

Company registration number: 04584241

FRESHCUT FOODS LTD
FINANCIAL STATEMENTS
31 JANUARY 2016



FRESHCUT FOODS LTD

Company information

Directors

Mr A D Clarke
Mr P M Clee
Mr D Bondi

(Appointed 16 March 2016)

Secretary

Mrs E Clarke

Company number

04584241

Registered office

370-374 Nottingham Road
Newthorpe
Nottinghamshire
NG16 2ED

Business address

Units 14-16
Lilac Grove
Beeston
Nottingham
NG9 1PA

Auditors

Minshalls Limited
370-374 Nottingham Road
Newthorpe
Nottinghamshire
NG16 2ED

FRESHCUT FOODS LTD

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FRESHCUT FOODS LTD

STRATEGIC REPORT YEAR ENDED 31 JANUARY 2016

Principal activity and review of the business

The company is a limited by shares company that was incorporated in the UK. The principal activity of the company is that of a fresh vegetable processor. There have been no significant changes to the principal activity during the period under review and, as directors, we are not aware, at the date of this report, of any likely major changes in the next year.

Business review

As a company, we continue to maintain good customer relations to ensure repeat business, whilst we also aim to win new contracts and remain competitive in our area. The company is continually striving to develop new products to meet consumer demands and changing requirements, particularly in such a changing economic climate, whilst ensuring that current products are produced to the high standard expected by our customers.

We aim to deliver sustainability in everything we do, whether this applies to financial results or the way in which we drive health and safety improvements. Wider sustainability issues are becoming more and more important to our customers.

The directors believe that whilst the market place will continue to remain challenging the company is well placed to deal with such economic demands due to its positive stance in the industry and its strengthening financial position.

Results and dividends

The results for the year are set out on page 9. During the year dividends of £210,000 (2014: £Nil) were paid.

Key performance indicators

At the end of the financial year, the results of the company were positive. Turnover has risen to £16,436,696 (2015: £16,273,187), with the gross profit margin also increasing to 32.4% (2015: 29.3%).

Profit before tax for the year is £1,008,408 (2015: £1,019,888). The company carries out regular cost reviews and new methods and processes are continually being considered and implemented within the company to maintain profit margins.

In order to continue to maintain these profit margins and reduce long term costs, £170,320 (2015: £183,258) has been invested in fixed asset additions during the year.

The net assets of the company increased to £2,504,652 (2015: £1,917,075).

FRESHCUT FOODS LTD

STRATEGIC REPORT (CONTINUED) YEAR ENDED 31 JANUARY 2016

Financial risk management objectives and policies

The directors have considered the company's position in the current economy and consider the following to detail the principle risks and uncertainties faced by the company, together with processes in place to minimise any possible negative impact:

Competitor activity

The company operates in a highly competitive market. Significant product innovations, technical advances and intensification of price competition could adversely affect the company's results. The company continually works to streamline its cost base to ensure it remains competitive in the market.

Economic uncertainty

The company could be adversely affected by global business conditions and a worsening of the economy both generally and specifically in the UK. Factors such as taxation, interest rates, inflation, the availability and cost of credit, could significantly affect the activity level of customers. Whilst general economic conditions are outside of the company's control, we are responding to the current economic conditions by continually reviewing products offered to the market to ensure that we meet the requirements of the consumer. Given the uncertain consumer outlook, the company also continues to closely manage costs and cashflow.

Management of procurement costs

The company purchases a significant quantity of raw materials each year. The company's cost base can be affected by fluctuating raw material, services and energy prices. If these rises could not be reflected in the sales values on a timely basis, this would have an adverse effect on results. The directors negotiate prices and purchase agreements in advance to ensure the best possible prices are obtained, they also endeavour to put in place agreements for supply levels, particularly for products that may have suffered due to adverse growing conditions such as bad weather.

Food safety, Environmental and Health and Safety

As a processor of fresh vegetables, the company is subject to general market related risks, including product contamination and general food scares. Further, the company is also subject to rigorous and constantly evolving regulations of legislation in the areas of environmental protection and employee health and safety. The company maintains a strong technical department which sets high standards for hygiene, health and safety systems and environmental controls. The company takes external advice to ensure that they remain compliant with the ever changing regulatory environment, particularly in the areas of health and safety.

Changes in consumer behaviour and demand

In common with other food industry manufacturers, unforeseen changes in food consumption patterns and/or amendments to government legislation regarding the composition of food products may impact the company. The company works closely with its customers to adapt to changing consumer trends. The company also seeks to continually develop new products to ensure that it meets the requirements of the customer and consumer.

Suppliers

The company is dependent on the continuous supply of products from key suppliers. A loss of these suppliers could see short term disruption to the production levels of the company. The company uses a range of suppliers in various locations to ensure that products can be sourced throughout the year. The accounts department rigorously check the financial strength of suppliers for long term viability. Agreements are frequently entered into with suppliers to guarantee the availability of the quantity and quality of products.

FRESHCUT FOODS LTD

STRATEGIC REPORT (CONTINUED) YEAR ENDED 31 JANUARY 2016

Operational disruption

Disruption to operational activities due to fire, natural catastrophe, act of vandalism, critical plant failure or information systems problems could potentially impact on lead times for servicing customers. The company has robust security and business recovery plans in place to manage the impact of any such event. Regular risk reviews are conducted to consider these matters and insurance is in place to mitigate the financial impact.

Loss of key personnel

The ongoing success of the company is dependent on attracting and retaining high quality management and senior employees to manage the operations effectively. The risk is mitigated by strong recruitment processes used, long term management incentives and providing senior staff with access to development training.

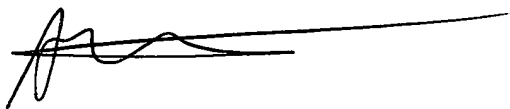
Foreign currency risk

The company imports certain raw materials for production. Due to this there are inherent risks associated with fluctuations in both foreign exchange rates and interest rates. The company has price agreements in place with suppliers to mitigate as much as possible against exchange rate movements. The company has minimal lending to limit its exposure to interest rate fluctuations.

Taxation

The company is subject to taxation and change in tax legislation which could impact on the results and cashflow. The directors regularly monitor changes in tax legislation and obtain external advice to respond to such changes.

This report was approved by the board of directors on 27 July 2016 and signed on behalf of the board by:

A handwritten signature in black ink, consisting of a stylized 'A' followed by a series of loops and a long horizontal stroke extending to the right.

Mr A D Clarke
Director

FRESHCUT FOODS LTD

DIRECTORS REPORT YEAR ENDED 31 JANUARY 2016

The directors present their report and the financial statements of the company for the year ended 31 January 2016.

Directors

The directors who served the company during the year were as follows:

Mr A D Clarke

Mr P M Clee

Mr D Bondi (Appointed 16 March 2016)

Dividends

Particulars of recommended dividends are detailed in note 11 to the financial statements.

Future developments

We are confident that the company is well positioned for growth. We continue to invest in the business to ensure that we can capitalise upon new opportunities in the food sector and realise our potential even during these uncertain economic times.

The company's overall strategy continues to be the supply of quality products, with focus on commitments to high standards of food safety.

Financial Instruments

The company consistently monitors its cashflow position. Risks associated with financial instruments are fully explained in the Strategic report.

Disclosure of information in the strategic report.

In accordance with Section 414C (11) of the Companies Act 2006, items which are required to be disclosed under Section 7 are disclosed in the Strategic Report rather than the Directors' Report.

Statement of directors responsibilities

The directors are responsible for preparing the strategic report, directors report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 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 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.

FRESHCUT FOODS LTD

DIRECTORS REPORT (CONTINUED)
YEAR ENDED 31 JANUARY 2016

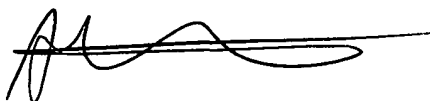
Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware;
and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 27 July 2016 and signed on behalf of the board by:

A handwritten signature in black ink, consisting of a stylized 'A' followed by a series of loops and a long horizontal stroke.

Mr A D Clarke
Director

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
FRESHCUT FOODS LTD
YEAR ENDED 31 JANUARY 2016**

We have audited the financial statements of Freshcut Foods Ltd for the year ended 31 January 2016 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and related notes. 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 FRS102 The Financial Reporting Standard applicable in the UK.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors responsibilities, 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 Directors responsibilities 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 Directors report and the Strategic report 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 directors affairs as at 31 January 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

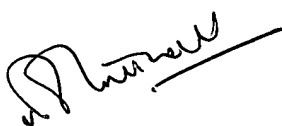
In our opinion the information given in the Directors report and the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
FRESHCUT FOODS LTD (CONTINUED)
YEAR ENDED 31 JANUARY 2016**

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 the 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.



Mr Mark R Minshall BA FCA (Senior statutory auditor)

For and on behalf of
Minshalls Limited
Chartered Accountants and Statutory Auditors
370-374 Nottingham Road
Newthorpe
Nottinghamshire
NG16 2ED

Date: 27 July 2016

FRESHCUT FOODS LTD

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 JANUARY 2016

	Note	2016 £	2015 £
Turnover	3	16,436,696	16,273,187
Cost of sales		(11,113,453)	(11,501,159)
Gross profit		<u>5,323,243</u>	<u>4,772,028</u>
Distribution costs		(1,035,714)	(931,706)
Administrative expenses		(3,280,568)	(2,818,503)
Operating profit	4	<u>1,006,961</u>	<u>1,021,819</u>
Other interest receivable and similar income	8	3,636	951
Interest payable and similar charges	9	(2,189)	(2,882)
Profit on ordinary activities before taxation		<u>1,008,408</u>	<u>1,019,888</u>
Tax on profit on ordinary activities	10	(210,831)	(203,659)
Profit for the financial year and total comprehensive income		<u><u>797,577</u></u>	<u><u>816,229</u></u>

All the activities of the company are from continuing operations.

The notes on pages 13 to 25 form part of these financial statements.

FRESHCUT FOODS LTD

**STATEMENT OF FINANCIAL POSITION
31 JANUARY 2016**

	Note	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	12	425,559		468,908	
			425,559		468,908
Current assets					
Stocks	13	284,566		250,934	
Debtors	14	2,731,385		2,429,936	
Cash at bank and in hand		1,774,277		662,491	
		4,790,228		3,343,361	
Creditors: amounts falling due within one year	15	(2,699,801)		(1,869,410)	
Net current assets			2,090,427		1,473,951
Total assets less current liabilities			2,515,986		1,942,859
Creditors: amounts falling due after more than one year	16		(4,756)		(23,356)
Provisions for liabilities	19		(6,578)		(2,428)
Net assets			2,504,652		1,917,075
Capital and reserves					
Called up share capital	22		5,538		5,538
Capital redemption reserve	23		40		40
Share option reserve	23		5,227		5,227
Profit and loss account	23		2,493,847		1,906,270
Shareholders funds			2,504,652		1,917,075

The notes on pages 13 to 25 form part of these financial statements.

FRESHCUT FOODS LTD

STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 JANUARY 2016

These financial statements were approved by the board of directors and authorised for issue on 27 July 2016, and are signed on behalf of the board by:

A handwritten signature in black ink, appearing to be 'A D Clarke', with a long horizontal line extending to the right.

Mr A D Clarke
Director

Company registration number: 04584241

The notes on pages 13 to 25 form part of these financial statements.

FRESHCUT FOODS LTD

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 JANUARY 2016**

	Called up share capital £	Capital redemption reserve £	Share option reserve £	Profit and loss account £	Total £
At 1 February 2014	5,060	40	-	1,090,041	1,095,141
Profit for the year				816,229	816,229
Total comprehensive income for the year	-	-	-	816,229	816,229
Issue of shares	478				478
Issue of options, rights and warrants			5,227		5,227
Total investments by and distributions to owners	478	-	5,227	-	5,705
At 31 January 2015	<u>5,538</u>	<u>40</u>	<u>5,227</u>	<u>1,906,270</u>	<u>1,917,075</u>
Profit for the year				797,577	797,577
Total comprehensive income for the year	-	-	-	797,577	797,577
Dividends paid and payable				(210,000)	(210,000)
Total investments by and distributions to owners	-	-	-	(210,000)	(210,000)
At 31 January 2016	<u>5,538</u>	<u>40</u>	<u>5,227</u>	<u>2,493,847</u>	<u>2,504,652</u>

FRESHCUT FOODS LTD

STATEMENT OF CASH FLOWS YEAR ENDED 31 JANUARY 2016

	2016	2015
	£	£
Cash flows from operating activities		
Profit for the financial year	797,577	816,229
<i>Adjustments for:</i>		
Depreciation of tangible assets	171,951	179,212
Other interest receivable and similar income	(3,636)	(951)
Interest payable and similar charges	2,189	2,882
Gain/(loss) on disposal of tangible assets	30,969	11,240
Tax on profit on ordinary activities	210,831	203,659
Accrued expenses/(income)	89,607	(26,631)
<i>Changes in:</i>		
Stocks	(33,632)	(29,812)
Trade and other debtors	(284,683)	(300,721)
Trade and other creditors	731,189	48,843
Cash generated from operations	1,712,362	903,950
Interest paid	(2,189)	(2,882)
Interest received	3,636	951
Tax paid	(213,852)	(138,435)
Net cash from operating activities	<u>1,499,957</u>	<u>763,584</u>
Cash flows from investing activities		
Purchase of tangible assets	(170,320)	(183,258)
Proceeds from sale of tangible assets	10,749	5,992
Net cash used in investing activities	<u>(159,571)</u>	<u>(177,266)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	478
Recognition of equity-settled share-based payments	-	5,227
Payment of finance lease liabilities	(18,600)	24,480
Equity dividends paid	(210,000)	-
Net cash (used in)/from financing activities	<u>(228,600)</u>	<u>30,185</u>
Net increase/(decrease) in cash and cash equivalents	1,111,786	616,503
Cash and cash equivalents at beginning of year	662,491	45,988
Cash and cash equivalents at end of year	<u>1,774,277</u>	<u>662,491</u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JANUARY 2016

1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

2. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 February 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 29.

Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer, usually on despatch of the goods; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case, tax is recognised in other comprehensive income or directly in capital and reserves, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 JANUARY 2016

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	Straight line over 3 years
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If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Research and development

Research expenditure is written off in the year in which it is incurred.

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
 - There is the intention to complete the intangible asset and use or sell it;
 - There is the ability to use or sell the intangible asset;
 - The use or sale of the intangible asset will generate probable future economic benefits;
 - There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
 - The expenditure attributable to the intangible asset during its development can be measured reliably.
- Expenditure that does not meet the above criteria is expensed as incurred.

Tangible assets

Tangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated depreciation and impairment losses.

Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in capital and reserves, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in capital and reserves in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in capital and reserves in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	-	10% - 25% straight line
Fittings, fixtures and equipment	-	20% - 33% straight line

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of tangible assets, the depreciation is revised prospectively to reflect the new estimates.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **YEAR ENDED 31 JANUARY 2016**

Impairment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

When it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

Hire purchase and finance leases

Assets held under finance leases are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event; it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised in finance costs in profit or loss in the period it arises.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 JANUARY 2016

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets or either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised in finance costs in profit or loss in the period in which it arises.

3. Turnover

Turnover arises from:

	2016	2015
	£	£
Sale of goods	16,436,696	16,273,187

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

4. Operating profit

Operating profit is stated after charging/(crediting):

	2016	2015
	£	£
Depreciation of tangible assets	171,951	179,212
(Gain)/loss on disposal of tangible assets	30,969	11,240
Operating lease rentals	115,000	115,000
Defined contribution plans expense	289,449	145,497
Fees payable for the audit of the financial statements	11,000	11,000

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **YEAR ENDED 31 JANUARY 2016**

5. Auditors remuneration

	2016	2015
	£	£
Fees payable to Minshalls Limited		
Fees payable for the audit of the financial statements	<u>11,000</u>	<u>11,000</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	25,696	25,858
Interim audit of management accounts	<u>7,000</u>	<u>-</u>
	<u>32,696</u>	<u>25,858</u>

6. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2016	2015
Production staff	117	120
Administrative staff	38	36
Management staff	<u>2</u>	<u>2</u>
	<u>157</u>	<u>158</u>

The aggregate payroll costs incurred during the year were:

	2016	2015
	£	£
Wages and salaries	3,779,453	3,520,538
Social security costs	311,380	255,666
Other pension costs	<u>289,449</u>	<u>145,497</u>
	<u>4,380,282</u>	<u>3,921,701</u>

FRESHCUT FOODS LTD**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
YEAR ENDED 31 JANUARY 2016**7. Directors' remuneration**

The directors aggregate remuneration in respect of qualifying services was:

	2016	2015
	£	£
Remuneration	294,447	299,396
Company contributions to pension schemes	163,500	80,000
	<u>457,947</u>	<u>379,396</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2016	2015
	Number	Number
Defined contribution plans	<u>2</u>	<u>2</u>

Remuneration of the highest paid directors in respect of qualifying services:

	2016	2015
	£	£
Aggregate remuneration	157,546	158,704
Company contributions to pension plans	81,750	40,000
	<u>239,296</u>	<u>198,704</u>

8. Other interest receivable and similar income

	2016	2015
	£	£
Bank deposits	3,252	945
Other interest receivable and similar income	384	6
	<u>3,636</u>	<u>951</u>

9. Interest payable and similar charges

	2016	2015
	£	£
Bank loans and overdrafts	-	20
Finance leases and hire purchase contracts	1,273	2,851
Invoice discounting facility	-	11
Other interest payable and similar charges	916	-
	<u>2,189</u>	<u>2,882</u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 JANUARY 2016

10. Tax on profit on ordinary activities

Major components of tax expense

	2016 £	2015 £
Current tax:		
UK current tax expense	223,457	213,868
Adjustments in respect of previous periods	(10)	-
Total UK current tax	<u>223,447</u>	<u>213,868</u>
Total current tax	223,447	213,868
Deferred tax:		
Origination and reversal of timing differences	(11,571)	3,057
Deferred tax adjust previous year	(1,045)	(13,266)
Total deferred tax	<u>(12,616)</u>	<u>(10,209)</u>
Tax on profit on ordinary activities	<u>210,831</u>	<u>203,659</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 21%).

A reconciliation is given below:

	2016 £	2015 £
Profit on ordinary activities before taxation	<u>1,008,408</u>	<u>1,019,888</u>
Profit on ordinary activities by rate of tax	203,900	217,542
Adjustments in respect of prior periods	(10)	-
Effect of expenses not deductible for tax purposes	19,630	(1,865)
Effect of capital allowances and depreciation	(11,553)	3,032
Effect due to rate alteration	(91)	(182)
Marginal Relief	-	(1,602)
Adjustments to tax charge in respect of previous periods	(1,045)	(13,266)
Tax on profit on ordinary activities	<u>210,831</u>	<u>203,659</u>

11. Dividends

Equity dividends

	2016 £	2015 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>210,000</u>	<u>-</u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 JANUARY 2016

12. Tangible assets

	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 February 2015	1,661,311	117,309	1,778,620
Additions	155,749	14,571	170,320
Disposals	(82,335)	-	(82,335)
At 31 January 2016	1,734,725	131,880	1,866,605
Depreciation			
At 1 February 2015	1,229,185	80,527	1,309,712
Charge for the year	144,043	27,908	171,951
Disposals	(40,617)	-	(40,617)
At 31 January 2016	1,332,611	108,435	1,441,046
Carrying amount			
At 31 January 2016	402,114	23,445	425,559
At 31 January 2015	432,126	36,782	468,908

Obligations under finance leases

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery £
At 31 January 2016	39,267
At 31 January 2015	51,667

13. Stocks

	2016 £	2015 £
Raw materials and consumables	242,937	222,470
Finished goods	41,629	28,464
	284,566	250,934

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 JANUARY 2016

14. Debtors

	2016	2015
	£	£
Trade debtors	2,361,326	1,796,400
Amount due from invoice discounting facility	120,112	239,377
Deferred tax asset (note 18)	16,766	-
Prepayments and accrued income	90,856	82,690
Other debtors	142,325	311,469
	<u>2,731,385</u>	<u>2,429,936</u>

15. Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	1,291,607	925,384
Accruals and deferred income	354,669	265,062
Corporation tax	223,457	213,862
Social security and other taxes	67,812	65,579
Obligations under finance leases	18,600	18,600
Other creditors	743,656	380,923
	<u>2,699,801</u>	<u>1,869,410</u>
Secured liabilities	<u>18,600</u>	<u>18,600</u>

Amounts due under finance leases and hire purchase agreements are secured by fixed and floating charges over the assets.

HSBC Bank Plc has a fixed and floating charge in place over the assets of the business for any liability that may become due to them.

The average interest rate for the lending facilities in the year was 6.84%.

16. Creditors: amounts falling due after more than one year

	2016	2015
	£	£
Obligations under finance leases	<u>4,756</u>	<u>23,356</u>
Secured liabilities	<u>4,756</u>	<u>23,356</u>

Amounts due under finance leases and hire purchase agreements are secured by fixed and floating charges over the assets.

The average interest rate for the lending facilities in the year was 6.84%.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 JANUARY 2016

17. Obligations under finance leases and hire purchase contracts

Company lessee

The total future minimum lease payments under hire purchase and finance lease agreements are as follows:

	2016 £	2015 £
Not later than 1 year	18,600	18,600
Later than 1 year and not later than 5 years	4,756	23,356
	<u>23,356</u>	<u>41,956</u>
Present value of minimum lease payments	<u>23,356</u>	<u>41,956</u>

18. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2016 £	2015 £
Included in debtors (note 14)	16,766	-
Included in provisions (note 19)	(6,578)	(2,428)
	<u>10,188</u>	<u>(2,428)</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2016 £	2015 £
Accelerated capital allowances	(29,324)	(24,755)
Provisions	22,746	22,327
Other short term timing differences	16,766	-
	<u>10,188</u>	<u>(2,428)</u>

19. Provisions

	Deferred tax (note 18) £
At 1 February 2015	2,428
Additions	4,150
At 31 January 2016	<u>6,578</u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 JANUARY 2016

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss in relation to defined contribution plans was £289,449 (2015:£145,497).

21. Share-based payments

The company has a share option scheme for its senior management team. Options are exercisable at a price equal to the average market price of the company's shares on the date of grant. The options are exercisable on conditional events, or before the expiry date in September 2024. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee ceases to be an eligible employee before the options vest, except in the case of death of the employee or ill health, injury or disability in which case the option period continues for reduced periods.

Details of the number and weighted average exercise prices (WAEP) of share options during the year are as follows:

	2016		2015	
	No.	WAEP	No.	WAEP
Outstanding at 1 February 2015	142	5,227.02	-	-
Granted during the year	307	69,075.00	142	5,227.02
Outstanding at 31 January 2016	<u>449</u>	<u>74,302.02</u>	<u>142</u>	<u>5,227.02</u>

22. Called up share capital Issued, called up and fully paid

	2016		2015	
	No	£	No	£
Ordinary A shares shares of £ 1.00 each	<u>5,538</u>	<u>5,538</u>	<u>5,538</u>	<u>5,538</u>

23. Reserves

Capital redemption reserve

The capital redemption reserve represents a non-distributable reserve into which amounts have been transferred following the redemption or purchase of the company's own shares.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **YEAR ENDED 31 JANUARY 2016**

24. Operating leases

The company as lessee

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	£	£
Not later than 1 year	135,628	125,721
Later than 1 year and not later than 5 years	345,551	426,689
	<u>481,179</u>	<u>552,410</u>

25. Contingent assets and liabilities

During the year cross guarantees in relation to the bank facilities were in place between Freshcut Foods Ltd and Fresh Mediterranean Foods Ltd, a company in which the directors have an interest. There was no liability at the year end.

26. Directors advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company:

	Advances/(credits) to the directors		Amounts repaid		Balance outstanding	
	2016	2015	2016	2015	2016	2015
	£	£	£	£	£	£
Mr A D Clarke	3,307	101,693	(105,000)	-	-	101,693
Mr P M Clee	5,000	100,000	(105,000)	-	-	100,000
	<u>8,307</u>	<u>201,693</u>	<u>(210,000)</u>	<u>-</u>	<u>-</u>	<u>201,693</u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 JANUARY 2016

27. Related party transactions

During the year the company entered into the following transactions with related parties:

	Transaction value		Balance owed by/(owed to)	
	2016	2015	2016	2015
	£	£	£	£
Fresh Mediterranean Foods Ltd	(1,576,871)	(1,193,729)	44,483	35,790
Fresh Mediterranean Foods Ltd	-	-	(608,388)	(260,894)
Old Fresh Med Ltd	-	(288,023)	-	(89,056)
Altech Software Ltd	46,682	24,543	-	7,500

The directors have an interest in all of the above companies. All balances are unsecured, interest free and repayable on demand.

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £ 568,013 (2015: £ 536,573).

28. Controlling party

The company is controlled by Mr A Clarke and Mr P Clee by virtue of the fact that together they own 100% of the issued share capital.

29. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1 February 2014.

Reconciliation of equity

No transitional adjustments were required.

Reconciliation of profit or loss for the year

No transitional adjustments were required.