

FRESHCUT FOODS LTD

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 JANUARY 2015

Registration number: 04584241

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

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FRESHCUT FOODS LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2015

The directors present their strategic report and the financial statements for the year ended 31 January 2015.

Principal activity and review of the business

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 the directors 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 8.

Key performance indicators

At the end of the financial year, the results of the company were positive. Turnover has risen to £16,273,187 (2014: £14,088,112), with the gross profit margin also increasing to 29.3% (2014: 27.3%).

Profit before tax for the year is £1,019,888 (2014: £488,133). 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, £183,258 (2014: £76,922) has been invested in fixed asset additions during the year.

The net assets of the company increased to £1,917,075 (2014: £1,095,141).

FRESHCUT FOODS LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2015

..... continued

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 costs 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.

FRESHCUT FOODS LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2015

..... continued

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.

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.

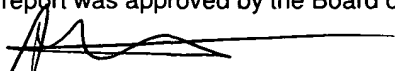
The directors regularly monitor changes in tax legislation and obtain external advice to respond to such changes.

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 commitment to high standards of food safety.

This report was approved by the Board on 11 June 2015 and signed on its behalf by



Mr A D Clarke
Director

Registered office:
370-374 Nottingham Road
Newthorpe
Nottinghamshire
NG16 2ED

FRESHCUT FOODS LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2015

The directors present their report and the financial statements for the year ended 31 January 2015.

Principal activity and review of the business

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 the directors are not aware, at the date of this report, of any likely major changes in the next year.

Results and dividends

The results for the year are set out on page 8.

The directors do not recommend payment of a final dividend.

Purchase of own shares

During the prior year the company purchased the forty B £1 shares in issue for £80,000. The shares were purchased for the long term benefit of the company. The shares were held by individuals who did not have an active role in the business and therefore it was deemed more appropriate for them to be repurchased so the entire control would be held by the Directors.

Directors

The directors who served during the year are as stated below:

Mr A D Clarke

Mr P M Clee

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 of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and 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
FOR THE YEAR ENDED 31 JANUARY 2015**

..... continued

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

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has 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.


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.

Auditors

Minshalls Limited are deemed to be reappointed in accordance with Section 487(2) of the Companies Act 2006.

This report was approved by the Board on 11 June 2015 and signed on its behalf by



Mr A D Clarke
Director

Registered office:
370-374 Nottingham Road
Newthorpe
Nottinghamshire

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FRESHCUT FOODS LTD

We have audited the financial statements of Freshcut Foods Ltd for the year ended 31 January 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 - 5, 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 and Directors' 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 company's affairs as at 31 January 2015 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

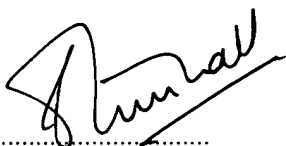
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
FRESHCUT FOODS LTD**

.....continued

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.



.....
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: 11 June 2015

FRESHCUT FOODS LTD

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2015**

| | | Continuing operations | |
|---|--------------|------------------------------|--------------|
| | | 2015 | 2014 |
| | Notes | £ | £ |
| Turnover | 2 | 16,273,187 | 14,088,112 |
| Cost of sales | | (11,501,159) | (10,239,377) |
| Gross profit | | 4,772,028 | 3,848,735 |
| Distribution costs | | (931,706) | (777,830) |
| Administrative expenses | | (2,818,503) | (2,664,236) |
| Other operating income | | - | 87,900 |
| Operating profit | 3 | 1,021,819 | 494,569 |
| Other interest receivable and similar income | 5 | 951 | 78 |
| Interest payable and similar charges | 6 | (2,882) | (6,514) |
| Profit on ordinary activities before taxation | | 1,019,888 | 488,133 |
| Tax on profit on ordinary activities | 9 | (203,659) | (129,267) |
| Profit for the year | 20 | 816,229 | 358,866 |
| Statement of total recognised gains and losses | | | |
| Profit on ordinary activities after taxation | | 816,229 | 358,866 |
| Equity-settled-share-based payment charged to the profit and loss account | | 5,227 | - |
| Total recognised gains since last annual report | | 821,456 | 358,866 |

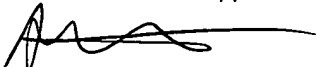
The notes on pages 11 to 24 form an integral part of these financial statements.

FRESHCUT FOODS LTD - 04584241

BALANCE SHEET
AS AT 31 JANUARY 2015

| | Notes | 2015 | | 2014 | |
|--|-------|--------------------|------------------|--------------------|------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 11 | | 468,908 | | 482,095 |
| Current assets | | | | | |
| Stocks | 12 | 250,934 | | 221,122 | |
| Debtors | 13 | 2,429,936 | | 2,217,115 | |
| Cash at bank and in hand | | 662,491 | | 45,988 | |
| | | <u>3,343,361</u> | | <u>2,484,225</u> | |
| Creditors: amounts falling due within one year | 14 | <u>(1,869,410)</u> | | <u>(1,858,542)</u> | |
| Net current assets | | | <u>1,473,951</u> | | <u>625,683</u> |
| Total assets less current liabilities | | | 1,942,859 | | 1,107,778 |
| Creditors: amounts falling due after more than one year | 15 | | (23,356) | | - |
| Provisions for liabilities | 16 | | <u>(2,428)</u> | | <u>(12,637)</u> |
| Net assets | | | <u>1,917,075</u> | | <u>1,095,141</u> |
| Capital and reserves | | | | | |
| Called up share capital | 19 | | 5,538 | | 5,060 |
| Share options reserve | 20 | | 5,227 | | - |
| Other reserves | 20 | | 40 | | 40 |
| Profit and loss account | 20 | | <u>1,906,270</u> | | <u>1,090,041</u> |
| Shareholders' funds | 21 | | <u>1,917,075</u> | | <u>1,095,141</u> |

These accounts were approved by the directors on 11 June 2015, and are signed on their behalf by:


Mr A D Clarke
Director

The notes on pages 11 to 24 form an integral part of these financial statements.

FRESHCUT FOODS LTD

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2015**

| | Notes | 2015 £ | 2014 £ |
|--|-------|----------------|-----------------|
| Reconciliation of operating profit to net cash inflow from operating activities | | | |
| Operating profit | | 1,021,819 | 494,569 |
| Depreciation | | 190,453 | 273,352 |
| (Increase) in stocks | | (29,812) | (31,554) |
| (Increase) in debtors | | (212,821) | (618,970) |
| (Decrease) in creditors | | (65,688) | 123,840 |
| Net cash inflow from operating activities | | <u>903,951</u> | <u>241,237</u> |
| Cash flow statement | | | |
| Net cash inflow from operating activities | | 903,951 | 241,237 |
| Returns on investments and servicing of finance | 27 | (1,931) | (6,436) |
| Taxation | 27 | (138,436) | (73,924) |
| Capital expenditure | 27 | (177,266) | (76,922) |
| | | <u>586,318</u> | <u>83,955</u> |
| Financing | 27 | 30,185 | (127,243) |
| Increase in cash in the year | | <u>616,503</u> | <u>(43,288)</u> |
| Reconciliation of net cash flow to movement in net funds (Note 28) | | | |
| Increase in cash in the year | | 616,503 | (43,288) |
| Cash outflow from decrease in debts and lease financing | | 49,920 | 46,843 |
| Change in net funds resulting from cash flows | | 666,423 | 3,555 |
| New finance leases and hire purchase contracts | | (74,400) | - |
| Movement in net funds in the year | | <u>592,023</u> | <u>3,555</u> |
| Net funds at 1 February 2014 | | <u>28,511</u> | <u>24,956</u> |
| Net funds at 31 January 2015 | | <u>620,534</u> | <u>28,511</u> |

FRESHCUT FOODS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2015****1. Accounting policies****1.1. Accounting convention**

The financial statements are prepared under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board.

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year. Sales of goods are recognised when goods are delivered and title has passed.

1.3. Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 3 years.

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

| | | |
|----------------------------------|---|-------------------------|
| Plant and machinery | - | 10% - 25% straight line |
| Fixtures, fittings and equipment | - | 20 - 25% straight line |

1.5. Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6. Stock

Stock is valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred bringing the stock to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion.

1.7. Share based payments

The company issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest.

FRESHCUT FOODS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2015**

..... continued

1.8. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings.

1.9. Deferred taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

3. Operating profit

| | 2015 £ | 2014 £ |
|---|-------------------|-------------------|
| Operating profit is stated after charging: | | |
| Depreciation | | |
| - written off owned tangible fixed assets | 168,880 | 260,585 |
| - written off tangible fixed assets on HP/Finance lease | 10,333 | 12,767 |
| Loss on disposal of tangible fixed assets | 11,240 | - |
| Operating lease rentals | | |
| - Land and buildings | 115,000 | 115,000 |
| - Office equipment | - | 2,817 |
| Auditors' remuneration (Note 4) | 11,000 | 8,500 |
| Auditors' remuneration from non-audit work (Note 4) | 25,828 | 10,148 |
| | <u> </u> | <u> </u> |

4. Auditors' remuneration

| | 2015 £ | 2014 £ |
|--|-------------------|-------------------|
| Auditors' remuneration - audit of the financial statements | 11,000 | 8,500 |
| | <u> </u> | <u> </u> |
| Auditors' remuneration - other fees: | | |
| - taxation compliance services | 25,828 | 10,148 |
| | <u> </u> | <u> </u> |

5. Interest receivable and similar income

| | 2015 £ | 2014 £ |
|----------------|-------------------|-------------------|
| Bank interest | 945 | 78 |
| Other interest | 6 | - |
| | <u> </u> | <u> </u> |
| | 951 | 78 |
| | <u> </u> | <u> </u> |

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2015

..... continued

6. Interest payable and similar charges

Interest payable on loans and overdrafts
Hire purchase interest
Interest payable on invoice discounting facility

| 2015 | 2014 |
|--------------|--------------|
| £ | £ |
| 20 | - |
| 2,851 | 3,909 |
| 11 | 2,605 |
| <u>2,882</u> | <u>6,514</u> |

7. Employees

Number of employees

The average monthly numbers of employees
(including the directors) during the year were:

| | 2015 Number | 2014 Number |
|----------------------|----------------|----------------|
| Production staff | 120 | 116 |
| Administration staff | 36 | 35 |
| Management staff | 2 | 2 |
| | <u>158</u> | <u>153</u> |

Employment costs

| | 2015 £ | 2014 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 3,511,461 | 3,439,668 |
| Social security costs | 255,666 | 242,374 |
| Pension costs | 145,497 | 136,456 |
| | <u>3,912,624</u> | <u>3,818,498</u> |

FRESHCUT FOODS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2015**

..... continued

7.1. Directors' remuneration

| | 2015 | 2014 |
|---|----------------|----------------|
| | £ | £ |
| Remuneration and other emoluments | 299,396 | 292,343 |
| Pension contributions | 80,000 | 80,000 |
| | <u>379,396</u> | <u>372,343</u> |
| | Number | Number |
| Number of directors to whom retirement benefits are accruing under a money purchase scheme | <u>2</u> | <u>2</u> |
| Highest paid director | £ | £ |
| Amounts included above: | | |
| Emoluments and other benefits | 158,704 | 157,827 |
| Pension contributions | 40,000 | 40,000 |
| | <u>198,704</u> | <u>197,827</u> |

8. Pension costs

The company operates a defined contribution pension scheme in respect of the directors and employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £145,497 (2014 : £136,456).

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2015

..... continued

9. Tax on profit on ordinary activities

| Analysis of charge in period | 2015 £ | 2014 £ |
|--|-----------------|----------------|
| Current tax | | |
| UK corporation tax at 21.33% (2014 - 23.17%) | 213,868 | 138,423 |
| Adjustments in respect of previous periods | - | (1,350) |
| | <u>213,868</u> | <u>137,073</u> |
| Total current tax charge | <u>213,868</u> | <u>137,073</u> |
| Deferred tax | | |
| Timing differences, origination and reversal | 3,057 | (7,806) |
| Prior period adjustments | (13,266) | - |
| Total deferred tax | <u>(10,209)</u> | <u>(7,806)</u> |
| Tax on profit on ordinary activities | <u>203,659</u> | <u>129,267</u> |

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (21.33 per cent). The differences are explained below:

| | 2015 £ | 2014 £ |
|---|------------------|----------------|
| Profit on ordinary activities before taxation | <u>1,019,888</u> | <u>488,133</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.33% (31 January 2014 : 23.17%) | 217,542 | 113,100 |
| Effects of: | | |
| Expenses not deductible for tax purposes | (1,865) | 22,392 |
| Capital allowances for period in excess of depreciation | 3,032 | (6,029) |
| Adjustments to tax charge in respect of previous periods | (13,266) | (1,350) |
| Effect due to rate alteration | (182) | 1,154 |
| Marginal Relief | (1,602) | - |
| Current tax charge for period | <u>203,659</u> | <u>129,267</u> |

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2015

..... continued

10. Intangible fixed assets

| | Goodwill £ | Total £ |
|---------------------|---------------|------------|
| Cost | | |
| At 1 February 2014 | 313,508 | 313,508 |
| At 31 January 2015 | 313,508 | 313,508 |
| Amortisation | | |
| At 1 February 2014 | 313,508 | 313,508 |
| At 31 January 2015 | 313,508 | 313,508 |

11. Tangible fixed assets

| | Plant and machinery £ | Fixtures, fittings and equipment £ | Total £ |
|------------------------|--------------------------|---|------------|
| Cost | | | |
| At 1 February 2014 | 1,521,121 | 107,786 | 1,628,907 |
| Additions | 173,734 | 9,524 | 183,258 |
| Disposals | (33,545) | - | (33,545) |
| At 31 January 2015 | 1,661,310 | 117,310 | 1,778,620 |
| Depreciation | | | |
| At 1 February 2014 | 1,087,446 | 59,366 | 1,146,812 |
| On disposals | (16,313) | - | (16,313) |
| Charge for the year | 158,052 | 21,161 | 179,213 |
| At 31 January 2015 | 1,229,185 | 80,527 | 1,309,712 |
| Net book values | | | |
| At 31 January 2015 | 432,125 | 36,783 | 468,908 |
| At 31 January 2014 | 433,675 | 48,420 | 482,095 |

Included above are assets held under finance leases or hire purchase contracts as follows:

| Asset description | 2015 | | 2014 | |
|---------------------|------------------------|-----------------------------|------------------------|-----------------------------|
| | Net book value £ | Depreciation charge £ | Net book value £ | Depreciation charge £ |
| Plant and machinery | 51,667 | 10,333 | 81,388 | 12,767 |

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS
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| 12. Stocks | 2015 £ | 2014 £ |
|--|------------------|------------------|
| Raw materials and consumables | 222,470 | 201,114 |
| Finished goods and goods for resale | 28,464 | 20,008 |
| | <u>250,934</u> | <u>221,122</u> |
| 13. Debtors | 2015 £ | 2014 £ |
| Trade debtors | 1,796,400 | 1,676,043 |
| Amount owed by invoice discounting facility | 239,377 | 320,401 |
| Amount owed by connected companies | 43,290 | 18,977 |
| Other debtors | 268,179 | 46,230 |
| Prepayments and accrued income | 82,690 | 155,464 |
| | <u>2,429,936</u> | <u>2,217,115</u> |
| 14. Creditors: amounts falling due within one year | 2015 £ | 2014 £ |
| Net obligations under finance leases and hire purchase contracts | 18,600 | 17,476 |
| Trade creditors | 925,384 | 895,884 |
| Amounts owed to connected companies | 349,950 | 360,000 |
| Corporation tax | 213,862 | 138,430 |
| Other taxes and social security costs | 65,579 | 56,010 |
| Other creditors | 30,973 | 11,149 |
| Accruals and deferred income | 265,062 | 379,593 |
| | <u>1,869,410</u> | <u>1,858,542</u> |
| Aggregate of secured liabilities | <u>18,600</u> | <u>17,476</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%.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS
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| 15. Creditors: amounts falling due after more than one year | 2015 £ | 2014 £ |
|---|---------------|-----------|
| Net obligations under finance leases and hire purchase contracts | 23,356 | - |
| Aggregate of secured liabilities | <u>23,356</u> | <u>-</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%.

16. Provisions for liabilities

| | Deferred taxation (Note 17) £ | Total £ |
|-----------------------|--|--------------|
| At 1 February 2014 | 12,637 | 12,637 |
| Movements in the year | (10,209) | (10,209) |
| At 31 January 2015 | <u>2,428</u> | <u>2,428</u> |

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS
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| 17. Provision for deferred taxation | 2015 £ | 2014 £ |
|--|--------------|---------------|
| Accelerated capital allowances | 24,756 | 12,637 |
| Other short term timing differences | (22,328) | - |
| Provision for deferred tax | <u>2,428</u> | <u>12,637</u> |
| Provision at 1 February 2014 | 12,637 | |
| Deferred tax credit in profit and loss account | (10,209) | |
| Provision at 31 January 2015 | <u>2,428</u> | |

18. Share Based Payments

Equity-settled 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 of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

| | 2015 | |
|------------------------------------|------------|-----------------|
| | No. | WAEP £ |
| Granted during the year | 142 | 5,227.02 |
| Outstanding at the end of the year | <u>142</u> | <u>5,227.02</u> |

In the year ended 31 January 2015, options were granted on 18 September 2014. The estimated fair value of the options granted was calculated and agreed with H M Revenue and Customs.

| | |
|---------------------------------------|-----------------|
| Weighted average share price - £36.81 | <u>5,227.02</u> |
|---------------------------------------|-----------------|

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS
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| 19. Share capital | 2015 £ | 2014 £ |
|---|-------------------|-------------------|
| Allotted, called up and fully paid | | |
| 5,538 Ordinary A shares of £1 each | 5,538 | 5,060 |
| | <u> </u> | <u> </u> |
| Equity Shares | | |
| 5,538 Ordinary A shares of £1 each | 5,538 | 5,060 |
| | <u> </u> | <u> </u> |

During the year 478 Ordinary A shares were issued at par value of £1 each.

| 20. Equity Reserves | Share options reserve £ | Profit and loss account £ | Capital redemption reserve £ | Total £ |
|--|----------------------------------|------------------------------------|---------------------------------------|-------------------|
| At 1 February 2014 | - | 1,090,041 | 40 | 1,090,081 |
| Profit for the year | - | 816,229 | | 816,229 |
| Recognition of equity-settled share-based payments | 5,227 | - | | 5,227 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 January 2015 | 5,227 | 1,906,270 | 40 | 1,911,537 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

| 21. Reconciliation of movements in shareholders' funds | 2015 £ | 2014 £ |
|--|-------------------|-------------------|
| Profit for the year | 816,229 | 358,866 |
| Recognition of equity-settled share-based payments | 5,227 | - |
| | <u> </u> | <u> </u> |
| | 821,456 | 358,866 |
| Net proceeds of equity share issue | 478 | - |
| Purchase of own shares | - | (80,440) |
| Other recognised gains or losses | - | 40 |
| | <u> </u> | <u> </u> |
| Net addition to shareholders' funds | 821,934 | 278,466 |
| Opening shareholders' funds | 1,095,141 | 816,675 |
| | <u> </u> | <u> </u> |
| Closing shareholders' funds | 1,917,075 | 1,095,141 |
| | <u> </u> | <u> </u> |

FRESHCUT FOODS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2015**

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22. Financial commitments

At 31 January 2015 the company had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings | | Other | |
|----------------------------|---------------------------|----------------|---------------|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| | £ | £ | £ | £ |
| Expiry date: | | | | |
| Within one year | - | - | - | 3,679 |
| Between one and five years | 115,000 | 115,000 | 10,721 | 4,415 |
| In over five years | - | - | 4,420 | 1,886 |
| | <u>115,000</u> | <u>115,000</u> | <u>15,141</u> | <u>9,980</u> |

23. Contingent liabilities

During the year cross guarantees 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.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2015

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24. Directors' advances and credits**Advances to directors**

During the year loans were made to the directors. These loans are interest free, unsecured and repayable upon demand. The movements on these loans are as follows:

| | £ |
|---|----------------|
| <u>Mr A Clarke</u> | |
| Loan brought forward at 1 February 2014 | - |
| Amounts advanced | 101,693 |
| Amounts received | - |
| Dividends credited | - |
| Loan carried forward at 31 January 2015 | <u>101,693</u> |
| Maximum amount outstanding in year | <u>101,693</u> |
| <u>Mr P Clee</u> | |
| Loan brought forward at 1 February 2014 | - |
| Amounts advanced | 100,000 |
| Amounts received | - |
| Dividends credited | - |
| Loan carried forward at 31 January 2015 | <u>100,000</u> |
| Maximum amount outstanding in year | <u>100,000</u> |

FRESHCUT FOODS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2015**

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25. Related party transactions

During the year sales were made to Fresh Mediterranean Foods Ltd, a company in which the directors have an interest, amounting to £1,193,729 (2014: £Nil).

Included in Debtors at the year end is a balance of £35,790 (2014: £Nil) owed from Fresh Mediterranean Foods Ltd. Also included in Creditors at the year end is £260,894 (2014: £Nil) owed to Fresh Mediterranean Foods Ltd. These amounts are unsecured, interest free and repayable on demand.

During the year sales were made to Old Fresh Med Ltd, a company in which the directors have an interest, amounting to £288,023 (2014: £1,232,153).

Included in Debtors at the year end is a balance of £Nil (2014: £18,977) owed from Old Fresh Med Ltd. Also included in Creditors at the year end is £89,056 (2014: £360,000) owed to Old Fresh Med Ltd. These amounts are unsecured, interest free and repayable on demand.

During the year the company purchased computer services to the value of £24,543 (2014: £102,667) from Altech Software Limited, a company in which the directors have an interest. The company charged management fees to Altech Software Ltd amounting to £Nil (2014: £87,900) during the year. Included in Debtors is an amount due from Altech Software Ltd of £7,500 (2014: £Nil).

During the year the company was charged £Nil (2014: £16,483) for IT services from Ropeweaver Business Systems Limited, a company in which the directors' spouses have an interest.

26. Controlling interest

The company is controlled by the directors by virtue of the fact that together they own 100% of the issued share capital.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2015

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27. Gross cash flows

| | 2015 £ | 2014 £ |
|---|------------------|------------------|
| Returns on investments and servicing of finance | | |
| Interest received | 951 | 78 |
| Interest paid | (2,882) | (6,514) |
| | <u>(1,931)</u> | <u>(6,436)</u> |
| Taxation | | |
| Corporation tax paid | <u>(138,436)</u> | <u>(73,924)</u> |
| Capital expenditure | | |
| Payments to acquire tangible assets | (183,258) | (76,922) |
| Receipts from sales of tangible assets | 5,992 | - |
| | <u>(177,266)</u> | <u>(76,922)</u> |
| Financing | | |
| Issue of ordinary share capital | 478 | - |
| Recognition of equity-settled share-based payments | 5,227 | - |
| Purchase of own shares | - | (80,400) |
| Capital element of finance leases and hire purchase contracts | 24,480 | (46,843) |
| | <u>30,185</u> | <u>(127,243)</u> |

28. Analysis of changes in net funds

| | Opening balance | Cash flows | Other changes | Closing balance |
|--|--------------------|----------------|------------------|--------------------|
| | £ | £ | £ | £ |
| Cash at bank and in hand | 45,988 | 616,503 | | 662,491 |
| Finance leases and hire purchase contracts | <u>(17,477)</u> | <u>49,920</u> | <u>(74,400)</u> | <u>(41,957)</u> |
| Net funds | <u>28,511</u> | <u>666,423</u> | <u>(74,400)</u> | <u>620,534</u> |