

DIRECT PRODUCE SUPPLIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

DIRECT PRODUCE SUPPLIES LIMITED

COMPANY INFORMATION

Directors

P Beaumont
D Price
J P Beynon
N Laister
R Moser
F Amores

Registered number

01336601

Registered office

4th Floor
7/10 Chandos Street
London
W1G 9DQ

Independent auditors

Simmons Gainsford LLP
Chartered Accountants & Statutory Auditors
7-10 Chandos Street
London
W1G 9DQ

DIRECT PRODUCE SUPPLIES LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

Introduction

The directors present their strategic report, which is followed by the directors' report, together with the audited financial statements for the year ended 30 September 2019.

Business review

The overall objectives set in the period were to mitigate risk and deliver enhanced performance in the company. The current reporting period has seen the business again grow rapidly in turnover, profit, cash generation and the delivery of an enhanced asset base.

Our transparent and fully integrated fresh produce supply model has continued to deliver exceptional insight for our customers and our growers regarding the most effective and efficient route to market. This model aligned with our joint venture packing hub has again seen significant improvements in the service delivery for our customers and grower partners. The level of success of this model is evident in the fact that our joint venture company ISS is now operating at maximum capacity.

This incremental capacity growth is despite our continued delivery of the most efficient supply chain; of where possible packing all product to the customers specification at the growers' own facilities. We continue to invest in "at source" expertise to ensure our growers have the most effective route to market and the best insight into their customers' requirements.

During the period all the product portfolios in which we are involved performed ahead of expectation. The business is now involved in seven product categories across both fresh fruit and salad. The business continues with our joint venture partners to invest capital to facilitate further effective supply chain efficiencies and automation that will deliver continued and potentially enhanced growth in the medium term.

The retail environment within the UK remains very competitive however the company has effective medium-term business plans in place with its key customer and remains confident that its cost base remains one of the most competitive in the market. Further consolidation and integration are critical to deliver the most effective route to market underpinned by industry leading ethics, sustainability and visibility. Continued evolution of this model is the cornerstone of the business strategy and the company with its partners are committed to delivering significant ongoing investment and consequent development of this methodology. Additionally, the company continues to invest to reduce its environmental and social impact in the overall supply chain and whilst there is much still to be done, is proud of the achievements so far.

Whilst risk is ever present in the markets and countries that the Group operates, we undertake continuous analysis of said risk and implement iterative processes to mitigate this. Whilst compiling this report Coronavirus has had no significant impact on the Group's activities. However, the demand for our services will obviously be dependent on the overall economic environment. The management is closely monitoring the situation and will act accordingly to mitigate any potential impact.

The board are delighted with the results of the company and have seen it exceed the planned metrics for the period. These results have been delivered by a highly motivated professional team that continue to deliver exceptional performance. We are still of the belief that opportunities for significant further growth and business development are available within our industry.

DIRECT PRODUCE SUPPLIES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Principal risks and uncertainties

The company's financial instruments principally comprise of trade debtors, cash at bank and intercompany loan facilities, the main purpose of which is to finance the company's operations. In addition, the company has various other financial assets and liabilities such as trade creditors arising directly from operations. It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are liquidity, credit and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the period.

Liquidity risk

The company manages its cash requirements to ensure the company has sufficient liquid resources to meet the operating needs of the business.

Credit risk

All debtors are subject to credit verification procedures by the Board. Debtors are reviewed on a regular basis and provisions are made for doubtful debts when necessary.

Foreign currency risk

The company is exposed to exchange rate fluctuations particularly where goods are purchased in Euros. This is largely managed through hedging via use of currency forward contracts.

Financial key performance indicators

The key performance indicators of the company are turnover, gross profit, profit before tax and net assets.

A brief analysis of these is shown below:

	2019 £'000	2018 £'000
Turnover	255,674	195,980
Gross profit	15,843	11,584
Profit before tax	3,890	3,370
Net assets	10,103	7,292

This report was approved by the board on 27 May 2020 and signed on its behalf.

P Beaumont
Director

DIRECT PRODUCE SUPPLIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their report and the financial statements for the year ended 30 September 2019.

Principal activity

The principal activity of the company is that of importer and wholesalers of fruit.

Directors

P Beaumont
D Price
J P Beynon
N Laister
R Moser
F Amores

Results and dividends

The profit for the year, after taxation, amounted to £2,811 thousand (2018 - £2,515 thousand).

The directors do not propose the payment of a dividend.

The directors have highlighted in the strategic report on pages 1 - 2, a review of the current year results, future outlook expectations, risks and key performance indicators for the company.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

DIRECT PRODUCE SUPPLIES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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

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

Auditors

The auditors, Simmons Gainsford LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27 May 2020 and signed on its behalf.

P Beaumont
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIRECT PRODUCE SUPPLIES LIMITED

Opinion

We have audited the financial statements of Direct Produce Supplies Limited (the 'Company') for the year ended 30 September 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIRECT PRODUCE SUPPLIES LIMITED (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIRECT PRODUCE SUPPLIES LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Daryush Farshchi-Heidari (FCA) (Senior Statutory Auditor)

for and on behalf of

Simmons Gainsford LLP

Chartered Accountants

Statutory Auditors

7-10 Chandos Street

London

W1G 9DQ

27 May 2020

DIRECT PRODUCE SUPPLIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £000	2018 £000
Turnover	4	255,674	195,980
Cost of sales		(239,831)	(184,396)
Gross profit		15,843	11,584
Administrative expenses		(12,323)	(8,649)
Other operating income	5	300	391
Operating profit	6	3,820	3,326
Interest receivable and similar income		75	45
Interest payable and expenses		(5)	(1)
Profit before tax		3,890	3,370
Tax on profit	10	(1,079)	(855)
Profit for the year		2,811	2,515

The notes on pages 11 to 23 form part of these financial statements.

DIRECT PRODUCE SUPPLIES LIMITED
REGISTERED NUMBER: 01336601

BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	11	273	254
		273	254
Current assets			
Stocks	13	1,094	665
Debtors: amounts falling due within one year	14	18,632	18,138
Cash at bank and in hand		14,094	9,122
		33,820	27,925
Creditors: amounts falling due within one year	15	(23,950)	(20,847)
Net current assets		9,870	7,078
Total assets less current liabilities		10,143	7,332
Provisions for liabilities			
Deferred tax	16	(40)	(40)
		(40)	(40)
Net assets		10,103	7,292
Capital and reserves			
Called up share capital	17	136	136
Profit and loss account		9,967	7,156
Shareholders' funds		10,103	7,292

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 May 2020.

P Beaumont
Director

The notes on pages 11 to 23 form part of these financial statements.

DIRECT PRODUCE SUPPLIES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 October 2017	136	4,641	4,777
Comprehensive income for the year			
Profit for the year	-	2,515	2,515
At 1 October 2018	136	7,156	7,292
Comprehensive income for the year			
Profit for the year	-	2,811	2,811
At 30 September 2019	136	9,967	10,103

The notes on pages 11 to 23 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

1. General information

The company is a private company limited by shares, and is incorporated in England and Wales. The address of its registered office is 4th Floor, 7/10 Chandos Street, London, W1G 9DQ. The principal trading address is 12 Calico House, Plantation Wharf, London, SW11 3TN.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Terradace Holdings Limited as at 30 September 2019 and these financial statements may be obtained from 4th Floor, 7/10 Chandos Street, London, W1G 9DQ.

2.3 Revenue

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Turnover is recognised when goods have been dispatched.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.4 Tangible fixed assets

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

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

The estimated useful lives range as follows:

Short-term leasehold property	-	8 or 10 years
Fixtures and fittings	-	10 years or 15% reducing balance
Computer equipment	-	1 to 3 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.5 Valuation of investments

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.6 Stocks

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

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

2.7 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.8 Financial instruments

The Company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans from related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other debtors and creditors, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade creditors or debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities and equity instruments are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities, including trade and other payables, bank loans, loans from fellow group companies, are initially measured at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.9 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

2.10 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

The company contributes to the personal pension schemes of certain directors and employees and the pension charge represents the amounts payable by the company during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.12 Current and deferred taxation

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

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

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

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

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

2.13 Forward contracts

The company uses derivative financial instruments, in particular forward currency contracts, to manage the financial risks associated with the company's activities and the financing of those activities. The company does not undertake any trading activities in financial instruments.

Forward exchange contracts are used to hedge foreign exchange exposures arising on forecast payments in foreign currencies. At maturity or when the contract ceases to be a hedge, gains and losses are taken to the profit and loss account.

At each period end forward foreign exchange contracts are fair valued by comparing the position of the contract to the market to market value. All material gains or losses are taken to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.14 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred.

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

Estimates and judgments 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 company makes estimates and assumptions concerning the future. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors consider there to be no significant areas of judgments or key sources of estimation uncertainty.

4. Turnover

The total turnover of the company for the year has been derived from the sale of goods as per its principal activity.

All turnover arose within the United Kingdom.

5. Other operating income

	2019 £000	2018 £000
Management fees receivable	<u>300</u>	<u>391</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2019 £000	2018 £000
Depreciation of tangible fixed assets	161	154
Exchange differences	<u>129</u>	<u>61</u>

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

7. Auditors' remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>50</u>	<u>45</u>

Fees payable to the Company's auditor and its associates in respect of:

The auditing of accounts of associates of the company	32	20
Taxation compliance services	18	24
All other services	<u>20</u>	<u>2</u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £000	2018 £000
Wages and salaries	4,920	3,596
Social security costs	439	325
Company contributions to defined contribution pension schemes	289	213
	<u>5,648</u>	<u>4,134</u>

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

	2019 No.	2018 No.
Production and Distribution	47	42
Office Management	19	16
	<u>66</u>	<u>58</u>

DIRECT PRODUCE SUPPLIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

9. Directors' remuneration

	2019	2018
	£000	£000
Directors' emoluments	346	168
Company contributions to defined contribution pension schemes	13	6
	<u>359</u>	<u>174</u>

During the year retirement benefits were accruing to 2 directors (2018 - 1) in respect of defined contribution pension schemes.

10. Taxation

	2019	2018
	£000	£000
Corporation tax		
Current tax on profits for the year	930	670
Adjustments in respect of previous periods	(5)	1
Group relief payment	154	184
Total current tax	<u>1,079</u>	<u>855</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019	2018
	£000	£000
Profit on ordinary activities before tax	<u>3,890</u>	<u>3,370</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	739	640
Effects of:		
Expenses not deductible for tax purposes	180	99
Capital allowances for year in excess of depreciation	9	11
Adjustments to tax charge in respect of prior periods	(5)	1
Group relief payment	154	184
Group relief received	(29)	(80)
Other differences leading to an increase in the tax charge	31	-
Total tax charge for the year	<u>1,079</u>	<u>855</u>

DIRECT PRODUCE SUPPLIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

10. Taxation (continued)

Factors that may affect future tax charges

The Finance Act 2016 announced that the proposed reduction in the main corporation tax rate from 2020 would be 17%. However, the government has indicated that this reduction will not occur although the necessary legislation has yet to be enacted.

11. Tangible fixed assets

	Short-term leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost				
At 1 October 2018	-	101	651	752
Additions	3	2	175	180
At 30 September 2019	3	103	826	932
Depreciation				
At 1 October 2018	-	72	426	498
Charge for the year on owned assets	-	3	158	161
At 30 September 2019	-	75	584	659
Net book value				
At 30 September 2019	3	28	242	273
At 30 September 2018	-	29	225	254

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

12. Fixed asset investments

	Unlisted investments £000
Cost	
At 1 October 2018	260
At 30 September 2019	<u>260</u>
Impairment	
At 1 October 2018	260
At 30 September 2019	<u>260</u>
Net book value	
At 30 September 2019	<u>-</u>
At 30 September 2018	<u>-</u>

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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13. Stocks

	2019 £000	2018 £000
Finished goods and goods for resale	<u>1,094</u>	<u>665</u>

Stock recognised in cost of sales during the year as an expense was £223,218,000 (2018 - £172,443,000).

14. Debtors

	2019 £000	2018 £000
Trade debtors	16,837	15,987
Other debtors	1,410	1,562
Prepayments and accrued income	385	589
	<u>18,632</u>	<u>18,138</u>

15. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	12,735	13,094
Amounts owed to group undertakings	5,443	1,874
Amounts owed to joint ventures	1,939	2,037
Corporation tax	507	254
Other taxation and social security	97	88
Accruals and deferred income	3,229	3,500
	<u>23,950</u>	<u>20,847</u>

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

16. Deferred taxation

	2019 £000	2018 £000
At beginning of year	40	40
At end of year	<u>40</u>	<u>40</u>

The provision for deferred taxation is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	<u>40</u>	<u>40</u>

17. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
136,382 (2018 - 136,382) Ordinary A shares of £1.00 each	136,382	136,382
100 (2018 - 100) Ordinary B shares of £0.10 each	10	10
	<u>136,392</u>	<u>136,392</u>

All shares rank pari-passu. There are no restrictions on distribution of dividends and the repayment of capital.

18. Contingent liabilities

The company has entered into forward currency contracts amounting to £93,595,000 (2018 - £9,010,000) as at the balance sheet date.

At the balance sheet date the company had entered into a group bank cross guarantee in respect of loans and overdrafts. At the balance sheet date the total contingent liability attributable to this company amounted to £872,325 (2018 - £910,000).

DIRECT PRODUCE SUPPLIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

19. Related party transactions

During the year fees of £52,528 (2018 - £85,387) were charged by a fellow subsidiary undertaking.

During the year purchases of £272,155 (2018 - £230,020) were made from a fellow subsidiary undertaking.

During the year purchases of £66,339 (2018 - £3,506) were made from a fellow subsidiary undertaking.

During the year, the company made purchases of £27,131,936 (2018 - £21,777,467) from a joint venture undertaking.

At the balance sheet date loans of £20,083 (2018 - £10,482) are outstanding from directors of the company. Interest is charged on the loans at a rate of 2.5% per annum.

20. Controlling party

H & B Holdings Limited is considered to be the company's immediate parent undertaking in both the current and prior year.

P Beaumont is considered to be the ultimate controlling party by virtue of his shareholding in Terradace Holdings Limited during the current and prior year.

The results of the company are included within the consolidated accounts of Terradace Holdings Limited which are available to the public and may be obtained from 4th Floor, 7/10 Chandos Street, London, W1G 9DQ.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.