

Company Registration No. SC369372 (Scotland)

CASTLETON FRUIT LTD.
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



CASTLETON FRUIT LTD.

COMPANY INFORMATION

| | |
|--------------------------|---|
| Director | Mr R J Mitchell |
| Secretary | Ms A Mitchell |
| Company number | SC369372 |
| Registered office | Castleton Farm Fordoun Kincardineshire AB30 1JX |
| Auditor | Johnston Carmichael LLP 15 Academy Street Forfar DD8 2HA |

CASTLETON FRUIT LTD.

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CASTLETON FRUIT LTD.

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The director presents the strategic report for the year ended 31 December 2019.

Fair review of the business

We report a turnover of £13.2m, a small decrease of 1% compared to 2018. Strawberry, Raspberry and Cherry sales were all down compared to 2018. Strawberry and Raspberry prices were below the 5 year average achieved and the cherry yields were less than 2018. Blueberry sales were up due to an increased yield however this was mitigated by poorer prices received.

Gross profit is down compared to 2018 due to an 8% increase on labour costs and reinvestment in new plantations. The labour cost in comparison to turnover has increased from 38% in 2018 to 42% in 2019. the poor exchange rate caused an increase in new plant costs. Extra costs were incurred through investment in 2019 into blueberry plants and setting up our new site at Inchgray, Fettercairn. Further investment was made into planting a new strategic late season cherry orchard.

At 31 December 2019, the company has net current assets of £749k (2018 - £322k) and total net assets of £5.5m (2018 - £5.3m).

Principal risks and uncertainties

We are committed to continuing to invest to grow our family business. However, there are various factors outwith our control, Brexit and Covid 19 being two prime examples of this. The cost to recruit, employ and retain workers is increasing dramatically. Coupled with this, retailer margins are more aggressive as they compete with the discounters.

The biggest risk facing our business is access to labour to plant, pick and pack our soft fruit. We currently rely on seasonal workers to travel to the UK to carry out these tasks. The availability of these workers was affected during travel restrictions due to the global pandemic. This highlighted the risk to our business of possibly not having access to these workers post Brexit. During the shortage of foreign workforce this year we recruited more UK nationals to carry out the harvest, with mixed success.

We continue to review our strategy, so any future plans and investments do not add to this risk. We are focussed on mitigating the risk of labour availability and cost by looking at the mix of our fruit crop and timings on labour requirements.

Covid 19 has put unprecedented strain on the business, however the team embraced the new procedures required allowing 2020 harvest to commence and the main business activity to continue. Staff welfare and safety has been at the forefront of our decision making and we have made every effort to protect them.

The uncertainty of a Brexit strategy creates an unsettling environment due to unknown trading conditions. Many of our inputs including plants, agrochemicals and packaging are imported.

Development and performance

As a going concern, we have full support of our bank and a very good working relationship with them which has been clearly highlighted during the global pandemic.

Our strategy going forward is to continue to farm profitably, be environmentally and ethically sustainable and continue to harbour our relations with our team, customers, and suppliers.

On behalf of the board


.....
Mr R J Mitchell

Director

8/12/20

CASTLETON FRUIT LTD.

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The director presents his annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company is the operation of a soft fruit farm.

Director

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

Mr R J Mitchell

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £60,000 (2018 £60,000). The director does not recommend payment of a final dividend.

Disabled persons

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

Employee involvement

The company's policy is to consult and discuss with employees at team meetings and through one to one meetings matters likely to affect employees' interests.

Future developments

Details of future developments can be found within the Strategic Report and form part of this report by the director.

Statement of disclosure to auditor

The director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

.....
Mr R J Mitchell
Director

Date: 8/12/20

CASTLETON FRUIT LTD.

DIRECTOR'S RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

The director is responsible for preparing the strategic report, director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CASTLETON FRUIT LTD.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CASTLETON FRUIT LTD.

Opinion

We have audited the financial statements of Castleton Fruit Ltd. (the 'company') for the year ended 31 December 2019 which comprise the Statement of Income and Retained Earnings, Balance Sheet, Statement of Cash Flows, 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

CASTLETON FRUIT LTD.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CASTLETON FRUIT LTD.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the director's 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the Director's Responsibilities Statement, the director is 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 director determines 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 director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has 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.

CASTLETON FRUIT LTD.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CASTLETON FRUIT LTD.

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 him 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.

Johnston Carmichael LLP

Fiona Kenneth (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

11 December 2020

Chartered Accountants
Statutory Auditor

15 Academy Street
Forfar
DD8 2HA

CASTLETON FRUIT LTD.

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | 2019 £ | 2018 £ |
|--|----------|-------------------------|-------------------------|
| Turnover | 3 | 13,266,454 | 13,427,019 |
| Cost of sales | | (12,636,639) | (11,869,730) |
| Gross profit | | <u>629,815</u> | <u>1,557,289</u> |
| Administrative expenses | | (602,851) | (688,635) |
| Other operating income | | 279,760 | 202,904 |
| Operating profit | 4 | <u>306,724</u> | <u>1,071,558</u> |
| Interest payable and similar expenses | 7 | (52,797) | (68,620) |
| Profit before taxation | | <u>253,927</u> | <u>1,002,938</u> |
| Tax on profit | 8 | (6,187) | (216,488) |
| Profit for the financial year | | <u>247,740</u> | <u>786,450</u> |
| Retained earnings brought forward | | 5,304,793 | 4,578,343 |
| Dividends | 9 | (60,000) | (60,000) |
| Retained earnings carried forward | | <u><u>5,492,533</u></u> | <u><u>5,304,793</u></u> |

The Statement of Income and Retained Earnings has been prepared on the basis that all operations are continuing operations.

CASTLETON FRUIT LTD.

BALANCE SHEET

AS AT 31 DECEMBER 2019

| | Notes | 2019 £ | £ | 2018 £ | £ |
|--|-------|--------------------|---|--------------------|---|
| Fixed assets | | | | | |
| Tangible assets | 11 | 6,838,731 | | 7,181,969 | |
| Investments | 12 | 50 | | 50 | |
| | | <u>6,838,781</u> | | <u>7,182,019</u> | |
| Current assets | | | | | |
| Stocks | 13 | 1,639,715 | | 1,324,107 | |
| Debtors | 14 | 751,633 | | 1,482,622 | |
| Cash at bank and in hand | | 94,739 | | 490 | |
| | | <u>2,486,087</u> | | <u>2,807,219</u> | |
| Creditors: amounts falling due within one year | 15 | <u>(1,736,764)</u> | | <u>(2,484,870)</u> | |
| Net current assets | | <u>749,323</u> | | <u>322,349</u> | |
| Total assets less current liabilities | | <u>7,588,104</u> | | <u>7,504,368</u> | |
| Creditors: amounts falling due after more than one year | 16 | (1,780,236) | | (1,852,902) | |
| Provisions for liabilities | 19 | (105,681) | | (84,631) | |
| Deferred income | 21 | (209,554) | | (261,942) | |
| Net assets | | <u>5,492,633</u> | | <u>5,304,893</u> | |
| Capital and reserves | | | | | |
| Called up share capital | 23 | 100 | | 100 | |
| Profit and loss reserves | | 5,492,533 | | 5,304,793 | |
| Total equity | | <u>5,492,633</u> | | <u>5,304,893</u> | |

The financial statements were approved and signed by the director and authorised for issue on 8/12/20

Mr R J Mitchell
Director

Company Registration No. SC369372

CASTLETON FRUIT LTD.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | 2019 £ | £ | 2018 £ | £ |
|---|-------|------------------|---|--------------------|---|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 26 | 1,396,984 | | 1,501,593 | |
| Interest paid | | (52,797) | | (68,620) | |
| Income taxes paid | | (218,394) | | (255,531) | |
| Net cash inflow from operating activities | | 1,125,793 | | 1,177,442 | |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (488,054) | | (2,007,073) | |
| Proceeds on disposal of tangible fixed assets | | 60,821 | | - | |
| Net cash used in investing activities | | (427,233) | | (2,007,073) | |
| Financing activities | | | | | |
| Repayment of bank loans | | (69,499) | | (54,146) | |
| Payment of finance leases obligations | | (25,892) | | (27,393) | |
| Dividends paid | | (60,000) | | (60,000) | |
| Net cash used in financing activities | | (155,391) | | (141,539) | |
| Net increase/(decrease) in cash and cash equivalents | | 543,169 | | (971,170) | |
| Cash and cash equivalents at beginning of year | | (1,173,425) | | (202,255) | |
| Cash and cash equivalents at end of year | | (630,256) | | (1,173,425) | |
| Relating to: | | | | | |
| Cash at bank and in hand | | 94,739 | | 490 | |
| Bank overdrafts included in creditors payable within one year | | (724,995) | | (1,173,915) | |
| | | (630,256) | | (1,173,425) | |

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Castleton Fruit Ltd. is a private company limited by shares incorporated in Scotland and the registration number is SC369372. The registered office is Castleton Farm, Fordoun, Kincardineshire, AB30 1JX.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The company's future strategy is discussed in the Strategic Report on page 1. The director has prepared formal financial forecasts for the period to 31 December 2021 in line with this strategy. Based on these, and on his expectation for subsequent years, the director has a reasonable expectation that the company has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least 12 months from the date of approving these financial statements. The key variables in the company's financial forecasts are labour costs and the selling price of fruit to retailers, however the director has given adequate consideration to the risk of unforeseen adverse changes in these variables in assessing the headroom in the financial forecasts. The director has therefore continued to adopt the going concern basis of accounting in the preparation of the financial statements.

1.3 Turnover

Turnover represents amounts receivable for the sale of soft fruit and other income derived from growing operations. Revenue for the sale of fruit is recognised on delivery to customers. Other income from growing operations is recognised in the period in which goods or services are provided by the company.

Other operating income represents property rental and other sundry income. Income is recognised on an accruals basis.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

1.5 Tangible fixed assets

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

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

| | |
|--------------------------------|--------------------------|
| Freehold buildings | - 25 years straight line |
| Plant and machinery | - 20% reducing balance |
| Fixtures, fittings & equipment | - 20% reducing balance |
| Motor vehicles | - 20% reducing balance |

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Freehold land is not depreciated.

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

1.6 Fixed asset investments

Interests in other entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.7 Impairment of fixed assets

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

1.8 Stocks

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

1.9 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial Instruments

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

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

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

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

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

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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. The impairment loss is recognised in the profit and loss account.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Basic financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Derecognition of financial liabilities

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

1.11 Equity instruments

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

1.12 Taxation

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

Current tax

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

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.13 Employee benefits

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

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

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.14 Retirement benefits

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

1.15 Leases

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

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

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

1.16 Government grants

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

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

1.17 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

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

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

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

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

Depreciation

Depreciation is provided based on the estimated useful economic life of each class of assets, which is judgement exercised by management. Depreciation is taken to the profit and loss in order to write off the asset over its useful economic life.

Stock valuation

As set out in note 13, the company has a year end crops in ground valuation of £898,937 (2018 - £821,782). This represents the valuation of crops growing in the ground at the year end and includes the cost of raw materials, labour and equipment for establishing these crops to the balance sheet date.

The cost of raw materials is directly attributable to the costs associated with plants, bed polythene, and coir. Expenditure incurred in bringing the crop to its current condition includes the labour of cultivating the land, sowing, planting and the husbandry of those crops. The cost of labour is based upon timesheet and payroll data, which is all allocated to developing these crops.

Any impairment of the crop is also taken into account whereby any damaged or under-performing crops are removed and the valuation is impaired appropriately. It is not deemed practical to count the exact number of plants removed for these purposes and these plants are impaired over their useful estimated life.

3 Turnover and other revenue

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

| | 2019 £ | 2018 £ |
|---|-------------------|-------------------|
| Turnover analysed by class of business | | |
| Sale of goods | 12,624,906 | 12,836,752 |
| Rental income | 641,548 | 590,267 |
| | <u>13,266,454</u> | <u>13,427,019</u> |
| | | |
| | 2019 £ | 2018 £ |
| Other significant revenue | | |
| Grants received | <u>55,944</u> | <u>31,994</u> |

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Operating profit

| | 2019 | 2018 |
|---|----------|----------|
| | £ | £ |
| Operating profit for the year is stated after charging/(crediting): | | |
| Exchange gains | (26,088) | (11,967) |
| Government grants | (55,944) | (31,994) |
| Fees payable to the company's auditor for the audit of the company's financial statements | 24,750 | 20,500 |
| Depreciation of owned tangible fixed assets | 771,359 | 700,070 |
| Depreciation of tangible fixed assets held under finance leases | 16,549 | 28,094 |
| Profit on disposal of tangible fixed assets | (17,437) | - |
| Amortisation of intangible assets | - | 119,480 |
| Operating lease charges | 191,620 | 103,417 |

5 Employees

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

| | 2019 | 2018 |
|----------------------|--------|--------|
| | Number | Number |
| Direct labour | 273 | 274 |
| Management | 1 | 1 |
| Administrative staff | 5 | 5 |
| | 279 | 280 |

Their aggregate remuneration comprised:

| | 2019 | 2018 |
|-----------------------|-----------|-----------|
| | £ | £ |
| Wages and salaries | 5,681,775 | 5,225,608 |
| Social security costs | 423,045 | 387,182 |
| Pension costs | 27,700 | 28,169 |
| | 6,132,520 | 5,640,959 |

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

6 Director's remuneration

| | 2019 £ | 2018 £ |
|---|---------------|---------------|
| Remuneration for qualifying services | 11,850 | 11,762 |
| Company pension contributions to defined contribution schemes | 29 | 101 |
| | <u>11,879</u> | <u>11,863</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 1).

7 Interest payable and similar expenses

| | 2019 £ | 2018 £ |
|--|---------------|---------------|
| Interest on bank overdrafts and loans | 52,797 | 68,581 |
| Interest on finance leases and hire purchase contracts | - | 39 |
| | <u>52,797</u> | <u>68,620</u> |

8 Taxation

| | 2019 £ | 2018 £ |
|--|-----------------|----------------|
| Current tax | | |
| UK corporation tax on profits for the current period | 48,429 | 223,922 |
| Adjustments in respect of prior periods | (63,292) | (5,443) |
| Total current tax | <u>(14,863)</u> | <u>218,479</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | <u>21,050</u> | <u>(1,991)</u> |
| Total tax charge | <u>6,187</u> | <u>216,488</u> |

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Taxation

(Continued)

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

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Profit before taxation | 253,927 | 1,002,938 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%) | 48,246 | 190,558 |
| Tax effect of expenses that are not deductible in determining taxable profit | 1,673 | 9,453 |
| Tax effect of income not taxable in determining taxable profit | (135) | (17,591) |
| Adjustments in respect of prior years | (63,292) | (5,443) |
| Deferred tax adjustments in respect of prior years | 3,841 | - |
| Fixed asset differences | 17,878 | 39,275 |
| Adjust closing deferred tax rate | (2,025) | 234 |
| Other differences | 1 | 2 |
| Taxation charge for the year | 6,187 | 216,488 |

9 Dividends

| | 2019 £ | 2018 £ |
|--------------|-----------|-----------|
| Interim paid | 60,000 | 60,000 |

10 Intangible fixed assets

| | Goodwill £ |
|--|---------------|
| Cost | |
| At 1 January 2019 and 31 December 2019 | 597,392 |
| Amortisation and impairment | |
| At 1 January 2019 and 31 December 2019 | 597,392 |
| Carrying amount | |
| At 31 December 2019 | - |
| At 31 December 2018 | - |

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Tangible fixed assets

| | Freehold buildings | Plant and machinery | Fixtures, fittings & equipment | Motor vehicles | Total |
|------------------------------------|-----------------------|------------------------|--------------------------------------|-------------------|-----------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 January 2019 | 3,900,436 | 5,026,918 | 41,487 | 249,806 | 9,218,647 |
| Additions | 69,456 | 364,748 | - | 53,850 | 488,054 |
| Disposals | - | (91,765) | (472) | - | (92,237) |
| At 31 December 2019 | 3,969,892 | 5,299,901 | 41,015 | 303,656 | 9,614,464 |
| Depreciation and impairment | | | | | |
| At 1 January 2019 | 97,412 | 1,809,902 | 8,649 | 120,715 | 2,036,678 |
| Depreciation charged in the year | 67,554 | 678,142 | 8,815 | 33,397 | 787,908 |
| Eliminated in respect of disposals | - | (48,853) | - | - | (48,853) |
| At 31 December 2019 | 164,966 | 2,439,191 | 17,464 | 154,112 | 2,775,733 |
| Carrying amount | | | | | |
| At 31 December 2019 | 3,804,926 | 2,860,710 | 23,551 | 149,544 | 6,838,731 |
| At 31 December 2018 | 3,803,024 | 3,217,016 | 32,838 | 129,091 | 7,181,969 |

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

| | 2019 £ | 2018 £ |
|---------------------|-----------|-----------|
| Plant and machinery | 66,197 | 112,378 |

12 Fixed asset investments

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Other investments | 50 | 50 |
| Movements in fixed asset investments | | |
| Cost or valuation | | |
| At 1 January 2019 & 31 December 2019 | | 50 |
| Carrying amount | | |
| At 31 December 2019 | | 50 |
| At 31 December 2018 | | 50 |

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

13 Stocks

| | 2019 £ | 2018 £ |
|-----------------------------------|------------------|------------------|
| Raw materials and packaging stock | 760,848 | 473,979 |
| Crops in ground | 825,608 | 821,782 |
| Goods for resale | 53,259 | 28,346 |
| | <u>1,639,715</u> | <u>1,324,107</u> |

14 Debtors

| | 2019 £ | 2018 £ |
|--------------------------------------|----------------|------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 62,634 | 67,706 |
| Corporation tax recoverable | 20,006 | 5,281 |
| Other debtors | 334,522 | 873,528 |
| Prepayments and accrued income | 334,471 | 536,107 |
| | <u>751,633</u> | <u>1,482,622</u> |

15 Creditors: amounts falling due within one year

| | | 2019 £ | 2018 £ |
|------------------------------------|----|------------------|------------------|
| Bank loans and overdrafts | 17 | 780,053 | 1,240,056 |
| Obligations under finance leases | 18 | 14,250 | 25,892 |
| Trade creditors | | 761,681 | 879,496 |
| Corporation tax | | - | 218,532 |
| Other taxation and social security | | 43,748 | 49,989 |
| Other creditors | | 5,473 | 9,009 |
| Accruals and deferred income | | 131,559 | 61,896 |
| | | <u>1,736,764</u> | <u>2,484,870</u> |

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Creditors: amounts falling due after more than one year

| | | 2019 £ | 2018 £ |
|----------------------------------|----|------------------|------------------|
| Bank loans and overdrafts | 17 | 1,765,986 | 1,824,402 |
| Obligations under finance leases | 18 | 14,250 | 28,500 |
| | | <u>1,780,236</u> | <u>1,852,902</u> |

Amounts included above which fall due after five years are as follows:

| | | |
|------------------------|---------------|---------------|
| Payable by instalments | 54,129 | 94,641 |
| | <u>54,129</u> | <u>94,641</u> |

17 Loans and overdrafts

| | | 2019 £ | 2018 £ |
|-------------------------|--|------------------|------------------|
| Bank loans | | 1,821,044 | 1,890,543 |
| Bank overdrafts | | 724,995 | 1,173,915 |
| | | <u>2,546,039</u> | <u>3,064,458</u> |
| Payable within one year | | 780,053 | 1,240,056 |
| Payable after one year | | <u>1,765,986</u> | <u>1,824,402</u> |

The bank loans and overdraft are secured by a floating charge over the company's assets and standard securities over certain assets held by the company and a related party.

Bank loans includes four facilities with the same bank which attract various LIBOR related interest rates. A loan for £1,500,000 is repayable by a single instalment in December 2021. The other loans are subject to monthly instalments with the final repayment due in March 2026.

18 Finance lease obligations

| | | 2019 £ | 2018 £ |
|---|--|---------------|---------------|
| Future minimum lease payments due under finance leases: | | | |
| Within one year | | 14,250 | 25,892 |
| In two to five years | | 14,250 | 28,500 |
| | | <u>28,500</u> | <u>54,392</u> |

Obligations under hire purchase contract are secured against the assets to which the agreements pertain.

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

19 Provisions for liabilities

| | Notes | 2019 £ | 2018 £ |
|--------------------------|-------|-----------|-----------|
| Deferred tax liabilities | 20 | 105,681 | 84,631 |

20 Deferred taxation

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

| | Liabilities 2019 £ | Liabilities 2018 £ |
|--------------------------------|--------------------------|--------------------------|
| Balances: | | |
| Fixed asset timing differences | 105,681 | 84,631 |
| Movements in the year: | | 2019 £ |
| Liability at 1 January 2019 | | 84,631 |
| Charge to profit or loss | | 21,050 |
| Liability at 31 December 2019 | | 105,681 |

21 Government grants

| | 2019 £ | 2018 £ |
|--------------------------------|-----------|-----------|
| Arising from government grants | 209,554 | 261,942 |

22 Retirement benefit schemes

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | 27,700 | 28,169 |

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

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23 Share capital

| | 2019 £ | 2018 £ |
|---------------------------------|------------|------------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 80 Ordinary A shares of £1 each | 80 | 80 |
| 10 Ordinary B shares of £1 each | 10 | 10 |
| 5 Ordinary C shares of £1 each | 5 | 5 |
| 5 Ordinary D shares of £1 each | 5 | 5 |
| | <u>100</u> | <u>100</u> |

24 Related party transactions

During the year, Castleton Fruit Ltd. made sales of £259,374 (2018 - £111,514) to and purchases of £307,094 (2018 - £244,973) from a partnership in which the director holds an interest. The net amount due to the partnership at the year was £15,360 (Due from the partnership 2018 - £17,240).

25 Directors' transactions

Dividends totalling £28,000 (2018 - £28,000) were paid in the year in respect of shares held by the company's director.

As at 31 December 2019, the director owes the company £nil (2018 - £79,550).

26 Cash generated from operations

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| Profit for the year after tax | 247,740 | 786,450 |
| Adjustments for: | | |
| Taxation charged | 6,187 | 216,488 |
| Finance costs | 52,797 | 68,620 |
| Gain on disposal of tangible fixed assets | (17,437) | - |
| Amortisation and impairment of intangible assets | - | 119,480 |
| Depreciation and impairment of tangible fixed assets | 787,908 | 728,164 |
| (Decrease)/increase in deferred income | (52,388) | 261,942 |
| Movements in working capital: | | |
| Increase in stocks | (315,608) | (313,266) |
| Decrease/(increase) in debtors | 745,714 | (696,956) |
| (Decrease)/increase in creditors | (57,929) | 330,671 |
| Cash generated from operations | <u>1,396,984</u> | <u>1,501,593</u> |

CASTLETON FRUIT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

27 Analysis of changes in net debt

| | 1 January 2019 £ | Cash flows £ | 31 December 2019 £ |
|----------------------------------|------------------------|-----------------|--------------------------|
| Cash at bank and in hand | 490 | 94,249 | 94,739 |
| Bank overdrafts | (1,173,915) | 448,920 | (724,995) |
| | <u>(1,173,425)</u> | <u>543,169</u> | <u>(630,256)</u> |
| Borrowings excluding overdrafts | (1,890,543) | 69,499 | (1,821,044) |
| Obligations under finance leases | (54,392) | 25,892 | (28,500) |
| | <u>(3,118,360)</u> | <u>638,560</u> | <u>(2,479,800)</u> |