

Company Registration No. 04584241 (England and Wales)

FRESHCUT FOODS LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020

FRESHCUT FOODS LTD

COMPANY INFORMATION

Directors	Mr D Bondi Mrs M Jones Mr D Gilman Mr D Sargent Mr M K Wood	(Appointed 6 April 2020)
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Company number	04584241
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Registered office	Units 14-16 Lilac Grove Beeston Nottingham NG9 1PF
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Auditor	Azets Audit Services 2 Regan Way Chetwynd Business Park Chilwell Nottingham NG9 6RZ
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FRESHCUT FOODS LTD

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FRESHCUT FOODS LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2020

The directors present the strategic report for the year ended 31 July 2020.

Fair review of the business

The company's principal activity during the period continued to be the manufacture and processing of added-value vegetable products.

Following the national lockdown announced in March 2020 in response to the spread of Covid-19, the business was affected by the temporary closure of a number of our customers' outlets, resulting in a reduction in sales. In order to manage this fall in sales we took advantage of the government's Job Retention Scheme to manage our cost base. Whilst certain customers' were more heavily affected, we have adapted by successfully seeking out new fast growing channels. Post Covid-19 we do not foresee any material negative impact to the business and believe we are well positioned to benefit from strong growth forecasted for our sector.

In addition to the external impact of Covid-19, we have continuously evolved our working practices in line with best practice guidelines to create a safe working environment for all our employees. We have invested in UVC filters in all working areas to help mitigate the risks of spreading the virus within the workplace.

The company faced uncertainty due to Brexit during the period, to date, this has not materially impacted the business.

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.

Principal risks and uncertainties

The directors meet regularly to discuss the risks facing the business and ways to mitigate such risks. The principle risks and uncertainties facing the company are broadly competitive and legislative risks.

Competitor and Consumer Risks

The company operates in a highly competitive market, driven by customer and consumer tastes. Significant product innovations, technical advances, raw material cost and availability issues and intensification of price competition could adversely affect the company's results. The company strives to continually develop innovative products of a high quality, that meet customer and consumer demands.

Economic Uncertainty

The company could be adversely affected by global business conditions, the impact of Brexit 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, debtors and cashflow.

Management of Procurement Costs

The company uses forward foreign currency contracts and forward purchase contracts to reduce exposure to the variability of foreign exchange rates or commodity prices, by fixing the rate of any material payment in a foreign currency, or providing certainty to raw material volumes and prices.

FRESHCUT FOODS LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

Principle risks and uncertainties continued

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 and 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 take external advice to ensure that they remain compliant with the ever-changing regulatory environment, particularly in the areas of health and safety.

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.

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 the recruitment processes used, long-term management incentives and providing senior staff with access to development training.

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.

Key performance indicators

The key financial performance indicators during the period were as follows:

	12 month Period Ended 31st July 20	18 month Period Ended 31st July 19
	£'000	£'000
Turnover	25,680	41,324
Profit after tax	(55)	(65)
Shareholders' Funds	4,848	4,903
Capital Investment	1,522	1,107

On behalf of the board

Mr M K Wood

Director

28 April 2021

FRESHCUT FOODS LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2020

The directors present their annual report and financial statements for the year ended 31 July 2020.

Principal activities

The principal activity of the company continued to be that of a fresh vegetable processor.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr D Bondi
Mrs M Jones
Mr D Gilman
Mr D Sargent
Mr M K Wood

(Appointed 6 April 2020)

Results and dividends

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

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Financial instruments

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

The company's principal foreign currency exposures arise from trading with overseas companies. Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

Disabled persons

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

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

FRESHCUT FOODS LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

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.

Auditor

The auditor, Azets Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

On 7 September 2020 Group Audit Services Limited, trading as Baldwins Audit Services, changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going Concern and COVID-19

In March 2020 the impact of the Covid-19 pandemic was apparent globally. At the balance sheet date the company had net assets of £4,847,875 (2019 - £4,902,520) which includes cash at bank of £2,021,500 (2019 - £1,149,994).

In assessing the appropriateness of the going concern assumption, the directors have reviewed detailed profit and cashflow forecasts considering reasonably foreseeable potential scenarios and uncertainties in relation to income and expenditure for a period of at least 12 months from the sign off of these financial statements. The company continues to trade and has met liability payments as they fall due and the directors have concluded that the Covid-19 pandemic does not create a material uncertainty in relation to going concern and as such have deemed it appropriate for the financial statements to be prepared on the going concern basis.

On behalf of the board

Mr M K Wood

Director

28 April 2021

FRESHCUT FOODS LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 JULY 2020

The directors are responsible for preparing the annual 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 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.

FRESHCUT FOODS LTD

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

Opinion

We have audited the financial statements of Freshcut Foods Ltd (the 'company') for the year ended 31 July 2020 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the 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 FRS 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 31 July 2020 and of its loss 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 *Auditor's 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

FRESHCUT FOODS LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FRESHCUT FOODS LTD

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 and the directors' report.

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, 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 is 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.

Auditor's 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 an auditor's report 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Mr Mitesh Thakrar (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

28 April 2021

Chartered Accountants
Statutory Auditor

2 Regan Way
Chetwynd Business Park
Chilwell
Nottingham
NG9 6RZ

FRESHCUT FOODS LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2020

		Year ended 31 July 2020 £	Period ended 31 July 2019 £
	Notes		
Turnover	3	25,679,661	41,324,482
Cost of sales		(17,903,437)	(28,824,803)
Gross profit		7,776,224	12,499,679
Distribution costs		(1,384,371)	(2,129,786)
Administrative expenses		(7,330,444)	(10,523,896)
Other operating income		621,032	31,401
Operating loss	4	(317,559)	(122,602)
Interest receivable and similar income	7	2,071	4,115
Interest payable and similar expenses	8	(528)	(220)
Loss before taxation		(316,016)	(118,707)
Tax on loss	9	261,371	53,525
Loss for the financial year		(54,645)	(65,182)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

FRESHCUT FOODS LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2020

	Year ended 2020 £	Period ended 2019 £
Loss for the year	(54,645)	(65,182)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(54,645)</u>	<u>(65,182)</u>

FRESHCUT FOODS LTD

BALANCE SHEET

AS AT 31 JULY 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	11	5,593,836		5,376,072	
Current assets					
Stocks	12	558,112		530,708	
Debtors	13	2,909,659		4,150,155	
Cash at bank and in hand		2,021,500		1,149,994	
		<u>5,489,271</u>		<u>5,830,857</u>	
Creditors: amounts falling due within one year	14	<u>(6,225,391)</u>		<u>(6,284,040)</u>	
Net current liabilities			(736,120)		(453,183)
Total assets less current liabilities			<u>4,857,716</u>		<u>4,922,889</u>
Creditors: amounts falling due after more than one year	15		(9,841)		(13,777)
Provisions for liabilities					
Deferred tax liability	17	-		6,592	
		<u>-</u>	<u>-</u>	<u>6,592</u>	<u>(6,592)</u>
Net assets			<u>4,847,875</u>		<u>4,902,520</u>
Capital and reserves					
Called up share capital	19		6,233		6,233
Share premium account			130,133		130,133
Capital redemption reserve	20		40		40
Profit and loss reserves			<u>4,711,469</u>		<u>4,766,114</u>
Total equity			<u>4,847,875</u>		<u>4,902,520</u>

The financial statements were approved by the board of directors and authorised for issue on 28 April 2021 and are signed on its behalf by:

Mr M K Wood

Director

Company Registration No. 04584241

FRESHCUT FOODS LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2020

	Share capital	Share premium account	Capital redemption reserve	Share option reserve/loss	Profit and reserves	Total
Notes	£	£	£	£	£	£
Balance at 1 February 2018	5,538	-	40	139,620	4,831,296	4,976,494
Period ended 31 July 2019:						
Loss and total comprehensive income for the period	-	-	-	-	(65,182)	(65,182)
Issue of share capital	19 695	130,133	-	-	-	130,828
Other movements	-	-	-	(139,620)	-	(139,620)
Balance at 31 July 2019	6,233	130,133	40	-	4,766,114	4,902,520
Year ended 31 July 2020:						
Loss and total comprehensive income for the year	-	-	-	-	(54,645)	(54,645)
Balance at 31 July 2020	6,233	130,133	40	-	4,711,469	4,847,875

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies

Company information

Freshcut Foods Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Units 14-16 Lilac Grove, Beeston, Nottingham, NG9 1PF.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of PW Mey UK Limited. These consolidated financial statements are available from its registered office, 8 Hanover Square, Mayfair, London, UK, W1S 1HQ.

1.2 Going concern

In assessing the appropriateness of the going concern assumption, the directors have reviewed detailed profit and cashflow forecasts considering reasonably foreseeable potential scenarios and uncertainties in relation to income and expenditure for a period of at least 12 months from the sign off of these financial statements. The company continues to trade and has met liability payments as they fall due and the directors have concluded that the Covid-19 pandemic does not create a material uncertainty in relation to going concern and as such have deemed it appropriate for the financial statements to be prepared on the going concern basis.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 3 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	10 - 25% straight line
Fixtures and fittings	33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

1 Accounting policies

(Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic lives

Tangible fixed assets are depreciated over the useful lives of the related assets taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2020	2019
	£	£
Turnover analysed by class of business		
Sale of goods	25,679,661	41,324,482
	<u> </u>	<u> </u>
	2020	2019
	£	£
Other significant revenue		
Interest income	2,071	4,115
Grants received	621,032	31,401
	<u> </u>	<u> </u>

All turnover arose within the United Kingdom.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

4 Operating loss

	2020	2019
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	2,290	16
Government grants	(621,032)	(31,401)
Fees payable to the company's auditor for the audit of the company's financial statements	10,000	13,000
Depreciation of owned tangible fixed assets	1,299,517	1,583,387
Depreciation of tangible fixed assets held under finance leases	4,385	2,192
Operating lease charges	320,116	414,616
	<u> </u>	<u> </u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020	2019
	Number	Number
Production staff	212	212
Administration staff	51	50
Management staff	2	1
Total	<u>265</u>	<u>263</u>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	5,479,688	7,798,065
Social security costs	428,467	618,967
Pension costs	107,927	139,489
	<u>6,016,082</u>	<u>8,556,521</u>

6 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	-	10,417
Company pension contributions to defined contribution schemes	-	(5,199)
	<u>-</u>	<u>5,218</u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

7 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	2,071	4,115
	<u>2,071</u>	<u>4,115</u>

8 Interest payable and similar expenses

	2020	2019
	£	£
Interest on finance leases and hire purchase contracts	528	220
	<u>528</u>	<u>220</u>

9 Taxation

	2020	2019
	£	£
Current tax		
Adjustments in respect of prior periods	(254,779)	-
	<u>(254,779)</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(6,592)	(53,525)
	<u>(6,592)</u>	<u>(53,525)</u>
Total tax credit	<u>(261,371)</u>	<u>(53,525)</u>

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Loss before taxation	(316,016)	(118,707)
	<u>(316,016)</u>	<u>(118,707)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(60,043)	(22,554)
Tax effect of expenses that are not deductible in determining taxable profit	192,623	(340,603)
Tax effect of utilisation of tax losses not previously recognised	-	250,130
Unutilised tax losses carried forward	-	(29,346)
Adjustments in respect of prior years	(254,779)	-
Group relief	93,022	-
Permanent capital allowances in excess of depreciation	-	88,848
Research and development tax credit	(138,910)	-
Deferred tax not recognised	(94,060)	-
Rate changes	776	-
	<u>(261,371)</u>	<u>(53,525)</u>
Taxation credit for the year	<u>(261,371)</u>	<u>(53,525)</u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

10 Intangible fixed assets

	Goodwill £
Cost	
At 1 August 2019 and 31 July 2020	313,508
Amortisation and impairment	
At 1 August 2019 and 31 July 2020	313,508
Carrying amount	
At 31 July 2020	-
At 31 July 2019	-

11 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Total £
Cost			
At 1 August 2019	8,700,953	407,489	9,108,442
Additions	1,491,150	30,516	1,521,666
At 31 July 2020	10,192,103	438,005	10,630,108
Depreciation and impairment			
At 1 August 2019	3,464,050	268,320	3,732,370
Depreciation charged in the year	1,222,942	80,960	1,303,902
At 31 July 2020	4,686,992	349,280	5,036,272
Carrying amount			
At 31 July 2020	5,505,111	88,725	5,593,836
At 31 July 2019	5,236,903	139,169	5,376,072

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2020 £	2019 £
Plant and equipment	15,348	19,733

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

12 Stocks

	2020 £	2019 £
Raw materials and consumables	489,762	458,199
Finished goods and goods for resale	68,350	72,509
	<u>558,112</u>	<u>530,708</u>

13 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	2,271,368	3,407,625
Corporation tax recoverable	-	195,000
Amounts owed by group undertakings	77,108	125,708
Other debtors	419,508	288,987
Prepayments and accrued income	141,675	132,835
	<u>2,909,659</u>	<u>4,150,155</u>

14 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Obligations under finance leases	16	3,936	3,936
Trade creditors		1,910,264	3,294,060
Amounts owed to group undertakings		2,884,761	1,974,913
Corporation tax		-	2,841
Other taxation and social security		101,613	104,447
Other creditors		530,575	500,348
Accruals and deferred income		794,242	403,495
		<u>6,225,391</u>	<u>6,284,040</u>

15 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Obligations under finance leases	16	9,841	13,777

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)

FOR THE YEAR ENDED 31 JULY 2020

16 Finance lease obligations

	2020	2019
	£	£
Future minimum lease payments due under finance leases:		
Within one year	3,936	3,936
In two to five years	9,841	13,777
	<u>13,777</u>	<u>17,713</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	(94,203)	6,592
Tax losses	94,203	-
	<u>-</u>	<u>6,592</u>
		2020 £
Movements in the year:		
Liability at 1 August 2019		6,592
Credit to profit or loss		(6,592)
Liability at 31 July 2020		<u>-</u>

18 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>107,927</u>	<u>139,489</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

19 Share capital

	2020	2019	2020	2019
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary A Shares of £1 each	5,680	5,680	5,680	5,680
Ordinary C Shares of £1 each	280	280	280	280
Ordinary D Shares of £1 each	40	40	40	40
Ordinary E Shares of £1 each	72	72	72	72
Ordinary F Shares of £1 each	161	161	161	161
	<u>6,233</u>	<u>6,233</u>	<u>6,233</u>	<u>6,233</u>

20 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.

21 Financial commitments, guarantees and contingent 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.

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	£	£
Within one year	275,000	287,854
Between two and five years	1,100,000	1,100,000
In over five years	793,750	1,068,750
	<u>2,168,750</u>	<u>2,456,604</u>

23 Events after the reporting date

In March 2020 the impact of the Covid-19 pandemic was apparent globally. The directors have assessed the current and future impact of this outbreak on the company and are of the view that the business is well placed to deal with any financial difficulties that may arise, albeit they are of the view that the likelihood of any such issues occurring is remote and as such continue to prepare the accounts on the going concern basis.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2020

24 Ultimate controlling party

The immediate parent company is deemed to be Percy Bidco Limited by virtue of their 100% shareholding in the company. The ultimate controlling party is deemed to be PW Mey UK Limited which is the parent of both the smallest and largest group of which the company is a member. Copies of the consolidated financial statements of PW Mey UK Limited are available from the company secretary at 8 Hanover Square, Mayfair, London, United Kingdom, W1S 1HQ.

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