PDM Produce (UK) Limited

Annual report and financial statements

Registered number 03185729

31 March 2020

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Contents

Officers and professional advisers

Directors	P D Maddocks E M Maddocks D L Maddocks D J Tobin J H Wood
Secretary	E M Maddocks
Registered office	Chadwell Park Farm Great Chatwell Newport Shropshire TF10 9BN
Bankers	Lloyds Bank 125 Colmore Row Birmingham West Midlands B3 3SF
Solicitors	Lanyon Bowdler LLP Chapter House North Abbey Lawn Abbey Foregate Shrewsbury Shropshire SY2 5DE
Auditor	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ

Strategic report

The directors present their strategic report and the audited financial statements for the year ended 31 March 2020.

Principal activities

The principal activity of the company is that of the marketing of agricultural produce.

Business review

The 2020 financial year shows another solid performance by the business. Revenue grew by 3.8% whilst gross margins were 10.4%, compared with 10.9% in 2019, reflecting another year of market success but margin pressure as well as the impacts of climate change on our weather patterns.

There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely changes in the company's activities in the forthcoming year other than further investment in new facilities.

The company continues to invest in research and development to focus its products more specifically to its individual customer's requirements. The directors regard such investment as necessary for the continued success in the medium to long term future of the business.

Key performance indicators

The company's key measurement of effectiveness is operating profits. The company achieved operating profits of £424,000 *(2019: £1,355,000).* Operating profit in the year has been impacted by an increase in depreciation to £4,532,000 (*2019: £4,061,000*) as a result of the capital investments made in recent years. The decrease in operating profits is also explained by higher import costs following the Brexit vote and higher wage bills due to the Living Wage. This has been partially offset by continued packing efficiencies as a result of newly installed packing lines and a tight control over costs.The business has a cash inflow of £2.0 million (*2019: £1.0m*) despite a further £2.2 million having been spent on capital expenditure. This level of investment in tangible assets demonstrates the ongoing commitment to serving our growing customer base with the best farms and packing facilities.

The balance sheet on page 9 shows that the company's financial position at the year-end has improved in net assets terms by £181,000 compared with last year.

Going concern

The company's forecasts and projections show that the company should be able to continue to operate within limits that have been agreed with the bank.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these accounts.

Principal risks and uncertainties

The company operates in a highly competitive market which is a continuing risk to the company and could result in losing sales to its key competitors. The company manages this risk by focusing on the quality of its products, innovation in its growing and packing process, and maintaining strong relationships with its customers.

As the company's products are perishable and grown outdoors the company is also susceptible to influence from the weather. This is managed through sourcing products from a wide geographical spread.

The business is reliant upon imported product during the winter months. The company manages its supply of crop through joint growing venture agreements, and where it can hedge currency to reduce their exposure to foreign exchange movements.

Britain's decision to leave the European Union has presented the business with a number of challenges including Sterling valuation fluctuations and potential import tariffs. Together with suppliers and customers, the company has reviewed the possible risks, developed plans and taken actions with the aim of mitigating the impact on the business during this time of uncertainty.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

The COVID-19 pandemic has presented challenges such as changes in working practices due to social distancing requirements and travel restrictions; this has brought a level of additional cost in the new financial year. The company is however fortunate to operate within the food industry with a customer base which is dominated by major retailers. Although there have been some changes in order patterns as a result of lockdown, the overall level of orders has remained largely unchanged from forecasts. The business also benefits from growing and supplying both wholehead lettuce and a range of prepared salads which allows flexibility in supply to meet the demand of retailers which has been impacted by changing purchasing patterns and potentially reduced consumer disposable income as a result of the pandemic.

Results and dividends

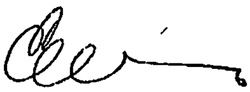
The profit for the year after taxation was £181,000 *(2019: £1,033,000)*.

The directors recommended a final a dividend of £Nil *(2019:* £40,000*)*. No interim dividends were paid in the year *(2019: £nil)*.

Future prospects

The directors intend to continue sales growth through additional product ranges and new customers.

Approved by the Board of Directors and signed on behalf of the Board



E M Maddocks
Director

24 November 2020

Directors' report

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

Results and dividends

The consolidated profit and loss account for the year is set out on page 8.

The directors do not recommend the payment of a final dividend *(2019: £40,000)*. No interim dividends were paid in the year *(2019: £nil)*.

It is proposed that the retained profit is transferred to the company's reserves.

Directors

The directors who served throughout the year were as follows:

P D Maddocks
E M Maddocks
D L Maddocks
D J Tobin
J H Wood

Streamlined Energy and Carbon Reporting

In accordance with the Streamlined Energy and Carbon Report (SECR) requirements, the Company is reporting its carbon emissions and energy use for the year ended 31 March 2020. The Company has taken exemption from presenting comparative figures under the first-year adoption rules.

Scope	Energy Type	Energy, kWh	Emissions, tCO_2e
Scope 1	Red Diesel	9,886,947	2,420
	White Diesel	1,043,183	255
	Propane	1,005,417	216
	Kerosene	75,928	19
	Petrol	14,219	3
Scope 2	Electricity (Grid Import)	7,168,839	1,832
	Electricity (Solar Gen)	972,997	0
Total		20,167,530	4,745

The Intensity Ratio compares emissions data with an appropriate business metric or financial indicator, such as sales revenue or floor space. The production metric chosen is Produce Volume Sold, in tonnes.

Output Metric	Value	tCO_2e	Intensity Ratio (tCO_2e/tonne)
Produce Volume Sold	30,243.8 tonnes	4,745	0.157

Conversion factors from kWh, and from volume or weight of bulk fuels, were taken from Greenhouse Gas Reporting: Conversion Factors 2019, published by BEIS. Wherever possible, energy consumption is recorded for the reporting financial year with no overspill.

Directors' report (*continued*)

Streamlined Energy and Carbon Reporting (*continued*)

The Company operates on the principle that it is a custodian of its land and natural resources for future generations and endeavours to care for the land it utilises leaving as little imprint as possible. The farming practices used aim to respect and protect soil and water resources, the environment and community it operates in. Recycling and waste management are key focuses. The Company is actively working towards all packaging being fully recyclable.
The Company is very energy aware; it has taken advantage of new technologies of which it regards itself as an early adopter. These include:

- Solar PV, both roof and ground frame mounted; taking advantage of the natural diurnal and seasonal coincidences of peak power demand and peak solar generation
- Cold store refrigeration and insulation
- Inverter drives for pumps and motors
- Rainwater harvesting

Employee consultation

The company values the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and of the various factors affecting the performance of the company. This is achieved through formal and informal meetings and through the posting of company notices. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors and signed on behalf of the Board

E M Maddocks
Director

Date: 24 November 2020

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PDM PRODUCE (UK) LIMITED

Opinion

We have audited the financial statements of PDM Produce (UK) Limited ("the company") for the year ended 31 March 2020 which comprise the Profit and Loss account, Balance Sheet, Statement of Changes in Equity, Cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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

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- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Colin Brearley *(Senior Statutory Auditor)*

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row,
Nottingham
NG1 6FQ

Dated:
24 November 2020

Profit and loss account

for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Turnover	3	**76,747**	73,904
Cost of sales		**(68,755)**	(65,844)
Gross profit		**7,992**	8,060
Administration expenses		**(8,039)**	(6,962)
Other operating income		**471**	257
Operating profit	4	**424**	1,355
Interest payable and similar expenses	7	**(249)**	(217)
Profit before taxation		**175**	1,138
Tax on profit	8	**6**	(105)
Profit after taxation		**181**	1,033

All activities derive from continuing operations.

There are no comprehensive income or expenses other than the profit for the financial year and the preceding financial year. Accordingly, no statement of comprehensive income is given.

Balance sheet
as at 31 March 2020

	Note	2020		2019	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		**13,827**		16,298
Current assets					
Stocks	10	**898**		825	
Debtors	11	**7,652**		9,971	
Cash at bank and in hand	14	**1,719**		-	
		10,269		10,796	
Creditors: amounts falling due within one year	12	**(8,803)**		(10,650)	
Net current assets/(liabilities)			**1,466**		146
Total assets less current liabilities			**15,293**		16,444
Creditors: amounts falling due after more than one year	13		**(5,062)**		(6,394)
Net assets			**10,231**		10,050
Capital and reserves					
Called up share capital	17		**80**		80
Profit and loss account			**10,151**		9,970
Shareholders' funds			**10,231**		10,050

The financial statements of PDM Produce (UK) Limited, registered number 03185729, were approved by the Board of Directors and authorised for issue on 24 November 2020.

Signed on behalf of the Board of Directors

P D Maddocks
Director

Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 April 2018	80	8,977	9,057
Profit for the financial year	-	1,033	1,033
Dividends paid (note 17)	-	(40)	(40)
At 31 March 2019	**80**	**9,970**	**10,050**

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 April 2019	80	9,970	10,050
Profit for the financial year	-	181	181
Dividends paid (note 17)	-	-	-
At 31 March 2020	**80**	**10,151**	**10,231**

Cash flow statement
for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Profit for the year		**181**	1,033
Adjustments for:			
Depreciation		**4,532**	4,061
Interest payable and similar expenses		**249**	217
Profit on sale of fixed assets		**(69)**	(38)
Taxation		**(6)**	105
		4,887	5,378
Increase in stock		**(73)**	(80)
Decrease/(Increase) in trade and other debtors		**2,129**	(1,022)
Decrease in trade and other creditors		**(1,388)**	(491)
		5,555	3,785
Tax repaid/(paid)		**196**	(124)
Net cash from operating activities		**5,751**	3,661
Cash flows from investing activities			
Proceeds from sale of fixed assets		**235**	254
Acquisition of fixed assets		**(2,227)**	(4,144)
Net cash from investing activities		**(1,992)**	(3,890)
Cash flows from financing activities			
Interest paid		**(249)**	(217)
Proceeds from finance leases		**245**	3,023
Payment of finance lease liabilities		**(1,184)**	(900)
Repayment of loan		**(600)**	(600)
Dividends paid		**-**	(40)
Net cash from financing activities		**(1,788)**	1,266
Net increase in cash and cash equivalents		**1,971**	1,037
Cash and cash equivalents at start of year	14	**(252)**	(1,289)
Cash and cash equivalents at end of year	14	**1,719**	(252)

Notes
(forming part of the financial statements)

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies which have all been applied consistently throughout the year and preceding year are described below.

General information and basis of accounting

PDM Produce (UK) Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 and 3.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2018 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

The functional currency of PDM Produce (UK) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. All amounts in the financial statements have been rounded to the nearest £1,000.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have completed a going concern assessment for the company, including the preparation of cashflow forecasts for a period of 12 months from the date of approval of these financial statements. The base case forecast shows the business is expected to have a positive net cash flow for the forecast period, after taking into account planned capital expenditure and loan repayments.

These forecasts also include a downside scenario forecast. The downside considered would be the impact of adverse weather on the business which would increase the cost base of the business as greater purchases from overseas would be required. The Directors have used previous historic data of the known impact of adverse weather to model the downside. The Directors have considered the impact of COVID-19 on the business but they have not found this to have a significant impact. The downside scenarios still show the business having a positive net cash flow.

The forecasts, taking account of reasonably possible severe but plausible downsides, indicates the Company will have sufficient funds to meet its liabilities as they fall due during that period.

The business is funded by bank loans and an overdraft as shown in Note 15. The forecast shows sufficient headroom on the overdraft facility even in the event of the downside scenario. This assumes the overdraft facility will be renewed as part of the normal annual renewal cycle in April 2021. The Directors do not have any reason to believe that this would not be the case and are confident that this will be renewed.

The bank loans are subject to ongoing compliance with certain covenants. The Directors forecasts, even factoring in a severe but plausible downside, show that the business will be in compliance with its covenants over the forecast period.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover represents net invoiced sales of goods and services, excluding value added tax. Turnover from sale of goods is recognised upon delivery of produce to the customer. Services revenue relates to the picking and packaging of fresh produce for a related party. It is recognised on provision of the service. Turnover arises in the United Kingdom and Republic of Ireland.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired. No depreciation is provided on assets in the course of construction. On other fixed assets depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter:

Leasehold and freehold property	straight-line over 4 to 50 years
Plant and machinery	straight-line over 4 to 5 years
Fixtures and fittings	straight-line over 4 years
Motor vehicles	reducing balance over 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

Impairment excluding stock and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment excluding stock and deferred tax assets *(continued)*

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

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

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

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Notes *(continued)*

1 Accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets and liabilities are only offset in the balance sheet when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Notes *(continued)*

1 Accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

ii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that periods, or in the period of the revision and future periods if the revision affects both current and future periods.

In the opinion of the Directors, there are no critical accounting judgements or key sources of estimation uncertainty involved in the preparation of these financial statements.

Notes *(continued)*

3 Turnover

	2020 £000	2019 £000
Sale of goods	**64,983**	63,093
Rendering of services	**11,764**	10,811
Total turnover	**76,747**	73,904

All turnover arises in the United Kingdom.

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2020 £000	2019 £000
Depreciation		
Owned tangible fixed assets	**3,507**	3,214
Assets on hire purchase contracts	**1,025**	847
Operating lease rentals	**36**	35
Profit on disposal of fixed assets	**(69)**	(38)
Other operating income	**(471)**	(257)

Other operating income represents the net of rental income generated from lease of caravans to employees, offset by the costs of providing this accommodation.

Auditor's remuneration:

	2020 £000	2019 £000
Audit of these financial statements	**30**	29
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	**12**	38

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2020	2019
Administration	**20**	17
Production	**466**	431
Selling and distribution	**7**	5
	496	453

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	**12,699**	11,273
Social security costs	**1,057**	771
Pension contribution	**149**	134
	13,905	12,178

6 Directors' remuneration

	2020	2019
	£000s	£000s
Directors' remuneration	**472**	296

The aggregate of remuneration of the highest paid director was £173,000 *(2019: £164,000)*.

The current year directors remuneration has been impacted by an additional director being appointed towards the end of the previous financial year.

7 Interest payable and similar expenses

	2020	2019
	£000	£000
Bank loan and overdraft	**155**	174
Finance charge - hire purchase contracts	**94**	43
	249	217

Notes *(continued)*

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2020 £000	2019 £000
Current tax		
UK corporation tax	**187**	309
Adjustment in respect of prior year	**(13)**	(262)
	174	47
Deferred tax		
Origination and reversal of timing differences	**(148)**	(86)
Adjustments in respect of prior year	**(32)**	144
Change in tax rate	**-**	-
Total deferred tax	**(180)**	58
Total tax	**(6)**	105

Reconciliation of effective tax rate

	2020 £000	2019 £000
Profit for the year	**181**	1,033
Total tax expense	**(6)**	105
Profit excluding taxation	**175**	1,138
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	**33**	216
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	**12**	3
Permanent fixed asset differences	**106**	106
Other tax adjustments, reliefs and transfers	**(1)**	-
Additional deduction for research and development expenditure	**(111)**	(112)
Tax rate changes	**(34)**	10
Adjustments in respect of prior periods	**(11)**	(118)
Total actual amount of tax	**(6)**	105

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in rate from 19% to 17%. This will increase the company' future current tax charge accordingly. The deferred tax asset at 31 March 2020 has been calculated at 19% (2019: 17%).

Notes *(continued)*

9 Tangible fixed assets

	Assets in the course of construction £000	Freehold property £000	Leasehold property £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost							
At 1 April 2019	479	3,279	4,887	23,326	565	664	33,200
Additions	362	310	350	1,060	139	6	2,227
Assets completed	(442)	-	-	360	82	-	-
Disposals	-	-	-	(340)	-	(6)	(346)
Change in classification	-	553	(553)	-	-	-	-
At 31 March 2020	399	4,142	4,684	24,406	786	664	35,081
Depreciation							
At 1 April 2019	-	1,176	663	14,397	370	296	16,902
Charge for the year	-	154	456	3,715	106	101	4,532
Disposals	-	-	-	(177)	-	(3)	(180)
Change in classification	-	95	(95)	-	-	-	-
At 31 March 2020	-	1,425	1,024	17,935	476	394	21,254
Net book value							
At 31 March 2020	**399**	**2,717**	**3,660**	**6,471**	**310**	**270**	**13,827**
At 31 March 2019	479	2,103	4,224	8,929	195	368	16,298

Leased plant and machinery

Included in the total net book value of fixed assets as at 31 March 2020 was £1,927,000 *(2019: £3,464,000)* in respect of assets held under finance leases and hire purchase contracts.

Security

Obligations under hire purchase contracts are secured against the assets to which they relate.

10 Stocks

	2020 £000	2019 £000
Raw materials	**196**	201
Packaging stock	**702**	624
	898	825

Notes *(continued)*

11 Debtors

	2020 £000	2019 £000
Due in one year, unless stated otherwise		
Trade debtors	**6,660**	8,867
Other debtors and prepayments	**453**	375
Deferred tax asset (note 16)	**474**	294
Corporation tax	**65**	435
	7,652	9,971

The deferred tax asset is recoverable in greater than one year.

12 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Bank loans and overdraft (notes 14,15)	**600**	852
Obligations under hire purchase contracts (note 15)	**978**	1,185
Trade creditors	**6,245**	7,520
Other taxation and social security	**382**	314
Accruals and deferred income	**598**	779
	8,803	10,650

13 Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Bank loans (note 15)	**3,900**	4,500
Obligations under hire purchase contracts (note 15)	**1,162**	1,894
	5,062	6,394

14 Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	**1,719**	-
Bank overdraft (note 12)	-	(252)
Cash and cash equivalents per cash flow statements	**1,719**	(252)

Notes *(continued)*

15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2020 £000	2019 £000
Creditors falling due after more than one year		
Finance lease liabilities	**1,162**	1,894
Secured bank loans	**3,900**	4,500
	5,062	6,394
Creditors falling due within less than one year		
Finance lease liabilities	**978**	1,185
Secured bank loans	**600**	600
	1,578	1,785

Terms and debt repayment schedule

Company	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2020 £000	2019 £000
Finance lease liabilities	£		see below	see below	**2,140**	3,079
Secured bank loans	£	1.9%+LIBOR	see below	see below	**4,500**	5,100
					6,640	8,179

Obligations under hire purchase contracts are secured against the assets to which they relate. The bank loans and overdrafts are secured by a charge over the assets of the company and those of some of the directors. The bank loans bear interest at 1.9% above the bank's base rate and are subject to quarterly repayments until maturity in 2022.

Finance lease liabilities are payable as follows:

Company	Minimum lease payments 2020 £000	Minimum lease payments 2019 £000
Less than one year	**978**	1,185
Between one and five years	**1,162**	1,894
	2,140	3,079

Notes *(continued)*

16 Deferred tax (assets)/liabilities

	£000
Movement in year	
At 1 April 2019	(294)
Credited to profit and loss	(180)
At 31 March 2020 (note 11)	**(474)**

The amounts of deferred tax (assets)/liabilities recognised in the accounts were as follows:

	2020	2019
	£000	£000
Short term timing differences	**(50)**	(39)
Accelerated capital allowances	**(424)**	(255)
Total deferred tax (asset)/liability	**(474)**	(294)

We anticipate an immaterial amount of deferred tax to unwind in the next twelve months and the majority to remain until which point the asset to which it attaches is sold.

17 Called up share capital and reserves

	2020	2019
	£000	£000
Called up, allotted and fully paid		
240,006 ordinary shares of 0.25 pence each	**60**	60
80,002 'B' shares of 0.25 pence each	**20**	20
	80	80

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The company's other reserve is as follows:

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Dividends

A dividend of £Nil was paid in the year *(2019: £40,000)*. No interim dividends were paid in the year *(2019: £nil)*.

Notes *(continued)*

18 Transactions with related parties

Identity of related parties with which the Company has transacted

Mr P and Mrs E Maddocks are in Partnership trading as Philip Maddocks Farms, and B.Fresh Foods LLP. Philip Maddocks is a shareholder in Jupiter Marketing Limited and Romaine Investments Limited. Mr D Maddocks is a director of the business Wilfred Maddocks Ltd.

During the year the company traded with Philip Maddocks Farms as follows:

	2020	2019
	£000	£000
Purchases	**18,505**	17,050
Sales	**12,764**	11,395
Assets purchased	**-**	-

The amount owed by Philip Maddocks Farms at the year end was £1,087,000 *(2019: £682,000)* and this is included in trade debtors. The purchases from Philip Maddocks Farms included rental charges of £6,000 *(2019: £20,000).*

During the year the company traded with B.Fresh Foods LLP as follows:

	2020	2019
	£000	£000
Purchases	**418**	5
Sales	**28**	108
Assets purchased	**-**	-

The amount owed by B.Fresh Foods LLP at the year end was £8,000 *(2019:* £24,000*)* and this is included in trade debtors.

During the year the company traded with Jupiter Marketing Limited as follows:

	2020	2019
	£000	£000
Purchases	**-**	-
Sales	**7**	5

The amount owed by Jupiter Marketing Limited at the year end was £1,000 *(2019: £1,000)* and this is included in trade debtors.

Notes *(continued)*

18 Transactions with related parties *(continued)*

During the year the company also traded with Wilfred Maddocks Ltd as follows:

	2020 £000	2019 £000
Purchases	**31**	15
Sales	**16**	46

The amount owed by Wilfred Maddocks Ltd at the year end was £nil *(2019: £nil)* and this is included in trade debtors.

The company did not trade with Romaine Investments Ltd during the year and there were no amounts owed at year end.

Transactions with key management personnel

Total compensation of key management personnel in the year amounted to £472,000 *(2019: £422,000).*

19 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2020 £000	2019 £000
Assets measured at amortised cost	**6,630**	8,867
Liabilities measured at amortised cost	**12,327**	16,265

20 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2020 £000	2019 £000
Less than one year	**27**	23
Between one and five years	**13**	19
More than five years	**-**	5
	40	47

21 Ultimate controlling party

The ultimate controlling party is P D Maddocks.