

Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 30 May 2016
for
Farmers Fresh Limited



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for the year ended 30 May 2016

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Farmers Fresh Limited
Company Information
for the year ended 30 May 2016

DIRECTORS:	W A Lammas D T Owen T I Simpson D Powell
REGISTERED OFFICE:	The Abattoir Rouncil Lane Kenilworth Warwickshire CV8 1NN
REGISTERED NUMBER:	03851239 (England and Wales)
AUDITORS:	Clifford Roberts Chartered Accountants & Statutory Auditors Pacioli House 9 Brookfield Duncan Close Northampton Northamptonshire NN3 6WL
SOLICITORS:	Burges Salmon Narrow Quay House Narrow Quay Bristol BS1 4AH

Farmers Fresh Limited

Strategic Report **for the year ended 30 May 2016**

The directors present their strategic report for the year ended 30 May 2016.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of an abattoir.

REVIEW OF BUSINESS

The directors monitor the performance of the business by reviewing the results of the activities and benchmarking against similar enterprises.

The company continued its trade as a lamb abattoir and sold in excess of 559,131 units (2015: 551,188 units) of meat at a margin of approximately 15.0% (2015: 14.5%). The directors are pleased with a rise in units in what has been a difficult market with considerable price volatility. The directors believe that the capital expenditure made in the period will help increase productivity in 2017.

The company was invoiced management charges amounting to £284,408 (2015: £166,394) for the period by the parent company. These charges are included in the administrative expenses and have reduced the operating profit of the company.

The company aims to continue to reduce costs and wastage in an effort to sustain favourable margins.

PRINCIPAL RISKS AND UNCERTAINTIES

Exposure to foreign currency, credit, liquidity, interest rate and other price risk arises in the normal course of Farmers Fresh Limited's business. These risks are limited by the company's financial management policies described below.

Foreign currency risk

The company is exposed to foreign currency risk due to its level of sales to European customers. The risk is limited by selling euros as and when the exchange rate favours the company.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The debtors ledger is reviewed on an on-going basis to identify unpaid amounts with overdue debts being chased on a regular basis. Provisions for bad debts are made where appropriate.

Liquidity risk

The directors have ultimate responsibility for liquidity risk management in maintaining adequate reserves, banking and borrowing facilities. Active management of the cash position is undertaken with future cash flows being reviewed to ensure that significant liquid resources are available.

Interest rate risk

The company has minor exposure to interest rate risk through the impact of rate changes in interest bearing borrowings. Active management of the company's exposure to interest rate fluctuations is undertaken.

Other price risk

The company is exposed to live stock price risks through changes in commodity prices world wide. Active management of the company's exposure to this is undertaken on a daily basis with reference to the Agriculture and Horticulture Development Board lamb prices.

ON BEHALF OF THE BOARD:



D T Owen - Director

12 December 2016

Farmers Fresh Limited

Report of the Directors **for the year ended 30 May 2016**

The directors present their report with the financial statements of the company for the year ended 30 May 2016.

DIVIDENDS

No dividends will be distributed for the year ended 30 May 2016.

DIRECTORS

The directors shown below have held office during the whole of the period from 31 May 2015 to the date of this report.

W A Lammas
D T Owen
T I Simpson

Other changes in directors holding office are as follows:

S S Wood - resigned 13 August 2015
D Powell - appointed 20 July 2015
W J W Neville - appointed 16 February 2016

W J W Neville , G Jones , J R Lloyd , S T Morris and T J Bayliss ceased to be directors after 30 May 2016 but prior to the date of this report.

DISCLOSURE IN THE STRATEGIC REPORT

Principal activity, financial risk management objectives and policies and the exposure to foreign currency, credit, liquidity, interest rate and other price risk are set out in the strategic report (as defined by section 414 C (11) of the Companies Act 2006).

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 judgements and accounting estimates that are reasonable and prudent;
- 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 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) 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 in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Farmers Fresh Limited

Report of the Directors
for the year ended 30 May 2016

AUDITORS

The auditors, Clifford Roberts, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'D T Owen', written over a horizontal line.

D T Owen - Director

12 December 2016

**Report of the Independent Auditors to the Members of
Farmers Fresh Limited**

We have audited the financial statements of Farmers Fresh Limited for the year ended 30 May 2016 on pages seven to twenty six. The financial reporting framework that has been applied in their preparation is 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'.

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 a Report of the Auditors 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 three, 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 30 May 2016 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.

Opinion on other matter prescribed by the Companies Act 2006

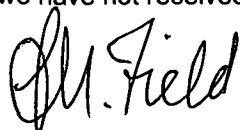
In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the Independent Auditors to the Members of
Farmers Fresh Limited

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.



Martin Field (Senior Statutory Auditor)
for and on behalf of Clifford Roberts
Chartered Accountants &
Statutory Auditors
Pacioli House
9 Brookfield
Duncan Close
Northampton
Northamptonshire
NN3 6WL

12 December 2016

Farmers Fresh Limited

Income Statement
for the year ended 30 May 2016

	Notes	Year Ended 30.5.16		Period 1.6.14 to 30.5.15	
		£	£	£	£
TURNOVER	3		45,896,278		47,511,948
Cost of sales			39,024,705		40,634,306
GROSS PROFIT			6,871,573		6,877,642
Distribution costs		1,805,894		1,822,846	
Administrative expenses		4,946,865		4,740,592	
			6,752,759		6,563,438
			118,814		314,204
Other operating income			466,390		221,156
OPERATING PROFIT	6		585,204		535,360
Interest receivable and similar income	7		4,407		4,262
			589,611		539,622
Amounts written off investments	8		-		120,000
			589,611		419,622
Interest payable and similar charges	9		10,417		33,466
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			579,194		386,156
Tax on profit on ordinary activities	10		160,404		696,899
PROFIT/(LOSS) FOR THE FINANCIAL YEAR			418,790		(310,743)

The notes form part of these financial statements

Farmers Fresh Limited

Other Comprehensive Income
for the year ended 30 May 2016

	Notes	Year Ended 30.5.16 £	Period 1.6.14 to 30.5.15 £
PROFIT/(LOSS) FOR THE YEAR		418,790	(310,743)
OTHER COMPREHENSIVE INCOME			
Release of deferred tax		5,092	5,091
Income tax relating to other comprehensive income		-	-
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		5,092	5,091
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		423,882	(305,652)
		<hr/> <hr/>	<hr/> <hr/>

The notes form part of these financial statements

Farmers Fresh Limited (Registered number: 03851239)

Balance Sheet
30 May 2016

	Notes	2016	2015
		£	£
FIXED ASSETS			
Tangible assets	11	3,578,251	3,415,956
Investments	12	249,000	249,000
		<hr/>	<hr/>
		3,827,251	3,664,956
CURRENT ASSETS			
Stocks	13	228,147	246,126
Debtors	14	4,903,491	4,230,904
Cash at bank		716,673	1,584,937
		<hr/>	<hr/>
		5,848,311	6,061,967
CREDITORS			
Amounts falling due within one year	15	4,646,049	5,076,564
		<hr/>	<hr/>
NET CURRENT ASSETS		1,202,262	985,403
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,029,513	4,650,359
CREDITORS			
Amounts falling due after more than one year	16	(145,833)	(239,584)
PROVISIONS FOR LIABILITIES	19	(372,514)	(323,491)
		<hr/>	<hr/>
NET ASSETS		4,511,166	4,087,284
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	20	1	1
Revaluation reserve	21	890,045	899,015
Retained earnings	21	3,621,120	3,188,268
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS		4,511,166	4,087,284
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 12 December 2016 and were signed on its behalf by:



D T Owen - Director

The notes form part of these financial statements

Farmers Fresh Limited

Statement of Changes in Equity
for the year ended 30 May 2016

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 June 2014	1	3,471,111	921,824	4,392,936
Changes in equity				
Total comprehensive income	-	(282,843)	(22,809)	(305,652)
Balance at 30 May 2015	1	3,188,268	899,015	4,087,284
Changes in equity				
Total comprehensive income	-	432,852	(8,970)	423,882
Balance at 30 May 2016	1	3,621,120	890,045	4,511,166

The notes form part of these financial statements

Farmers Fresh Limited

Notes to the Financial Statements **for the year ended 30 May 2016**

1. PRINCIPAL PLACE OF BUSINESS

Farmers Fresh Limited is a private company, limited by shares, incorporated and domiciled in England and has its registered office and principal place of business at The Abattoir, Rouncil Lane, Kenilworth, Warwickshire, CV8 1NN. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis modified to include the deemed cost of freehold property.

The financial statements are presented in Sterling (£) and cover the period to the Saturday that falls closest to the 30th May each year. This results in the comparatives being not entirely comparable.

Transition to FRS 102

This is the first year in which the financial statements have been prepared under FRS 102 issued by the Financial Reporting Council. The last financial statements for the period ended 30th May, 2015, were prepared under the previous UK GAAP. The transition date is therefore 1st April, 2014.

Adopting FRS 102 has meant that a number of accounting policies have changed to comply with the new standard as follows:

(a) Property, plant and equipment

At transition, freehold property was recognised at a fair value less depreciation, being a net book value of £2,594,000. After transition this figure is now considered deemed cost. The ongoing policy for freehold property is to be held at deemed cost and depreciated over its useful life. Deferred tax has been calculated and offset against the revaluation reserve to give a net position of £921,823. This is then unwound each year over the same useful life as the property.

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 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 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29.

Details of the parent of the group in which full disclosure can be obtained can be found in the 'Ultimate controlling party' note.

Farmers Fresh Limited

Notes to the Financial Statements - continued **for the year ended 30 May 2016**

2. ACCOUNTING POLICIES- continued

Significant judgements and estimates

In the application of the company's accounting policies management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

(a) Provision for taxation in dispute

The company was advised a number of years ago to enter into commonly available film investment Schemes, a secondary effect of which was to reduce the level of taxation which would otherwise have been payable by the company. As has recently been widely publicised, HMRC are now seeking to challenge the veracity of such Schemes. The advisers who recommended the Schemes to the company are seeking to establish through the Courts that the Schemes comply fully with existing UK tax law, and that the investments were made on sound commercial principles.

In view of the now changed approach of HMRC, and in the interest of prudence, the directors have decided to make full provision for the taxation which would have been due had the company not made investments into the Schemes. Such provision is made entirely without prejudice to the ongoing legal clarification being sought.

(b) Deemed cost of property

As stated in the 'Tangible fixed assets' note, Freehold property is stated at deemed cost based on the valuation performed by an independent professional valuer, Gerald Eve LLP in October 2012. The directors consider this value to be deemed cost at the date of transition.

(c) Provision for bad debts

The directors carefully consider the recoverability of trade debtors based on their experience of the customers' payment history and the likelihood of recovery, through the use of debt collection services, including firms that specialise in companies overseas, should they fail.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover represents net invoiced sales of meat and by products, excluding value added tax. Turnover is recognised upon the loading of the lorry for delivery.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% on cost
Improvements to property	- 25% on cost
Plant and machinery	- 20% on cost and 10% on cost
Fixtures and fittings	- 20% on cost
Motor vehicles	- 20% on cost

Freehold land is not depreciated.

Stocks

Stocks are stated at the lower of cost and net realisable value and comprise of livestock for slaughter and deadstock for sale.

Purchases of livestock are valued at cost price, calculated on a first in first out basis. Deadstock is valued at cost price, calculated on an average cost basis. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Farmers Fresh Limited

Notes to the Financial Statements - continued **for the year ended 30 May 2016**

2. ACCOUNTING POLICIES - continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on timing differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable timing differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible timing differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result. Forward foreign currency purchases are initially recognised at fair value on the date they are entered into and are subsequently remeasured at their fair value. Changes in the fair value are recognised in the income statement with the corresponding entry being a derivative asset or liability in the balance sheet.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit and loss in the period to which they relate.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Farmers Fresh Limited

Notes to the Financial Statements - continued **for the year ended 30 May 2016**

2. ACCOUNTING POLICIES - continued

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of the grant relating to an asset is deferred, it is recognised as deferred income.

Trade and other debtors

Trade and other debtors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method, less impairment losses for bad and doubtful debts except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Trade and other creditors

Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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 the amount initially recognised and redemption value being recognised in the statement of comprehensive income over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Investments

Fixed asset investments are stated at cost less impairment. Impairment losses are recognised immediately in the statement of income.

Leasing commitments

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	Year Ended 30.5.16 £	Period 1.6.14 to 30.5.15 £
United Kingdom	16,317,199	17,196,051
Europe	29,579,079	30,315,897
	<u>45,896,278</u>	<u>47,511,948</u>

Farmers Fresh Limited

Notes to the Financial Statements - continued
for the year ended 30 May 2016

4. STAFF COSTS

	Year Ended 30.5.16 £	Period 1.6.14 to 30.5.15 £
Wages and salaries	2,183,938	2,251,014
Social security costs	167,676	168,436
Other pension costs	24,388	15,412
	<u>2,376,002</u>	<u>2,434,862</u>

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

	Year Ended 30.5.16	Period 1.6.14 to 30.5.15
Production	55	56
Administration	6	7
	<u>61</u>	<u>63</u>

5. DIRECTORS' EMOLUMENTS

	Year Ended 30.5.16 £	Period 1.6.14 to 30.5.15 £
Directors' remuneration	125,000	110,000
Directors' pension contributions to money purchase schemes	10,000	3,206
	<u>135,000</u>	<u>113,206</u>

6. OPERATING PROFIT

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

	Year Ended 30.5.16 £	Period 1.6.14 to 30.5.15 £
Depreciation - owned assets	208,841	182,179
Loss/(profit) on disposal of fixed assets	1,358	(3,904)
Auditors' remuneration	16,000	16,000
Auditors' remuneration for non audit work	8,653	7,900
Foreign exchange differences	(393,135)	(131,069)
Government grants	(29,723)	(56,163)
	<u>(189,116)</u>	<u>(185,157)</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 30.5.16 £	Period 1.6.14 to 30.5.15 £
Deposit account interest	4,407	4,262
	<u>4,407</u>	<u>4,262</u>

Farmers Fresh Limited

Notes to the Financial Statements - continued
for the year ended 30 May 2016

8. AMOUNTS WRITTEN OFF INVESTMENTS

	Year Ended 30.5.16 £	Period 1.6.14 to 30.5.15 £
Amounts written off investments	-	120,000

In the prior year, the directors acknowledged the full impairment of one of the film scheme investments.

9. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 30.5.16 £	Period 1.6.14 to 30.5.15 £
Bank interest	1,833	1,326
Loan	8,568	10,091
Interest on late tax payments	16	22,049
	<u>10,417</u>	<u>33,466</u>

10. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	Year Ended 30.5.16 £	Period 1.6.14 to 30.5.15 £
Current tax:		
UK corporation tax	93,162	70,101
Under/(over) provision in prior years	2,642	(17,995)
Provision for taxation in dispute	10,485	632,895
Total current tax	106,289	685,001
Deferred tax	54,115	11,898
Tax on profit on ordinary activities	<u>160,404</u>	<u>696,899</u>

Farmers Fresh Limited

Notes to the Financial Statements - continued
for the year ended 30 May 2016

10. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended 30.5.16 £	Period 1.6.14 to 30.5.15 £
Profit on ordinary activities before tax	579,194	386,156
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.586%)	115,839	79,494
Effects of:		
Expenses not deductible for tax purposes	9,297	7,366
Adjustments to tax charge in respect of previous periods	2,642	(17,995)
Depreciation added back	41,768	37,504
Capital allowances	(74,014)	(82,699)
Interest on late tax payments	-	4,539
Profit on disposal of assets	272	(804)
Amounts written off investments	-	24,701
Provision for taxation in dispute	10,485	632,895
Deferred tax charge	54,115	11,898
Total tax charge	160,404	696,899

Tax effects relating to effects of other comprehensive income

	Gross £	2016 Tax £	Net £
Release of deferred tax	5,092	-	5,092
	5,092	-	5,092
	5,091	-	5,091
	5,091	-	5,091

Farmers Fresh Limited

Notes to the Financial Statements - continued **for the year ended 30 May 2016**

10. TAXATION - continued

The 2016 deferred tax on the deemed cost movement of the freehold property consists of a 20% charge on the increase in value of the property in 2012, being £244,406, and an accumulated credit of £10,184 due to the unwinding of the deferred tax over the life of the asset.

The 2015 deferred tax on the deemed cost movement of the freehold property consists of a 20% charge on the increase in value of the property in 2012, being £244,406, and an accumulated credit of £5,092 due to the unwinding of the deferred tax over the life of the asset.

Provision for taxation in dispute

The company was advised a number of years ago to enter into commonly available film investment Schemes, a secondary effect of which was to reduce the level of taxation which would otherwise have been payable by the company. As has recently been widely publicised, HMRC are now seeking to challenge the veracity of such Schemes. The advisers who recommended the Schemes to the company are seeking to establish through the Courts that the Schemes comply fully with existing UK tax law, and that the investments were made on sound commercial principles.

In view of the approach of HMRC, and in the interest of prudence, the directors decided to make full provision for the taxation which would have been due had the company not made investments into the Schemes. Such provision is made entirely without prejudice to the ongoing legal clarification being sought.

11. TANGIBLE FIXED ASSETS

	Freehold property £	Improvements to property £	Plant and machinery £
COST OR VALUATION			
At 31 May 2015	2,696,930	161,180	688,026
Additions	-	33,251	162,138
Disposals	-	-	(3,225)
Reclassification/transfer	(1,930)	150,390	173,321
	<hr/>	<hr/>	<hr/>
At 30 May 2016	2,695,000	344,821	1,020,260
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 31 May 2015	154,939	50,369	246,391
Charge for year	47,061	56,087	85,034
Eliminated on disposal	-	-	(1,867)
	<hr/>	<hr/>	<hr/>
At 30 May 2016	202,000	106,456	329,558
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 30 May 2016	2,493,000	238,365	690,702
	<hr/>	<hr/>	<hr/>
At 30 May 2015	2,541,991	110,811	441,635
	<hr/>	<hr/>	<hr/>

Farmers Fresh Limited

Notes to the Financial Statements - continued
for the year ended 30 May 2016

11. TANGIBLE FIXED ASSETS - continued

	Fixtures and fittings £	Motor vehicles £	Assets under construction £	Totals £
COST OR VALUATION				
At 31 May 2015	60,111	49,017	258,286	3,913,550
Additions	24,179	-	152,926	372,494
Disposals	-	-	-	(3,225)
Reclassification/transfer	89,431	-	(411,212)	-
At 30 May 2016	173,721	49,017	-	4,282,819
DEPRECIATION				
At 31 May 2015	12,088	33,807	-	497,594
Charge for year	17,617	3,042	-	208,841
Eliminated on disposal	-	-	-	(1,867)
At 30 May 2016	29,705	36,849	-	704,568
NET BOOK VALUE				
At 30 May 2016	144,016	12,168	-	3,578,251
At 30 May 2015	48,023	15,210	258,286	3,415,956

The freehold property was re-valued at £2,695,000, based on market value (DRC) in October 2012 by professional valuers Gerald Eve LLP, Birmingham. The directors believe that this valuation was still relevant at the date of transition and it has formed the basis of the deemed cost

Comparable historical cost for the land and buildings included at valuation:

Cost	£
At 31 May 2015 and 30 May 2016	1,472,971
Depreciation based on cost	
At 31 May 2015	74,698
Charge for the period	29,540
At 30 May 2016	104,238
Net book value	
At 30 May 2016	1,368,733
At 31 May 2015	1,398,273

Farmers Fresh Limited

Notes to the Financial Statements - continued
for the year ended 30 May 2016

12. FIXED ASSET INVESTMENTS

	Unlisted investments £
COST	
At 31 May 2015 and 30 May 2016	369,000
PROVISIONS	
At 31 May 2015 and 30 May 2016	120,000
NET BOOK VALUE	
At 30 May 2016	249,000
At 30 May 2015	249,000

In the prior year, the directors acknowledged the full impairment of one of the film scheme investments. The cost of the remaining two schemes has been insured against and so is not subject to impairment.

13. STOCKS

	2016 £	2015 £
Stocks	228,147	246,126

The amount of stock recognised as an expense during the year was £39,006,726 (2015: £40,615,766).

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade debtors	4,877,596	4,148,906
Bad debt provision	(313,139)	(113,139)
Other debtors	41,858	930
Directors' current accounts	-	629
VAT	160,054	74,230
Prepayments and accrued income	137,122	119,348
	4,903,491	4,230,904

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Bank loans and overdrafts (see note 17)	1,571,934	1,369,480
Trade creditors	484,123	572,496
Amounts owed to group undertakings	1,586,765	1,828,138
Tax	544,350	702,996
Social security and other taxes	64,243	60,901
Wages Control	44,030	39,878
Directors' current accounts	16,771	11,998
Accruals and deferred income	333,833	490,677
	4,646,049	5,076,564

The bank overdraft and loan are secured by a fixed and floating charge over the assets of the company.

Farmers Fresh Limited

Notes to the Financial Statements - continued
for the year ended 30 May 2016

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £	2015 £
Bank loans (see note 17)	<u>145,833</u>	<u>239,584</u>

17. LOANS

An analysis of the maturity of loans is given below:

	2016 £	2015 £
Amounts falling due within one year or on demand:		
Bank overdrafts	1,455,267	1,252,813
Bank loans	<u>116,667</u>	<u>116,667</u>
	<u>1,571,934</u>	<u>1,369,480</u>

Amounts falling due between one and two years:

Bank loans - 1-2 years	<u>116,667</u>	<u>116,667</u>
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Amounts falling due between two and five years:

Bank loans - 2-5 years	<u>29,166</u>	<u>122,917</u>
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Farmers First Limited, the parent company, has provided unlimited financial guarantees in respect of the Farmers Fresh Limited bank overdraft.

18. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2016 £	2015 £
Within one year	<u>10,000</u>	<u>10,000</u>

19. PROVISIONS FOR LIABILITIES

	2016 £	2015 £
Deferred tax	<u>372,514</u>	<u>323,491</u>
		Deferred tax
		£
Balance at 31 May 2015		323,491
Charge to Income Statement during year		54,115
Release of deferred tax		(5,092)
Balance at 30 May 2016		<u>372,514</u>

Farmers Fresh Limited

Notes to the Financial Statements - continued
for the year ended 30 May 2016

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016 £	2015 £
1	Ordinary	£1	1	1

Called up share capital

This represents the nominal value of shares that have been issued.

21. RESERVES

	Retained earnings £	Revaluation reserve £	Totals £
At 31 May 2015	3,188,268	899,015	4,087,283
Profit for the year	418,790	-	418,790
Release of deferred tax	-	5,092	5,092
Depreciation written back	14,062	(14,062)	-
At 30 May 2016	3,621,120	890,045	4,511,165

Retained earnings

This reserve includes all current and prior period retained profit and losses.

Revaluation reserve

This reserve includes all current year and prior year period gains and losses on revaluing the freehold property to deemed cost at the date of transition to FRS 102. The amount taken to the revaluation reserve has been subject to deferred tax and appropriate transfers between reserves.

22. PENSION COMMITMENTS

The company operates defined contribution, auto enrolment retirement benefit schemes for all its qualifying employees. The total expense charged to profit or loss in the period ended 30th May 2016 was £24,388 (2015: £15,412). The amount owed to the pension schemes at the year end was £2,334 (2015: £2,148).

23. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

Entities with control, joint control or significant influence over the entity

	2016 £	2015 £
Management charges paid	284,408	166,394
Amount due to related party	1,586,765	1,828,138

The non-trading parent company, Farmers First Limited, recharges its costs to Farmers Fresh Limited as management charges. During the year, a number of directors were put forward for election to the board of Farmers First Limited. Due to the importance of these decisions, substantial costs were incurred in ensuring that there was significant shareholder participation in the voting and that due legal process was adhered to. These extra costs, together with the increases associated with a larger board, led to an increase in the management charges in 2016.

Farmers Fresh Limited

Notes to the Financial Statements - continued
for the year ended 30 May 2016

23. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Key management personnel of the entity or its parent (in the aggregate)

	2016	2015
	£	£
Livestock purchases	830,862	1,096,446
Key management personnel consultancy	234,352	246,816
Key management personnel salary	140,005	124,082
Amount due from related party	7,570	1,090
Amount due to related party	31,268	16,768

Other related parties

	2016	2015
	£	£
Purchases	41,482	42,207

24. ULTIMATE CONTROLLING PARTY

The ultimate parent company and controlling party is Farmers First Limited, a company registered in England and Wales.

Farmers First Limited prepares group financial statements and copies can be obtained from the registered office, One, Glass Wharf, Bristol, BS2 0ZX.

Farmers Fresh Limited

Reconciliation of Equity

1 June 2014

(Date of Transition to FRS 102)

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Tangible assets		3,263,688	-	3,263,688
Investments		369,000	-	369,000
		<u>3,632,688</u>	<u>-</u>	<u>3,632,688</u>
CURRENT ASSETS				
Stocks		264,666	-	264,666
Debtors		4,391,098	-	4,391,098
Cash at bank		1,483,566	-	1,483,566
		<u>6,139,330</u>	<u>-</u>	<u>6,139,330</u>
CREDITORS				
Amounts falling due within one year		(5,062,398)	-	(5,062,398)
NET CURRENT ASSETS		<u>1,076,932</u>	<u>-</u>	<u>1,076,932</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,709,620	-	4,709,620
PROVISIONS FOR LIABILITIES	1	(72,279)	(244,406)	(316,685)
NET ASSETS		<u>4,637,341</u>	<u>(244,406)</u>	<u>4,392,935</u>
CAPITAL AND RESERVES				
Called up share capital		1	-	1
Revaluation reserve	1	1,166,229	(244,406)	921,823
Retained earnings		3,471,111	-	3,471,111
SHAREHOLDERS' FUNDS		<u>4,637,341</u>	<u>(244,406)</u>	<u>4,392,935</u>

The notes form part of these financial statements

Farmers Fresh Limited

Reconciliation of Equity - continued
30 May 2015

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Tangible assets		3,415,956	-	3,415,956
Investments		249,000	-	249,000
		<u>3,664,956</u>	<u>-</u>	<u>3,664,956</u>
CURRENT ASSETS				
Stocks		246,126	-	246,126
Debtors		4,230,904	-	4,230,904
Cash at bank		1,584,937	-	1,584,937
		<u>6,061,967</u>	<u>-</u>	<u>6,061,967</u>
CREDITORS				
Amounts falling due within one year		(5,076,564)	-	(5,076,564)
NET CURRENT ASSETS		<u>985,403</u>	<u>-</u>	<u>985,403</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,650,359	-	4,650,359
CREDITORS				
Amounts falling due after more than one year		(239,584)	-	(239,584)
PROVISIONS FOR LIABILITIES	1	(84,177)	(239,314)	(323,491)
NET ASSETS		<u>4,326,598</u>	<u>(239,314)</u>	<u>4,087,284</u>
CAPITAL AND RESERVES				
Called up share capital		1	-	1
Revaluation reserve	1	1,138,329	(239,314)	899,015
Retained earnings		3,188,268	-	3,188,268
SHAREHOLDERS' FUNDS		<u>4,326,598</u>	<u>(239,314)</u>	<u>4,087,284</u>

Notes to the reconciliation of equity

1. Deferred tax has been provided for on the difference between the historical cost price of the freehold property and its deemed cost at the date of transition.

In the year ended 30th May 2015 the deferred tax provided above has been reduced by one year's consumption of the useful economic life of the freehold property.

The notes form part of these financial statements

Farmers Fresh Limited

Reconciliation of Loss
for the period 1 June 2014 to 30 May 2015

	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
TURNOVER	47,511,948	-	47,511,948
Cost of sales	(40,634,306)	-	(40,634,306)
GROSS PROFIT	6,877,642	-	6,877,642
Distribution costs	(1,822,846)	-	(1,822,846)
Administrative expenses	(4,740,592)	-	(4,740,592)
Other operating income	221,156	-	221,156
OPERATING PROFIT	535,360	-	535,360
Interest receivable and similar income	4,262	-	4,262
Amounts written off investments	(120,000)	-	(120,000)
Interest payable and similar charges	(33,466)	-	(33,466)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	386,156	-	386,156
Tax on profit on ordinary activities	(696,899)	-	(696,899)
LOSS FOR THE FINANCIAL YEAR	(310,743)	-	(310,743)

The notes form part of these financial statements