to insure the majority of trade debtors against credit default. Overall, the Company considers that it is not exposed to a significant amount of credit risk.

Foreign exchange risk

The Company makes purchases and sales in foreign currencies. The risk of foreign currency fluctuations is minimized through the use of foreign currency hedging.

16. PENSION COSTS

Contributions in respect of the Towers Scheme are determined on a money purchase (defined contribution) basis and the pension costs of £104,000 (2017: £86,000) reflects the amount of contributions during the calendar year. No contributions (2017: £nil) were payable to the fund at the year end and included in creditors.

Contributions to the Group's defined benefits scheme (the John Silver Scheme) are charged to the profit and loss account so as to spread the cost of the pension over the employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The John Silver Scheme is closed to new entrants. As a consequence, the current service cost calculated under the projected unit method, when expressed as a percentage of the pensionable payroll, can be expected to increase over time, as the average age of the membership increases.

The most recent actuarial valuation for the John Silver Scheme was carried out on 1 November 2015 and assessed on the Continuing Valuation basis. The realisable value of the Scheme's assets at that date was £2,577,000 and the actuarial value of those assets represented 94% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Following the 1 November 2015 actuarial valuation, the Company has agreed to pay 42% of Pensionable Earnings to cover the cost of benefits accruing in the future along with £50,000 per annum from 2017 to 2023 to make good the funding shortfall (including £25,000 per annum towards the cost of administering the Scheme).

NOTES TO THE ACCOUNTS (continued)

16. PENSION COSTS (continued)

The pension contribution made by the Company over the year to the John Silver Scheme was £90,000 (2017: £155,000). No contributions were outstanding to the fund at the year end (2017: £nil).

	2018 £'000	2017 £'000
Plan assets	54	1,248
Defined benefit obligation	<u>(286)</u>	<u>(1,244)</u>
Net pension (liability)/asset (pre deferred tax)	(232)	4
Related deferred tax asset	<u>-</u>	<u>-</u>
Net pension (liability)/asset	<u>(232)</u>	<u>4</u>

Movements in present value of defined benefit obligation:

	2018 £'000	2017 £'000
Scheme liabilities at start of the year	1,244	2,658
Current service cost	-	16
Interest cost	18	52
Actuarial loss	148	161
Benefits paid	(448)	(780)
Curtailments	-	(78)
Settlements	<u>(676)</u>	<u>(785)</u>
Scheme liabilities at end of the year	<u>286</u>	<u>1,244</u>

Movement in fair value of plan assets:

	2018 £'000	2017 £'000
Fair value of scheme assets at start of year	1,248	2,750
Interest income	17	55
Actuarial (loss)/gain	(2)	17
Contributions by employer	90	155
Non-investment expenses	(44)	(55)
Benefits paid	(448)	(780)
Settlements	<u>(807)</u>	<u>(894)</u>
Fair value of scheme assets at end of the year	<u>54</u>	<u>1,248</u>

The scheme has a small number of pensions in payment relating to previous member retirements, which have been fully secured through an insurance company. The value of these insured liabilities has been excluded from the calculation of the present scheme liabilities. Similarly the market value of assets held by the insurance companies in respect of these policies has been excluded from the Company's above disclosure.

NOTES TO THE ACCOUNTS (continued)

16. PENSION COSTS (continued)

Expense recognised in the Profit and Loss Account:

	2018	2017
	£'000	£'000
Current service cost	-	16
Non-investment expenses	44	55
Net interest on net defined benefit liability	1	(3)
Curtailments	-	(78)
Settlements	131	109
	<u>176</u>	<u>99</u>

The fair value of the plan assets and the return on those assets were as follows:

	2018	2017
	Fair value £'000	Fair value £'000
Equities	20	248
Bonds	-	891
Cash	34	109
	<u>54</u>	<u>1,248</u>
Actual return on plan assets	<u>15</u>	<u>72</u>

An actuarial valuation of the scheme was carried out at 31 December 2018 on a set of assumptions consistent with those required under FRS 102 by a qualified actuary.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follow by the actuary were:

	2017	2017
Rate of increase in pensionable salaries	-	-
Rate of increases in pensions in payment (LPI with a minimum of 0% and a maximum of 5%)	3.3%	3.3%
Rate of increases in pension payment (LPI with a minimum of 3% and a maximum of 5%)	3.7%	3.7%
Discount rate	2.9%	2.6%
Rate of revaluation of deferred pensions	2.4%	2.4%
Inflation assumption	3.4%	3.4%

In valuing the liabilities of the pension plan at 31 December 2018, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2018 would have increased by £11,000 before deferred tax (2017: £51,000).

NOTES TO THE ACCOUNTS (continued)

16. PENSION COSTS (continued)

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard achievable mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pension age 65: 23.8 years (male), 24.9 years (female).

Future retiree upon reaching 65: 26.1 years (male), 27.2 years (female).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

17. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Land & Buildings	Plant Equipment & Vehicles	Land & Buildings	Plant Equipment & Vehicles
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Within one year	-	171	-	171
Between one and five years	500	957	500	957
	<u>500</u>	<u>1,128</u>	<u>500</u>	<u>1,128</u>

During the year £660,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £657,000).

18. CONTINGENCIES

The Company has given certain guarantees in the normal course of business amounting to £nil (2017: £nil).

NOTES TO THE ACCOUNTS (continued)

19. RELATED PARTIES

The Company is controlled by Towers Thompson Holdings Limited. The Company is a subsidiary undertaking of Towers Thompson Holdings Limited which is the ultimate parent company incorporated in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is that headed by Towers Thompson Holdings Limited. The consolidated financial statements of this group can be obtained from 3-5 Tower House, Amwell Street, Hoddesdon, Hertfordshire EN11 8UR.

20. ULTIMATE PARENT COMPANY AND PARENT COMPANY OF LARGER GROUP

The Company is a subsidiary undertaking of Towers Thompson Holdings Limited. The ultimate controlling party is Towers Thompson Holdings Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Towers Thompson Holdings Limited, 3-5 Tower House, Amwell Street, Hoddesdon, Hertfordshire and EN11 8UR. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from 3-5 Tower House, Amwell Street, Hoddesdon, Hertfordshire and EN11 8UR.