Company Registration Number: 05624995

Produce Investments Limited

(Formerly known as Produce Investments plc)

Report and financial statements

For the 14 months ended 31 August 2019

PRODUCE INVESTMENTS LIMITED
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PRODUCE INVESTMENTS LIMITED
COMPANY INFORMATION

Directors

A Armstrong
A Burt
M Burt
J Clegg
M R Clarke
G M Urmston

Secretary

J Clegg

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The directors present their strategic report and financial statements for the Produce Investments Limited (formerly known as Produce Investments plc) group for the 14 months ended 31 August 2019.

The company's reporting date has been changed from 30 June to 31 August; therefore, the current period financial statements represent a 14 month period up to 31 August 2019. The prior period financial statements covered the year to 30 June 2018. The company changed its accounting period in order to align with the new parent company. The Group consolidated accounts have also been prepared under FRS102 accounting standards which has seen some restatements of the FY18 comparative numbers. These are explained in note 35.

Review of the business

The Directors are pleased to report that group operating profit before exceptional items was £5.1m compared to £5.5m (restated) in the previous year. However, on a like for like basis the results were in line with the prior year since the year end change has resulted in the inclusion of results from two summer months which sees the low point for our results in the seasonal businesses (loss making months). Post exceptional items, the result sees the group return to a positive profit position. Profit before tax in the current year includes an exceptional charge of £3.5m which has resulted in profit of £1.5m compared to a restated loss of £7.3m in the prior year. Exceptional items include transaction costs associated with the acquisition of Produce Investments plc by Promethean LP. Also, after a number of years of continuing losses, the decision was made in August 2019 to close the Swancote Foods business which resulted in the group absorbing a number of one-off closure costs.

Revenue increased to £256.4m compared to the prior year of £188.2m, primarily on the back of increased selling prices driven by the increase in raw material costs. Cost of Goods sold, at £171.6m excluding exceptional items, also increased (2018: £113.6m restated) on the back of the raw material increases.

Working capital (Inventories, Biological assets, Trade receivables, and Trade payables) decreased by £14.3m to £19.5m (2018: £33.8m restated), which is driven mainly by the change of reporting period end to August and the differing level of seasonality associated with this month compared to June.

Property Plant and Equipment increased £1.7m to £39.0m, as a result of the continued investment into our businesses by the new owners.

Net debt decreased to £14.8m (2018: £25.8m) as a result of continued cash generation but also due to the reduced working capital associated with the change in the year end. Operating cash flow was an inflow of £20.6m (2018: £9.2m) of which £11.0m (2018: outflow of £1.6m) was associated with reduced working capital.

Principal risks and uncertainties

Covid – 19 Impact

The impact of Covid-19 has been mixed across the group but most of the core operations have continued to operate due to the nature of our business falling into the 'essential business' category. The one exception being the harvesting and selling of UK grown daffodil flowers where the authorities deemed the operation non-essential and closed it down on the announcement of lockdown on 23rd March 2020. The flower season was circa 80% complete by this point so while there was an impact on financial performance it was less significant than it would have been had lockdown happened earlier in the spring. The seasonal pickers were safely repatriated to either their home countries or alternative seasonal businesses such as soft fruit and asparagus farms.

The potato packing operations witnessed a significant increase in demand at the onset of Covid-19 lockdown and although demand has now settled down to more normal levels it is still running at higher levels than originally forecast. The potato planting and harvesting operations on the Island of Jersey (Jersey Royals) and the planting operations in the UK have also continued as normal albeit with adherence to the social distancing guidelines stipulated by the relevant governments. The Restrain technology business, based in Breda Holland, has continued to manufacture new generators at a level that will see it fulfil its large order book post the banning of CIPC as a potato sprout inhibitor post autumn 2020. Again this is with the adherence to the social distancing guidelines set by the Dutch authorities.

Employee safety has remained a priority in all operations and the business will continue to do everything it can to ensure the health and wellbeing of all employees, while at the same time meeting the demands of our extensive customer base. New ways of working have been implemented and a few are highlighted below:

- Continual Covid-19 updates are circulated to all staff keeping them updated of any changes to working practices and requirements.
- All production sites (including fields) are now operating within strict social distancing guidelines.

- All non-production based employees are working from home. These employees have continued to perform all duties in a very efficient and satisfactory way.
- Colleagues defined by Government as 'vulnerable' have been actively encouraged to self-isolate.
- A ban on travel and direct contact meetings is now in-place with remote meetings facilitated via Microsoft Teams, conference call or similar. These technologies are now well embedded and working well.
- All third party visitors to production sites have been stopped; and where a visit is absolutely necessary pre-vetting is being undertaken.
- Robust hygiene practices are in place across all production sites; staff have access to good washing facilities as well as sanitising gel and disposable tissues.

The financial function of the business continues to operate very effectively with cash inflow and outflow continuing uninterrupted.

Looking ahead the board remain confident about the ongoing viability of the business and while the impact of Covid-19 may lead to some operational challenges from time to time, it is not envisaged that the impact will be overly detrimental to the group in the immediate future. The board will continue to monitor this situation on an ongoing basis, and particularly as it nears the start of the daffodil season 2021 where social distancing requirements may prove more difficult.

Potential risks affecting the group are continuously reviewed as part of our operational risk self- assessment process and actions to mitigate these risks are identified. The key fundamental risks are set out below:

Risk/Uncertainty	Mitigation
Brexit	
The impact following the UK's decision to leave the EU is still to be determined as we continue to operate under the transitional arrangements since leaving the EU on 31 January 2020.	The group is closely monitoring the negotiations and continues to work closely with the appropriate regulatory bodies and agencies to ensure all opportunities and challenges are equally met.
How the various food safety bodies and agencies interact over the coming months and years may well have an impact on our agricultural supply base.	We believe our established links to our grower base, coupled with our reputation in supplying top quality traceable crop may actually offer up opportunities in the post Brexit era.
Food safety, food crime and bio security will become increasingly important.	
Protecting and having access to a flexible and internationally diverse workforce.	Historically the group has had no issues as we have a high retention and return rate in our two seasonal businesses of Jersey and Rowe Farming. We have a long-standing policy of recruiting directly, offering good terms and favourable working conditions.. However, recent political noises indicating a very significant reduction in the number of seasonal workers accessing the UK is a very real threat to the group, and the group will be lobbying the appropriate authorities in an attempt to influence this position. Jersey States have sensibly distanced themselves from the UK stance and will continue to allow access to seasonal labour.

Risk/Uncertainty	Mitigation
Interruption or failure of IT system Failure to maintain stable business systems in respect of both technical infrastructure platform and operating applications that serve the business requirements	The group has invested heavily and taken the decision to outsource its hardware infrastructure requirements in terms of hardware (servers) to an external third party. This includes disaster recovery contingencies and arrangements with the external provider that allow any possible disruption to be limited and therefore minimise any adverse operational impact. Periodic reviews and tests are undertaken at all of our sites to ensure any manual operating procedures are up to date and effective to ensure the minimum amount of disruption should IT systems become unavailable for a lengthy duration. Robust systems with necessary and appropriate back-up procedures are in place at both third party providers and on-site. Experienced internal and external support for hardware and external support available for operating systems.
Cyber crime Failure to adequately protect the business from cybercrime. At present, the group's main exposure to cybercrime is the misappropriation of data and cash.	The group is investing in a significant IT transformation programme to improve both infrastructure and security. In addition, the core business application solution Microsoft Dynamics NAV has recently been redesigned and upgraded from version 2009 to 2013 which brings additional controls and procedures as standard.
Cybercrime is an ever-evolving landscape and it is therefore necessary to have multi layers of protection and implement best of breed multi- level protection from world leading vendors.	The security of the group's IT equipment is regularly reviewed. All equipment is installed with anti-virus/malware software designed to maximise protection. All equipment is regularly updated with leading anti-virus software. All inbound emails are subjected to multivendor scan before being allowed into our network. Our cloud-based infrastructure is protected by our Cloud provider's choice of anti-virus software. Policies and procedures are continuously reviewed and updated to cover the evolving landscape with appropriate communication and updates installed in real time.

Risk/Uncertainty	Mitigation
Impact of adverse weather	
The group's operations are influenced by the volume and quality of the UK potato crop. In the event of a poor UK potato crop owing to adverse weather conditions, the group is likely to suffer from an increased price for a proportion of its potato supplies.	The geographically diverse spread of third party procurement and the group's own growing operations, covering the main potato growing regions of the UK, reduces the risk to the group of crop failure in any specific region.
The group's exposure to adverse weather conditions is increased due to its own growing operations, including Rowe Farming and Jersey Royal's grown in Jersey.	There is some exposure to price volatility albeit more potato volume is now contracted with many of these contracts being supported by key customers. Daffodils are slightly less susceptible to variances in growing conditions but the harvest can be impacted when conditions make it difficult for manual pickers to operate.
Staff recruitment, development and retention	
Our people are our biggest asset and are key to the future success of the group. The loss or failure to attract, develop and retain key individuals and staff would have a detrimental effect on the group's ability to operate and achieve its strategic objectives.	The group has a rolling development programme in place to allow employees to improve learning and skills and to facilitate career progression. Individual performance reviews and assessments are routinely undertaken with all managers across the group which focuses on individual development plans. Succession plans are in place and regularly reviewed for key management. The group also has a number of incentive schemes in place linked to performance criteria for both business unit and the group which are designed to be competitive and help retention of key individuals. Regular reviews are undertaken to benchmark "total benefits" against external market environment to ensure these remain competitive.
Debt funding availability and liquidity	
The group's strategic objective is to grow the group, which might require increased debt funding. This could be affected by prolonged periods of market volatility or liquidity.	Regular and on-going dialogue with existing and potential funders to ensure that appropriate levels of funding are available based on the current market conditions. The group seeks to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. The group also manages liquidity risk via revolving credit facilities and long-term debt. For significant debts the group will consider fixing interest rate payments using interest rate swaps and caps.

Risk/Uncertainty	Mitigation
Competition	
The group operates in a highly competitive market, particularly around product availability, quality and price.	The group continually monitors and reviews market prices and undertakes regular customer reviews to ensure required service levels are being achieved. There is a constant pipeline of innovation within the product range as well as new product development meetings with all key customers. New supply chain models with our core rctail customers help reduce the financial volatility of crop prices and allows for long-term planning. We continue to focus and review operational efficiencies to ensure that the group remains competitive in challenging market conditions.

Post balance sheet events

The Group has been affected by the impact of the COVID-19 pandemic as have most businesses. The practical impacts on the Group have been described earlier in the strategic report. Whilst the Group has had to adapt its ways of working to cope with the effects of the virus, overall there has not been a significant adverse impact on the business or its cash flows despite the season ending early as already described.

On 7 May 2020 the Group entered into an agreement with HSBC, its principal banker, for new and extended bank facilities for a three year period. The new facilities replaced the existing arrangements which had been due to expire in September 2020 and they consist of structured loans of £25m and an invoice finance facility with a maximum drawdown of £25m.

On 30th January 2020 the Company disposed of its interest in Linwood Crops Limited.

On 17th December 2019 the Group disposed of its interest in BROP. Please refer to note 18 for further details of this transaction.

Going concern

Funding requirements for the Group are reviewed on a regular basis by the Group's Chief Executive Officer and Chief Financial Officer and are reported to the Board at each Board meeting, as well as on an ad hoc basis, if requested. The current analysis has been prepared through to 31 December 2021 and takes account of the fact that the Group has renewed and extended its banking facilities with HSBC on 7 May 2020 for a period of 3 years.

The COVID-19 pandemic has affected most businesses during H1 2020. The impact of this on our Group has been explained within the strategic report. To date, there has not been a significant overall net adverse impact on the Group or its cash flows. Given the essential nature of the majority of the Group's products, the Directors believe that the Group is better placed than many other businesses to cope with the impact of the virus.

The Group's forecasts have been updated to reflect the impact of COVID-19. In addition, downside scenarios have been modelled reflecting business interruption risks mainly associated with labour availability. Significant headroom remained in terms of liquidity and against covenants under the scenarios modelled.

In summary, the Directors have considered their obligations in relation to the assessment of the going concern basis for preparation of the financial statements of the Group and the Company and have reviewed the current budget, cash forecasts and assumptions, as well as the main risk factors facing the both the Group and Company as set out in this strategic report. Based on this review they have concluded that the Group and the Company will be able to continue trading as a going concern, discharge its debts as they fall due, and ensure that the Group and Company are able to meet their contractual obligations to their clients. They have therefore concluded that it remains appropriate to prepare the financial statements on a going concern basis.

Key performance indicators

The Board assesses performance using a number of financial and non-financial key performance indicators (KPIs). These are regularly reviewed as to their appropriateness, set and measured continuously in order to monitor performance and comparative efficiencies across the group. The principal financial KPI monitored by the Board is the group Operating Profit. This enables the Board to monitor overall segment profitability. Profitability of the business is considered further in the review of the business at the start of the Strategic report. Non-financial KPIs are principally efficiency related and include:

- **Volume of potatoes sold**: overall total volumes decreased by 18.3% to 393,000 tonnes (2018: 481,000 tonnes) reflecting the loss of a major retail contract and a change in the way the Trading division recognises revenue and associated volumes.

- **Pack house processing yield %**: the group monitors the yield through its main fresh potato sites. The improved quality of crop resulted in yields increasing by 5.1% to 79.1% (2018: 74.0%) compared to the previous period.

- **Man hours per tonne**: the group monitors the number of worked hours to pack potatoes and this showed a favourable movement for the period, 5.68 hours per tonne for 2019 vs 5.80 hours per tonne in 2018, due to the benefits of the investment in both packing sites.

Approved on behalf of the Board

A Armstrong
Director
17 June 2020

PRODUCE INVESTMENTS LIMITED
DIRECTORS REPORT
FOR THE PERIOD ENDED 31 AUGUST 2019

The directors present their report and financial statements for the group for the period ended 31 August 2019.

Principal activities

The principal activities of the group are the growing, sourcing, packing and marketing of fresh potatoes, daffodil bulbs and flowers, and the supply of Restrain storage and ripening technology to growers and processors. The principal activity of the company is that of a holding company.

Future developments

As has been widely, reported the main potato harvest was heavily affected by the wet weather during the autumn. This may lead to some crop shortage and also quality issues. However, the geographic diversity of our supply base should mitigate this risk to some extent as will our contracting arrangements with a number of customers.

Our Restrain business, with its potato storage technology, is very well placed to take advantage of changes in EU and UK legislation whereby the Annex 1 approval for its main competitor technology, CIPC, has not been renewed. This will mean that CIPC cannot be used for the storage of potatoes from the autumn of 2020 onwards. CIPC is currently the main solution used by growers and processors meaning that they will need to move to alternatives. Our proven ethylene technology is ready and available with capital provided to ensure we can maximise this opportunity.

The group has recently developed a new software platform Crop4sight, a technology which is proven to provide accurate crop development predictions and yield data. The system will play an increasing role in helping growers maximise the marketable yield of their crops, and provide supply chain companies with cumulative yield and size fraction data from a large variety of crops.

Post balance sheet events

On 20th December 2019 our 30% shareholding in BROP s.r.o. was sold to Agromacaj a.s., a company located in the Slovak Republic. On 30 January 2020 our 71% shareholding in Linwood Crops Limited was sold to the management team who represented the minority shareholders.

Directors

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

Executive Directors:

A Armstrong	
J Lamont	(Resigned 4 December 2018)
A Burt	(Appointed 4 December 2018)
M Burt	(Appointed 4 December 2018)
J Clegg	(Appointed 4 December 2018)
M R Clarke	(Appointed 12 December 2018)
G M Urmston	(Appointed 29 July 2019)

Non-executive Directors:

R B Clapham	(Resigned 4 December 2018)
R Johnston	(Resigned 4 December 2018)
W Keane	(Resigned 4 December 2018)
L Kynoch	(Resigned 4 December 2018)

Results and dividends

The profit after tax for the period was £3,211,000 (2018 restated: loss after tax £7,445,000).

The directors recommended and paid dividends totalling £621,000 during the period (2018: £1,371,000).

Research and development

Research continues in three major areas: developing new and improved potato varieties with increased resistance to diseases in conjunction with the James Hutton Institute; treatments and products to assist in the storage of potatoes and the development of crop prediction technology which will provide accurate cropp data for growers and processors alike.

Employee involvement

The directors recognise the benefits which arise from keeping employees informed of the group's progress and through their participation in the group's performance. The group is therefore committed to provide its employees with information on a regular basis and, to consult them so that their views may be taken into account in making decisions which may affect their interests and to encourage their participation in schemes through which they will benefit from the group's progress and performance improvement.

Directors and Officers insurance

The group has purchased insurance against directors and officers liability for the benefit of the directors and officers of the group (including its subsidiaries).

Disabled persons

It is the group's policy to ensure that disabled persons are treated fairly and consistently in terms of recruitment, training, career development and promotion and that their employment opportunities are based on a realistic assessment of their aptitudes and abilities. Wherever possible, the group will continue the employment of persons who become disabled during the course of their employment with the group through retraining, acquisition of special aids/equipment or the provision of alternative employment.

Financial risk management, objectives and policies

The group operates treasury policies to ensure no unnecessary risks are taken with the group's assets. The board considers the primary risks relate to credit risk and liquidity risk.

Credit risk

The group had long established policies and procedures for controlling customer credit risk. Credit limits are established for all customers based on internal rating criteria and are constantly reviewed and updated in accordance with the customer's latest financial potion.

Liquidity risk

Liquidity risk refers to the risk that the group may not be able to fund its day to day running costs as they fall due. The group manages liquidity risk by monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The group also monitors the drawdown of debt against the available banking facilities and reviews the level of reserves.

Strategic Report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the group has chosen to include information required under schedule 7 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 within its Strategic Report on pages 2-5.

Statement as to disclosure of information to the auditor

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor was unaware. Each of the directors have confirmed that they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

RSM UK Audit LLP, Statutory Auditor, has indicated its willingness to continue to act as auditor.

Approved on behalf of the Board

Gary Urmston

G Urmston
Director
17 June 2020

PRODUCE INVESTMENTS LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2019

The directors are responsible for preparing the Strategic Report and the 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 period. 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 group and the company and of the profit or loss of the group for that period.

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

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

d. 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Produce Investments Limited website at www.produceinvestments.co.uk.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.

Opinion

We have audited the financial statements of Produce Investments Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 August 2019 which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company 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 group's and of the parent company's affairs as at 31 August 2019 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 group and parent 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 group's or the parent 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 the audit:

- the information given in the strategic report and the directors' report for the financial period 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, 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 group's and the parent 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 group or the parent 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Rsm uk Audit LLP

MICHAEL THORNTON (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Fifth Floor, Central Square
29 Wellington Street
Leeds
LS1 4DL

17 June 2020

PRODUCE INVESTMENTS LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2019

		14 month period ended 31 August 2019			Year ended 30 June 2018		
	Notes	**Continuing operations £'000**	**Discontinued operations £'000**	**Total £'000**	**Continuing operations £'000**	**Discontinued operations £'000**	**Total £'000**
Turnover	3	247,407	8,944	**256,351**	181,494	6,680	188,174
Cost of sales		(167,278)	(4,348)	**(171,626)**	(110,804)	(2,758)	(113,562)
Gross profit		80,129	4,596	**84,725**	70,690	3,922	74,612
Administrative expenses		(74,221)	(5,410)	**(79,631)**	(64,325)	(4,788)	(69,113)
Operating profit / (loss) before exceptional items		5,908	(814)	**5,094**	6,365	(866)	5,499
Exceptional items	11	(2,041)	(1,395)	**(3,436)**	(7,845)	(4,067)	(11,912)
Operating profit/ (loss)		3,867	(2,209)	**1,658**	(1,480)	(4,933)	(6,413)
Interest payable and other similar expenses	8			**(816)**			(878)
Interest receivable and other similar income	9			**-**			28
Fair value adjustment in respect of trade investment	18			**668**			(6)
Profit/ (loss) before tax	10			**1,510**			(7,269)
Taxation	13			**1,701**			(176)
Profit/ (loss) after tax for the period				**3,211**			(7,445)
Attributable to:							
Owners of the parent				**2,588**			(7,884)
Non-controlling interests				**623**			439
				3,211			(7,445)

PRODUCE INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 AUGUST 2019

	Notes	**14 month period ended 31 August 2019 £'000**	**Year ended 30 June 2018 £'000**
Profit / (loss) for the period		3,211	(7,445)
Other comprehensive income:			
Actuarial (loss) / gain in respect of pension scheme	7	(4,889)	3,627
Deferred tax movement on actuarial gain	13	831	(617)
Current income tax charge on actuarial gain	13	-	(53)
Other comprehensive income for the period		(4,058)	2,957
Total comprehensive income for the period		(847)	(4,488)
Attributable to:			
Owners of the parent		(1,470)	(4,927)
Non-controlling interests		623	439
		(847)	(4,488)

PRODUCE INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 AUGUST 2019

	Notes	31 August 2019 £'000	30 June 2018 £'000
FIXED ASSETS			
Goodwill	15	5,135	5,782
Other intangible assets	16	35	67
Total intangible assets		5,170	5,849
Tangible fixed assets	17	38,966	37,522
Investments	18	974	306
		45,110	43,677
CURRENT ASSETS			
Stocks	21	6,508	10,005
Biological assets	22	8,745	11,001
Debtors due within one year	23	24,113	35,636
Cash at bank and in hand		5,317	6,409
		44,683	63,051
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	24	(29,923)	(48,025)
NET CURRENT ASSETS		14,760	15,026
TOTAL ASSETS LESS CURRENT LIABILITIES		59,870	58,703
Creditors: amounts falling due after more than one year	25	(11,725)	(14,347)
Provisions for liabilities	27	-	(1,543)
NET ASSETS EXCLUDING PENSION LIABILITY		48,145	42,813
Defined benefit pension scheme liability	7	(9,822)	(5,014)
NET ASSETS INCLUDING PENSION LIABILITY		38,323	37,799
CAPITAL AND RESERVES			
Called up share capital	29	293	274
Share premium account	30	24,224	22,098
Merger reserve	30	4,001	10,228
Profit and loss reserves	30	8,273	4,060
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		36,791	36,660
NON-CONTROLLING INTERESTS		1,532	1,139
TOTAL EQUITY		38,323	37,799

The financial statements on pages 14 to 51 were approved by the board of directors and authorised on 17 June 2020 and signed on its behalf by:

Guy Urmston

G Urmston
Director

PRODUCE INVESTMENTS LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 AUGUST 2019

	Notes	31 August 2019 £'000	30 June 2018 £'000
FIXED ASSETS			
Investments	18	49,346	49,346
Financial assets	17	-	830
		49,346	50,176
CURRENT ASSETS			
Debtors due within one year	23	20,922	19,116
Cash at bank and in hand		5	613
		20,927	19,729
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	24	(36,785)	(33,522)
NET CURRENT LIABILITIES		(15,858)	(13,793)
TOTAL ASSETS LESS CURRENT LIABILITIES		33,488	36,383
Creditors: amounts falling due after more than one year	25	(11,000)	(14,000)
NET ASSETS		22,488	22,383
CAPITAL AND RESERVES			
Called up share capital	29	293	274
Share premium account	30	24,224	22,098
Profit and loss reserves	30	(6,030)	(19,559)
Merger reserve	30	4,001	10,228
Other reserve	30	-	342
TOTAL EQUITY		22,488	22,383

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income and related notes as it prepares group accounts. The company's loss for the period and total comprehensive income was £1,358,000 (2017: loss of £12,296,000).

The financial statements on pages 14 to 51 were approved by the board of directors and authorised on 17 June 2020 and signed on its behalf by:

Gary Urmston

G Urmston
Director

PRODUCE INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 AUGUST 2019

	Notes	Called up share capital (Note 29) £'000	Share premium account (Note 30) £'000	Merger reserve (Note 30) £'000	Profit and loss reserves (Note 30) £'000	Total controlling interests £'000	Non-controlling interest £'000	Total Equity £'000
At 1 July 2017		271	21,842	10,228	10,638	42,979	719	43,698
Loss for the year		-	-	-	(7,884)	(7,884)	439	(7,445)
Other comprehensive income:								
Actuarial gain in respect of pension scheme	7	-	-	-	3,627	3,627	-	3,627
Deferred tax on actuarial gain	13	-	-	-	(617)	(617)	-	(617)
Current income tax on actuarial gain	13	-	-	-	(53)	(53)	-	(53)
Total comprehensive income for the year		-	-	-	(4,927)	(4,927)	439	(4,488)
Transactions with owners:								
New shares issued during year	29	3	256	-	-	259	-	259
Share-based payment transactions	6	-	-	-	(280)	(280)	-	(280)
Equity dividends paid	14	-	-	-	(1,371)	(1,371)	(19)	(1,390)
At 1 July 2018		274	22,098	10,228	4,060	36,660	1,139	37,799

PRODUCE INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 AUGUST 2019

	Notes	Called up share capital *(Note 29)* £'000	Share premium account *(Note 30)* £'000	Merger reserve *(Note 30)* £'000	Profit and loss reserves *(Note 30)* £'000	Total controlling interests £'000	Non-controlling interest £'000	Total Equity £'000
Profit for the period					2,588	2,588	623	3,211
Other comprehensive income:								
Actuarial gain/(loss) in respect of pension scheme	7	-	-	-	(4,889)	(4,889)	-	(4,889)
Deferred tax on actuarial gain/(loss)	13	-	-	-	831	831	-	831
Total comprehensive income for the period		-	-	-	(1,470)	(1,470)	623	(847)
Transactions with owners:								
New shares issued during period	29	19	2,126	-	-	2,145	-	2,145
Share-based payment transactions	6	-	-		138	138	-	138
Transfer of merger reserve		-	-	(6,227)	6,227	-	-	-
Equity dividends paid	14				(682)	(682)	(230)	(912)
At 31 August 2019		293	24,224	4,001	8,273	36,791	1,532	38,323

PRODUCE INVESTMENTS LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 AUGUST 2019

	Notes	Called up share capital *(Note 29)* £'000	Share premium account *(Note 30)* £'000	Profit and loss reserves *(Note 30)* £'000	Merger reserve *(Note 30)* £'000	Other reserve *(Note 30)* £'000	Total £'000
At 1 July 2017		271	21,842	3,108	10,228	342	35,791
Loss and total comprehensive income for the year		-	-	(12,296)	-	-	(12,296)
Transactions with owners:							
New shares issued during year	29	3	256	-	-	-	259
Equity dividends paid	14	-	-	(1,371)	-	-	(1,371)
At 1 July 2018		274	22,098	(10,559)	10,228	342	22,383
Loss and total comprehensive income for the period				(1,358)			(1,358)
Transfer of merger reserve	30	-	-	6,227	(6,227)	-	-
Transactions with owners:							
New shares issued during period	29	19	2,126	-	-	-	2,145
Transfer of other reserve	29	-	-	342	-	(342)	-
Equity dividends paid	14	-	-	(682)	-	-	(682)
At 31 August 2019		293	24,224	(6,030)	4,001	-	22,488

PRODUCE INVESTMENTS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2019

	Period ended 31 August 2019 £'000	Year ended 30 June 2018 £'000
OPERATING ACTIVITIES		
Profit/ (loss) after tax for the period	3,211	(7,445)
Adjustments to reconcile profit after tax for the period to net cash flow from operating activities:		
Depreciation of tangible fixed assets	5,999	5,379
Amortisation of intangible assets	680	1,219
Exceptional impairment of goodwill and other intangible assets	-	8,521
Exceptional impairment of tangible fixed assets	-	2,344
Other exceptional items	1,847	1,047
Share-based payment transaction recognised in profit and loss	-	(280)
(Gain) on disposal of tangible fixed assets	(155)	(190)
Fair value (gains)/losses on financial instruments	-	-
Interest payable and other similar expenses	816	639
Difference between pension contributions paid and amounts recognised in profit and loss	(231)	(313)
Interest receivable and other similar income	-	(28)
Share of result of associates	(668)	6
Taxation	(1,700)	176
	9,799	11,075
Movements in working capital:		
Decrease in trade and other debtors	15,302	284
Decrease / (increase) in stock and biological assets	5,753	(1,895)
(Decrease) in trade and other creditors	(10,024)	(264)
Cash flows generated from operating activities	20,830	9,200
Income taxes paid	(865)	(994)
Net cashflow from operating activities	19,965	8,206
INVESTING ACTIVITIES		
Proceeds on disposal of tangible fixed assets	1,381	1,440
Purchase of tangible fixed assets	(8,542)	(5,351)
Purchase of intangible assets	-	-
Interest received	-	-
Net cash used in investing activities	(7,161)	(3,911)
FINANCING ACTIVITIES		
Bank loans repaid during period	(2,875)	(2,375)
Invoice finance movement during the period	(9,905)	(1,246)
New bank loans during period	713	-
Hire purchase financing	(250)	(244)
Interest paid	(666)	(639)
Dividends paid	(912)	(1,390)
Proceeds from share issues	-	259
Net cash used in financing activities	(13,896)	(5,635)
Net decrease in cash and cash equivalents	(1,092)	(1,340)
Cash and cash equivalents at beginning of period	6,409	7,749
Cash and cash equivalents at end of period	5,317	6,409

1 Accounting policies

General information

The company is a private company limited by shares and is registered and incorporated in the UK. Its registered office is 7 The Forum, Minerva Business Park, Lynch Wood, Peterborough, Cambridgeshire, PE2 6FT.

Produce Investments Limited ("the company") and its subsidiaries (together "the group") is a leading operator in the fresh potato and daffodil sectors. The group has vertically integrated activities covering seed and bulb development, seed and bulb production, farming, processing/packing, and supply of produce to the major retailers. The company's subsidiaries are listed in note 20.

Basis of preparation

These company and group financial statements have been prepared in accordance with FRS 102 'The Financing Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the requirements of the Companies Act 2006, including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008. The financial statements have been prepared under the historical cost convention modified to include certain financial instruments at fair value. The financial statements are prepared in sterling (£) and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

The financial statements for the group for the year ended 30 June 2018 were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applied in accordance with the Companies Act 2006. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from IFRS. Consequently, the directors have amended certain group accounting policies to comply with FRS 102. There were adjustments arising as a result of the transition from IFRS to FRS 102- see note 35. The date of transition to FRS 102 was 1 July 2017. The separate company financial statements were prepared in accordance with FRS 102 in the prior year.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of permitted exemptions to retrospective application of FRS 102. Adjustments are recognised directly in equity at the transition date.

Reduced disclosures

In accordance with FRS 102, the company has taken advantage of the 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' & Section 12 'Other Financial Instrument Issues' – Carrying amounts for financial instruments measures at amortised cost or cost less impairment; interest income/expense and net gains/losses for financial instruments measured at amortised cost, loan defaults or breaches, and descriptions of hedging relationships.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The separate company financial statements are included in these consolidated financial statements which are publicly available and can be obtained from the registered office; 7 The Forum, Minerva Business Park, Lynchwood, Peterborough, PE2 6FT.

Reporting Period

The company's accounting reference date has been changed from 30 June to 31 August to align with the new parent company. Consequently the financial statements are presented for the 14 month period ended 31 August 2019. The prior period financial statements were for the year ended 30 June 2018. Consequently, the comparative accounts presented in the financial statements (including the related notes are not entirely comparative).

Basis of consolidation

The consolidated financial statements incorporate those of the company and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 August.

1 Accounting policies (continued)

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated on consolidation unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus directly attributable costs. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Any non-controlling interest in the acquiree is recognised at the non-controlling interest's share of the acquiree's net identifiable assets, liabilities and provisions for contingent liabilities recognised at the acquisition date.

Provisional fair values

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Loss of control

A subsidiary is no longer consolidated when control is lost. The difference between any disposal proceeds and the carrying amount of the subsidiary's net assets (including related goodwill) is recognised in profit or loss as a gain or loss on disposal.

Change in interest where control is not obtained or lost

Where an interest in a subsidiary is increased or reduced, but control is not obtained or lost, the difference between the fair value of any consideration paid or received and the change to the non-controlling interest is recognised directly in equity and attributed to owners of the parent.

Company statement of comprehensive income

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income as it prepares group accounts and the company's individual statement of financial position shows the company's profit or loss for the financial period.

Going Concern

Funding requirements for the Group are reviewed on a regular basis by the Group's Chief Executive Officer and Chief Financial Officer and are reported to the Board at each Board meeting, as well as on an ad hoc basis, if requested. The current analysis has been prepared through to 31 December 2021 and takes account of the fact that the Group has renewed and extended its banking facilities with HSBC on 7 May 2020 for a period of 3 years.

The COVID-19 pandemic has affected most businesses during H1 2020. The impact of this on our Group has been explained within the strategic report. To date, there has not been a significant overall net adverse impact on the Group or its cash flows. Given the essential nature of the majority of the Group's products, the Directors believe that the Group is better placed than many other businesses to cope with the impact of the virus.

The Group's forecasts have been updated to reflect the impact of COVID-19. In addition, downside scenarios have been modelled reflecting business interruption risks mainly associated with labour availability. Significant headroom remained in terms of liquidity and against covenants under the scenarios modelled.

In summary, the Directors have considered their obligations in relation to the assessment of the going concern basis for preparation of the financial statements of the Group and the Company and have reviewed the current budget, cash forecasts and assumptions, as well as the main risk factors facing the both the Group and Company as set out in this strategic report. Based on this review they have concluded that the Group and the Company will be able to continue trading as a going concern, discharge its debts as they fall due, and ensure that the Group and Company are able to meet their contractual obligations to their clients. They have therefore concluded that it remains appropriate to prepare the financial statements on a going concern basis.

1 Accounting policies (continued)

Foreign currency

The company and group consolidated financial statements are presented in sterling (£), which is also the company's functional currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the group entities in their respective functional currency at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange ruling at the reporting date. All differences are taken to profit and loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the initial transactions and not subsequently re-translated. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated using the exchange rate at the date when the fair value is determined.

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and the turnover can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes (e.g. Value Added Tax) or duty. The group assesses its turnover arrangements against specific criteria in order to determine if it is acting as principal or agent. The group has concluded that it is acting as a principal in all of its turnover arrangements. The following specific recognition criteria must also be met before turnover is recognised:-

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Usually the risks and rewards of ownership transfer on despatch of the goods, however, for some customers, the risks and rewards of ownership pass to the buyer when the goods arrive with the buyer. Turnover from the sale of potatoes, daffodil flowers and bulbs to retailers and processors, is recognised on despatch. Turnover from the sale of seed potatoes is recognised on confirmed delivery. Given that goods are principally fresh food products that arrive with the buyer within hours of despatch, the date of despatch and the date of arrival are typically the same.

Rental income arising from operating leases is accounted for on a straight line basis over the lease terms. Rentals paid in advance are recognised as deferred income.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense as incurred.

The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

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

Share-based payments

Equity-settled transactions

The cost of equity settled transactions with employees is measured by reference to the fair value at the date which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using either a Monte Carlo pricing model or Black Scholes option pricing model, depending on the nature of the share option.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance criteria are satisfied.

1 Accounting policies (continued)

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous reporting date is recognised in profit and loss, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in profit and loss for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in income statement.

Pensions and other post-employment benefits

The group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. From 31 October 2007 the defined benefit plan ceased to accrue benefits going forward and accordingly there are no current service costs. The group will continue to fund the scheme to ensure that it can meet its obligations. The cost of providing benefits under the defined benefit plan is determined using the Projected Unit Credit method, calculated by an independent actuary every three years, and updated on an annual basis. Actuarial gains and losses are recognised directly in equity and included as part of other comprehensive income.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised.

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service costs and actuarial gains and losses not yet recognised, less the fair value of plan assets out of which the obligations are to be settled. Plan assets are not available to the creditors of the group, nor can they be paid directly to the group. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Asset fair values are based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any past service costs and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

In addition to the defined benefit plan, the group operates a stakeholder scheme and a personal pension plan. These are both defined contribution schemes. Contributions payable into these schemes during the period are charged to profit and loss as they fall due. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the group intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

1 Accounting policies (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries and associates, that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Exceptional items

The group presents as exceptional items on the face of the income statement those material items of income and expense which, because of their nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in that year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Intangible assets – goodwill

Goodwill is initially measured at cost being the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity in the acquiree, over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Goodwill, is capitalised and written off evenly over 10 years as in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits.

Intangible assets – other than goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the period in which the expenditure is incurred. All intangible assets of the group are assessed as having finite lives.

Intangible assets are amortised over their useful economic life. The amortisation period and method is reviewed at least at each period end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Amortisation of the asset begins when development is complete and the asset is available for use. Such assets are amortised straight line over 5 years, being the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

1 Accounting policies (continued)

Customer relationships

The customer lists for Swancote Foods had previously been amortised on a straight line basis over the expected useful economic life of 15 years. As part of the impairment review in the prior year the remaining customers list assets were fully impaired.

Patents and licences

Patents are the accumulated costs of applying for patents in the UK. An amortisation period of 5 years (straight line) is used as a conservative estimate of the length of effectiveness of the patent.

Tangible fixed assets

Tangible fixed assts are initially measured at cost and subsequently measured at cost net of accumulated depreciation and/or accumulated impairment losses, if any. Cost includes the cost of replacing part of the asset and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of assets are required to be replaced in intervals, the group recognises such parts as individual assets with specific useful lives and depreciation rates. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the asset as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit and loss as incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

– Buildings	4 to 50 years
– Plant and equipment	5 to 15 years
– Fixtures and fittings	2 to 10 years
– Land	Not depreciated

Assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date and adjusted prospectively, if appropriate.

Impairment of fixed assets including goodwill

At each reporting date, the group reviews the carrying amounts of its fixed assets including goodwill 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 the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

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. Impairment losses on goodwill are never reversed.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

1 Accounting policies (continued)

Group as a lessee

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit and loss. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an expense in profit and loss on a straight line basis over the lease term.

Group as a lessor

Leases where the group does not transfer substantially all the risks and benefits incidental to ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Investments in subsidiaries and associates - company

In the separate accounts of the company, interests in subsidiaries and associates are initially measured at cost and subsequently measured at cost less accumulated impairment losses. Interests in subsidiaries and associates are assessed for impairment at each reporting date. Any impairment loss or reversals of impairment losses are recognised immediately in profit or loss.

Investments in associates

An associate is an entity over which the group exerts significant influence. In the group accounts, associates are accounted for using the equity method. Under the equity method, the investment in the associate is carried in the statement of financial position at cost, plus post-acquisition changes in the group's share of net assets of the associate. The amount recognised in profit and loss reflects the group's share of the results of the associate. Losses in an associate in excess of the carrying amount of the investment in that associate are not recognised unless the group has incurred obligations or has made payments on behalf of the associate, in which case a provision is recognised. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate. Where necessary, adjustments are made to bring the accounting policies of the associate into line with these used by the group. Dividends received from the associate reduce the carrying amount of the investment.

The share of result of associates is shown on the face of the statement of comprehensive income.

Other investments

Trade investments are equity investments over which the group has no significant influence, joint control or control and are initially measured at transaction price. Transaction price includes transaction costs, except where trade investments are measured at fair value through profit and loss when transaction costs are expensed to profit and loss as incurred. Trade investments are subsequently measured at fair value through profit and loss, or cost less impairment if fair value cannot be measured reliably. The fair value of trade investments quoted on a recognised stock exchange is the quoted bid price. The fair value of unlisted investments is measured using valuation techniques which include turnover multiple, earnings multiple, net assets or discounted cash flows, as appropriate, based on the nature and circumstances of the investment.

Stocks

Stocks are carried at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials - purchase cost on a first in, first out basis.
- Finished goods and work in progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1 Accounting policies (continued)

Biological assets and agricultural produce

The group's operations include activities which are agricultural in nature and are subject to the recognition, measurement and disclosure requirements of FRS 102 Section 34 – 'Specialised Activities'. The group has identified its potato and daffodil bulb crops in the ground as biological assets and applies the cost model. Under the cost model, biological assets are recognised at cost less any accumulated impairment losses. Agricultural produce harvested from the group's biological assets is measured at the point of harvest at the lower of cost and estimated selling price less costs to complete and included in stock.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Financial Instruments

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

Recognition and measurement of financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and 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.

Financial assets

Trade debtors and other debtors (including accrued income) are initially measured at the transaction price including transaction costs and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Impairment of financial assets

Financial assets 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.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments 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 group after deducting all of its liabilities.

Financial liabilities

Trade creditors and other creditors (including accruals) are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

1 Accounting policies (continued)

Borrowings

Borrowings which include bank loans are initially recognised at transaction price, including transaction costs and subsequently measured at amortised cost using the effective interest method. Under the effective interest method, the interest expense is recognised at the effective interest rate which is the rate that exactly discounts future discounted payments through the expected life of a loan and is included in interest payable and other similar expenses.

Derivatives

Derivatives, including foreign currency forward contracts and options to acquire property, are initially recognised at fair value on the date the derivative contact is entered into and are subsequently re-measured to fair value, at each reporting date. Fair value gains and losses are recognised in profit or loss.

Derecognition

A financial asset (or part thereof) is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some (but not substantially all) 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. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

2 Judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company and group make estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The group reviews whether intangible assets are impaired on an annual basis, this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate. As a result of impairment testing in the prior year, an impairment charge of £8.5m was recognised in the prior year. No impairment charge or impairment reversal was recognised in the current period. Intangible assets at the reporting date had a carrying value of £5.1m (2018: £5.8m) - see notes 15 and 16 for further details.

In the prior year, the company performed an impairment review on its investments in subsidiary undertakings and recognised an impairment charge of £12.8m – see note 19 for further details. There has been no impairment of these investments in the current period.

The measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate. Defined benefit pension obligations at the reporting date were valued at £9.8m (2018: £5.0m) - see note 7 for further details.

Critical areas of judgement

Biological assets are carried on the balance sheet at cost and are analysed in note 22 between potato crops and daffodil bulb crops. The cost of daffodil bulbs relates to bulbs planted and farmed over multiple periods. The cost of planting and farming the related daffodil bulb is therefore the subject of estimation. The Directors estimate that the life cycle of a bulb's daffodil production can be up to 7 years, depending on variety. Accordingly, costs incurred on daffodil production are spread for up to 7 years, in line with the expected economic benefit of those costs. Potato crops are also stated at cost. They only relate to the current season with the exception of seed stock farmed in Jersey for subsequent periods of production. Determining the cost of the Jersey seed stock is also subject to estimation as the Directors have to allocate costs of farming in Jersey between the current year harvest and the maintenance of seed stock for future periods.

3 Turnover

An analysis of the group's turnover by class of business is as follows:

	2019 £'000	2018 £'000
Fresh	195,555	149,325
Processing	8,944	6,680
Other	51,852	32,169
	256,351	188,174

An analysis of the geographical location of the group's turnover is as follows:

	2019 £'000	2018 £'000
United Kingdom	238,666	181,316
Other EU countries	12,188	3,634
Rest of the world	5,497	3,224
	256,351	188,174

4 Employees

The average number of persons (including directors) employed by the group during the period was:

	2019 Number	2018 Number
Production and warehouse	1,026	1,051
Management and administration	168	182
	1,193	1,233

The aggregate payroll costs of the above were:

	2019 £'000	2018 £'000
Wages and salaries	45,105	37,024
Social security costs	3,188	2,713
Pension costs	1,163	898
Share based payment expense/ (credit)	138	(280)
	49,594	40,355

Wages and salaries includes agency labour amounting to £4,952,000 (2018: £3,500,000).

5 Directors remuneration

The aggregate amount of remuneration paid to directors, who are considered to be the only key management personnel, by the group during the period was:

	2019 £'000	2018 £'000
Emoluments for qualifying services	755	466
Social security	115	86
Non-executive directors fees	90	278
	960	830

5 Directors remuneration (continued)

There were no directors in either the current period or the prior year that were accruing retirement benefits.

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019 £'000	2018 £'000
Emoluments for qualifying services	332	273
Social security	53	34
Pension costs	-	-
	385	307

The directors did not receive any remuneration from the company for their services to the company in the current or prior period. The company is unable to separately identify the proportion of the remuneration the directors receive from other group companies that is attributable to their services performed in the company.

During the period two directors, including the highest paid director, exercised share options.

6 Share-based payments

Group

The group has previously operated a number of incentive schemes, all of which terminated at the take of the takeover. For details of these schemes, please refer to last year's accounts.

At the beginning of the period there were 1,263,378 options outstanding and further 780,086 were granted in the period. At the point of acquisition, 1,896,872 of the outstanding options were exercised and 146,592 lapsed.

	CSOP		SEIP/ESOS		LTIP		SAYE	
	No	WAEP (£)	No	WAEP (£)	No	WAEP (£)	No	WAEP (£)
Outstanding at 1 July 2017	**302,935**	**0.74**	**944,281**	**0.01**	**642,955**	**1.67**	**147,692**	**1.17**
Granted	-	-	-	-	600,000	1.84	-	-
Exercised	(183,414)	0.74	-	-	-	-	(105,823)	1.17
Expired/forfeited	(16,609)	0.74	(454,545)	0.01	(600,000)	1.84	(14,094)	1.17
Outstanding at 1 July 2018	**102,912**	**0.74**	**489,736**	**0.01**	**642,955**	**1.67**	**27,775**	**1.17**
Granted	-	-	-	-	780,086	1.42	-	-
Exercised	(60,475)	0.74	(489,736)	0.01	(1,342,202)	1.55	(4,459)	1.17
Expired/forfeited	(42,437)	-	-	-	(80,839)	-	(23,316)	-
Outstanding at 31 August 2019	-	-	-	-	-	-	-	-
Exercisable at 30 June 2018	102,912	0.74	489,736	0.01	642,955	1.67	27.,775	1.17
Exercisable at 31 August 2019	-	-	-	-	-	-	-	-

The weighted average market price for options exercised in the period was £1.93 (2018: £1.65).

7 Retirement benefits

Group

The group operates a defined contribution stakeholder scheme and personal pension plan for various employees, the assets of which are held separately from those of the group in independently administered funds. Contributions to these defined contribution pension plans for the period amounted to £938,000 (2018: £804,000).

The group also operates a Defined Benefits Scheme, the Greenvale Produce Pension Plan. The benefits provided by the plan are final salary defined benefits with the contributions paid by the group on a balance of cost basis. The plan is run by the Trustees of the plan who ensure that the plan is run in accordance with the Trust Deed & Rules of the plan and complies with legislation. The Trustees are required by law to fund the plan on prudent funding assumptions under the Trust Deed & Rules of the plan. The contributions payable by the group to fund the plan are set by Trustees after consulting the group. The assets of the plan are invested in managed funds with Legal & General Investment Management. The Plan closed for future accrual on 31 October 2007.

The Trustees use the defined accrued benefits method for determining funding. This method is suitable for funding a scheme that is closed for future accrual. During the period ended 31 August 2019, the group paid contributions of £677,470 (2018: £552,000). In addition, the group pays the costs of administering the plan and any levies required by the Pensions Protection Fund and the Pensions Regulator.

The following list is not exhaustive but covers the main risks for the plan. Some of the risks can be reduced by adjusting the funding strategy with the help of the Trustees, for example: investment matching risk. Other risks cannot easily be removed, for example : longevity risk, and the group must be aware of these risks and ask the Trustees to monitor them closely.

Investment Return Risk: If the assets under perform returns assumed in setting funding targets, then additional contributions may be required as subsequent Valuations

Investment Matching Risk: The Plan invests significantly in equity type assets, whereas the solvency target is closely related to the return on bonds. If the equity type assets have fallen in value relative to the matching assets of bonds additional contributions may be required.

Longevity Risk: If future improvements in mortality exceed the assumptions made then additional contributions may be required

Legislative Risk: Government may introduce overriding legislation which leads to an increase in the value of Plan benefits

Solvency Risk: As the funding target is not a solvency target, the assets of the Plan may not be sufficient to provide all members with the full value of their benefits on a Plan wind up.

The group's defined benefit scheme obligations are as follows:

	2019 £'000	2018 £'000
Present value of defined benefit obligations	(42,332)	(35,154)
Fair value of plan assets	32,510	30,140
Plan deficit per statement of financial position	(9,822)	(5,014)

Changes in the present value of the defined benefit obligation are as follows:

	2019 £'000	2018 £'000
Defined benefit obligation at start of period	(35,154)	(37,920)
Interest expense	(1,112)	(1,030)
Past service cost	(446)	-
Remeasurements of obligation		
- Financials	(6,985)	772
- Demographics	111	1,648
- Experience	259	432
Benefits paid	995	944
Defined benefit obligation at the end of the period	(42,332)	(35,154)

7 Retirement benefits (continued)

Changes in the fair value of plan assets are as follows:

	2019 £'000	2018 £'000
Fair value of plan assets at start of period	30,140	28,966
Interest on plan assets	962	791
Contribution by employer	677	552
Benefits paid	(995)	(944)
Actual return on plan assets less interest	1,726	775
Fair value of plan assets at the end of period	32,510	30,140

The actual return on plan assets was £2,688,000 (2018: £1,566,000)

Amounts recognised in profit and loss are as follows:

	2019 £'000	2018 £'000
Interest cost on obligations	1,112	1,030
Interest on plan assets	(962)	(791)
Past service cost recognised	446	-
Net finance costs	596	239

All plan costs are met directly by the group and form part of staff costs.

The group expects to contribute at least £601,508 to the defined benefit pension plan in the year ended August 2020, assuming no changes to current agreed funding plans.

The analysis of scheme assets at the reporting date were as follows:

	2019 £'000	2018 £'000
Fair Value of plan assets:		
Equities	16,775	16,648
Corporate Bonds	15,646	13,486
Cash	89	6
	32,510	30,140

The plan assets are held exclusively within instruments with quoted market prices in an active market with the exception of cash. The plan does not invest directly in property owned by the group, or in shares issued by the group.

The principal assumptions used in determining pension obligations for the plan are shown below:

	2019 %	2018 %
Discount rate	1.85	2.75
Expected rate of return on assets	1.85	2.75
Future salary increase	n/a	n/a
Future pension increase	2.95	2.90
Inflation (RPI) assumption	3.10	3.05

7 Retirement benefits (continued)

The underlying mortality assumption is based upon the standard table known as S3NXA with scaling factors of 103% for males and 105% for females and with CMI_2018 projection model with a long term improvement rate of 1.25% p.a. (2018: S2NXA with scaling factors of 103% for males and 105% for females with the CMI_2017 projection model with a long term improvement rate of 1.25% p.a.) This results in the following life expectancies:

	2019 Years	2018 Years
For a male aged 65 now	87	87
For a female aged 65 now	89	88

8 Interest payable and other similar expenses

	2019 £'000	2018 £'000
Interest on bank loans and other finance costs	666	639
Net interest on pension obligations	150	239
	816	878

9 Interest receivable and other similar income

	2019 £'000	2018 £'000
Interest receivable	-	28
	-	28

10 Profit/ (loss) before taxation

	2019	2018
Profit/ (loss) before taxation is stated after charging/(crediting):	£'000	£'000
Depreciation of tangible fixed assets – owned	5,722	4,951
Depreciation of tangible fixed assets - leased	150	150
Impairment of tangible fixed assets	-	2,344
Research and development expenditure	211	310
Amortisation of intangible fixed assets	32	572
Amortisation of goodwill	647	647
Impairment of intangible assets	-	8,521
Exchange (gains)/losses	(66)	-
Cost of stock recognised in cost of sales	142,836	92,697
Operating lease rentals	6,644	5,498
Share based payment	138	(280)

11 Exceptional items

The group has identified a number of transactions in both the current and prior periods which, due to their nature and size, the directors consider exceptional. The directors identify exceptional items as being one off in nature, non-recurring and at a value considered significant enough to warrant separate presentation. The exceptional items are analysed below:

		2019 £'000	2018 £'000
Promethean Investments LLP transaction costs	A**	1,655	-
Swancote closure provision	B**	1,395	-
Guaranteed Minimum Pension (GMP) equalisation	C**	446	-
Feasibility study	D**	140	-
Under accrued distribution charges	E*	(200)	855
Goodwill - Rowe Farming	F**	-	6,442
Impairment – Swancote Foods	G**	-	4,067
Tangible fixed assets – Rowe Farming	H**	-	356
Other	I*	-	192
		3,436	11,912

* Included in cost of sales exceptional costs of £200,000 (2018: £1,047,000).

** Included in administrative and operating expenses of exceptional costs of £3,236,000 (2018: £10,865,000).

A – On the 11th September Promethean Investments LLP announced its intention to make an offer to buy the entire issued share capital of Produce Investments plc (PI) and take PI private. An independent committee of the PI Board, which has been advised by Shore Capital (Rule 3 advisors), considers the terms of the offer to be fair and reasonable. As a result of the transaction the Group incurred a range of legal and professional advisory fees.

B – The Group's processing unit, Swancote Foods, experienced a major contamination issue in 2015. Since this time the Group has continued to support and invest in this business unit in the expectation it would return to normal levels of business performance. Despite this support, the business has operated at a loss for several years and the directors concluded that the underlying performance was unsustainable and took the decision to close the facility in August 2019.

C – A High Court judgement handed down in October 2018, relating to defined benefit pension schemes held that the GMP element of pension accrued by men and women should be comparable and any additional obligation required to equalise the members' benefits must be allowed for in the scheme liabilities. The additional obligation is considered a past service cost and recognised through the income statement in accordance with IAS19. As at 31 August 2019, the Group has estimated that the additional obligation required to equalise benefits accrued under the Group's defined benefit pension scheme is £446k and has recognised this amount as an exceptional past service cost in the current year income statement. The tax credit in respect of the total charge is £85k.

D – During the period the directors commissioned a study to look at optimising the long term operating capabilities of the group. The Group concluded that no further action would be taken following the finalisation of the recommendations.

Exceptionals in 2018

F – The goodwill relating to Rowe Farming was subject to an impairment review in the prior year and was considered to be fully impaired, leading to an exceptional amortisation and impairment charge of £6,442,000 in the prior year.

G – The impairment review in the prior year relating to Swancote Foods indicated impairments to goodwill of £36,000 customer lists of £2,043,000 and tangible fixed assets of £1,988,000. The total exceptional charge in respect of Swancote Foods in the prior year was £4,067,000.

H – Tangible fixed assets at Rowe Farming Limited had, prior to 1 July 2017, not been supported by a complete and reconciled fixed asset register. The completion of the asset register in the prior year highlighted assets which had been disposed, as well as other assets which had not been depreciated sufficiently to reflect their remaining useful economic life. The fixed asset register was considered an appropriate closing position as at 30 June 2018. To agree carrying values to the fixed asset register, an exceptional charge of £356,000 was recognised in the prior year. It was impractical to establish what prior year asset values would have been, had the fixed asset register been in place in those periods so the entire adjustment was recognised in prior year profit and loss without restarting prior periods.

11 Exceptional items (continued)

E – During the prior period, the group identified an accounting error related to the booking of distribution costs in the group's new ERP system of £854,000. The directors regarded these costs as exceptional as, had they been identified at the time, they would have been passed on to the relevant customer, with no change to operating margin. An initial disclosure was made to HMRC and the exceptional costs included a provision to repay this amount along with an estimate in respect of any fines HMRC may have levied. The current period credit reflects the fact that, having reached a settlement with HMRC, no fines were incurred.

12 Auditor's remuneration

Remuneration paid to RSM UK Audit LLP and its associates by all group companies during the period was as follows:

	2019 £'000	2018 £'000
Audit services :		
Audit of these financial statements	90	109
Audit of financial statements of subsidiaries	41	41
Tax services :		
Compliance services	52	31
Advisory services	6	8
Corporate finance transactions	-	21
Other advisory services	22	-

13 Taxation

	2019 £'000	2018 £'000
Current tax		
Corporation tax on profits for the current period	386	789
Adjustments in respect of prior periods	(206)	(300)
Total current tax charge	180	489
Deferred tax		
Adjustment in respect of prior years	(1,442)	-
Origination and reversal of temporary differences	(439)	(313)
Total deferred tax (credit)	**(1,881)**	**(313)**
Total tax (credit) charge recognised in profit and loss	**(1,701)**	**176**

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019 £'000	2018 £'000
Deferred tax movement on actuarial gain	(831)	617
Current income tax on actuarial gain	-	53
Total tax (credit)/ charge recognised in other comprehensive income	(831)	670

13 Taxation

The total tax charge for the period included in profit and loss can be reconciled to the result before tax multiplied by the standard rate of tax as follows:

	2019 £'000	2018 £'000
Profit/ (loss) before tax	1,511	(7,269)
Expected tax charge/ (credit) based on the standard rate of corporation tax in the UK of 19% (2018: 19%)	287	(1,419)
Effect of:		
Adjustments in respect of prior periods	(1,648)	(300)
Expenses not deductible in determining taxable profit	363	340
Other permanent differences	(296)	-
Income not taxable for tax purposes	(146)	-
Losses carried back	238	
Other movements	(288)	-
Defined benefit pension scheme	(98)	(59)
Impairment of tangible fixed assets	-	445
Impairment of goodwill	-	1,231
Share based payments	26	104
Overseas profits at differing tax rates	(139)	(166)
Tax (credit)/ charge for the period	(1,701)	176

A reduction to the UK Corporation tax rate was substantively enacted as part of the Finance Bill 2017 on 2 July 2017. These reduce the main rate from 19% to 17% from 1 April 2020. The deferred tax assets and liabilities reflect these rates.

14 Dividends

Ordinary	2019 £000	2018 £000
Interim paid 2.49p (2018: nil)	682	-
Final paid 0.0p (2018: 5.026p)	-	1,371
	682	1,371

15 Intangible assets – goodwill

Group

	Goodwill £'000
Cost	
At 01 July 2018 and 31 August 2019	12,907
Amortisation	
At 1 July 2018	7,125
Amortisation	647
At 31 August 2019	7,772
Net book value	
At 31 August 2019	5,135
At 30 June 2018	5,782

The carrying amount of goodwill at 31 August 2019 includes amounts attributable to the following;

- customer access and processing synergies ("Synergies") arising in the fresh segment resulting from the Swancote Foods acquisition (fresh segment), £4.4m (2018: £5.0m)
- the acquisition of The Jersey Royal Company completed in May 2014 (fresh segment), £0.7m (2018: £0.8m).

16 Intangible assets – other than goodwill

Group

	Customer relationships £'000	Development costs £'000	Patent costs £'000	Total £'000
Cost				
At 1 July 2018	7,868	788	12	8,668
Additions	-	-	-	-
At 31 August 2019	7,868	788	12	8,668
Amortisation				
At 1 July 2018	7,868	721	12	8,601
Amortisation	-	32	-	32
At 31 August 2019	7,868	753	12	8,633
Net book value				
At 31 August 2019	-	35	-	35
At 30 June 2018	-	67	-	67

The customer relationships balance is attributable solely to the acquisition of Swancote Foods and relates to the customers acquired with that business. This is attributable entirely to the Processing segment.

The group tests goodwill and the value of customer relationships for impairment at each reporting date where impairment indicators exist, by comparing the carrying value of the cash generating unit (CGU) with its value in use. Value in use is estimated based on future cash flow discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money. An impairment charge arises where the carrying value exceeds the value in use.

17 Tangible fixed assets

Group

	Freehold land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 July 2018	28,837	45,935	5,114	79,886
Additions	1,367	7,130	355	8,852
Disposals	(110)	(4,077)	(133)	(4,320)
Transfers	1,326	(5,984)	4,658	-
At 31 August 2019	31,420	43,005	9,994	84,418
Depreciation and impairment				
At 1 July 2018	10,783	30,391	1,190	42,364
Depreciation for the period	1,376	3,935	688	5,999
Disposals	(27)	(2,734)	(150)	(2,911)
Transfers	861	(5,848)	4,987	-
At 31 August 2019	12,993	25,744	6,715	45,452
Net book value				
At 31 August 2019	18,427	17,260	3,279	38,966
At 30 June 2018	18,054	15,544	3,924	37,522

Assets used as security

Land and buildings with a carrying amount of £18.4m (2018: £18.1m) are subject to a first charge to secure three of the group's bank loans (note 26).

Options to purchase land

The group had options to purchase the entire share capital of three companies that all hold property in Jersey at a combined option price of £6.0m. These options were acquired for £3.0m in total at the time of the acquisition of the The Jersey Royal Company Limited. Two of the options expired in May 2019 and one option was exercised.

Impairment of tangible fixed assets

As part of the impairment review carried out in the prior year in respect of the relevant businesses, the carrying values of assets in Swancote Foods and Rowe Farming were reconsidered.

For Swancote Foods, the directors concluded that the fair value of the tangible fixed assets were unlikely to be significantly in excess of the costs associated with disposing the assets, consequently the carrying value was reduced to £nil in the prior year, leading to an impairment loss of £2.0m in the prior year.

For Rowe Farming, the property was reviewed by way of external valuation and this valuation was in line with the carrying value in the prior year. Tangible fixed assets consists mainly of agricultural machinery. The directors were content, given the nature of the equipment and its use, that the carrying value on the fixed asset register represented fair value for this equipment. A comprehensive fixed asset review at Rowe Farming was conducted in the prior year. This review led to an impairment loss of £356,000 in the prior year.

18 Investments

Group

	Associates £'000	Trade Investments £'000	Total £'000
Cost or valuation			
At 1 July 2018	213	93	306
Additions	-	-	-
Valuation changes	-	668	668
Share of results of associates	-	-	-
Disposals	-	-	-
At 31 August 2019	213	761	974
Provision for impairment			
At 1 July 2018	-	-	-
Impairment losses	-	-	-
Reversals of past impairment losses	-	-	-
Disposals	-	-	-
At 31 August 2019	-	-	-
Carrying amount			
At 31 August 2019	**213**	**761**	**974**
At 30 June 2018	213	93	306

The group has non-controlling investments in four companies which are classified as associates or other investments as follows:

Name of undertaking	Country of incorporation	Nature of business	Class of shares held	% Equity interest
Organic Potato Growers (Scotland) Limited	UK	Growing potatoes	Ordinary	33.3
The Little Spud Company Limited	UK	Growing potatoes	Ordinary	25.0
ABG Biofumigants Limited	UK	Research and experimental development on biotechnology	Ordinary	33.3
BROP s.r.o.	CZ	Potato processing	Ordinary	30.0

The registered office address of the above entities are:

Organic Potato Growers (Scotland) Limited- Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA

ABG Biofumigants Limited- Suite F42, The Innovation Centre, Keekwick Lane, Daresbury, Warrington, WA4 4FS

BROP s.r.o,- Senozaty 217, 39456 Senozaty, Czech Republic

18 Investments (continued)

Organic Potato Growers (Scotland) Limited - Associate

The group has a 33.3% interest in Organic Potato Growers (Scotland) Limited, a company incorporated in Scotland which is involved in the growing of potatoes

Organic Potato Growers (Scotland) Limited is a private entity that is not listed on any public exchange. Organic Potato Growers (Scotland) Limited reports its financial performance with a year end of 31 May. The following table illustrates summarised unaudited financial information of the group's investment in Organic Potato Growers (Scotland) Limited:

	2019 £'000	2018 £'000
Share of the associate's statement of financial position:		
Fixed assets	755	744
Current assets	389	278
Current liabilities	(526)	(582)
Creditors: amounts falling due after more than one year	(422)	(221)
Equity	196	219
Share of the associate's profit and loss:		
Turnover	519	536
Profits	40	23
Carrying amount of the investment	213	213

BROP – Investment

The group has a 30% interest in BROP, a company incorporated in the Czech Republic which is involved in the growing and selling of potatoes. BROP is a private entity that is not listed on any public exchange. The group does not exert significant influence over this entity and therefore does not regard it as an associate. The group has reached this conclusion because there is no group involvement in BROP's day-to-day trading and management, no participation in everyday decisions, no exchanges of personnel between the entities and no essential technical information exchanged between the entities.

Subsequent to the year end the group agreed to sell its stake in BROP and the carrying value of this investment of £668,000 (2018: £93,000) at the year end is a reflection of the agreed purchase price.

ABG Biofumigants Limited – Investment

During 2016 the group established a 3 way joint venture in ABG Biofumigants Limited and therefore holds 33.3%. The business is currently dormant.

The Little Spud Company Limited – Investment

The group, through Rowe Farming Limited, has a 25% interest in The Little Spud Company Limited, a company incorporated in England during 2017. The Little Spud Company Limited is involved in the selling of potatoes, some of which are provided by Rowe Farming Limited. This company is a private entity that is not listed on any public exchange. During the period the group relinquished its interest in this company.

19 Investments

Company

	Shares in subsidiary undertakings £'000
Cost	
At 1 July 2018 and 31 August 2019	62,120
Impairment	
At 1 July 2018	12,774
Impairments in the year	-
At 31 August 2019	12,774
Carrying value	
At 31 August 2019	49,346
At 30 June 2018	49,346

The impairment charge of £12.8m arose in the prior year following reviews of the Swancote and Rowe. The investment was written down to the fair value of the net assets.

20 Subsidiary Undertakings

The group's subsidiary undertakings are:

Name of undertaking	Country of incorporation	Nature of business	Class of shares held	% Equity interest Direct
Greenvale Holdings Limited *	UK	Holding company	Ordinary	100.0
Greenvale AP Limited *	UK	Buying and selling of potatoes	Ordinary 'B' Preference	100.0
Greenvale Growing Limited *	UK	Growing potatoes	Ordinary	100.0
Restrain Company Limited *	UK	Potato and onion atmosphere regulation	Ordinary	80.0
Rowe Farming Limited *	UK	Growing potatoes & daffodils	Ordinary	100.0
Linwood Crops Limited	UK	Buying and selling of potatoes	Ordinary	71.1
Swancote Foods Limited	UK	Dormant	Ordinary	100.0
The Jersey Royal Company Limited	JE	Growing Potatoes	Ordinary	100.0

*The registered office of these companies is 7 The Forum, Minerva Business Park, Lynch Wood, Peterborough, Cambridgeshire PE2 6FT. Details of the registered offices of the other companies listed above are as follows:

Linwood Crops Limited- 2 Trust Court, Histon, Cambridge, CB24 9PW

The Jersey Royal Company Limited- PO Box 437, 1st Floor, Kensington Chambers, 46/50 Kensington Place, JE4 0ZE

21 Stocks

Group

	2019 £'000	2018 £'000
Raw materials	6,344	9,784
Finished goods	164	221
	6,508	10,005

22 Biological assets

Group

	2019 £'000	2018 £'000
Potato crops	4,987	7,403
Daffodil bulb crops	3,758	3,598
	8,745	11,001

	Potato crops £'000	Daffodil bulb crops £'000	Total £'000
At 1 July 2018	7,401	3,600	11,001
Harvested crops transferred to stocks	(6,134)	(2,343)	(8,477)
Growing costs invested in the crop	3,720	2,501	6,221
At 31 August 2019	4,987	3,758	8,745

	Potato crops £'000	Daffodil bulb crops £'000	Total £'000
At 2 July 2017	4,452	7,848	12,300
Harvested crops transferred to stocks	(13,020)	(5,251)	(18,271)
Growing costs invested in the crop	15,969	1,003	16,972
At 30 June 2018	7,401	3,600	11,001

23 Debtors

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade debtors	17,041	32,620	-	-
Amounts owed by group undertakings	-	-	18,991	19,006
Other debtors	3,231	86	1,896	2
Prepayments and accrued income	2,207	2,930	35	108
Corporation tax	465	-	-	-
	22,944	35,636	20,922	19,116
Deferred tax (note 27)	1,169	-	-	-
	24,113	35,636	20,922	19,116

During the period, the group recognised an impairment loss of £101,000 (2018: £149,000) in respect of its trade debtors.

24 Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade creditors	12,773	19,531	-	-
Corporation tax	-	221	-	-
Other taxation and social security	730	914	-	-
Accruals and deferred income	7,749	9,193	-	-
Bank loans (note 26)	8,400	18,166	3,000	2,875
Other creditors	209	-	-	-
Obligations under finance leases (note 26)	62	-	-	-
Amounts owed to group undertakings	-	-	33,785	30,647
	29,923	48,025	36,785	33,522

Pension commitments at year end relate to the defined benefit scheme (refer to note 7 for further details). The balance outstanding, representing unpaid contributions, at the period end, and included in other taxation and social security above, was £60k (2018: £110k).

25 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans (note 26)	11,699	14,000	11,000	14,000
Obligations under finance leases (note 26)	-	312	-	-
Accruals and deferred income	26	35	-	-
	11,725	14,347	11,000	14,000

26 Borrowings

Bank loans – Group and Company

The group has the following interest bearing loans and borrowings at the reporting date:

Interest-bearing loans and borrowings 2019	Interest rate %	Maturity	Due within one year £'000	Due after more than one year £'000
Facility A	LIBOR+2.00%	Sep 2020	3,000	1,000
Facility A – Peacock	LIBOR+2.00%	Sep 2020	-	5,000
Revolving Credit – facility B	LIBOR+2.00%	Sep 2020	-	5,000
RBSI Sandhurst Loan	Base rate+0.75%	May 2049	44	699
Invoice Finance Agreements	Base rate+1.40%	n/a	5,386	-
Total interest-bearing loans and borrowings			8,430	11,699

26 Borrowings (continued)

Interest-bearing loans and borrowings 2018	**Interest rate %**	**Maturity**	**Due within one year £'000**	**Due after more than one year £'000**
Facility A	LIBOR+2.00%	Sep 2020	2,875	4,000
Facility A – Peacock	LIBOR+2.00%	Sep 2020	-	5,000
Revolving Credit – facility B	LIBOR+2.00%	Sep 2020	-	5,000
Invoice Finance Agreements	Base rate+1.40%	n/a	15,291	-
			18,166	14,000

With the exception of the RBSI Sandhurst loan all bank loans are secured by a composite cross guarantee given by all group companies. The borrowings are also secured by first legal charges over land and buildings and debentures over all present and future assets of the group.

The RBSI Sandhurst loan is secured is secured by a first charge over the Sandhurst property, Jersey.

A new bank facility was signed by the group in September 2016. The bank loans outstanding at 31 August 2019 are represented by the following:

Facility A: 4 years to September 2020. £14.5m total facility, with £9.000m outstanding at the reporting date. Interest maximum 2% above LIBOR. Repayments rising from £500,000 per quarter at September 2017 to £750,000 per quarter by December 2018.

Revolving Credit: 4 years to September 2020. £5m maximum drawing. Interest maximum 2% above LIBOR.

Invoice Finance: 4 years to September 2020. Secured on the trade debtors of Greenvale AP and Rowe Farming. £20m maximum drawing. Interest 1.4% over Base Rate.

Obligations under finance leases – Group

Obligations under finance leases are secured by the related assets and bear finance charges at rates of 2.54% per annum (2018: 2.54% per annum).

	2019 £'000	**2018 £'000**
The total future minimum lease payments are payable:		
Less than one year	62	255
Between one and five years	-	57
After five years	-	-
	62	312

27 Provisions for liabilities

Group

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

	2019 £'000	2018 £'000
Deferred tax liabilities		
Accelerated capital allowances	1,260	1,526
Other	-	1,004
	1,260	2,530
Deferred tax assets		
Pensions and post-employment obligations	(1,670)	(852)
Unused losses – trade	(632)	-
Share based payments	-	(135)
Other	(127)	-
Net deferred tax provision	**(1,169)**	**1,543**

The deferred tax liability relating to the excess of tax allowances over depreciation of £1,260,000 (2018: £1,526,000) is expected to reverse within 10 years. The retirement benefit obligations relate to defined benefit pension schemes of £1,670,000 (2018: £852,000) and are expected to reverse over the duration of that scheme. Other deferred tax assets of £759,000 (2018: nil) are expected to reverse within 12 months.

28 Financial Instruments

Group

	2019 £'000	2018 £'000
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors	17,041	32,620
Other debtors	3,231	86
	20,272	32,706
Financial liabilities measured at amortised cost		
Bank loans	20,099	32,166
Trade creditors	12,773	19,531
Accruals	7,547	9,228
Finance leases	62	312
Other creditors	939	914
	41,420	62,151

29 Share capital

Group and Company

Ordinary share capital issued and fully paid

	Group and Company	
	2019	**2018**
	£'000	**£'000**
29,346,185 (2018: 27,401,865) ordinary 1p shares	293	274
	293	274

In the prior year, the company issued 289,237 ordinary 1p shares for total consideration of £259,000. During the 14 month period to 31st August 2019 1,944,320 shares were issued for total consideration of £2,101,000.

The company's ordinary shares carry no fixed right to income and carry equal voting rights.

30 Reserves

Group and Company

Called up share capital

Represents the nominal value of shares that have been issued.

Profit and loss reserves

Cumulative profits and losses, actuarial gains and losses on the defined benefit pension scheme, and dividend payments.

Share premium account

Consideration received for shares issued above their nominal value net of transaction costs.

Merger reserve

This is a non-distributable reserve that arose by applying merger relief s612 CA2006 (previously s131 CA85) to shares issued in 2008 in connection with the acquisition of Swancote Foods Limited. It has subsequently been increased by the shares issued to the vendors of Rowe Farming Limited and The Jersey Royal Potato Company.

31 Financial commitments, guarantees and contingencies

Group

Operating lease commitments – as lessee

The group has entered into commercial leases on land, plant and equipment, fixtures and fittings and business accommodation. These leases have a life of between one and ten years. There are no restrictions placed upon the group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	2019	**2018**
	£'000	**£'000**
Amounts due:		
Within one year	4,163	4,550
Between one and five years	7,153	4,871
After five years	22	849
	11,338	10,270

31 Financial commitments, guarantees and contingencies (continued)

Group

Operating lease commitments – as lessor

The group has entered into commercial leases on certain items of plant and equipment which are leased to customers. These non-cancellable leases have a lease term of between one and five years. Where leases are signed for multiple years, revenue is paid in advance and recognised in the period to which it relates, with balances deferred as required.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	2019 £'000	2018 £'000
Amounts due:		
Within one year	22	36
Between one and five years	26	35
	48	71

Group

Capital commitments

At the reporting date, the group had capital commitments of £2,160,000 (2018: £1,618,000)

Company

Guarantees

The company has provided a composite cross guarantee to its bankers in respect of bank borrowings with group companies. At the end of the period the total bank borrowings of the group companies amounted to £19,356,000 (2018: £32,166,000).

32 Related party disclosures

Group

During the period the group entered into the following transactions with the related parties:

Organic Potato Growers (Scotland) Limited (OPG) is a potato grower in which the group owns a 33.3% interest. During the period the group made purchases from OPG of £572,000 (2018: £614,000) and sales to OPG of £21,000 (2018: £13,000). At the reporting date the group was owed £34,000 by OPG (2018: £13,000) and owed OPG £40,000 (2018: nil).

Restrain Company Limited is a company in which the group owns a 20% interest. During the period, the group made recharges to Restrain Company Limited of £29,000 (2018: £26,000) and purchased goods and services from Restrain Company Limited totalling £40,000 (2018: £33,000). At the reporting date the group owed Restrain Company Limited £1,428,000 (2018: £1,226,000).

Linwood Crops Limited is a company in which the group owns a 71% interest. During the period, the group made sales to Linwood Crops Limited of £2,060,000 (2018: £955,000) and purchased goods and services from Linwood Crops Limited totalling £140,000 (2018: £68,000). At the reporting date Linwood Crops Limited owed the group £646,000 (2018: £547,000) and was owed £43,000 (2018: nil) by the group.

April 1983 Bidco Limited is the immediate parent company of Produce Investments Limited. During the period, the group purchased goods and services from April 1983 Bidco Limited totalling £384,000 (2018: nil). At the reporting date there was no outstanding balance between the group and April 1983 Bidco Limited.

At the time of change of ownership, Produce Investments advanced £1,896,000 to April 1983 Bidco Limited in relation to the exercise of share options, and this balance remains outstanding as at 31st August 2019.

The directors are considered to be the key management of the group and disclosure in relation to their remuneration has been included within note 5.

33 Controlling party

The immediate parent undertaking is April 1983 Bidco Limited, a company registered in Jersey. The company's ultimate controlling party at the balance sheet date was Promethean 2018 L.P., registered in Jersey.

The largest and smallest group for which consolidated financial statements are prepared, for the period ended 31 August 2019, is headed by Produce Investments Limited, registered in England and Wales, whose address is Produce Investments Limited, 7 The Forum, Minerva Business Park, Lynch Wood, Peterborough, Cambridgeshire, PE2 6FT.

34 Post balance sheet events

Post balance sheet events

The Group has been affected by the impact of the COVID-19 pandemic as have most businesses. The practical impacts on the Group have been described in the strategic report. Whilst the Group has had to adapt its ways of working to cope with the effects of the virus, overall there has not been a significant adverse impact on the business or its cash flows despite the daffodil season ending early as already described.

On 7 May 2020 the Group entered into an agreement with HSBC, its principal banker, for new and extended bank facilities for a three year period. The new facilities replaced the existing arrangements which had been due to expire in September 2020 and they consist of structured loans of £25m and an invoice finance facility with a maximum drawdown of £25m.

On 30th January 2020 the Company disposed of its interest in Linwood Crops Limited.

On 17th December 2019 the Group disposed of its interest in BROP. Please refer to note 18 for further details of this transaction.

36 First time adoption of FRS 102

Group

Reconciliations and descripts of the effect of the transition to FRS 102 on; (i) the equity at the date of transition to FRS 102; (ii) the equity at the end of the comparative period; and (iii) the comparative income statement and comparative statement of other comprehensive income reported under IFRS are given below.

Reconciliation of equity		1 July 2017 £ '000	30 June 2018 £'000
Equity as previously report under IFRS		53,186	45,285
Adjustment to carrying value of biological assets	A	(10,279)	(7,972)
Adjustment to deferred tax in respect of biological assets	B	936	574
Adjustment to goodwill amortisation and impairment	C	-	(88)
Adjustment to deferred tax in respect of share-based payments	D	(145)	-
Equity as reported under FRS 102		43,698	37,799

Reconciliation of profit or loss		Year ended 30 June 2018 £'000
Total comprehensive loss for the period as previously reported under IFRS		(6,490)
Adjustment to carrying value of biological assets	A	2,307
Adjustment to deferred tax in respect of biological assets	B	(362)
Adjustment to goodwill amortisation and impairment	C	(88)
Adjustment to deferred tax in respect of share-based payments	D	145
Total comprehensive loss for the period reported under FRS 102		(4,488)

A – Under FRS 102, the groups' biological assets which comprise potato crops and daffodil bulb crops are measured at cost. The group's agricultural produce harvested from biological assets is also measured, at the point of harvest, using the cost model. Under IFRS, the group previously measured biological assets and agricultural produce at fair value. As a result, on transition to FRS 102, there was a reduction in group equity at the date of transition and at the comparative reporting date representing the difference between the cost and the fair value of such assets at those dates and a reduction in the loss for the comparative period.

36 First time adoption of FRS 102 (continued)

B – Previously under IFRS, the group recognised deferred tax on fair value gains and losses arising on biological assets and agricultural produce; a timing difference arose because the tax base in the individual accounts of the relevant trading subsidiaries was cost. Under FRS 102, the group applies the cost model and, as a result, there is no timing difference and no deferred tax to recognise.

C – All of the group's business combinations were effected before the date of transition to FRS 102 (1 July 2017) and the group has applied the business combination transition exemption available under FRS 102. The effect of applying the transition exemption is that no adjustment is required to any intangible assets or goodwill recognised in previous business combinations at the date of transition to FRS 102 (1 July 2017). Previously under IFRS, the group did not amortise goodwill; under FRS 102 goodwill is required to be amortised over its expected useful economic life and, as a result, on adoption of FRS 102 the group's goodwill has been amortised from 1 July 2017. Some of the group's goodwill balances were impaired under IFRS in the year to 30 June 2018 and, as a result, there was no change to the carrying value of the goodwill at 30 June 2018 from applying the FRS 102 amortisation rules; the effect was goodwill impairment expense being reclassified to goodwill amortisation expense with no overall effect on profit. The net effect was additional amortisation of £88,000 to 30 June 2018 relating to goodwill which was not impaired under IFRS in the year to 30 June 2018.

D – Previously under IFRS, the group recognised deferred tax on share-based payment arrangements using the 'temporary differences' approach which results in deferred tax being recognised on the full amount of any future expected tax relief. FRS 102 uses a profit and loss timing differences approach which restricts the amount of deferred tax recognised based on the cumulative expense recognised in profit and loss and results in deferred tax on share-based payment arrangements being recognised in profit and loss only; not in the statement of changes in equity.