



Capespan International Limited

Directors' report and
financial statements

Year ended 31 December 2014

Registered number: 2893876

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Capespan International Limited

Directors' report and financial statements

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Capespan International Limited

Directors' and other information

Directors

J.J. Dique (South African) (*resigned 30 October 2014*)
A.S. McVickers
J.C. Van Heerden (South African)
L. Van Biljon (*appointed 29 July 2014*)
V.E. Rye (*appointed 30 October 2014*)

Company Secretary

V.E. Rye (*appointed 10 June 2014*)

Bankers

The Royal Bank of Scotland
Corporate Business Retail Team
3rd Floor
3 Temple Back East
Bristol
BS1 6DZ
UK

Solicitors

Thomson Snell & Passmore
3 Lonsdale Gardens
Tunbridge Wells
TN1 1NX
UK

Auditor

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Registered Office

The Maidstone Studios
Vinters Park
New Cut Road
Maidstone
Kent
ME14 5NZ
UK

Capespan International Limited

Strategic report

for the year ended 31 December 2014

Principal activities

The principal activity is the provision of marketing, selling and distribution services in relation to the fresh produce trade and allied food products as well as the provision of management and procurement services to other group companies.

Review of business

The Company's profit after tax for the year ended 31 December 2014 was £1,565,000 (2013: profit £806,000).

The net result was underpinned with a comparable result to 2013 but with some non-recurring items that bolstered the net result. The continued Company's performance can largely be attributed to on-going focus on the cost chain from supplier to customer and control of the process by which the Company is able to add value to each end of the relationship.

Additional new senior management appointments were made during the year and this enabled the Company to accelerate its program of change and capability improvements. The business further invested in its packing and other supply chain activities to increase control and efficiency.

The Company also expanded its facilities at its packing site to accommodate the increase in its own operational staff as it de-risked its reliance on third party services.

All key contracts with our major customers either continued or renewed during the year leading to stability of revenue streams and a solid platform from which to grow the business in 2015.

Key performance indicators

As the Company takes more control of operational staff, revenue per headcount declined year on year (£0.87m/head in 2014; £1.1m for 2013). There remains an underlying position of administration heavy systems and processes that do not add value to the operation or produce real time information.

For this reason, the Company will be migrating to a trade specific Enterprise Resource Planning system by the end of 2015 which will reduce the IT spend from its current 10% of OPEX and reduce the current administration and overhead burden.

Principal risks and uncertainties

The Company's earnings are largely dependent on the volume of produce sold and the selling prices obtained in the market. These in turn are largely determined by market supply and demand. Excess supplies of fresh produce leading to reduced selling prices could have an adverse effect on the Company's revenues and profitability.

Capespan International Limited

Strategic report *(continued)*
for the year ended 31 December 2014

Principal risks and uncertainties *(continued)*

The Company's customer base consists of major retailers and wholesalers. The increasing concentration of customers can increase risk. Changes in the trading relationships with major customers or their procurement policies could positively or negatively affect the operations and profitability of the business.

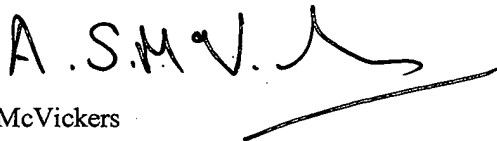
Profitability in the fresh produce sector is dependent on high quality supplies and consistency of delivery. It is possible that serious quality issues, and in particular, contamination of product, whether deliberate or accidental, could have a negative impact on revenue and profitability.

The Company sources product globally and is therefore exposed to foreign exchange risk if there is a significant movement of certain currencies against sterling. It is also exposed to climate and crop failure risks in source countries.

The Company is dependent on certain key service providers who provide packing, warehousing and haulage services. It is possible that service level issues could impact on revenue and profitability.

The Company is dependent on the continuing commitment of its Directors and senior management team. The loss of such key personnel without adequate replacement could have an adverse effect on the business.

The experienced management team continually monitor and manage these risks.



AS McVickers
Director

12 February 2015

Capespan International Limited

Directors' report

The directors present their 2014 annual report and the audited financial statements for the year ended 31 December 2014.

Results and dividends

The Company's profit after tax for the year ended 31 December 2014 was £1,565,000 (2013: profit £806,000).

The results of the Company for the year ended 31 December 2014 are set out on page 9. The directors do not recommend the payment of a dividend for the year (2013: *£nil*).

Directors and Secretary

L. Van Biljon was appointed as a director on 29 July 2014. J.J. Dique resigned from the board of directors on 30 October 2014. V.E. Rye was appointed as company secretary on 10 June 2014 and as a director on 30 October 2014. There were no other changes of director or secretary during the year.

Future developments

The focus for 2015 is to continue to grow the business and broaden both existing and new customer, supplier and product bases and focus on the customer offer.

Directors' and Company Secretary's interests

The directors and company secretary do not hold any interest in shares or share options of the Company at the beginning or end of the financial year.

Employees and employee involvement

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The Company retains its full commitment to ensuring employees are fully involved with, and kept informed of, the business, on a regular basis. The development of employees to realise their full potential is considered fundamental to the long-term success of the Company.

Payments to creditors

It is the Company's normal practice to make payments to suppliers in accordance with agreed terms, provided that the supplier has performed in accordance with the relevant terms and conditions. The average creditor payment days were 21 days (2013: 24 days).

Political and charitable contributions

The Company made charitable and non political contributions of £450 (2013: £375) during the year.

Capespan International Limited

Directors' report *(continued)*

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 auditors are 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 auditors are aware of that information.

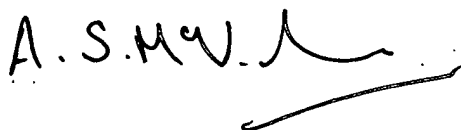
Post balance sheet events

There were no post balance sheet events since 31 December 2014 which affect the company.

Auditor

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

By order of the board



AS McVickers
Director

The Maidstone Studios
Vinters Park
New Cut Road
Maidstone
Kent
ME14 5NZ

12 February 2015

Capespan International Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

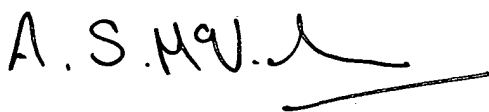
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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 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.

On behalf of the Board



AS McVickers
Director



KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Independent auditor's report to the members of Capespan International Limited

We have audited the financial statements of Capespan International Limited for the year ended 31 December 2014 set out on pages 9 to 53. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



Independent auditor's report to the members of Capespan International Limited
(continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Roger Gillespie (Senior Statutory Auditor)
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

12 February 2015

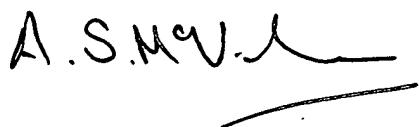
Capespan International Limited

Income statement

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Continuing operations			
Revenue	1	63,539	66,287
Cost of sales		(57,122)	(60,934)
Gross profit		6,417	5,353
Other operating income	4	1,098	17
Administrative expenses	6	(5,853)	(4,469)
Other operating expenses	5	(91)	(90)
Profit from operating activities	3	1,571	811
Financial income	7	823	753
Financial expense	7	(772)	(728)
Profit before tax		1,622	836
Income tax charge	8	(57)	(30)
Profit for the financial year attributable to equity shareholders		1,565	806

On behalf of the board



AS McVickers
Director

Capespan International Limited

Statement of comprehensive income for the year ended 31 December 2014

	<i>Note</i>	2014 £'000	2013 £'000
Profit for the financial year		1,565	806
Other comprehensive income			
Liability in relation to minimum funding requirement on defined benefit pension scheme obligation	<i>21</i>	(79)	(2)
Deferred tax on defined benefit pension scheme obligation		15	-
Total other comprehensive income		(64)	(2)
Total other comprehensive income attributable to equity shareholders		1,501	804

Capespan International Limited

Balance sheet

as at 31 December 2014

	Note	2014 £'000	2013 £'000
Assets			
Non-current			
Property, plant and equipment	10	950	1,019
Intangible assets	11	101	-
Investments in subsidiaries	12	-	-
Other receivables	13	4,413	4,823
Deferred tax assets	19	477	525
Total non-current assets		5,941	6,367
Current			
Inventories	14	1,217	1,389
Trade and other receivables	13	9,604	10,130
Corporation tax	17	34	67
Cash and cash equivalents		3,147	2,412
Total current assets		14,002	13,998
Total assets		19,943	20,365

Capespan International Limited

Balance sheet (continued)
as at 31 December 2014

	Note	2014 £'000	2013 £'000
Equity			
Called-up share capital	15	3,452	3,452
Retained earnings		7,522	6,021
Capital contribution	26	11	-
Total equity		10,985	9,473
Liabilities			
Non-current			
Employee benefits	21	1,467	1,586
Total non-current liabilities		1,467	1,586
Current			
Trade and other payables	16	7,491	9,298
Derivative financial liabilities	25	-	8
Total current liabilities		7,491	9,306
Total liabilities		8,958	10,892
Total equity and liabilities		19,943	20,365

On behalf of the board

A. S. M. V. L.

AS McVickers
Director

Capespan International Limited

Statement of changes in equity for the year ended 31 December 2014

	Share capital £'000	Retained Earnings £'000	Capital Contribution £'000	Total equity £'000
Balance at 1 January 2013	3,452	5,217	-	8,669
Comprehensive income				
Profit for the year	-	806	-	806
Other comprehensive income				
Liability in relation to minimum funding requirement on defined benefit pension scheme	-	(2)	-	(2)
Deferred tax on defined benefit pension scheme obligations	-	-	-	-
Total other comprehensive income	-	(2)	-	(2)
Total comprehensive income	-	804	-	804
Balance at 31 December 2013	3,452	6,021	-	9,473
Comprehensive income				
Profit for the year	-	1,565	-	1,565
Other comprehensive income				
Liability in relation to minimum funding requirement on defined benefit pension scheme obligation	-	(79)	-	(79)
Deferred tax on defined benefit pension scheme obligation	-	15	-	15
Recharge of share based payment from parent undertaking (note 26)	-	-	11	11
Total other comprehensive income	-	(64)	11	(53)
Total comprehensive income	-	1,501	11	1,512
Balance at 31 December 2014	3,452	7,522	11	10,985

Capespan International Limited

Statement of cash flows for the year ended 31 December 2014

	2014 £'000	2013 £'000
Operating activities		
Profit for the financial year	1,565	806
<i>Adjustments for:</i>		
Income tax (credit) / charge	57	30
Depreciation	278	156
Impairment of investment in subsidiary	-	673
Write off of intercompany payable	-	(673)
Employee benefit costs and settlement gains	(198)	(170)
Foreign exchange movements	(33)	9
Net finance income	(51)	(25)
Movement in inventories	172	(974)
Movement in trade and other receivables	567	(962)
Movement in trade and other payables	(1,782)	1,810
Changes in provisions	-	(12)
Taxation received/(paid)	39	(31)
Share based payment charge	11	-
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Cash flows from operating activities	625	637
	<hr/>	<hr/>
Financing activities		
Interest received	10	5
Loan repayments received (intercompany)	410	-
	<hr/>	<hr/>
Cash flows from financing activities	420	5
	<hr/>	<hr/>
Investing activities		
Acquisition of property, plant and equipment	(210)	(1,033)
Intangible assets under construction	(101)	-
Proceeds from the sale of fixed assets	1	-
	<hr/>	<hr/>
Cash flows from investing activities	(310)	(1,033)
	<hr/>	<hr/>

Capespan International Limited

Statement of cash flows *(continued)* for the year ended 31 December 2014

	2014 £'000	2013 £'000
Net increase / (decrease) in cash and cash equivalents	735	(391)
Cash and cash equivalents at beginning of year	2,412	2,803
	<hr/>	<hr/>
Cash and cash equivalents at end of year	3,147	2,412
	<hr/>	<hr/>
Analysed as follows:		
Cash and cash equivalents	3,147	2,412
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Capespan International Limited

Significant accounting policies

for the year ended 31 December 2014

Reporting entity

Capespan International Limited ("the Company") is a Company domiciled and incorporated in the UK. The Company's financial statements for the year ended 31 December 2014 present the financial information of the Company as a single entity. The Company has taken advantage of the exemption not to prepare consolidated financial statements provided by section 400 of the Companies Act 2006, as it is a subsidiary undertaking of Capespan Group Limited, a Company incorporated in South Africa, which prepares consolidated accounts including the results of this Company.

The financial statements were authorised for issue by the directors on 12 February 2015.

The accounting policies applied in the preparation of the financial statements for the year ended 31 December 2014 are set out below.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU.

The IFRSs adopted by the EU and applied by the Company in the preparation of these financial statements are those that were effective at 1 January 2014.

Basis of preparation

The financial statements, which are presented in sterling, the Company's functional currency, rounded to the nearest thousand, have been prepared on the historical cost basis except for certain financial assets and pension obligations which are stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 27.

Capespan International Limited

Significant accounting policies *(continued)*

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous year except for the following new and amended IFRS and IFRIC interpretations adopted by the Company as of 1 January 2014 but which did not have any material impact:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities

Other IFRSs and IFRICs became effective in 2014 but are not considered relevant to the company's financial statements.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are carried at cost less impairment. Dividend income is recognised when the right to receive payment is established.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Expenditure incurred to replace a component of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure including repairs and maintenance costs is recognised in the income statement as an expense as incurred.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal annual instalments over the estimated useful economic lives of the assets. The rates of depreciation are as follows:

Computer equipment	Between 20% and 33% per annum
Fixtures, fittings and other equipment	Between 10% and 20% per annum
Buildings	Between 5% and 20% per annum

The residual value of assets, if not significant, and the useful life of assets is reassessed annually. Gains and losses on disposals of property, plant and equipment are recognised on the completion of sale. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are included in operating profit.

Capespan International Limited

Significant accounting policies (*continued*)

Intangible assets – computer software

Computer software, including computer software which is not an integrated part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises purchase price and any other directly attributable costs.

Computer software is recognised if it meets the following criteria:

- an asset can be separately identified;
- it is probable that the asset created will generate future economic benefit;
- the development cost of the asset can be measured reliably;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined above are met. Computer software is amortised over its expected useful life, which ranges from 3 to 10 years, by charging equal instalments to the income statement from the date the assets are ready for use.

Foreign currency including net investment hedges

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets carried at historic cost are not subsequently retranslated. Non-monetary assets carried at fair value are subsequently remeasured at the exchange rate at the date of valuation.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into functional currencies at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Any movements that have arisen since 29 December 2003, the date of transition to IFRS, are recognised in the currency translation reserve and are recycled through the income statement on disposal of the related business. Translation differences that arose before the date of transition to IFRS in respect of all non-sterling denominated operations are not presented separately.

Impairment of non-financial assets

The carrying amounts of the Company's assets, other than inventories, (which are carried at the lower of cost and net realisable value), certain financial assets (which are carried at fair value) and deferred tax assets, (which are recognised based on recoverability), are assessed for impairment when an event or transaction indicates that an impairment may have occurred except for goodwill and indefinite lived intangibles which are assessed annually for impairment. If any such indication exists, an impairment test is carried out and the asset is written down to its recoverable amount as appropriate.

The recoverable amount of an asset is the greater of its net selling price and value in use. 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

Capespan International Limited

Significant accounting policies *(continued)*

Impairment of non-financial assets *(continued)*

to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss, other than in the case of goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the direct cost of fruit to the Company. Net realisable value is the estimated selling price in the ordinary course of business, less all further marketing and selling costs. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cash and cash equivalents

Cash and cash equivalents, comprise cash balances and call deposits, including bank deposits of less than three months maturity. 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 of the statement of cash flows.

Employee benefits

Short term employee benefits

Short term employee benefits are recognised as an expense as the related employee service is received.

Retirement benefit obligations

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as services from employees are received. Under such schemes, the Company has no obligation to make further contributions to these schemes beyond the contracted amount.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation less any past service cost not yet recognised and less the fair value of plan assets (measured at bid value) out of which the obligations are to be settled directly.

Capespan International Limited

Significant accounting policies *(continued)*

Employee benefits *(continued)*

Retirement benefit obligations (continued)

The liabilities and costs associated with the Company's defined benefit pension schemes are assessed on the basis of the projected unit credit method by professionally qualified actuaries and are arrived at using actuarial assumptions based on market expectations at the balance sheet date. The discount rates employed in determining the present value of the scheme's liabilities are determined by reference to market yields at the balance sheet date on high quality credit rated bonds that have maturity dates approximating the terms of the Company's obligations. All actuarial gains and losses as at 29 December 2003, the date of transition to IFRS, were recognised in full against retained earnings. Actuarial gains and losses for subsequent periods are recognised in the statement of other comprehensive income. Current and past service costs, interest on scheme liabilities and expected return on assets are recognised in the income statement and included in operating profit.

Taxation

Taxation on the profit or loss for the year comprises deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income in which case the related tax is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. If the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting nor taxable profit or loss, it is not recognised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Capespan International Limited

Significant accounting policies *(continued)*

Assets held under leases

Finance leases

Leases of property, plant and equipment, where the Company retains substantially all risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased item and the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charges so as to achieve a constant interest charge on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest bearing loans and borrowings, allocated between current and non-current as appropriate. The interest element of the finance cost is charged to the income statement over the lease period. Assets held under finance leases are depreciated over the shorter of their expected useful lives or the lease term, taking into account the time period over which benefits from the leased assets are expected to accrue to the Company.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of incentives received from the lessor, are charged to the income statement on a straight line basis over the period of the lease. Income earned from operating leases is credited to the income statement when earned.

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 and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Financial instruments

Trade and other receivables

Trade and other receivables are initially measured at fair value and are thereafter measured at amortised cost using the effective interest method less any provision for impairment. A provision for impairment of trade receivables is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Trade and other payables

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

Capespan International Limited

Significant accounting policies *(continued)*

Financial instruments *(continued)*

Equity investments

Equity investments held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in other comprehensive income (in the available for sale reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When a devaluation of these assets is significant or prolonged, it is removed from its fair value reserve and shown as an impairment loss in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income is recognised in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

Derivative financial instruments

Foreign currency derivatives are entered into only when they match an existing foreign currency asset or liability or where they are used to hedge a forecasted transaction. The company does not enter into speculative transactions. Derivative financial instruments are measured at fair value at each reporting date and the movement in fair value is recognised in the income statement unless they are designated as cash flow hedges under IAS 39. Where such instruments are designated as cash flow hedges, and subject to the satisfaction of certain criteria relating to documentation of the risk, objectives, and strategy for the hedging transaction and the ongoing measurement of its effectiveness, they are accounted for under hedge accounting rules. In such cases, any gain or loss arising on the effective portion of the derivative instrument is recognised in the hedging reserve, as a separate component of equity. Gains or losses on any ineffective portion of the derivative are recognised in the income statement. When the hedged transaction matures, the related gains or losses in the hedging reserve are transferred to the income statement.

Interest-bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Revenue

Revenue comprises the fair value of amounts (excluding value added tax) derived from the sale of fruit and allied products and services. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

Capespan International Limited

Significant accounting policies *(continued)*

Finance income and finance expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it is accrued in profit or loss, using the effective interest method.

Finance expense comprise expense on borrowings, unwinding of the discount on provisions, dividend on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

Exceptional items

The Company has adopted an Income Statement format which seeks to highlight significant items within its results for the financial year. The Company believes that this presentation provides a more helpful analysis as it highlights one off items. Such items may include significant impairments of investments and intangible assets, onerous contracts, restructuring and prior period costs. Judgement is used by the Company in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the Income Statement and related notes as exceptional items.

New standards and interpretations not applied

The following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2015 or later periods, but have not been early adopted:

	Effective date - for accounting periods beginning on or after
Standard/Interpretation	
• (Amendments to IAS 19) – Defined Benefit Plans: Employee Contributions	1 February 2015
• Annual improvements to IFRSs 2010-2012 Cycle	1 February 2015
• Annual improvements to IFRSs 2011-2013 Cycle	1 February 2015

The Directors anticipate that the adoption of the above standards and interpretations issued by the IASB or the IFRIC will not have a material impact on the Company's earnings.

Capespan International Limited

Notes

forming part of the financial statements

1 Revenue

Revenue represents gross sales less rebates of fresh produce and allied products marketed, sold and distributed to customers in the UK.

2 Information regarding directors and employees

Directors' emoluments	2014 Number	2013 Number
Number of directors who are members of a defined benefit pension scheme	-	-
	<hr/>	<hr/>
	2014 £'000	2013 £'000
Total directors' emoluments, excluding pension contributions	272	156
Pension contributions	13	15
Remuneration of the highest paid director, excluding pension contributions	198	156
	<hr/>	<hr/>

Certain directors received remuneration from other group undertakings and this information is disclosed in those Company's financial statements.

Employees

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

	2014 Number	2013 Number
Sales and distribution	58	44
Administration	15	15
	<hr/>	<hr/>
	73	59
	<hr/>	<hr/>

Capespan International Limited

Notes (continued)

2 Information regarding directors and employees (continued)

Employee benefits

The aggregate employee costs for the Company are as follow:

	2014 £'000	2013 £'000
Wages and salaries	3,095	2,735
Social security contributions	319	250
Pension costs - defined contribution schemes	189	191
Defined benefit pension scheme liabilities	-	2
Other costs (including other benefits and training)	258	179
	<u>3,861</u>	<u>3,357</u>

3 Statutory and other information

Profit for the financial year is stated after charging:

	2014 £'000	2013 £'000
Depreciation of owned property, plant and equipment	278	156
Auditor's remuneration for audit services	51	59
Auditor's remuneration for non-audit services	9	21
Operating lease rentals:		
- Other	233	200
	<u>277</u>	<u>236</u>

4 Other operating income

	2014 £'000	2013 £'000
Licence income	8	11
Forwarding income	1	6
Liquidation settlement	527	-
Procurement service fee	496	-
Exchange gain	33	-
Other income	33	-
	<u>1,098</u>	<u>17</u>

The liquidation settlement income relates to a dividend received from the liquidator of Fresh Fruit Services Limited, a company formerly controlled by Capespan International Limited. The prior year procurement service fee was £504k and was netted against administrative expenses.

Capespan International Limited

Notes (continued)

5 Other operating expenses

	2014 £'000	2013 £'000
Foreign currency loss	-	9
Other	91	81
	<hr/>	<hr/>
Total	91	90
	<hr/>	<hr/>

6 Exceptional items

	2014 £'000	2013 £'000
Included in administrative expenses		
Write-off of intercompany payable	-	(673)
Impairment of investment in subsidiary	-	673
	<hr/>	<hr/>
Total exceptional items	-	-
	<hr/>	<hr/>

7 Financial income and expense

	2014 £'000	2013 £'000
Interest income	78	80
Imputed interest income	745	673
	<hr/>	<hr/>
Financial income	823	753
	<hr/>	<hr/>
Interest expense on interest bearing borrowings	-	-
Imputed interest expense	(772)	(728)
	<hr/>	<hr/>
Financial expense	(772)	(728)
	<hr/>	<hr/>

Capespan International Limited

Notes (continued)

8 Income tax charge

Recognised in the income statement

	2014 £'000	2013 £'000
<i>Current tax:</i>		
UK corporation tax at 21.50 % (2013: 23.25%)	-	6
Adjustments relating to prior periods	(6)	(39)
Total current tax	(6)	(33)
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	43	40
Impact of changes in tax rates	21	23
Total deferred tax	63	63
Total income tax charge	57	30

	2014 %	2014 £'000	2013 %	2013 £'000
Reconciliation of effective tax rate				
Profit before tax		1,622		836
Taxation based on UK Corporate rate	21.5	349	23.25	194
Expenses not deductible for tax purposes	0.4	7	0.9	8
Capital allowances in excess of depreciation	(5.1)	(83)	(11.5)	(96)
Group relief	-	-	(1.9)	(16)
Impact of changes in tax values	1.3	20	2.9	24
Tax losses	(9.8)	(161)	(5.4)	(45)
Non-taxable income	(4.3)	(69)	-	-
Adjustments relating to prior years	(0.4)	(6)	(4.7)	(39)
		57		30

Capespan International Limited

Notes (continued)

8 Income tax charge (continued)

	2014 £'000	2013 £'000
Movement on deferred tax asset/(liability) recognised directly in equity		
Relating to employee benefit schemes	15	-
	<hr/>	<hr/>
Total movement on deferred tax recognised in equity	15	-
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013 by FA 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

9 Dividends to equity shareholders

No dividends were declared during the year (2013: £nil).

Capespan International Limited

Notes (continued)

10 Property, plant and equipment

	Plant and equipment £'000
<i>Cost</i>	
Balance at 31 December 2013	1,525
Additions	210
Disposals	(1)
	<hr/>
Balance at 31 December 2014	1,734
	<hr/>
<i>Depreciation and impairment losses</i>	
Balance at 31 December 2013	506
Depreciation charge for the year	278
	<hr/>
Balance at 31 December 2014	784
	<hr/>
<i>Net Book Value</i>	
At 31 December 2014	950
	<hr/>
At 31 December 2013	1,019
	<hr/>

Plant and equipment are stated at depreciated historic cost.

Leased property, plant and equipment

At 31 December 2014 no items of property, plant and equipment were held under finance lease arrangements.

Capespan International Limited

Notes (continued)

11 Intangible assets

	Computer Software £'000
<i>Cost</i>	
At 31 December 2013	-
Additions	101
<i>Net Book Value</i>	
At 31 December 2014	101

The company acquired computer software during the year as part of its investment in a trade specific Enterprise Resource Planning System. In accordance with the company's accounting policy, no amortisation is applied until the system is brought into use.

12 Investments in subsidiaries

Shares in subsidiaries

	2014 £'000	2013 £'000
<i>Cost</i>		
At beginning and end of year	5,879	5,879
<i>Impairment</i>		
At beginning of year	5,879	5,206
Impairment during year	-	673
At end of year	5,879	5,879
<i>Net Book Value</i>		
At end of year	-	-
At beginning of year	-	673

Capespan International Limited

Notes (continued)

12 Investments in subsidiaries (continued)

The Company acquired 1 share in Capespan Continent NV during the year ended 31 December 2014 for nominal value.

The Company has the following principal investment entities:

	Shareholding %	Type	Incorporated and trading in
Capespan Limited (in liquidation)	100	Subsidiary	Great Britain

13 Trade and other receivables

	2014 £'000	2013 £'000
Non current		
Amounts owed by parent and group undertakings (note 23)	4,413	4,823
Current		
Trade receivables	8,208	8,677
Amounts owed by parent and group undertakings (note 23)	560	423
VAT receivable	144	415
Advances to suppliers	244	205
Other receivables	10	2
Prepayments and accrued income	438	408
	9,604	10,130

The amounts owed by parent and group undertakings include trading balances and loans. Trading balances are unsecured, interest free and are repayable on demand. Loan balances are unsecured, but have a market rate of interest and a repayment schedule.

A review of the balances in the current year has resulted in no impairment (2013: £2,740) being recognised on trade receivables.

Capespan International Limited

Notes (continued)

14 Inventories

	2014 £'000	2013 £'000
Goods for resale	1,059	1,384
Materials	141	-
Consumable stores	17	5
	<u>1,217</u>	<u>1,389</u>

15 Share capital

	2014 £'000	2013 £'000
<i>Authorised:</i>		
4,997,000 ordinary voting shares of £1 each	4,997	4,997
1,000 non-voting B ordinary shares of £1 each	1	1
1,000 non-voting C ordinary shares of £1 each	1	1
1,000 non-voting D ordinary shares of £1 each	1	1
	<u>5,000</u>	<u>5,000</u>
Total authorised share capital	5,000	5,000
	2014 £'000	2013 £'000
<i>Called up, allotted and fully paid:</i>		
3,450,000 ordinary voting shares of £1 each	3,450	3,450
1,000 non-voting B ordinary shares of £1 each	1	1
1,000 non-voting C ordinary shares of £1 each	1	1
	<u>3,452</u>	<u>3,452</u>
Total called up, allotted and fully paid share capital	3,452	3,452

The non-voting B, C and D shares are entitled to a dividend but in the event of the Company being wound up they rank behind the voting ordinary shareholders in proceeds from the final liquidation. The B, C and D non-voting shares rank pari passu.

Capespan International Limited

Notes (continued)

16 Trade and other payables

	2014 £'000	2013 £'000
Non-current		
Amounts owed to parent and group undertakings (note 23)	-	-
Current		
Trade payables	2,902	3,871
Amounts owed to parent and group undertakings (note 23)	429	113
Other taxes and social security	85	75
Other payables	31	34
Accruals and deferred income	4,044	5,205
	7,491	9,298

The amounts due to group and related undertakings include both trading and loan balances. Trading balances are unsecured and interest free and loan balances have interest payable at a market rate.

17 Current tax

The net current tax receivable of £34,181 (2013: £67,000) represents the amount of income tax recoverable in respect of current and prior periods.

18 Provisions

	Legal costs £'000	Onerous lease £'000	Restructuring £'000	Total £'000
At 1 January 2013	-	-	12	12
Provision created during the year	-	-	-	-
Expenditure during the year	-	-	(12)	(12)
At 31 December 2013	-	-	-	-
Provision created during year	-	-	-	-
Expenditure during the year	-	-	-	-
At 31 December 2014	-	-	-	-

Capespan International Limited

Notes (continued)

18 Provisions (continued)

Restructuring provision

The restructuring provision related primarily to the costs of redundancy and legal and professional costs following the closure of a subsidiary's operational business and site.

19 Deferred taxation

	2014 £'000	2013 £'000
At the beginning of the year	525	587
On pension provision – (pension payment plan)	(27)	(39)
Utilisation of tax losses	(84)	-
Recognition of accelerated capital allowances	84	-
Impact of changes in tax rates	(21)	(23)
Net deferred tax asset recognised	477	525

The following deferred tax asset was not recognised in the financial statements:

	2014 £'000	2013 £'000
Accelerated capital allowances	111	339
Losses	73	175
Other timing differences	4	7
Deferred tax asset not recognised	188	521

20 Lease obligations

The Company has no obligations under finance leases.

Capespan International Limited

Notes (continued)

20 Lease obligations (continued)

Leases as lessee

Non-cancellable operating lease rentals are payable as set out below. These amounts represent the minimum future lease payments, in aggregate, that the Company is required to make under existing lease agreements.

	2014 £'000	2013 £'000
Less than one year	250	202
Between one and five years	594	644
	<hr/>	<hr/>
	844	846
	<hr/>	<hr/>

The Company leases office buildings and some equipment under operating leases.

During the year ended 31 December 2014, £233,200 was recognised as an expense in the income statement in respect of operating leases (2013: £200,000).

21 Pension schemes

The Company operates an externally funded defined benefit and defined contribution pension scheme. The schemes are set up under trusts and the assets of the schemes are therefore held separately from those of the Company.

The accompanying disclosures in respect of the year ended 31 December 2014 relate to the Company's defined benefit retirement scheme in the UK, the South African Co-operative Citrus Exchange Limited pension and life assurance scheme ("SACCE").

A full actuarial valuation was carried out as at 1 February 2012. The results of that valuation have been projected to 31 December 2014 by a qualified, independent actuary. The actuarial reports are not available for public inspection. However, the results of the valuations are advised to members of the schemes.

The net pension expense recognised in the income statement for the year in respect of the Company's defined benefit scheme was £27,000 (2013: £55,000). The cost recognised in the income statement in respect of the Company's defined contribution schemes was £189,000 (2013: £191,000).

During 2012, the Company formally agreed on a schedule of contributions with the Trustees of the SACCE pension scheme to fund the deficit on the scheme as per the last full actuarial valuation dated 1 February 2012. The present value of the contributions amounts to £1.467m (2013: £1.586m) which is reflected in the SACCE net liability below. The schedule of contributions will be reviewed following the next full actuarial valuation on 1 February 2015.

Capespan International Limited

Notes (continued)

21 Pension schemes (continued)

The amounts recognised in the Balance Sheet are as follows:

	2014 £'000	2013 £'000
Fair value of scheme assets	18,522	17,165
Present value of scheme liabilities	(19,989)	(18,751)
Deficit in the scheme (equates to present value of agreed schedule of contributions)	(1,467)	(1,586)
Deferred tax asset	293	341
Net liability recognised at year end	(1,174)	(1,245)

Gains and losses are recognised immediately on the Balance Sheet and pass through the Statement of Comprehensive Income.

The amounts recognised in the Statement of Comprehensive Income

	2014 £'000	2013 £'000
Cumulative amount recognised	(4,090)	(4,088)
Additional amount recognised in year in respect of the net present value of company contributions to the agreed funding plan	(79)	(2)

The cumulative amount recognised in the statement of comprehensive income is from 28 December 2003.

Amounts recognised in the income statement

	2014 £'000	2013 £'000
Interest cost	(772)	(728)
Expected return on pension scheme assets	745	673
Total income statement charge	(27)	(55)

The company expects to contribute £350,000 to the Scheme during the year ended 31 December 2015. The contribution may be re-evaluated on completion of the full actuarial valuation in February 2015.

Capespan International Limited

Notes (continued)

21 Pension schemes (continued)

Principal actuarial assumptions

	2014	2013
Inflation assumption	3.50%	3.50%
Rate of increase in salaries	0.00%	0.00%
Increases for pensions in payment	3.60%	3.90%
Revaluation of deferred pensions	2.25%	2.75%
Liability discount rate	3.40%	4.40%
Expected return on assets at end of year	3.40%	4.40%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	50.00%	50.00%
Future expected lifetime of current pensioner at age 65:		
Male born in 1949:	23.1	23.0
Female born in 1949:	26.4	26.3
Future expected lifetime of current pensioner at age 65:		
Male born in 1969:	25.0	24.9
Female born in 1969:	28.5	28.4

The assets in the scheme are invested in

	2014 £'000	2013 £'000
Equities	3,660	3,845
Bonds	10,133	8,543
Absolute return fund	3,309	3,496
Insured policies	1,165	1,245
Cash	255	36
	<hr/>	<hr/>
	18,522	17,165
	<hr/>	<hr/>

The scheme has no investments in the Company or in property owned by the Company.

Capespan International Limited

Notes (continued)

21 Pensions schemes (continued)

Asset and liability reconciliation

Reconciliation of assets

	2014 £'000	2013 £'000
Fair value of assets at beginning of year	17,165	16,626
Interest income	745	673
Return on assets	1,325	542
Employer contributions	225	225
Benefits paid	(877)	(825)
Administration expenses	(61)	(76)
	<hr/>	<hr/>
Fair value of assets at end of year	18,522	17,165
	<hr/>	<hr/>
Actual return on scheme assets	2,070	1,215
	<hr/>	<hr/>

Reconciliation of liabilities

	2014 £'000	2013 £'000
Value of scheme obligations at the start of the year	(18,751)	(18,380)
Interest on scheme obligations	(772)	(728)
Benefit payments	877	825
Actuarial loss*	(221)	(462)
Experience gains	(1,043)	(4)
Adjustment in respect of minimum funding requirement recognised in statement of comprehensive income	(79)	(2)
	<hr/>	<hr/>
Value of scheme obligations at the end of the year*	(19,989)	(18,751)
	<hr/>	<hr/>

* The value of the scheme obligations at the end of the year reflects the net present value of the agreed schedule of contributions to the scheme which is higher than the net deficit in the scheme per the actuarial report at 31 December 2014.

Capespan International Limited

Notes (continued)

21 Pensions schemes (continued)

Amounts for the current and previous four periods are as follows

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Scheme assets	18,522	17,165	16,626	16,274	16,297
Scheme liabilities *	(19,989)	(18,751)	(18,380)	(18,120)	(17,995)
Restriction on scheme surplus *			-	-	(257)
Adjustment in respect of present value of agreed future employer contributions under funding contribution plan*	(79)	(2)	(13)	(176)	(1,698)
Scheme deficit	(1,467)	(1,586)	(1,754)	(1,846)	(1,698)
Experience adjustments on scheme assets	-	-	44	(325)	572
Experience adjustments on scheme liabilities	(962)	106	(862)	(1,124)	(620)

* In 2008 and 2009 the surplus on the fund was restricted. From 2010 onwards, the net deficit represents the net present value of the agreed contribution plan in place at the year-end date. The adjustment is reflected through the movement in scheme liabilities.

22 Commitments and contingencies

(a) Capital commitments

The directors have authorised capital expenditure of £760,000 (2013: £Nil) at the balance sheet date.

(b) Other commitments and contingencies

Capespan International Limited, Capespan Limited and Capespan International Holdings Limited have a facility with the Royal Bank of Scotland Plc.

The facility is secured by a formal charge over cash in respect to the facilities for Capespan International Limited. A total of £500,000 (2013: £500,000) is restricted cash and held in a separate account legally charged to Natwest. This guarantees the duty deferment requirements of HMRC.

The facility is supported by a debenture from Capespan International Holdings Limited, Capespan International Limited, Capespan Limited and Capespan Investments (UK) Limited.

From time to time, the Company is involved in other claims and legal actions, which arise in the normal course of business. Based on information currently available to the Company, and legal advice, the directors believe such litigation will not, individually or in aggregate, have a material adverse effect on the financial statements and that the Company is adequately positioned to deal with the outcome of any such litigation.

Capespan International Limited

Notes (continued)

23 Related parties

Identity of related parties

The Company has a related party relationship with its ultimate parent company, Capespan Group Limited and its subsidiary and associated companies, its immediate parent Company (Capespan International Holdings Limited and its other subsidiary companies), its defined benefit pension schemes, and with the directors of the Company and subsidiaries.

Payments to Key Management Personnel:	2014 £'000	2013 £'000
Short term employee benefits	711	691
Post-employment benefits	37	43
	<u>748</u>	<u>734</u>

Related party transactions with associated companies

The Company trades in the normal course of its business, in some situations under long term supply contracts, with its associated companies. A summary of transactions with these related parties during the year ended 31 December 2014 is as follows (revenue and purchases including interest, management and administration fees):

	2014 Revenue £'000	2014 Purchases £'000	2013 Revenue £'000	2013 Purchases £'000
Ultimate parent companies	9	390	41	8,295
Parent company	68	-	79	-
Other group companies	735	5,067	688	412
	<u>812</u>	<u>6,067</u>	<u>808</u>	<u>8,707</u>
	Debtor £'000	Creditor £'000	Debtor £'000	Creditor £'000
Ultimate parent companies		2	128	85
Other group companies	4,973	427	5,118	28
	<u>4,973</u>	<u>429</u>	<u>5,246</u>	<u>113</u>

Capespan International Limited

Notes *(continued)*

24 Ultimate parent undertakings

Capespan International Limited is owned by Capespan International Holdings Limited, incorporated in the United Kingdom. The ultimate holding company of Capespan International Limited in the Capespan group is Capespan Group Limited with the ultimate holding company of Capespan Group Limited being PSG Group Limited, a company incorporated in South Africa.

Capespan International Limited has taken advantage of the exemption not to prepare consolidated financial statements provided by Section 400 of the Companies Act 2006, as it is a subsidiary undertaking of Capespan Group Limited, a Company incorporated in South Africa, which prepares consolidated financial statements which include the results and financial position of the Company.

Accounts of the ultimate parent undertaking are available from:

The Secretary, Capespan Group Limited, Vineyards Square North, the Vineyards Office Estate, 99 Jip de Jager, Bellville, PO Box 6133, Tyger Valley, 7536 Republic of South Africa.

Capespan International Limited

Notes (continued)

25 Financial instruments and financial risk

	Designated at fair value 2014 £'000	Loans and Receivables 2014 £'000	Available for sale 2014 £'000	Liabilities at amortised cost 2014 £'000	Total carrying amount 2014 £'000	Fair value 2014 £'000
Trade and other receivables (Note 13)	-	14,017	-	-	14,017	14,017
Cash and cash equivalents	-	3,147	-	-	3,147	3,147
	-	17,164	-	-	17,164	17,164
Trade and other payables (Note 16)	-	-	-	(7,491)	(7,491)	(7,491)
	-	-	-	(7,491)	(7,491)	(7,491)

Capespan International Limited

Notes (continued)

25 Financial instruments and financial risk (continued)

	Designated at fair value 2013 £'000	Loans and receivables 2013 £'000	Available for sale 2013 £'000	Liabilities at amortised cost 2013 £'000	Total carrying amount 2013 £'000	Fair value 2013 £'000
Trade and other receivables (Note 13)	-	14,953	-	-	14,953	14,953
Cash and cash equivalents	-	2,412	-	-	2,412	2,412
	-	17,365	-	-	17,365	17,365
Trade and other payables (Note 16)	-	-	-	(9,298)	(9,298)	(9,298)
Bank overdrafts	-	-	-	-	-	-
Derivative financial liability	-	-	-	(8)	(8)	(8)
	-	-	-	(9,306)	(9,306)	(9,306)

Capespan International Limited

Notes (continued)

25 Financial instruments and financial risk (continued)

Estimation of fair values

Set out below are the major methods and assumptions used in estimating the fair values of the financial assets and liabilities disclosed in the preceding table.

Short term bank deposits and cash and cash equivalents

For short term bank deposits and cash and cash equivalents, all of which have a remaining maturity of less than three months, the nominal amount is deemed to reflect fair value.

Trade and other receivables/payables

For receivables and payables with a remaining life of less than six months or demand balances, the carrying value less impairment provision, where appropriate is deemed to reflect fair value. All other receivables and payables are discounted to fair value in the balance sheet.

Interest bearing loans and borrowings

For interest bearing loans and borrowings with a contractual repricing date of less than six months, the nominal amount is deemed to reflect fair value. For loans with a repricing date of greater than six months, the fair value is calculated based on the present value of the expected future principal and interest cash flows.

Risk exposures

The Company's multinational operations expose it to various financial risks that include credit risk, liquidity risk, currency risk and interest rate risk. The Company has a risk management program in place which seeks to limit the impact of these risks on the financial performance of the Company and it is the policy to manage these risks in a non-speculative manner.

The Company has exposure to the following risks:

- credit risk
- liquidity risk
- currency risk
- interest rate risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing the risk, and the Company's management of capital. Further quantitative disclosures are included throughout this note.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. Risk evaluation and recommendations for strategic change are reviewed by the Board at quarterly Board meetings.

Capespan International Limited

Notes *(continued)*

25 Financial instruments and financial risk *(continued)*

Risk exposures *(continued)*

Capespan Group Limited has established a strong internal audit function under the direction of its Audit Committee. This internal audit undertakes both regular and ad hoc reviews of the Company's risk management controls and procedures, the results of which are reported to the Group's Audit Committee.

The Board has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks will be managed effectively. The board has embedded these structures and procedures throughout the Company and considers these to be a robust and efficient mechanism for creating a culture of risk awareness at every level of management.

Credit risk

Exposure to credit risk

Credit risk arises from credit risk to customers and associates arising on outstanding receivables and outstanding transactions as well as cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk by dependence on individual customers or geographically.

The Company has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, customer's track record and historic default rates. Individual risk limits are generally set by customer and risk is only accepted above such limits in defined circumstances. The utilisation of credit limits is regularly monitored. The impairment provisions accounts are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amount is considered irrecoverable and is written off directly against the trade receivable.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Cash and short term bank deposits

Cash and short term bank deposits are invested with institutions with the highest credit rating with limits on amounts held with individual banks or institutions at any one time. For banks and financial institutions, only independently rated banks with a minimum rating of "A" are accepted.

Capespan International Limited

Notes (continued)

25 Financial instruments and financial risk (continued)

Credit risk (continued)

The carrying amount of financial assets, net of impairment provisions represents the Company's maximum credit exposure. The maximum exposure to credit risk at year end was as follows:

	<i>Note</i>	Carrying amount 2014 £'000	Carrying amount 2013 £'000
Cash and cash equivalents		3,147	2,412
Trade and other receivables (excluding prepayments)	<i>13</i>	13,579	14,545
		<hr/>	<hr/>
		16,726	16,957
		<hr/>	<hr/>

Trade receivables

The Company has detailed procedures for monitoring and managing the credit risk related to its trade receivables. Trade receivables are monitored by geographic region and by largest customers. The maximum exposure to credit risk for third party trade receivables at the reporting date by geographic region based on the location of customers was:

	Carrying Amount 2014 £'000	Carrying amount 2013 £'000
Euro – zone	-	-
United Kingdom	8,208	8,677
	<hr/>	<hr/>
	8,208	8,677
	<hr/>	<hr/>

Capespan International Limited

Notes (continued)

25 Financial instruments and financial risk (continued)

Credit risk (continued)

Trade receivables (continued)

The following table details the ageing of gross third party trade receivables, and the related impairment provisions in respect of specific amounts expected to be irrecoverable:

	2014 Gross £'000	2014 Impairment £'000	2013 Gross £'000	2013 Impairment £'000
Not past due	7,443	-	8,068	-
Past due 0 – 30 days	422	-	553	-
Past due 31 – 90 days	317	-	56	-
Past due 91 – 180 days	25	-	3	3
Past due more than 180 days	-	-	-	-
	<u>8,207</u>	<u>-</u>	<u>8,680</u>	<u>3</u>

Other receivables

The following table details the ageing of gross third party other receivables, and the related impairment provisions in respect of specific amounts expected to be irrecoverable:

	2014 Gross £'000	2014 Impairment £'000	2013 Gross £'000	2013 Impairment £'000
Not past due	153	-	652	-
Past due 0 – 30 days	-	-	-	-
Past due 31 – 90 days	-	-	-	-
Past due 91 – 180 days	-	-	-	-
Past due more than 180 days	-	-	-	-
	<u>153</u>	<u>-</u>	<u>652</u>	<u>-</u>

Capespan International Limited

Notes (continued)

25 Financial instruments and financial risk (continued)

Analysis of movement in impairment provisions:

Trade receivables – impairment provision

	2014 £'000	2013 £'000
Balance at beginning of year	(3)	(2)
Utilised during year	-	2
Movement during year	3	(3)
	<hr/>	<hr/>
Balance at end of year	-	(3)
	<hr/>	<hr/>

Other receivables – impairment provision

	2014 £'000	2013 £'000
Balance at beginning of year	-	-
Movement in year	-	-
	<hr/>	<hr/>
Balance at end of year	-	-
	<hr/>	<hr/>

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to the best of their ability that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

It is the policy of the Company to have adequate committed undrawn facilities available at all times to cover unanticipated financing requirements.

Capespan International Limited

Notes (continued)

25 Financial instruments and financial risk (continued)

The following are the contractual maturities of the financial liabilities and cash and cash equivalents, including estimated interest payments and excluding the impact of netting agreements:

	2014 Carrying amount £'000	2014 6 months or less £'000	2013 Carrying amount £'000	2013 6 months or less £'000
Non-derivative financial liabilities				
Trade and other payables	7,061	7,061	9,185	9,185

Market risk

Market risk is the risk that changes market prices and indices, such as foreign exchange rates, and interest rates. It will affect the Company's income or the value of its holdings of financial instruments. The objective of the Company's risk management strategy is to manage and control market risk exposures within acceptable parameters, while optimising the return earned by the Company. The Company has two types of market risk namely currency risk and interest rate risk each of which are dealt with as follows.

Currency risk

The majority of the Company's operations are carried out in the UK, mitigating currency risk. A large portion of the Company's costs, particularly product purchases and shipping costs, are denominated in Euros and US Dollars.

As a result, the Company is exposed to currency fluctuations of the Euro and US Dollar. Foreign exchange risk also arises from assets and liabilities. Management requires all Company operations to manage their foreign exchange risk against their functional currency. These currency risks are monitored on a daily basis and managed by utilising spot and forward foreign currency contracts.

Exposure to currency risk

The Company's exposure to transactional foreign currency risk is minimal, due to the fact that the majority of trade receivables are held in the Company's own functional currency. The split below details the sterling receivable and payables with minimal amounts due from and payable to euro and dollar denominated companies. Therefore the majority of amounts held in own functional currencies are not exposed to transactional risk.

Capespan International Limited

Notes (continued)

25 Financial instruments and financial risk (continued)

Currency risk (continued)

	2014 Euro £'000	2014 Sterling £'000	2014 US Dollar £'000	2013 Euro £'000	2013 Sterling £'000	2013 US Dollar £'000
Trade and other receivables	32	8,961	-	17	14,878	58
Cash and cash equivalents	17	3,070	60	34	2,253	125
Derivative financial instrument liability	-	-	-	-	-	(8)
Trade and other payables	293	2,624	(15)	(339)	(8,934)	(25)

Sensitivity analysis

Based on the above table, a sensitivity analysis was not deemed necessary.

Derivative financial instruments

At 31 December 2014, the Company had no (2013: a US dollar) denominated forward foreign exchange contract in place as a cash flow hedge against future payments to suppliers.

	2014 £'000	2013 £'000
<i>Fair value of derivative financial instruments</i>		
Financial asset arising from financial instruments	-	-
Financial liability arising from financial instruments	-	8

Interest rate risk

Due to the relatively modest amount of variable interest-bearing liabilities and the nature of certain of these borrowings, the Company's current policy is not to hedge against the risk of interest rate fluctuations.

There is no significant difference between the effective interest rates on the Company's loans and market rates.

The Company holds both interest bearing assets and interest bearing liabilities. In general, the approach employed by the Company to manage its interest exposure is to maintain the majority of its cash, short term bank deposits and interest bearing borrowings on floating rates. The Company does not use fixed-rate instruments.

Capespan International Limited

Notes (continued)

25 Financial instruments and financial risk (continued)

Interest rate risk (continued)

At year-end, the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount 2014 £'000	Carrying amount 2013 £'000
Variable rate instruments		
Cash and cash equivalents	3,417	2,412
Bank overdrafts	-	-
	<hr/>	<hr/>
	3,417	2,412
	<hr/>	<hr/>

Cash flow sensitivity analysis for variable rate instruments

At 31 December 2014, the average interest rate being earned on the Company's cash and cash equivalents was 0.29% (2013: 0.31%). At 31 December 2014, the average interest being paid on the Company's net borrowings was 2.50% (2013: 2.50%).

An increase or decrease of 50 basis points in interest rates at the reporting date would have had the following effect on the income statement and equity. This analysis assumes that all other variables in particular foreign currency rates remained constant. The analysis was performed on the same basis for 2013.

	50 basis point increase		50 basis point decrease	
	Income statement £'000	Equity £'000	Income statement £'000	Equity £'000
31 December 2014				
Variable rate instruments	7	7	-	-
30 December 2013				
Variable rate instruments	8	8	-	-

Capespan International Limited

Notes (continued)

25 Financial instruments and financial risk (continued)

Accounting for derivatives and hedging activities

All derivatives are initially recorded at fair value on the date the contract is entered into and subsequently, at reporting dates measured to fair value. The gain or loss arising on remeasurement is recognised in the income statement within financial income or financial expense.

The fair value of the derivative at the balance sheet date is set out as follows:

	Assets 2014 £'000	Liabilities 2014 £'000
Forward currency contracts	-	8
	Assets 2013 £'000	Liabilities 2013 £'000
Forward currency contracts	-	2

26 Capital contribution

During the year ended 31 December 2014, a long-term bonus scheme was implemented through a share option scheme, operated by the Capespan Group Share Incentive Trust. Capespan International Limited's ultimate holding company, Capespan Group Limited, has assumed the obligation to settle any share options granted under the share option scheme and thus the obligation rests with Capespan Group Limited. Share options are granted to participants (which include executive directors and senior management of Capespan International Limited) on grant date at market price. The settlement of the purchase consideration payable by the participant in terms of the share options granted occurs on vesting. Vesting of share options occur in tranches of 25% each after 2, 3, 4 and 5 years from grant date, respectively.

The equity-settled share-based payment charge (calculated making use of a Black-Scholes valuation model and the inputs set out below) will be recognised over the specified service periods in light of the services being rendered by the participants to Capespan International Limited. The equity-settled share-based payment charge recognised in the income statement amounted to £11,316. This charge, net of the related tax effect, was credited to a capital contribution reserve.

During the year under review, 201,783 share options were granted to participants rendering services to Capespan International Limited at a total consideration of £11,316. Each share option awarded entitles the participant to acquire one ordinary share in the issued share capital of Capespan Group Limited and the obligation to settle same remains with Capespan Group Limited. The maximum number of shares which may be offered to participants is 38,818,693.

Capespan International Limited

Notes *(continued)*

27 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

Management discussed with the Audit Committee the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

Particular areas which are subject to accounting estimates and judgements in these financial statements are areas such as impairment testing and in relation to judgemental provisions and accruals.

Impairment testing of assets involves estimating the recoverable value. The estimation of employee benefit costs requires the use of actuaries and the determination of appropriate assumptions such as discount rates and expected future rates of return as set out in Note 21.

28 Board approval

The board of directors approved these financial statements on 12 February 2015.