

TMI Foods Limited

Directors' report and financial statements for the year
ended 30 December 2018

Registered No: 04571020



TMI FOODS LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 30 December 2018**

TABLE OF CONTENTS	PAGE
COMPANY INFORMATION	2
DIRECTORS' REPORT	3
DIRECTORS' RESPONSIBILITIES STATEMENT	6
STRATEGIC REPORT	7
INDEPENDENT AUDITOR'S REPORT	8
PROFIT AND LOSS ACCOUNT	11
STATEMENT OF RETAINED EARNINGS	11
BALANCE SHEET	12
NOTES TO THE FINANCIAL STATEMENTS	13

TMI FOODS LIMITED

COMPANY INFORMATION

DIRECTORS

Alexander Ronald John Smith
Larry Murrin
Peter Queally
John Queally
Michael Queally

SECRETARY

Arrow Secretarial Services Limited

REGISTERED OFFICE

Lodge Way,
Lodge Farm Industrial Estate,
Northampton,
NN5 7US,
United Kingdom.

AUDITOR

Ernst & Young,
Chartered Accountants,
The Atrium,
Maritana Gate,
Canada Street,
Waterford,
Ireland.

BANKERS

Danske Bank A/S

DIRECTORS' REPORT
for the year ended 30 December 2018

The directors present their report and financial statements for the year ended 30 December 2018. Certain directors are also directors and controlling members of the company's parent, Dawn Farm Foods Limited and its ultimate parent company, Arrow Group Limited. As a consequence the members are at all times familiar with the performance, development and position of the company's business.

RESULTS FOR THE YEAR, DIVIDENDS AND STATE OF AFFAIRS

The profit and loss account, balance sheet and related notes for the year ended 30 December 2018 are set out on pages 11 to 25.

No dividends have been paid or proposed during the year (2017: nil). Accordingly, the profit of Stg£1,166,565 (2017: profit Stg£573,587) is credited to reserves.

EVENTS SINCE THE BALANCE SHEET DATE

There are no events requiring comment.

POLITICAL DONATIONS

There were no political donations in the year.

FUTURE DEVELOPMENTS IN THE BUSINESS

The company will continue to seek to increase its market share and increase returns to its shareholders.

DIRECTORS

The directors are listed on page 2. All directors served throughout the year.

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The directors and secretary hold no interest in the share capital of the company. The interests of the directors and secretary in the share capital of its immediate parent, Dawn Farm Foods Limited at the beginning and end of the financial year were as follows:

	<i>'D' Ordinary shares</i>
L. Murrin	38,250

In addition, the 38,250 'B' ordinary shares in Dawn Farm Foods Limited are held by Lucent Food Innovation Limited a company which is controlled by L. Murrin.

DIRECTORS' REPORT

for the year ended 30 December 2018 (Continued)

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES (Continued)

The "A" ordinary shares are held by Arrow Group Limited a company in which the directors and secretary hold an interest at the beginning and end of the financial year as follows:

	A' Ordinary shares	B' Ordinary shares	C' Ordinary shares	E' Ordinary shares	F' Ordinary shares
J. Queally	1,000	-	267	265	-
P. Queally	500	-	267	105	100
M. Queally	-	500	-	49	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

EMPLOYEE INVOLVEMENT

The company aims to improve the performance of the organisation through the development of its employees. Their involvement is encouraged by means of team working, workers' committees and working parties.

Where deemed necessary by management, employees' or their representatives' views are taken into account in making decisions which are likely to affect employees' interests.

EMPLOYMENT OF DISABLED PERSONS

The company gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or in an alternative position and to provide appropriate training to achieve this aim.

RESEARCH AND DEVELOPMENT

The company was engaged in research and development activities during the year across various projects. The cost incurred in the year was Stg£1,118,840 (2017: Stg£1,181,818).

THE COMPANY AND THE ENVIRONMENT

The company is committed to conducting its activities with due care and regard for the environment and to continual improvement to achieve a high standard of environmental performance. The company is committed to managing and reducing its greenhouse gas emissions and their contribution to climate change and to managing and reducing its water consumption and ensuring that all its wastewater is treated to the highest environmental standards. The company is committed to reducing quantities of waste produced and actively uses recyclable packaging.

TMI FOODS LIMITED

DIRECTORS' REPORT

for the year ended 30 December 2018 (Continued)

GOING CONCERN

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. In concluding that it was appropriate to adopt the going concern basis in preparing the financial statements, the directors have considered the net current liability position of the company and the availability of funding from Arrow Group Limited. Arrow Group Limited has indicated its willingness to continue to provide financial support to the company for a period of not less than 12 months from the date of approval of the financial statements to enable it to meet its liabilities as and when they fall due.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and the directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

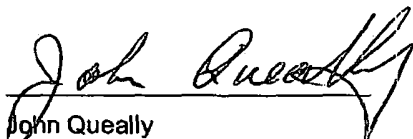
RE-APPOINTMENT OF AUDITOR

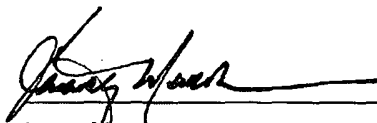
Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office as auditor and in accordance with S.487 of the Companies Act 2006, a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

REGISTERED OFFICE:

Lodge Way,
Lodge Farm Industrial Estate,
Northampton,
NN5 7US,
United Kingdom.

On behalf of the Board


John Queally
Director


Larry Murnin
Director

Date 22 May 2019

DIRECTORS' RESPONSIBILITIES STATEMENT
for the year ended 30 December 2018

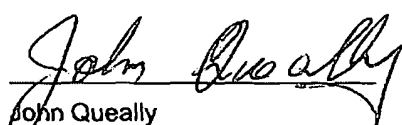
The directors are responsible for preparing the Directors' Report, the Strategic Report and financial statements in accordance with applicable law and regulations.

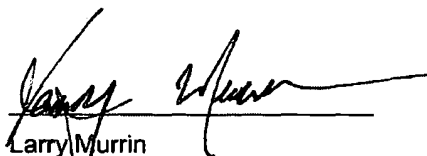
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK accounting standards, including FRS102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland." (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve these 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 those financial statements, the directors are required to:

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

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

On behalf of the Board


John Queally
Director


Larry Murrin
Director

Date 22 May 2019.

TMI FOODS LIMITED

STRATEGIC REPORT

for the year ended 30 December 2018

The directors present their Strategic Report for the year ended 30 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the company continues to be the manufacture of food. During the year the company continued to seek to increase volumes while reducing cost by gaining further production efficiencies.

BUSINESS REVIEW

The company's key financial and other performance indicators during the year were as follows:

	2018 Stg £'000	2017 Stg £'000	Change
Turnover	57,520	58,230	(1%)
EBITDA	3,250	2,156	51%
Operating profit	1,591	736	116%
Shareholders' funds	8,924	7,757	15%

While turnover has remained at a similar level to the previous year, operating profit and EBITDA have increased due to a reduction in input prices.

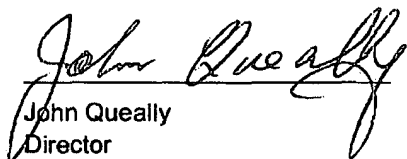
Shareholders' funds increased as a result of the profit during the year.

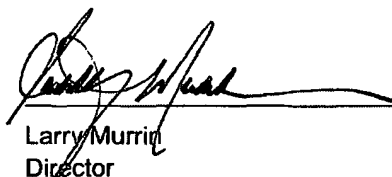
PRINCIPAL RISKS AND UNCERTAINTIES AND KEY PERFORMANCE INDICATORS

Under UK Company Law (Section 417 - Companies Act 2006) the company is required to give a description of the principal risks and uncertainties faced.

- The principal risks and uncertainties that the business faces include overcapacity in the sector and pressure on margins by major customers. The company must also ensure that all of its products and processes adhere to relevant food safety standards.
- The cost of funds may increase.

On behalf of the Board


John Queally
Director


Larry Murrin
Director

Date: 22 May 2019.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TMI FOODS LIMITED

Opinion

We have audited the financial statements of TMI Foods Limited for the year ended 30 December 2018 which comprise the Profit and Loss Account, the Statement of Retained Earnings, the Balance Sheet and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 December 2018 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TMI FOODS LIMITED (continued)

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TMI FOODS LIMITED (continued)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

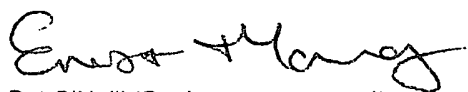
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Pat O'Neill (Senior statutory auditor)
for and on behalf of Ernst & Young, Chartered Accountants and Statutory Auditor
Waterford

Date: 22 May 2019

TMI FOODS LIMITED**PROFIT AND LOSS ACCOUNT
for the year ended 30 December 2018**

	<i>Note</i>	<i>2018 Stg£</i>	<i>2017 Stg£</i>
Turnover	2	57,520,335	58,230,045
Cost of sales		(52,315,052)	(53,627,193)
Gross profit		5,205,283	4,602,852
Distribution costs		(792,823)	(886,673)
Administrative expenses		(2,821,330)	(2,979,883)
Operating profit	4	1,591,130	736,296
Interest payable and similar charges	5	(106,665)	(26,787)
Profit on ordinary activities before taxation		1,484,465	709,509
Tax on profit on ordinary activities	6	(317,900)	(135,922)
Profit for the financial year		<u>1,166,565</u>	<u>573,587</u>

**STATEMENT OF RETAINED EARNINGS
for the year ended 30 December 2018**

	<i>2018 €</i>	<i>2017 €</i>
Profit and loss account at the beginning of the year	7,091,850	6,518,263
Profit for the financial year	<u>1,166,565</u>	<u>573,587</u>
Profit and loss account at the end of the year	<u>8,258,415</u>	<u>7,091,850</u>

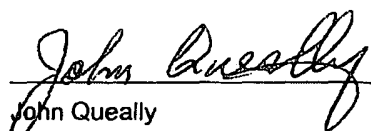
There are no items of other comprehensive income or expense in either year other than the profit attributable to the shareholders of the company.


TMI FOODS LIMITED

BALANCE SHEET
at 30 December 2018

	<i>Note</i>	2018 <i>Stg£</i>	2017 <i>Stg£</i>
FIXED ASSETS			
Tangible fixed assets	7	14,861,119	14,973,064
CURRENT ASSETS			
Stocks	8	3,418,081	4,877,357
Debtors	9	14,278,385	13,377,167
Cash at bank		1,295,910	781,562
		18,992,376	19,036,086
CREDITORS (amounts falling due within one year)	10	(24,389,722)	(25,635,640)
NET CURRENT LIABILITIES		(5,397,346)	(6,599,554)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,463,773	8,373,510
PROVISIONS FOR LIABILITIES AND CHARGES	12	(539,858)	(616,160)
TOTAL ASSETS LESS TOTAL LIABILITIES		8,923,915	7,757,350
CAPITAL AND RESERVES			
Called up share capital	15	30,189	30,189
Share premium account	16	575,311	575,311
Other undenominated capital	16	60,000	60,000
Profit and loss account		8,258,415	7,091,850
Shareholders' funds		8,923,915	7,757,350

Approved by the Board on: 22 May 2019.


John Queally
Director


Larry Murrin
Director

NOTES TO THE FINANCIAL STATEMENTS

30 December 2018

1. ACCOUNTING POLICIES

(a) *Statement of compliance*

TMI Foods Limited is a limited liability company incorporated in England. The Registered Office is Lodge Way, Lodge Farm Industrial Estate, Northampton, United Kingdom.

The financial statements have been prepared for the year ended 30 December 2018 in accordance with applicable accounting standards issued by the Financial Reporting Council including FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

(b) *Basis of preparation*

The financial statements have been prepared on a historical cost basis in accordance with the Accounting Standards issued by the Financial Reporting Council. The financial statements have been presented in sterling which is the functional and presentational currency of the company.

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. In concluding that it was appropriate to adopt the going concern basis in preparing the financial statements, the directors have considered the net current liability position of the company and the availability of funding from Arrow Group Limited, the ultimate holding company with ultimate responsibility for the ongoing financing of the company, which has indicated its willingness to continue to provide financial support to the company for a period of not less than 12 months from the date of approval of the financial statements to enable it to meet its liabilities as and when they fall due.

(c) *Exemptions for qualifying entities under FRS 102*

The company meets the definition of a qualifying entity under FRS 102 and has taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to:

- Exemption from FRS 102 3.17(d) of Section 7 from requirement to prepare a cash flow statement;
- Exemption from FRS 102 33.7 from disclosure of transactions with key personnel;
- Exemption from FRS 102 33 (1A) from disclosure of transactions entered into between two or more members of a group provided that any subsidiary which is party to the transaction is a wholly owned member of the group;
- Exemption from FRS102 4.12 from disclosure to prepare a reconciliation of the opening and closing number of shares;
- Exemption from FRS102 Section 11 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c).

NOTES TO THE FINANCIAL STATEMENTS

30 December 2018 (Continued)

1. ACCOUNTING POLICIES (Continued)

(d) *Accounting estimates and judgements*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Provisions

The amounts recognised as a provision are management's best estimate of the expenditure required to settle present obligations at the Balance Sheet date. The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances.

Deferred tax assets and liabilities

The recognition of a deferred tax asset is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the company in which the deferred tax asset exists. Deferred tax liabilities are disclosed in note 12 to these financial statements.

Stocks

The company values its work in progress and finished goods using the retail method. This involves estimating the selling price being achieved and reducing this selling price by production margins to estimate cost. This valuation method requires judgement in determining appropriate sales price and margins.

Operating lease commitments

The entity has entered into commercial leases and as a lessee it obtains the use of certain items of property, plant and equipment. The classification of such leases as operating or finance leases requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
30 December 2018 (Continued)

1. ACCOUNTING POLICIES (Continued)

(e) *Revenue recognition*

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received and receivable, excluding discounts, rebates, VAT and other sales duty. The following criteria must also be met before revenue is recognised:

Sale of goods:

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

(f) *Tangible fixed assets and depreciation*

Tangible fixed assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Such costs includes costs directly attributable to making the asset capable of operating as intended. Freehold land is not depreciated. Depreciation on all other tangible fixed assets is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Leasehold property	50 years
Equipment	3-10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(g) *Impairment of fixed assets*

Where there are indicators of impairment of individual assets, the company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

NOTES TO THE FINANCIAL STATEMENTS

30 December 2018 (Continued)

1. ACCOUNTING POLICIES (Continued)

(h) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

(i) Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

(j) R&D tax credits

R&D tax credits are recognised in the period in which the qualifying expenditure is incurred. Recognition is conditional on there being reasonable certainty that the tax credits will be recovered. The tax credits are offset in the profit and loss account against the qualifying expenditure.

(k) Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Raw materials and goods for resale are valued at cost on a first in first out basis and such cost includes all costs incurred in bringing each product to its present location and condition.

Work in progress and finished goods are valued using the retail method which is based on estimated selling price less any further costs expected to completion and disposal while reducing this selling price by the production margin.

(l) Taxation

Current tax is recognised based on tax rates and laws in effect during the year.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
30 December 2018 (Continued)

1. ACCOUNTING POLICIES (Continued)

(m) *Defined contribution pension scheme*

The company operates a defined contribution pension scheme for certain employees. Contributions are charged to the profit and loss account as they become payable, in accordance with the rules of the schemes.

(n) *Government grants*

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released to income over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

(o) *Basic financial instruments*

The company has chosen to apply the provisions of Sections 11 of FRS 102 to account for all of its financial instruments.

Trade and other debtors/creditors

Trade and other debtors/creditors are recognised initially at transaction price. Subsequent to initial recognition they are measured at amortised cost less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in interest payable and similar charges in the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less.

(p) *Finance costs*

Finance costs that are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of these assets.

TMI FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 December 2018 (Continued)

2. TURNOVER

Turnover represents amounts invoiced to third parties, less settlement discounts, rebates and sales taxes.

Segmental analysis is not given as, in the opinion of the directors, this would be prejudicial to the interests of the company.

3. EMPLOYEES AND REMUNERATION

The average number of persons employed by the company during the financial year, including the directors, amounted to 194 (2017: 217).

<i>Staff costs comprise:</i>	<i>2018</i>	<i>2017</i>
	<i>Stg£</i>	<i>Stg£</i>
Wages and salaries	5,217,282	5,685,700
Social security costs	479,493	518,957
Other pension costs	135,614	131,173
Redundancy	61,515	46,662
	<u>5,893,904</u>	<u>6,382,492</u>

Directors

Remuneration in respect of directors was as follows:

	<i>2018</i>	<i>2017</i>
	<i>Stg£</i>	<i>Stg£</i>
Emoluments receivable	81,200	81,500
Value of company pension contributions to money purchase schemes	6,400	5,440
	<u>87,600</u>	<u>86,940</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	<i>No.</i>	<i>No.</i>
Money purchase schemes	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS
30 December 2018 (Continued)

3. EMPLOYEES AND REMUNERATION (Continued)

The amounts set out above include remuneration in respect of the highest paid director as follows:	2018 Stg£	2017 Stg£
Emoluments receivable	81,200	81,500
Value of company pension contributions to money purchase schemes	6,400	5,440
	<u>87,600</u>	<u>86,940</u>

4. OPERATING PROFIT

	2018 Stg£	2017 Stg£
<i>This is stated after charging:</i>		
Depreciation	1,658,501	1,419,561
Auditor's remuneration:		
- Audit of financial statements	14,912	15,529
- Tax compliance services	1,713	1,242
- Other compliance services	517	414
Operating lease costs:		
- Land and buildings	108,828	141,428
- Other	52,087	67,933
R & D expenditure	<u>1,118,840</u>	<u>1,181,818</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 Stg£	2017 Stg£
Bank overdraft and loan interest	<u>106,665</u>	<u>26,787</u>

TMI FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
30 December 2018 (Continued)

6.	TAX ON PROFIT ON ORDINARY ACTIVITIES	2018	2017
		Stg£	Stg£
(a)	<i>Analysis of charge for the year:</i>		
	<i>Current tax:</i>		
	UK Corporation tax based on the results for the year	393,006	214,212
	Adjustments to tax charge in respect of prior years	1,196	2,675
		<hr/>	<hr/>
	Total current tax	394,202	216,887
	<i>Deferred tax:</i>		
	Origination and reversal of timing differences	(76,302)	(80,965)
		<hr/>	<hr/>
	Tax on profit on ordinary activities	<u>317,900</u>	<u>135,922</u>

(b) *Factors affecting tax charge for the year:*

The tax assessed for the year differs from that calculated using the standard rate of corporation tax in the United Kingdom. The differences are explained below:

	2018	2017
	Stg£	Stg£
Profit on ordinary activities before taxation	1,484,465	709,509
	<hr/>	<hr/>
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the United Kingdom of 19% (2017: 19.25%)	282,048	136,580
<i>Effects of:</i>		
Expense not deductible for tax purposes	3,145	3,130
Capital allowances less than/(in excess of) depreciation	30,892	(2,545)
Other timing differences	619	(3,918)
Adjustments to tax charge in respect of prior years	1,196	2,675
	<hr/>	<hr/>
Total tax charge for year	<u>317,900</u>	<u>135,922</u>

(c) *Factors that may affect future tax charges:*

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

TMI FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
30 December 2018 (Continued)

7. TANGIBLE FIXED ASSETS

	<i>Long leasehold property Stg£</i>	<i>Equipment Stg£</i>	<i>Total Stg£</i>
<i>Cost:</i>			
At 1 January 2018	9,384,185	14,863,541	24,247,726
Additions	-	1,546,556	1,546,556
	<hr/>	<hr/>	<hr/>
At 30 December 2018	9,384,185	16,410,097	25,794,282
	<hr/>	<hr/>	<hr/>
<i>Depreciation:</i>			
At 1 January 2018	1,510,091	7,764,571	9,274,662
Charge for year	187,699	1,470,802	1,658,501
	<hr/>	<hr/>	<hr/>
At 30 December 2018	1,697,790	9,235,373	10,933,163
	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>			
30 December 2018	7,686,395	7,174,724	14,861,119
	<hr/>	<hr/>	<hr/>
1 January 2018	7,874,094	7,098,970	14,973,064
	<hr/>	<hr/>	<hr/>

The aggregate amount of finance costs included in the net book value of tangible fixed assets is Stg£84,814 (2017: Stg£102,832).

8. STOCKS	<i>2018 Stg£</i>	<i>2017 Stg£</i>
Raw materials	1,357,176	1,766,697
Finished goods	2,060,905	3,110,660
	<hr/>	<hr/>
	3,418,081	4,877,357
	<hr/>	<hr/>

The replacement cost of stocks does not differ significantly from the figures shown above.

TMI FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 December 2018 (Continued)

9.	DEBTORS (amounts falling due within one year)	2018 Stg£	2017 Stg£
	Trade debtors	11,716,023	12,493,209
	Amounts owed from group undertakings - trade	211,911	321,820
	Amounts owed from group undertakings - non trade	1,600,000	-
	Other debtors	-	3,344
	Prepayments and accrued income	88,158	207,576
	VAT	662,293	351,218
		<u>14,278,385</u>	<u>13,377,167</u>

10.	CREDITORS (amounts falling due within one year)	2018 Stg£	2017 Stg£
	Trade creditors	5,910,338	6,542,067
	Amount due to group undertakings - trade	3,578,145	3,614,319
	Amount due to group undertakings - non trade	8,771,930	9,771,930
	Bank overdraft	-	37,186
	Bank loans	5,100,000	5,100,000
	Other taxation and social security	137,330	123,021
	Accruals	826,526	352,011
	Corporation tax	43,099	71,969
	Derivative liability (Note 11)	22,354	23,137
		<u>24,389,722</u>	<u>25,635,640</u>

The bank loans and overdrafts are secured by fixed and floating charges over the assets of the company. The bank borrowings of the company are repayable on demand. The interest rate ranges between 1.3% and 2.85%. The maturity date for the bank borrowings is 30 June 2021.

11. FINANCIAL INSTRUMENTS

Foreign currency forward contracts designated as hedging instruments

	2018		2017	
	Assets £	Liabilities £	Assets £	Liabilities £
Fair value	<u>-</u>	<u>22,354</u>	<u>-</u>	<u>23,137</u>

At the balance sheet date, the company has forward currency contracts in place to purchase euro in 2018. The sterling equivalent of these contracts was Stg£353,357 (2017: Stg£1,610,109).

NOTES TO THE FINANCIAL STATEMENTS
30 December 2018 (Continued)

12.	PROVISIONS FOR LIABILITIES AND CHARGES	2018 Stg£	2017 Stg£
	<i>Deferred tax</i>		
	Opening balance	616,160	697,125
	Decrease during year	(76,302)	(80,965)
	Closing balance	<u>539,858</u>	<u>616,160</u>
	<i>Analysis</i>		
	Deferred taxation provided for in the financial statements is set out below:	2018 Stg£	2017 Stg£
	Accelerated capital allowances	547,370	622,056
	Short term timing differences	(7,512)	(5,896)
		<u>539,858</u>	<u>616,160</u>

13. PENSIONS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the scheme and to employees. Total contributions in the year amounted to Stg£135,614 (2018: Stg£131,173).

14.	LEASING COMMITMENTS	2018		2017	
		<i>Other</i>	<i>Land and</i>	<i>Other</i>	<i>Land and</i>
		<i>Stg£</i>	<i>Buildings</i>	<i>Stg£</i>	<i>Buildings</i>
			<i>Stg£</i>		<i>Stg£</i>
	Within 1 year	116,081	108,828	109,037	108,828
	Within 2 to 5 years	166,526	435,312	232,957	435,312
	After more than 5 years	-	326,484	6,023	435,312
		<u>282,607</u>	<u>870,624</u>	<u>348,017</u>	<u>979,452</u>

NOTES TO THE FINANCIAL STATEMENTS

30 December 2018 (Continued)

15.	CALLED UP SHARE CAPITAL	2018 Stg£	2017 Stg£
	<i>Authorised:</i>		
	160,000 'A' ordinary shares of Stg£0.10 each	16,000	16,000
	141,887 'B' ordinary shares of Stg£0.10 each	14,189	14,189
	10,000 preference shares of Stg£1 each	10,000	10,000
	50,000 'B' preference shares of Stg£1 each	50,000	50,000
		<u>90,189</u>	<u>90,189</u>
	<i>Allotted, called up and fully paid:</i>		
	160,000 'A' ordinary shares of Stg£0.10 each	16,000	16,000
	141,887 'B' ordinary shares of Stg£0.10 each	14,189	14,189
		<u>30,189</u>	<u>30,189</u>

The Ordinary 'A' and 'B' Shares rank pari passu in all respects.

16. RESERVES

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Other undenominated capital

This reserve records the nominal value of shares cancelled by the company.

17. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company's immediate parent company and controlling party is Dawn Farm Foods Limited, a company incorporated in the Republic of Ireland. The ultimate controlling party and parent undertaking and the parent undertaking of both the largest and smallest groups of undertakings of which the company is a member and for which group financial statements are drawn up is Arrow Group Limited, a company incorporated in the Republic of Ireland.

Group financial statements are prepared for Arrow Group Limited and are available in the UK Companies Registration Office.

NOTES TO THE FINANCIAL STATEMENTS **30 December 2018 (Continued)**

18. CONTINGENT LIABILITIES

The company has guaranteed the bank borrowings of a number of group companies under the terms of a group banking facility.

19. TRANSACTIONS WITH CONNECTED PARTIES

Sales and debtors include transactions and balances with other Arrow Group Companies not wholly owned as follows:

	2018		2017	
	<i>Sales</i>	<i>Debtors</i>	<i>Sales</i>	<i>Debtors</i>
	£	£	£	£
Fellow Arrow Group companies	654,739	1,811,911	641,470	321,820

Purchases and creditors include transactions and balances with other Arrow Group companies not wholly owned as follows:

	2018		2017	
	<i>Purchases</i>	<i>Creditors</i>	<i>Purchases</i>	<i>Creditors</i>
	£	£	£	£
Fellow Arrow Group companies	1,326,327	12,350,075	3,053,886	13,386,249

20. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on: 22 May 2019