

DIRECT PRODUCE SUPPLIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 2020**

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 2020.

Business review

Whilst recognising the unprecedented times in which it operates, the Company has continued to pursue its long-term strategy of diversifying its product portfolio coupled with significant investments in all aspects of the supply chain. This helps to mitigate risk to deliver a long-term sustainable business structure. Whilst many parts of the economy have suffered terribly during the pandemic, the Company's strategy of an open customer focused business model has served it particularly well. This has been further augmented by the growth in at home food consumption and the move back to big shop retailers and the explosion in online shopping. During the period, the team have been instrumental in ensuring the food supply chain in the UK was extremely robust, despite the impact of the Pandemic. Whilst the Company was able to operate as near to normal as possible, we were also able to keep our colleagues safe and well during this incredibly difficult period. Significant investment in technology and remote communication architecture served us particularly well over the last twelve months as many of the teams moved to remote working.

The current reporting period has seen the business once 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 had an incredibly successful year as our open transparent, direct to grower model has been proven to provide exceptional insight for our customers and our growers. This has allowed the Company to take increasing market share from its competition and has driven further and accelerated consolidation in the fresh produce market. The customer focused iterative model, aligned with our joint venture packing hub has again seen significant improvements in the service delivery for our customers and grower partners. We have invested with our joint venture partners in a second packing facility that was delivered on time and on budget. This second facility is already reaching capacity, another example of how effective the model has become.

Additionally, our customers are increasingly looking for innovation in their supply of fresh produce and the Company continues to give customer focused insight to its sister companies associated with core agriculture. This has provided the Company with significant points of difference within the UK fresh produce market in varietal innovation, integrated farming techniques and international joint ventures.

Whilst risk is ever present in the markets and countries that the Company operates, we undertake continuous analysis of said risk and implement iterative processes to mitigate this. It is evident as previously stated that the portfolio of companies and our intrinsic values have proven to be intimately aligned with our customers and have served us incredibly well in a very challenging period. Whilst compiling this report Coronavirus has had no significant impact on the Company's activities. Demand for our services over the period have increased rapidly and this has continued post the year end and as of writing this report we continue to experience this. As always, our extremely talented management team is closely monitoring the situation and will act accordingly to mitigate any potential change in market conditions.

The Company has grown significantly in the period and its continued evolution is above the plan set by the board and this rate of growth continues post year end. The Company's financial position is very robust with excellent backing from the shareholders and financial institutions. The Company continues to be run by a talented, focused, and dedicated team of management who continue to deliver exceptional performance. We are extremely positive about how the Company is positioned and that the current performance and outlook for the future remains very encouraging.

DIRECT PRODUCE SUPPLIES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

Principal risks and uncertainties

The Company's financial instruments principally comprise of trade debtors, cash at bank, trade creditors 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 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.

Section 172 Companies Act 2006 Statement

The directors consider that the decisions taken during the financial year comply with the requirements of s172(1) of the Companies Act 2006.

DIRECT PRODUCE SUPPLIES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

The success of our Company is dependent on the support of all our stakeholders. It is imperative that our stakeholders share and live our values, working towards our goals to deliver long-term sustainable success for the Company.

The Company engages iteratively with individual stakeholders as well as other sister businesses in the Group. The strategy for the Company is consistent throughout and is widely publicised at each of the business operating sites and features in all Company communication. It is important that the decision-making process is delegated to the team leaders coupled with a governance framework that keeps the individual leadership teams mindful of the long-term view and consistent with our values.

The directors of the Company are mindful of the impact their decision may have on all our stakeholders and the consequent actions that are undertaken. The Company has individual management and board meetings where applicable. These teams then report into the Company board either via their Company board director or via other stakeholders who regularly report to this board.

The board is well informed about the views of our stakeholders through many communication structures and uses this information to access the impact of the board decisions on each stakeholder company.

The key stakeholders in the Company and how we engage with them is detailed in the directors' report.

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:

	2020 £'000	2019 £'000
Turnover	290,612	255,674
Gross profit	14,781	15,483
Profit before tax	4,233	3,890
Net assets	10,841	10,103

This report was approved by the board on 29 June 2021 and signed on its behalf.

P Beaumont
Director

DIRECT PRODUCE SUPPLIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors present their report and the financial statements for the year ended 30 September 2020.

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.

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.

Principal activity

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

Results and dividends

The profit for the year, after taxation, amounted to £3,238 thousand (2019 -£2,811 thousand).

The directors proposed and paid a dividend of £2,500,000 (2019 - £Nil) during the year.

The directors have highlighted in the strategic report on pages 1 - 3, a review of the current year results, future outlook expectations, risks and key performance indicators for the Company.

Directors

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

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Engagement with employees

Our team are the essential building blocks to our success and their individual growth is essential for the future of our Company. Delivery as a team is embedded in our values and crucial to our business performance. We engage with our colleagues on many levels including focus groups, briefings, forums, colleague surveys and our half yearly appraisal process.

We are committed to inclusion and developing our talent. We are corporate members of IEMA many of our team have undertaken FNET human rights and ethical trade training. Additionally, we support the MDS scheme to nurture new talent entering our industry.

We have seen many colleagues evolve and grow within our business and we continue to promote from within wherever possible and ensure our reward structures reflect the best-in-class talent we look to attract and retain.

Engagement with suppliers, customers and others

Customers

We build strong long-term relationships with our customers and when possible, spend considerable time with them to listen to their needs, demands and views so that we can continually improve our business models. It is essential that our customers' needs are intrinsic to the business models that operate through the Company as this is integral to evolve the long-term sustainable business we continually aspire to be. The nature of our business models mean that we see both the end consumer and our suppliers as equal and opposite ends of our supply chain. Consequently, they are all customers.

Communities

Operating responsibly and consequently engaging with and being part of the communities in which we operate is a fundamental part of our business values. As part of our commitment to reduce the food waste in our supply chains, we have donated 2 million portions of potential food waste to the FareShare charity to help support less fortunate members of our communities. In addition, we have supported 4 local charities with 16,000 portions of fruit, donated to cancer charities and the NHS and supported the child poverty taskforce in addition to the homeless at Christmas.

Environmental impact

Wherever possible we are reducing our environmental impact as our commitment to champions 12.3 and because it is the responsible thing to do. Many of these initiatives are now gaining significant momentum. We are committed to some very stretching targets, and we have measured our impact against these and have achieved some remarkable success albeit there is still much to do. As of now we have removed 445,000 kg of packaging from our supply chain, reduced our waste by 200,000 kgs and moved to 100% renewable energy via REGO certificates.

Development and inclusion

We consistently work towards delivering a supply chain where trust and transparency are constantly improved. The shareholders and stakeholders are implicit in their support of our ethical trade and human rights strategy and have evolved and are proud of our public commitment and statements around our zero-tolerance approach to modern slavery in all its forms. We are stronger together business partners, FNET members and our supply base is 100% SEDEX audited.

DIRECT PRODUCE SUPPLIES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

Operating Responsibly

We monitor all the Company's activity to ensure we operate responsibly. This is aligned with the three pillars that are at the core of our values.

Product: We must moderate and improve the impact our product has within its supply chain by eradicating waste, removing all unnecessary packaging, and ensuring our supply chains are safe and ethical.

Planet: We must work towards a zero-carbon future and be net zero by 2030. Additionally, soil and water are the building blocks of life on our planet, and it is essential we optimise water usage efficiency and promote soil health. Where possible we evolve to low carbon precision production systems and maximise the yield for every metre of the planet we use, coupled with the lowest impact possible.

People: We support healthy eating in all our communities and encourage the team to be healthy and happier. We must nurture new talent and provide support and skills development. All the team should share in our success and be rewarded accordingly. This is underpinned by being ethical and transparent throughout the Company activities or simply put, operating responsibly.

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.

Post balance sheet events

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

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 29 June 2021 and signed on its behalf.

P Beaumont
Director

DIRECT PRODUCE SUPPLIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, 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 2020, 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 2020 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.

DIRECT PRODUCE SUPPLIES LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF DIRECT PRODUCE SUPPLIES LIMITED
(CONTINUED)**

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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF DIRECT PRODUCE SUPPLIES LIMITED
(CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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.

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, 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 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, as a body, 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

29 June 2021

DIRECT PRODUCE SUPPLIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Turnover	4	290,612	255,674
Cost of sales		(275,831)	(239,831)
Gross profit		14,781	15,843
Administrative expenses		(11,072)	(12,323)
Other operating income	5	459	300
Operating profit	6	4,168	3,820
Interest receivable and similar income		65	75
Interest payable and expenses		-	(5)
Profit before tax		4,233	3,890
Tax on profit	10	(995)	(1,079)
Profit for the year		3,238	2,811

The notes on pages 13 to 26 form part of these financial statements.

DIRECT PRODUCE SUPPLIES LIMITED
REGISTERED NUMBER: 01336601

BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	11	196	273
		<u>196</u>	<u>273</u>
Current assets			
Stocks	13	1,766	1,094
Debtors Within One Year	14	22,533	18,632
Bank and cash balances		21,918	14,094
		<u>46,217</u>	<u>33,820</u>
Creditors: amounts falling due within one year	15	(35,532)	(23,950)
		<u>10,685</u>	<u>9,870</u>
Net current assets		10,685	9,870
Total assets less current liabilities		<u>10,881</u>	<u>10,143</u>
Provisions for liabilities			
Deferred tax	16	(40)	(40)
		<u>(40)</u>	<u>(40)</u>
Net assets		<u><u>10,841</u></u>	<u><u>10,103</u></u>
Capital and reserves			
Called up share capital	17	136	136
Profit and loss account		10,705	9,967
		<u>10,841</u>	<u>10,103</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 June 2021.

P Beaumont
Director

The notes on pages 13 to 26 form part of these financial statements.

DIRECT PRODUCE SUPPLIES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 October 2018	136	7,156	7,292
Comprehensive income for the year			
Profit for the year	-	2,811	2,811
	<hr/>	<hr/>	<hr/>
At 1 October 2019	136	9,967	10,103
Comprehensive income for the year			
Profit for the year	-	3,238	3,238
Dividends: Equity capital	-	(2,500)	(2,500)
	<hr/>	<hr/>	<hr/>
At 30 September 2019	<u>136</u>	<u>10,705</u>	<u>10,841</u>

The notes on pages 13 to 26 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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 57-63 Church Road, Wimbledon, London, SW19 5SB.

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 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 11.42, 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 2020 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 2020

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 profit or loss.

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 2020

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 2020

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 profit or loss 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 profit or loss within 'other operating income'.

2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.11 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 profit or loss 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 2020

2. Accounting policies (continued)

2.12 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 profit or loss 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.

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

2.14 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 2020

2. Accounting policies (continued)

2.15 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. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured.

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

	2020	2019
	£000	£000
Management fees receivable	459	300

6. Operating profit

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

	2020	2019
	£000	£000
Depreciation of tangible fixed assets	151	161
Exchange differences	105	129

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

7. Auditors' remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>55</u>	<u>50</u>

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

The auditing of accounts of associates of the company	-	32
Taxation compliance services	20	18
All other services	<u>31</u>	<u>20</u>

8. Employees

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

	2020 £000	2019 £000
Wages and salaries	7,186	4,920
Social security costs	568	439
Company contributions to defined contribution pension schemes	210	289
	<u>7,964</u>	<u>5,648</u>

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

	2020 No.	2019 No.
Production and Distribution	49	47
Office Management	21	19
	<u>70</u>	<u>66</u>

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

9. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	405	346
Company contributions to defined contribution pension schemes	17	13
	<u>422</u>	<u>359</u>

During the year retirement benefits were accruing to 2 directors (2019 -2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £207 thousand (2019 -£175 thousand).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9 thousand (2019 -£7 thousand).

10. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	775	930
Adjustments in respect of previous periods	(31)	(5)
Group relief payment	251	154
Total current tax	<u>995</u>	<u>1,079</u>

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 -higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	<u>4,233</u>	<u>3,890</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 -19%)	804	739
Effects of:		
Expenses not deductible for tax purposes	237	180
Capital allowances for year in excess of depreciation	8	9
Adjustments to tax charge in respect of prior periods	(31)	(5)
Group relief payment	251	154
Group relief received	(48)	(29)
Other differences leading to an increase in the tax charge	(226)	31
Total tax charge for the year	<u>995</u>	<u>1,079</u>

Factors that may affect future tax charges

On 3 March 2021, the Government announced an increase in the rate of corporation tax to 25% from 1 April 2023 on all profits when they exceed £250,000 and this change in rate was enacted on 10 June 2021. The effect of this change on the net deferred tax balances carried forward will not be material for the financial statements.

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

11. Tangible fixed assets

	Short-term leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost				
At 1 October 2019	3	102	826	931
Additions	-	8	79	87
Disposals	-	(18)	-	(18)
At 30 September 2020	3	92	905	1,000
Depreciation				
At 1 October 2019	-	75	584	659
Charge for the year on owned assets	-	2	149	151
Disposals	-	(6)	-	(6)
At 30 September 2020	-	71	733	804
Net book value				
At 30 September 2020	3	21	172	196
At 30 September 2019	3	27	243	273

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

12. Fixed asset investments

	Unlisted investments £000
Cost	
At 1 October 2019	260
	<hr/>
At 30 September 2020	260
	<hr/>
Impairment	
At 1 October 2019	260
	<hr/>
At 30 September 2020	260
	<hr/>
Net book value	
At 30 September 2020	-
	<hr/>
At 30 September 2019	-
	<hr/>

DIRECT PRODUCE SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

13. Stocks

	2020 £000	2019 £000
Finished goods and goods for resale	<u>1,766</u>	<u>1,094</u>

14. Debtors

	2020 £000	2019 £000
Trade debtors	20,276	16,837
Other debtors	1,609	1,410
Prepayments and accrued income	648	385
	<u>22,533</u>	<u>18,632</u>

15. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	21,643	12,735
Amounts owed to group undertakings	7,920	5,443
Amounts owed to joint ventures	2,600	1,939
Corporation tax	-	507
Other taxation and social security	104	97
Accruals and deferred income	3,265	3,229
	<u>35,532</u>	<u>23,950</u>

16. Deferred taxation

	2020 £000	2019 £000
At beginning of year	<u>40</u>	<u>40</u>
At end of year	<u>40</u>	<u>40</u>

DIRECT PRODUCE SUPPLIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

16. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	<u>40</u>	<u>40</u>

17. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
136,382 (2019 -136,382) Ordinary A shares of £1.00 each	136,382	136,382
100 (2019 -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 £76,625,000 (2019 - £93,595,000) 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 £830,000 (2019 - £872,000).

19. Related party transactions

During the year fees of £99,681 (2019 - £52,528) were charged by a fellow subsidiary undertaking.

During the year purchases of £344,098 (2019- £272,155) were made from a fellow subsidiary undertaking.

During the year purchases of £Nil (2019 - £66,339) were made from a fellow subsidiary undertaking.

During the year, the company made purchases of £30,513,532 (2019 - £27,131,936) from a joint venture undertaking.

At the balance sheet date loans of £Nil (2019 - £20,083) are outstanding from directors of the company. Interest is charged on the loans at a rate of 2.5% per annum.

DIRECT PRODUCE SUPPLIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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.