

REGISTERED NUMBER: 03851239 (England and Wales)

Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 30 May 2018
for
Farmers Fresh Limited



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for the year ended 30 May 2018

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Farmers Fresh Limited
Company Information
for the year ended 30 May 2018

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

Strategic Report
for the year ended 30 May 2018

The directors present their strategic report for the year ended 30 May 2018.

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 634,844 units (2017: 638,605 units) of meat at a margin of approximately 15.8% (2017: 14.9%). The directors are very pleased with the increase in margin. With sensible cost control, the combined movements have resulted in a 99.7% increase in operating profits. The directors believe that the capital expenditure made in the year will help to increase the number of units sold in the coming year.

The company was invoiced management charges amounting to £134,088 (2017: £205,355) for the year 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.

Strategic Report
for the year ended 30 May 2018

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 and by the use of forward contracts.

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

With the acquisition of a sister company in Wales, the company has increased 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 by managing the borrowings on a group wide basis.

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:

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

D T Owen - Director

20 February 2019

Report of the Directors
for the year ended 30 May 2018

The directors present their report with the financial statements of the company for the year ended 30 May 2018.

DIVIDENDS

An interim dividend of £100,344 (2017: £100,344) per share was paid during the year.

The total distribution of dividends for the year ended 30 May 2018 will be £100,344 (2017: £100,344).

DIRECTORS

The directors shown below have held office during the whole of the period from 31 May 2017 to the date of this report.

W A Lammas
D T Owen
T I Simpson
D Powell

DISCLOSURE IN THE STRATEGIC REPORT

The 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

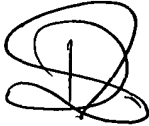
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Report of the Directors
for the year ended 30 May 2018

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

20 February 2019

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

Opinion

We have audited the financial statements of Farmers Fresh Limited (the 'company') for the year ended 30 May 2018 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 May 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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.

Responsibilities of directors

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

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

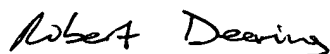
Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.



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

20 February 2019

Farmers Fresh Limited (Registered number: 03851239)

Income Statement
for the year ended 30 May 2018

	Notes	2018 £	2017 £
TURNOVER	3	61,986,710	55,544,865
Cost of sales		52,187,266	47,270,365
GROSS PROFIT		9,799,444	8,274,500
Distribution costs		1,816,351	1,898,910
Administrative expenses		6,013,946	5,652,073
		7,830,297	7,550,983
		1,969,147	723,517
Other operating income		830,614	678,246
OPERATING PROFIT	6	2,799,761	1,401,763
Interest receivable and similar income	7	1,651	1,059
		2,801,412	1,402,822
Amounts written off investments	8	-	249,000
		2,801,412	1,153,822
Interest payable and similar expenses	9	43,731	7,890
PROFIT BEFORE TAXATION		2,757,681	1,145,932
Tax on profit	10	548,346	286,496
PROFIT FOR THE FINANCIAL YEAR		2,209,335	859,436

The notes form part of these financial statements

Other Comprehensive Income
for the year ended 30 May 2018

	Notes	2018 £	2017 £
PROFIT FOR THE YEAR		2,209,335	859,436
OTHER COMPREHENSIVE INCOME			
Release of deferred tax		5,092	5,092
Income tax relating to other comprehensive income		-	-
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		5,092	5,092
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,214,427</u>	<u>864,528</u>

The notes form part of these financial statements

Farmers Fresh Limited (Registered number: 03851239)

Balance Sheet
30 May 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Tangible assets	12	3,320,175	3,463,446
Investments	13	-	-
		<u>3,320,175</u>	<u>3,463,446</u>
CURRENT ASSETS			
Stocks	14	127,070	14,621
Debtors	15	12,648,456	5,876,337
Cash at bank		2,214,634	2,368,847
		<u>14,990,160</u>	<u>8,259,805</u>
CREDITORS			
Amounts falling due within one year	16	6,202,168	6,079,957
		<u>6,202,168</u>	<u>6,079,957</u>
NET CURRENT ASSETS		<u>8,787,992</u>	<u>2,179,848</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,108,167</u>	<u>5,643,294</u>
CREDITORS			
Amounts falling due after more than one year	17	(4,393,764)	(29,167)
PROVISIONS FOR LIABILITIES	21	(324,970)	(338,777)
		<u>(4,718,734)</u>	<u>(367,944)</u>
NET ASSETS		<u><u>7,389,433</u></u>	<u><u>5,275,350</u></u>
CAPITAL AND RESERVES			
Called up share capital	22	1	1
Revaluation reserve	23	851,347	870,696
Retained earnings	23	6,538,085	4,404,653
		<u>7,389,433</u>	<u>5,275,350</u>
SHAREHOLDERS' FUNDS		<u><u>7,389,433</u></u>	<u><u>5,275,350</u></u>

The financial statements were approved by the Board of Directors on 20 February 2019 and were signed on its behalf by:



D T Owen - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the year ended 30 May 2018

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 31 May 2016	1	3,621,120	890,045	4,511,166
Changes in equity				
Dividends	-	(100,344)	-	(100,344)
Total comprehensive income	-	883,877	(19,349)	864,528
Balance at 30 May 2017	1	4,404,653	870,696	5,275,350
Changes in equity				
Dividends	-	(100,344)	-	(100,344)
Total comprehensive income	-	2,233,776	(19,349)	2,214,427
Balance at 30 May 2018	1	6,538,085	851,347	7,389,433

The notes form part of these financial statements

Notes to the Financial Statements
for the year ended 30 May 2018

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.

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 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A.

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

Notes to the Financial Statements - continued
for the year ended 30 May 2018

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 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 reducing balance

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.

Notes to the Financial Statements - continued
for the year ended 30 May 2018

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

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.

Notes to the Financial Statements - continued
for the year ended 30 May 2018

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 undiscounted 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 undiscounted 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:

	2018 £	2017 £
United Kingdom	16,220,486	15,841,057
Europe	45,766,224	39,703,808
	<u>61,986,710</u>	<u>55,544,865</u>

4. EMPLOYEES AND DIRECTORS

	2018 £	2017 £
Wages and salaries	2,893,598	2,555,858
Social security costs	218,559	184,463
Other pension costs	27,081	25,210
	<u>3,139,238</u>	<u>2,765,531</u>

Notes to the Financial Statements - continued
for the year ended 30 May 2018

4. EMPLOYEES AND DIRECTORS - continued

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

	2018	2017
Production	45	49
Administration	10	7
	<u>55</u>	<u>56</u>

5. DIRECTORS' EMOLUMENTS

	2018	2017
	£	£
Directors' remuneration	156,970	170,696
Directors' pension contributions to money purchase schemes	<u>12,181</u>	<u>6,828</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>	<u>2</u>
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6. OPERATING PROFIT

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

	2018	2017
	£	£
Depreciation - owned assets	311,495	296,214
Loss on disposal of fixed assets	-	1,732
Auditors' remuneration	14,000	13,000
Auditors' remuneration for non audit work	16,358	16,025
Foreign exchange differences	(786,174)	(593,300)
Lease of land and buildings	<u>10,000</u>	<u>10,000</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	£	£
Deposit account interest	<u>1,651</u>	<u>1,059</u>

8. AMOUNTS WRITTEN OFF INVESTMENTS

	2018	2017
	£	£
Amounts written off investments	<u>-</u>	<u>249,000</u>

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

Notes to the Financial Statements - continued
for the year ended 30 May 2018

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018	2017
	£	£
Bank interest	1,063	1,492
Bank loan interest	42,668	6,398
	<u>43,731</u>	<u>7,890</u>

10. TAXATION

Analysis of the tax charge

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

	2018	2017
	£	£
Current tax:		
UK corporation tax	554,811	292,790
Under/(over) provision in respect of prior years	1,729	(430)
Corporation tax interest	521	(6)
Provision for taxation in dispute	-	22,787
Total current tax	<u>557,061</u>	<u>315,141</u>
Deferred tax	<u>(8,715)</u>	<u>(28,645)</u>
Tax on profit	<u>548,346</u>	<u>286,496</u>

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:

	2018	2017
	£	£
Profit before tax	<u>2,757,681</u>	<u>1,145,932</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.836%)	523,959	227,307
Effects of:		
Expenses not deductible for tax purposes	1,576	1,079
Adjustments to tax charge in respect of previous periods	1,729	(430)
Depreciation added back	59,184	58,784
Capital allowances	(29,908)	(44,108)
Corporation tax interest	521	(6)
Profit on disposal of assets	-	344
Amounts written off investments	-	49,384
Provision for taxation in dispute	-	22,787
Deferred tax charge	<u>(8,715)</u>	<u>(28,645)</u>
Total tax charge	<u>548,346</u>	<u>286,496</u>

Notes to the Financial Statements - continued
for the year ended 30 May 2018

10. TAXATION - continued

Tax effects relating to effects of other comprehensive income

		2018	
	Gross £	Tax £	Net £
Release of deferred tax	5,092	-	5,092
	<u>5,092</u>	<u>-</u>	<u>5,092</u>
		2017	
	Gross £	Tax £	Net £
Release of deferred tax	5,092	-	5,092
	<u>5,092</u>	<u>-</u>	<u>5,092</u>

The 2018 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 £20,367 due to the unwinding of the deferred tax over the life of the asset.

The 2017 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 £15,275 due to the unwinding of the deferred tax over the life of the asset.

The company has capital losses amounting to £249,000 available to be carried forward and used against future capital gains.

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 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 in the prior year 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. The tax in dispute has been fully paid but some of this may be returned to the company following the legal clarification or upon reaching a settlement with HMRC.

11. DIVIDENDS

	2018 £	2017 £
Ordinary share of £1 Interim	100,344	100,344
	<u>100,344</u>	<u>100,344</u>

Notes to the Financial Statements - continued
for the year ended 30 May 2018

12. TANGIBLE FIXED ASSETS

	Freehold property £	Improvements to property £	Plant and machinery £
COST OR VALUATION			
At 31 May 2017	2,695,000	389,050	1,114,944
Additions	-	105,114	61,100
At 30 May 2018	2,695,000	494,164	1,176,044
DEPRECIATION			
At 31 May 2017	255,900	197,684	418,104
Charge for year	53,900	98,665	122,569
At 30 May 2018	309,800	296,349	540,673
NET BOOK VALUE			
At 30 May 2018	2,385,200	197,815	635,371
At 30 May 2017	2,439,100	191,366	696,840
	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION			
At 31 May 2017	189,949	49,017	4,437,960
Additions	2,010	-	168,224
At 30 May 2018	191,959	49,017	4,606,184
DEPRECIATION			
At 31 May 2017	63,544	39,282	974,514
Charge for year	34,414	1,947	311,495
At 30 May 2018	97,958	41,229	1,286,009
NET BOOK VALUE			
At 30 May 2018	94,001	7,788	3,320,175
At 30 May 2017	126,405	9,735	3,463,446

Notes to the Financial Statements - continued
for the year ended 30 May 2018

12. TANGIBLE FIXED ASSETS - continued

The freehold property was re-valued at £2,695,000, based on the market value (DRC) in October 2012, as determined 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 deemed cost.

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

Cost	£
At 30 May 2017 and 30 May 2018	1,472,971
	<hr/>
Depreciation based on cost	
At 30 May 2017	130,297
Charge for the period	26,059
	<hr/>
At 30 May 2018	156,356
	<hr/>
Net book value	
At 30 May 2018	1,316,615
	<hr/>
At 31 May 2017	1,342,674
	<hr/>

13. FIXED ASSET INVESTMENTS

	Unlisted investments £
COST	
At 31 May 2017 and 30 May 2018	249,000
	<hr/>
PROVISIONS	
At 31 May 2017 and 30 May 2018	249,000
	<hr/>
NET BOOK VALUE	
At 30 May 2018	-
	<hr/>
At 30 May 2017	-
	<hr/>

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

14. STOCKS

	2018	2017
	£	£
Stocks	127,070	14,621
	<hr/>	<hr/>

The amount of stock recognised as an expense during the year was £52,299,715 (2017: £47,056,839).

Notes to the Financial Statements - continued
for the year ended 30 May 2018

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Trade debtors	5,784,844	6,119,151
Bad debt provision	(40,409)	(543,501)
Amounts owed by group undertakings	6,500,000	-
Other debtors	7,262	2,850
VAT	239,979	140,934
Prepayments and accrued income	156,780	156,903
	<u>12,648,456</u>	<u>5,876,337</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Bank loans and overdrafts (see note 18)	2,789,503	2,433,463
Trade creditors	430,372	370,682
Amounts owed to group undertakings	1,749,913	1,799,233
Tax	554,811	727,439
Social security and other taxes	55,859	81,345
Wages Control	47,710	72,148
Other creditors	-	36,663
Directors' current accounts	-	63,840
Accruals and deferred income	574,000	495,144
	<u>6,202,168</u>	<u>6,079,957</u>

The bank overdraft and the loans are secured by fixed and floating charges over the assets of the company.

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

	2018	2017
	£	£
Bank loans (see note 18)	<u>4,393,764</u>	<u>29,167</u>

18. LOANS

An analysis of the maturity of loans is given below:

	2018	2017
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	2,228,633	2,316,796
Bank loans	560,870	116,667
	<u>2,789,503</u>	<u>2,433,463</u>
Amounts falling due between one and two years:		
Bank loans	<u>557,240</u>	<u>29,167</u>
Amounts falling due between two and five years:		
Bank loans	<u>1,747,954</u>	<u>-</u>

Farmers Fresh Limited (Registered number: 03851239)

Notes to the Financial Statements - continued
for the year ended 30 May 2018

18. LOANS - continued

	2018 £	2017 £
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans	2,088,570	-
	<u>2,088,570</u>	<u>-</u>

The bank loans are subject to interest at 3.0% and 2.1% above the bank base rate and are secured by fixed and floating charges over the assets of the company.

19. LEASING AGREEMENTS

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

	2018 £	2017 £
Within one year	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

20. FINANCIAL INSTRUMENTS

The carrying value of the company's financial assets and liabilities are summarised by category below:

		2018 £	2017 £
Financial liabilities	See note		
Measured at fair value through profit and loss			
- Derivative liabilities	16	-	36,663
		<u>-</u>	<u>36,663</u>

The company's income, expense, gains and losses in respect of financial instruments are summarised below:

	2018 £	2017 £
Interest income and expense		
Total interest income for financial assets at amortised cost	-	-
Total interest expense for financial liabilities at amortised cost	-	36,663
	<u>-</u>	<u>36,663</u>

21. PROVISIONS FOR LIABILITIES

	2018 £	2017 £
Deferred tax		
Accelerated capital allowances	100,931	109,646
Other timing differences	224,039	229,131
	<u>324,970</u>	<u>338,777</u>

	Deferred tax £
Balance at 31 May 2017	338,777
Credit to Income Statement during year	(8,715)
Credit to OCI during year	(5,092)
Balance at 30 May 2018	<u>324,970</u>

Notes to the Financial Statements - continued
for the year ended 30 May 2018

22. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018 £	2017 £
1	Ordinary	£1	<u>1</u>	<u>1</u>

Called up share capital

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

23. RESERVES

	Retained earnings £	Revaluation reserve £	Totals £
At 31 May 2017	4,404,653	870,696	5,275,349
Profit for the year	2,209,335	-	2,209,335
Dividends	(100,344)	-	(100,344)
Release of deferred tax	-	5,092	5,092
Depreciation written back	24,441	(24,441)	-
	<u>6,538,085</u>	<u>851,347</u>	<u>7,389,432</u>
At 30 May 2018	6,538,085	851,347	7,389,432

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.

24. 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 2018 was £27,081 (2017: £25,210). The amount owed to the pension schemes at the year end was £5,049 (2017: £7,393).

25. CONTINGENT LIABILITIES

There is a contingent liability to the bank, in the form of a cross guarantee and debenture, dated 9th March 2018, including a fixed charge over the fixed assets and a floating charge over all the other assets of Farmers First Limited, Farmers Fresh Limited and Farmers Fresh (Wales) Limited.

The maximum amount payable is the net overdraft and bank loans of the group at each year end.

26. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

	2018 £	2017 £
Dividends paid	100,344	100,344
Management charges paid	134,088	205,355
Intercompany loan issued	5,000,000	-
Amount due from a related party	5,000,000	-
Amount due to a related party	<u>1,749,913</u>	<u>1,799,233</u>

Notes to the Financial Statements - continued
for the year ended 30 May 2018

26. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

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

	2018	2017
	£	£
Livestock purchases	767,382	869,536
Key management personnel consultancy	128,740	176,838
Key management personnel salary	188,536	198,831
Amount due from a related party	-	1,602
Amount due to a related party	-	63,840
	<u> </u>	<u> </u>

Other related parties

	2018	2017
	£	£
Amount due from a related party	1,500,000	-
	<u> </u>	<u> </u>

27. 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.