
FLAMINGO HORTICULTURE INVESTMENTS LIMITED

UNAUDITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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FLAMINGO HORTICULTURE INVESTMENTS LIMITED

COMPANY INFORMATION

Directors	P M Mason G M Turrell (resigned 31 March 2023) D Z James
Registered number	08275291
Registered office	Flamingo House Unit D Cockerell Close Stevenage Hertfordshire SG1 2NB

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

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FLAMINGO HORTICULTURE INVESTMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The Directors submit their report and financial statements for the year ended 31 December 2022.

Business review

The results for the year and the financial position of the company are considered reasonable by the directors given the nature of the business, to provide management services to and hold investments in group undertakings. The company incurred costs of £5,632k (2021: £9,007k) of which certain amounts are recharged to fellow group undertakings. The profit for the period includes receipt of dividends of £807k (2021: £5,937k) from fellow group undertakings.

Principal risks and uncertainties

In the year the company undertook a detailed review of the carrying value of the investment in its subsidiaries. As a holding company, the main risks arise from the performance of the Company's investments.

Financial key performance indicators

The results for the year are set out on page 5 of the financial statements. There are no other key performance indicators given the holding company and management services nature of the business.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern

In preparing these financial statements, the directors have assessed the ability of the Group and parent company to continue to operate for a period of not less than 12 months from the date of signature of these financial statements.

The Group's 2023 budget, approved by the Flamingo Group International Limited ("FGIL") board, demonstrates management's expectation that FGIL will continue to grow profitably, generate surplus liquidity and remain solvent throughout the three year (2023-2025) budget period. Through the first six months of the year ("H1"), the Group traded ahead of budget in terms of sales and EBITDA but behind on cash generation due to working capital timing and a delay in receipt of Kenyan Revenue Authority VAT refunds. H1 was behind prior year in terms of sales and EBITDA. The Group's Forecast 2 ("F2") reforecast confirms an expectation that despite a sales reduction versus the budget, the year will finish in line with budgeted EBITDA. Cash generation is expected to be adverse to budget due to the inclusion of the latest view on Kenya Revenue Authority VAT refunds in the reforecast. The businesses actual and forecast results show headroom compared to our lending covenants (the long-term loan matures in February 2025 and the short-term loan matures in February 2024). The Group finished the year at 3.7x leverage (versus the lending covenant of 5.95x) and current projections are that 2023 will finish at 4.0x. As part of the prior year's Going Concern assessment the board modelled current trading to determine if the Group's liquidity was at risk or if the Group's debt covenants could foreseeably be in danger of breach. During this evaluation, the board concluded that the level of foreseeable risk did not put the Group's liquidity position in jeopardy.

Statement on Inflation

As a result of general increases in consumer demand, macro supply chain pressures, and most recently the war in the Ukraine, the Group has experienced substantial inflationary pressures on input costs including freight, energy, UK wages, fertilizer and packaging. While the Group takes all possible steps to mitigate inflationary impacts, including scaling its procurement activity and produce re-engineering, it is not able to fully compensate for these pressures.

The Group has somewhat successfully passed on price increases related to this unmitigated inflation and has current plans in place to make further price increases as additional inflationary pressures impact its input costs.

The Company provided management services to the Group, headed up by the ultimate parent company and has net assets as at 31 December 2022. The Company derives its income from other Group Companies.

Based on the results of the Groups going concern set out above and the directors review of the Company's position, the directors believe that preparing the financial statements on a going concern basis is appropriate.

Finally, the board does not believe that there are any contingent liabilities that could adversely impact the Group's ability to function as a going concern.

This report was approved by the board and signed on its behalf.


P M Mason

P M Mason
Director

Date: 25/09/2023

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Principal activity

The Company's principal activity is that of a holding company for a group of companies engaged in the supply and distribution of horticultural produce, together with providing management services to fellow group undertakings.

Results and dividends

The loss for the year, after taxation, amounted to £3,307k (2021 - profit £2,715k).

The directors do not recommend the payment of a dividend (2021: £Nil).

Directors

The directors who served during the year were:

P M Mason
G M Turrell (resigned 31 March 2023)
D Z James

Future developments

The company will continue to act as a holding company for a group of companies.

Engagement with employees

The company's policy is to consult and discuss with employees, staff councils and at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through bulletins and reports, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Disabled employees

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


Qualifying third party indemnity provisions

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

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

This report was approved by the board and signed on its behalf.


P M Mason

P M Mason
Director

Date: 25/09/2023

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	Year ended 31 December 2022 £000	Year ended 1 January 2022 £000
Turnover	4	824	5,588
Gross profit		824	5,588
Administrative expenses		(5,632)	(9,007)
Operating loss	5	(4,808)	(3,419)
Income from fixed assets investments	8	807	5,937
Interest payable and expenses	9	(3)	(3)
(Loss)/profit before tax		(4,004)	2,515
Tax on (loss)/profit	10	697	200
(Loss)/profit for the financial year		(3,307)	2,715

There was no other comprehensive income for 2022 (2021: £NIL).

The notes on pages 10 to 38 form part of these financial statements.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED
REGISTERED NUMBER: 08275291

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	31 December 2022 £000	1 January 2022 £000
Fixed assets			
Property plant and equipment	11	293	490
Investments	13	88,923	88,923
		<u>89,216</u>	<u>89,413</u>
Current assets			
Debtors: amounts falling due within one year	14	48,105	47,117
Bank and cash balances		116	986
		<u>48,221</u>	<u>48,103</u>
Creditors: amounts falling due within one year	15	(37,701)	(33,938)
Net current assets		<u>10,520</u>	<u>14,165</u>
Total assets less current liabilities		<u>99,736</u>	<u>103,578</u>
Creditors: amounts falling due after more than one year	16	(21)	(43)
		<u>99,715</u>	<u>103,535</u>
Net assets		<u>99,715</u>	<u>103,535</u>
Net assets		<u>99,715</u>	<u>103,535</u>
Capital and reserves			
Called up share capital	19	50,287	50,287
Share premium account	20	6,794	6,794
Other reserves	20	6,970	7,483
Profit and loss account	20	35,664	38,971
		<u>99,715</u>	<u>103,535</u>

FLAMINGO HORTICULTURE INVESTMENTS LIMITED
REGISTERED NUMBER: 08275291

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

The members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The company was entitled to exemption from the requirement to have an audit under section 479A of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



P M Mason
Director

Date: 25/09/2023

The notes on pages 10 to 38 form part of these financial statements.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £000	Share premium account £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
At 2 January 2022	50,287	6,794	7,483	38,971	103,535
Comprehensive loss for the 52 week period					
Loss for the year	-	-	-	(3,307)	(3,307)
Total comprehensive loss for the 52 week period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,307)</u>	<u>(3,307)</u>
Contributions by and distributions to owners					
Share based payments	-	-	(513)	-	(513)
Total transactions with owners	<u>-</u>	<u>-</u>	<u>(513)</u>	<u>-</u>	<u>(513)</u>
At 31 December 2022	<u>50,287</u>	<u>6,794</u>	<u>6,970</u>	<u>35,664</u>	<u>99,715</u>

The notes on pages 10 to 38 form part of these financial statements.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 1 JANUARY 2022**

	Called up share capital £000	Share premium account £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
At 3 January 2021 (as previously stated)	50,287	6,794	8,632	33,497	99,210
Prior year adjustment	-	-	(2,759)	2,759	-
At 3 January 2021 (as restated)	50,287	6,794	5,873	36,256	99,210
Comprehensive profit for the 52 week period					
Profit for the 52 week period	-	-	-	2,715	2,715
Total comprehensive profit for the 52 week period	-	-	-	2,715	2,715
Share based payments	-	-	1,610	-	1,610
Total transactions with owners	-	-	1,610	-	1,610
At 1 January 2022	50,287	6,794	7,483	38,971	103,535

The notes on pages 10 to 38 form part of these financial statements.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Flamingo Horticulture Investments Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Flamingo House, Unit D, Cockerell Close, Stevenage, Hertfordshire SG1 2NB.

The principal activity of the company is that of a holding company.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The financial statements are presented in Sterling (£) and have been presented in round thousands (£000).

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions (continued)

- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Going concern

In preparing these financial statements, the directors have assessed the ability of the Group and parent company to continue to operate for a period of not less than 12 months from the date of signature of these financial statements.

The Group's 2023 budget, approved by the Flamingo Group International Limited ("FGIL") board, demonstrates management's expectation that FGIL will continue to grow profitably, generate surplus liquidity and remain solvent throughout the three year (2023-2025) budget period. Through the first six months of the year ("H1"), the Group traded ahead of budget in terms of sales and EBITDA but behind on cash generation due to working capital timing and a delay in receipt of Kenyan Revenue Authority VAT refunds. H1 was behind prior year in terms of sales and EBITDA. The Group's Forecast 2 ("F2") reforecast confirms an expectation that despite a sales reduction versus the budget, the year will finish in line with budgeted EBITDA. Cash generation is expected to be adverse to budget due to the inclusion of the latest view on Kenya Revenue Authority VAT refunds in the reforecast. The businesses actual and forecast results show headroom compared to our lending covenants (the long-term loan matures in February 2025 and the short-term loan matures in February 2024). The Group finished the year at 3.7x leverage (versus the lending covenant of 5.95x) and current projections are that 2023 will finish at 4.0x. As part of the prior year's Going Concern assessment the board modelled current trading to determine if the Group's liquidity was at risk or if the Group's debt covenants could foreseeably be in danger of breach. During this evaluation, the board concluded that the level of foreseeable risk did not put the Group's liquidity position in jeopardy.

Statement on Inflation

As a result of general increases in consumer demand, macro supply chain pressures, and most recently the war in the Ukraine, the Group has experienced substantial inflationary pressures on input costs including freight, energy, UK wages, fertilizer and packaging. While the Group takes all possible steps to mitigate inflationary impacts, including scaling its procurement activity and produce re-engineering, it is not able to fully compensate for these pressures.

The Group has somewhat successfully passed on price increases related to this unmitigated inflation and has current plans in place to make further price increases as additional inflationary pressures impact its input costs.

The Company provided management services to the Group, headed up by the ultimate parent company and has net assets as at 31 December 2022. The Company derives its income from other Group Companies.

Based on the results of the Groups going concern set out above and the directors review of the Company's position, the directors believe that preparing the financial statements on a going concern basis is appropriate.

Finally, the board does not believe that there are any contingent liabilities that could adversely impact the Group's ability to function as a going concern.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised when performance obligations are met.

To determine whether to recognise revenue, the company follows a 5-step process:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations.
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is derived from management fees which are charged to other group companies in respect of services rendered by the company. Revenue is recognised at the point in time when the company satisfies performance obligations by transferring the promised service to the other group companies.

2.5 Impact of new international reporting standards, amendments and interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the company's financial statements.

2.6 Leases

The company as a lessee

For any new contracts entered into, the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration'. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the company has the right to direct the use of the identified asset throughout the period of use.

The company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.6 Leases (continued)

At the commencement date, the company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonable certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in insubstance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment. Lease liabilities have been included as a separate financial statement line item.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Motor vehicles	- Period of the lease
Fixtures and fittings	- 3-4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.8 Investments

Investments in subsidiaries are measured at cost less accumulated impairment losses.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.9 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the Statement of Comprehensive Income as a highlighted item in the period in which they are incurred.

2.10 Debtors

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.12 Financial instruments (continued)

amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The company always recognises lifetime Expected Credit Loss (ECL) for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.14 Amounts owed to and from group undertakings

Amounts due from group companies are initially recognised at fair value being the present value of future interest and capital receipts discounted at the market rate of interest for a similar financial asset.

Amounts due from/owed to fellow group undertakings are included within debtors and creditors.

Where the face value of the loan exceeds the fair value of the loan on initial recognition this difference is treated as follows:

- If the loan is to a parent company, the difference is shown as a deduction from equity
- If the loan is to a fellow subsidiary, and made under the instruction of the parent, the difference is shown as a deduction from equity
- If the loan is due from a subsidiary, the difference is added to the investment in that subsidiary. Interest receivable on the loan is recognised in the Statement of Comprehensive Income under the effective interest method.

Amounts owed to group companies are initially recognised at fair value being the present value of future interest and capital payments discounted at the market rate of interest for a similar financial liability. Where the face value of the loan exceeds the fair value of the loan on initial recognition this difference is treated as follows:

- If the loan is from a parent company, the difference is shown as a credit to equity
- If the loan is from a fellow subsidiary, and made under the instruction of the parent, the difference is shown as a credit to equity
- If the loan is from a subsidiary, the difference is recognised in the Statement of Comprehensive Income.

Interest payable on the loan is recognised in the Statement of Comprehensive Income under the effective interest method.

For group loans which are due on demand or where there is no significant difference between the amount due/payable and fair value on initial recognition then such loans are carried at the amount due/payable on an amortised cost basis.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.15 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.16 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.17 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.18 Taxation

Tax is recognised in the Statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full, and are not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the profit or loss, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

- Carrying value of investments - Management have considered if there are any indicators of impairment of the company's investments at the reporting date. Where such indicators are identified, an impairment review is undertaken to ensure that the carrying value of the investments reflects, as a minimum, the value to be realised from the investment in the foreseeable future.
- Lease accounting. Judgement is required in assessing whether break or extension clauses within the leases will be taken by the Company. Break clauses have been assumed not to be taken unless otherwise specifically identified as a proactive management decision.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. Turnover

The total turnover of the Company for the period has been derived from its principal activity wholly undertaken in the United Kingdom which arises from management fees charged to subsidiaries in respect of services rendered by the company.

5. Operating loss

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

	Year ended 31 December 2022 £000	Year ended 1 January 2022 £000
Depreciation of property, plant and equipment	204	140
Exchange differences	1	12
Share based payments	886	1,610
Defined contribution pension cost	62	73

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

6. Employees

Staff costs, including directors' remuneration, were as follows:

	Year ended 31 December 2022 £000	Year ended 1 January 2022 £000
Wages and salaries	2,448	2,865
Social security costs	213	179
Cost of defined contribution scheme	62	73
	<u>2,723</u>	<u>3,117</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Year ended 31 December 2022 No.	Year ended 1 January 2022 No.
Directors	2	2
Administration	12	12
	<u>14</u>	<u>14</u>

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Directors' remuneration

	Year ended 31 December 2022 £000	Year ended 1 January 2022 £000
Directors' emoluments	343	429
Company contributions to defined contribution pension schemes	16	17
	<u>359</u>	<u>446</u>

During the year retirement benefits were accruing to 2 directors (2021 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £172k (2021 - £152k).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8k (2021 - £8k).

8. Income from fixed asset investments

	Year ended 31 December 2022 £000	Year ended 1 January 2022 £000
Dividends received from unlisted investments	807	5,937

9. Interest payable and similar expenses

	Year ended 31 December 2022 £000	Year ended 1 January 2022 £000
Interest expense for leasing arrangements	3	3
	<u>3</u>	<u>3</u>

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Taxation

	Year ended 31 December 2022 £000	<i>Year ended 1 January 2022 £000</i>
Corporation tax		
Group taxation relief	(692)	(403)
Foreign tax on income for the year	70	175
	<u>70</u>	<u>175</u>
Total current tax	<u>(622)</u>	<u>(228)</u>
Deferred tax		
Origination and reversal of timing differences	(41)	28
Changes to tax rates	(1)	(1)
Adjustments in respect of previous periods	(33)	1
	<u>(75)</u>	<u>28</u>
Total deferred tax	<u>(75)</u>	<u>28</u>
Taxation on loss on ordinary activities	<u>(697)</u>	<u>(200)</u>

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	Year ended 31 December 2022 £000	<i>Year ended 1 January 2022 £000</i>
(Loss)/profit on ordinary activities before tax	(4,004)	2,515
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(761)	478
Effects of:		
Expenses not deductible for tax purposes	191	290
Adjustments to tax charge in respect of previous periods	(33)	1
Other timing differences leading to an increase (decrease) in taxation	-	(15)
Non-taxable income	(153)	(1,128)
Remeasurement of deferred tax	(11)	(1)
Overseas tax	70	175
Total tax charge for the period	(697)	(200)

Factors that may affect future tax charges

During the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Property, plant and equipment

	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 2 January 2022	131	1,487	1,618
Additions	-	8	8
At 31 December 2022	<u>131</u>	<u>1,495</u>	<u>1,626</u>
Accumulated depreciation			
At 2 January 2022	61	1,068	1,129
Charge for the year on owned assets	-	174	174
Charge for the year on right-of-use assets	30	-	30
At 31 December 2022	<u>91</u>	<u>1,242</u>	<u>1,333</u>
Net book value			
At 31 December 2022	<u>40</u>	<u>253</u>	<u>293</u>
At 1 January 2022	<u>71</u>	<u>419</u>	<u>490</u>

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	31 December 2022 £000	1 January 2022 £000
Tangible fixed assets owned	253	419
Right-of-use tangible fixed assets	40	71
	<u>293</u>	<u>490</u>

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

11. Property, plant and equipment (continued)

Information about right-of-use assets is summarised below:

Net book value

	31 December 2022 £000	1 January 2022 £000
Motor vehicles	40	71
	40	71

The income statement shows the following amounts of depreciation relating to:

	31 December 2022 £000	1 January 2022 £000
Motor vehicles	30	27
	30	27

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Leases

Company as a lessee

Lease liabilities are due as follows:

	2022 £000	2022 £000
Not later than one year	22	29
Between one year and five years	21	43
	43	72

The following amounts in respect of leases, where the company is a lessee, have been recognised in profit or loss:

	2022 £000	2022 £000
Interest expense on lease liabilities	3	3

Total cash outflow for leases for the year ended 31 December 2022 was £30k (2021: £30k).

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

13. Investments

	Investments in subsidiary companies £000
Cost	
At 2 January 2022	88,923
At 31 December 2022	<u>88,923</u>
Net book value	
At 31 December 2022	<u>88,923</u>
At 1 January 2022	<u>88,923</u>

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Flamingo Produce Limited	Flamingo House, Cockerell Close, Stevenage, Hertfordshire, SG1 2NB	Distribution of vegetables	Ordinary	100%
Omniflora GmbH	Blumen Center GmbH, Odenwaldstrasse 7-9, 63263 Neu-Isenburg, Germany	Distribution of flowers, vegetables and herbs	Ordinary	100%
Flamingo Flowers BV	Jupiter 185, 2675 LV Honselersdijk, Netherlands	Flower wholesaler	Ordinary	100%
Flamingo Flowers Limited	Flamingo House, Cockerell Close, Stevenage, Hertfordshire, SG1 2NB	Flower distributor	Ordinary	100%
Flamingo Horticulture Kenya Limited	Watermark Business Park, Ndege Road, P.O. Box 10222-00400, Nairobi, Kenya	Growing and exportation of flowers produce	Ordinary	100%
Flamingo Horticulture South Africa (Pty) Limited	Plot 25, Syferbult Road, Tarlton, South Africa	Flower grower and distributor	Ordinary	100%
Dudutech (Kenya) Limited*	Watermark Business Park, Ndege Road, P.O. Box 10222-00400, Nairobi, Kenya	Integrated pest management	Ordinary	100%
Flamingo Tanzania Limited*	Tanzania	Packing of vegetables	Ordinary	100%
Flamingo Plants Group Ltd*	Flamingo House, Cockerell Close, Stevenage, Hertfordshire, SG1 2NB	Holdings company	Ordinary	100%
Flamingo Castlegate 363 Limited*	Flamingo House, Cockerell Close, Stevenage, Hertfordshire, SG1 2NB	Holdings company	Ordinary	100%
Flamingo Plants Ltd*	Flamingo House, Cockerell Close, Stevenage, Hertfordshire, SG1 2NB	Horticulture arrangements	Ordinary	100%
Flamingo Plant Properties Ltd*	Flamingo House, Cockerell Close, Stevenage, Hertfordshire, SG1 2NB	Plant distributor	Ordinary	100%

* Indirect subsidiary undertakings

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Debtors: amounts falling due within one year

	31 December 2022 £000	<i>1 January 2022 £000</i>
Amounts owed by group undertakings	47,888	46,991
Prepayments and accrued income	123	123
Tax recoverable	16	-
Deferred taxation	78	3
	<u>48,105</u>	<u>47,117</u>

Amounts owed by group are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15. Creditors: Amounts falling due within one year

	31 December 2022 £000	<i>1 January 2022 £000</i>
Amounts owed to group undertakings	36,227	32,367
Other taxation and social security	91	58
Lease liabilities (note 12)	22	29
Accruals	1,361	1,484
	<u>37,701</u>	<u>33,938</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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

	31 December 2022 £000	<i>1 January 2022 £000</i>
Lease liabilities (note 12)	21	43
	<u>21</u>	<u>43</u>

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. Financial instruments

	31 December 2022 £000	<i>1 January 2022 £000</i>
Financial assets		
Financial assets measured at amortised cost	48,004	47,977
Financial liabilities		
Financial liabilities measured at amortised cost	(37,644)	(33,923)

Financial assets measured at amortised cost comprise cash at bank and in hand, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise amounts owed to group undertakings, lease liabilities and accruals.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. Deferred taxation

	31 December 2022 £000	1 January 2022 £000
At beginning of year	3	32
Charged to profit or loss	75	(29)
At end of year	78	3

The deferred tax asset is made up as follows:

	31 December 2022 £000	1 January 2022 £000
Decelerated capital allowances	78	3
	78	3

19. Share capital

	31 December 2022 £000	1 January 2022 £000
Allotted, called up and fully paid		
50,287,105 (2021 - 50,287,105) Ordinary shares of £1 each	50,287	50,287

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

20. Reserves

Share premium

The share premium reserve included any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium

Capital contribution

The capital contribution arises from the issue of equity based share options for certain employees and directors within the Company via a group share option scheme.

Profit and loss account

Includes all current and prior period retained profits and losses.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

21. Share based payments

The Group has a Long-Term Incentive Plan (LTIP) for purchasing shares in its parent company, Zara UK Topco Limited, which is open to certain directors and employees of the Group. Shares are issued at a value equal to the fair market value of such shares on the date of issuance. The shares vest over a five year year. Shares may be purchased if the director/employee leaves the employment of the Group.

Certain Directors and employees have been granted one of six subclasses of the B Shares Zara UK Topco Limited; B1 and B2 Shares ("B1&B2 Shares"), which have equivalent rights; B3 Shares ("B3 Shares"), B4 Shares ("B4 Shares"), B5 Shares ("B5 Shares") and B6 Shares ("B6 Shares"). The B Shareholders are entitled to distributions, whether upon a change in control or liquidation event occurring ("Exit Event") or otherwise subject to meeting certain other shareholder distribution requirements.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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	B1 & B2 shares		B4 shares		B5 shares	
	Number of shares	Weighted average exercise price per share	Number of shares	Weighted average exercise price per share	Number of shares	Weighted average exercise price per share
Outstanding at 3/1/2021						
	89,000	23.75	21,000	6.16	173,895	0.17
Granted	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Outstanding at 1/1/2022	89,000	23.75	21,000	6.16	173,895	0.17
Granted	-	-	-	-	-	-
Forfeited	-	-	(4,200)	-	(24,078)	-
Exercised	-	-	-	-	-	-
Outstanding at 31/12/2022	89,000	23.75	16,800	6.16	149,817	0.17
Exercisable at 31 December 2022	-	-	-	-	-	-
Exercisable at 1 January 2022	-	-	-	-	-	-

	B6 shares	
	Number of shares	Number of shares
Outstanding at 3/1/2021		
	-	-
Granted	50,000	0.12
Forfeited	-	-
Exercised	-	-
Outstanding at 1/1/2022	50,000	0.12
Granted	-	-
Forfeited	-	-
Exercised	-	-
Outstanding at 31/12/2022	50,000	0.12
Exercisable at 31 December 2022	-	-
Exercisable at 1 January 2022	-	-

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Share based payments (continued)

	B1 & B2 shares	B4 shares	B5 Shares*	B6 Shares*
Option grant dates	29 Nov 2016	18 Apr 2018	2 Dec 2021	2 Dec 2020
Vesting commencement dates	29 Nov 2016	18 Apr 2018	20 Jun 2019	2 Jan 2020
Weighted average exercise share price at the date of the exercise of the share options exercised during the period	-	-	-	-
Weighted average exercise price of options outstanding at 31 December 2022	£23.75	£6.16	£0.17	£0.12
Weighted average remaining contractual life	-	-	1.5 years	2 years

* These awards were communicated to participants prior to being granted. On the basis that service was provided from the vesting commencement date the expense is being recognised from that date.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Cash settled awards

Details of the cash settled are shown below, in prior years accounts these were shown as exercised shares now treated as cash settled. The revaluation at the year-end is based on the valuation of the company.

	Number of shares	B2 shares Fair value price per share	Fair value of shares £'000	Number of shares	B4 shares Fair value price per share	Fair value of shares £'000	Number of shares	B5 shares Fair value price per share	Fair value of shares £'000
As at 31/12/21	27,000	46.44	1,254	-	-	-	-	-	-
Fair value adjustment	-	-	-	-	-	-	-	-	-
As at 1/1/22	27,000	46.44	1,254	-	-	-	-	-	-
Vested shares	-	-	-	16,800	54.16	910	16,052	50.32	808
Fair value adjustment	-	-	-	-	(46.14)	(775)	-	(49.65)	(797)
As at 31/12/22	27,000	46.44	1,254	16,800	8.02	135	16,052	0.67	11

The aggregate of the estimated fair values of the shares issued to certain directors and employees of the Group is £nil (2021: £6,217k). The fair values as at the financial year end have been calculated using the Monte Carlo simulation model.

During the year an expense of £886k (2021: £1,610k) was recognised as an expense for share-based payments.

FLAMINGO HORTICULTURE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

22. Contingent liabilities

The company has provided an unlimited cross guarantee to the Group's principle bankers Credit Suisse AG, concerning the liabilities of other group companies sharing in the group facility. The total liabilities for the period ending 31 December 2022 were £239,473k (2021: £240,363k).

23. Pension commitments

The Company operates a defined contributions pension scheme. The pension cost charge represents contributions payable by the Company to the fund and amounted to £62k (2021: £73k).

There was £13k payable to the fund at the reporting date (2021: £11k) and is included within creditors.

24. Related party transactions

As permitted by FRS 101 related party transactions with wholly-owned members of the Group have not been disclosed. Certain senior employees who have the authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. The total remuneration in respect of these individuals is £358k (2021: £446k).

25. Controlling party

The company is a subsidiary undertaking of Zara UK Holdco Limited, which was the ultimate parent company in the United Kingdom, at the reporting date.

The smallest group in which the results of the company are consolidated is that headed by Flamingo Group International Limited (formally Zara UK Midco Limited). The largest group in which results of the company are consolidated is headed by Zara UK Holdco Limited. The consolidated financial statements of this group are available to the public and may be obtained from Companies House.

The ultimate parent undertaking and controlling party is a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc.