Company Registration No. 04584241 (England and Wales)

FRESHCUT FOODS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2017

FRESHCUT FOODS LTD

COMPANY INFORMATION

Directors	Mr. Adam Clarke	
	Mr. Peter Clee	
	Mr D Bondi	(Appointed 16 March 2016)
Company number	04584241	
Registered office	370-374 Nottingham Road Newthorpe Nottinghamshire NG16 2ED	
Auditor	Baldwins Audit Services Limited Churchill House 59 Lichfield Street Walsall West Midlands WS4 2BX	

FRESHCUT FOODS LTD

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FRESHCUT FOODS LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2017

The directors present the strategic report for the year ended 31 January 2017.

Fair review of the business
As a company, we continue to maintain good customer relations to ensure repeat business, whilst we also aim to win new contracts and remain competitive in our area. The company is continually striving to develop new products to meet consumer demands and changing requirements, particularly in such a changing economic climate, whilst ensuring that current products are produced to the high standard expected by our customers.

We aim to deliver sustainability in everything we do, whether this applies to financial results or the way in which we drive health and safety improvements. Wider sustainability issues are becoming more and more important to our customers.

The directors believe that whilst the market place will continue to remain challenging the company is well placed to deal with such economic demands due to its positive stance in the industry and its strengthening financial position.

Principal risks and uncertainties
The directors have considered the company's position in the current economy and consider the following to detail the principle risks and uncertainties faced by the company, together with processes in place to minimise any possible negative impact.

Competitor activity
The company operates is a highly competitive market. Significant product innovations, technical advances and intensification of price competition could adversely affect the company's results. The company continually works to streamline its costs base to ensure it remains competitive in the market.

Economic uncertainty
The company could be adversely affected by global business conditions and a worsening of the economy both generally and specifically in the UK. Factors such as taxation, interest rates, inflation, the availability and cost of credit, could significantly affect the activity level of customers. Whilst general economic conditions are outside of the company's control, we are responding to the current economic conditions by continually reviewing products offered to the market to ensure that we meet the requirements of the consumer. Given the uncertain consumer outlook, the company also continues to closely manage costs and cashflow.

Management of procurement costs
The company purchases a significant quantity of raw materials each year. The company's cost base can be affected by fluctuating raw material, services and energy prices. If these rises could not be reflected in the sales values on a timely basis, this would have an adverse effect on results. The directors negotiate prices and purchase agreements in advance to ensure the best possible prices are obtained, they also endeavour to put in place agreements for supply levels, particularly for products that may have suffered due to adverse growing conditions such as bad weather.

Food safety, Environmental and Health and Safety
As a processor of fresh vegetables, the company is subject to general market related risks, including product contamination and general food scares. Further, the company is also subject to rigorous and constantly evolving regulations of legislation in the areas of environmental protection and employee health and safety. The company maintains a strong technical department which sets high standards for hygiene, health and safety systems and environmental controls. The company take external advice to ensure that they remain compliant with the ever changing regulatory environment, particularly in the areas of health and safety.

Principle risks and uncertainties continued

Changes in consumer behaviour and demand
In common with other food industry manufacturers, unforeseen changes in food consumption patterns and/or amendments to government legislation regarding the composition of food products may impact the company. The company works closely with its customers to adapt to changing consumer trends. The company also seeks to continually develop new products to ensure that it meets the requirements of the customer and consumer.

Suppliers
The company is dependent on the continuous supply of products from key suppliers. A loss of these suppliers could see short term disruption to the production levels of the company. The company uses a range of suppliers in various locations to ensure that products can be sourced throughout the year. The accounts department rigorously check the financial strength of suppliers for long term viability. Agreements are frequently entered into with suppliers to guarantee the availability of the quantity and quality of products.

Operational disruption
Disruption to operational activities due to fire, natural catastrophe, act of vandalism, critical plant failure or information systems problems could potentially impact on lead times for servicing customers. The company has robust security and business recovery plans in place to manage the impact of any such event. Regular risk reviews are conducted to consider these matters and insurance is in place to mitigate the financial impact.

Loss of key personnel
The ongoing success of the company is dependent on attracting and retaining high quality management and senior employees to manage the operations effectively. The risk is mitigated by strong recruitment processes used, long term management incentives and providing senior staff with access to development training.

Foreign currency risk
The company imports certain raw materials for production. Due to this there are inherent risks associated with fluctuations in both foreign exchange rates and interest rates. The company has price agreements in place with suppliers to mitigate as much as possible against exchange rate movements. The company has minimal lending to limit its exposure to interest rate fluctuations.

Taxation
The company is subject to taxation and change in tax legislation which could impact on the results and cashflow. The directors regularly monitor changes in tax legislation and obtain external advice to respond to such changes.

Key performance indicators

At the end of the financial year, the results of the company were positive. Turnover has risen to £19,786,955 (2016: £16,436,696), with the gross profit margin being maintained 34.3% (2016: 34.7%).

Profit before tax for the year is £1,340,130 (2016: £1,008,408). The company carries out regular cost reviews and new methods and processes are continually being considered and implemented within the company to maintain profit margins.

In order to continue to maintain these profit margins and reduce long term costs, £1,237,827 (2016: £170,320) has been invested in fixed asset additions during the year.

The net assets of the company increased to £4,087,150 (2016: £2,504,652).

On behalf of the board

Mr. Adam Clarke
Director
18 October 2017

The directors present their annual report and financial statements for the year ended 31 January 2017.

Principal activities
The principal activity of the company continued to be that of a fresh vegetable processor. There have been no significant changes to the principal activity during the period under review and, as directors, we are not aware, at the date of this report, of any likely major changes in the next year.

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

Mr. Adam Clarke
Mr. Peter Clee
Mr D Bondi (Appointed 16 March 2016)

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

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors' share options
Details of directors' share options are as follows:

	At 1 February 2016	Granted	Exercised	At 31 January 2017
David Bondi		640		640
David Bondi		106		106

Of the options above, 569 will exercise on the sale or listing of the company, whichever is first in time. The remaining options will be exercised as follows; 59 shares no earlier than 1 February 2017, 59 shares no earlier than 1 February 2018 and 59 shares no earlier than 1 February 2019. If the options remain unexercised after a period of 10 years from the grant date, the options expire. Options are forfeited if the director ceases to be an eligible emlpoyee before the options vest, except in the case of death of the employee or ill health, injury or disability in which case the option period continues for reduced periods.

Financial instruments

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

The company's principal foreign currency exposures arise from trading with overseas companies. Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Future developments
We are confident that the company is well positioned for growth. We continue to invest in the business to ensure that we can capitalise upon new opportunities in the food sector and realise our potential even during these uncertain economic times.

The company's overall strategy continues to be the supply of quality products, with focus on commitments to high standards of food safety.

Auditor
The auditor, Baldwins Audit Services Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities
The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr. Adam Clarke
Director
18 October 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRESHCUT FOODS LTD

We have audited the financial statements of Freshcut Foods Ltd for the year ended 31 January 2017 which comprise the Profit And Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2017 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where 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.

Mr Mark R Minshall BA FCA
for and on behalf of Baldwins Audit Services Limited

18 October 2017

Chartered Accountants
Statutory Auditor

Churchill House
59 Lichfield Street
Walsall
West Midlands
WS4 2BX

FRESHCUT FOODS LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2017

	Notes	2017 £	2016 as restated £
Turnover	3	19,786,955	16,436,696
Cost of sales		(12,980,912)	(10,737,195)
Gross profit		6,806,043	5,699,501
Distribution costs		(1,265,051)	(1,035,714)
Administrative expenses		(4,206,608)	(3,656,826)
Operating profit	4	1,334,384	1,006,961
Interest receivable and similar income	7	7,019	3,636
Interest payable and similar expenses	8	(1,273)	(2,189)
Profit before taxation		1,340,130	1,008,408
Taxation	9	(30,483)	(210,831)
Profit for the financial year		1,309,647	797,577

The profit and loss account has been prepared on the basis that all operations are continuing operations.

FRESHCUT FOODS LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JANUARY 2017

	2017 £	2016 £
Profit for the year	1,309,647	797,577
Other comprehensive income	-	-
Total comprehensive income for the year	1,309,647	797,577

FRESHCUT FOODS LTD

BALANCE SHEET

AS AT 31 JANUARY 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	12		1,475,147		425,559
Current assets					
Stocks	14	440,567		284,566	
Debtors	15	4,614,803		2,731,385	
Cash at bank and in hand		1,081,256		1,774,277	
		6,136,626		4,790,228	
Creditors: amounts falling due within one year	16	(3,465,817)		(2,699,801)	
Net current assets			2,670,809		2,090,427
Total assets less current liabilities			4,145,956		2,515,986
Creditors: amounts falling due after more than one year	17		-		(4,756)
Provisions for liabilities	19		(58,806)		(6,578)
Net assets			4,087,150		2,504,652
Capital and reserves					
Called up share capital	23		5,538		5,538
Other reserves			278,078		5,227
Capital redemption reserve	24		40		40
Profit and loss reserves			3,803,494		2,493,847
Total equity			4,087,150		2,504,652

The financial statements were approved by the board of directors and authorised for issue on 18 October 2017 and are signed on its behalf by:

Mr. Adam Clarke
Director

Company Registration No. 04584241

FRESHCUT FOODS LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2017

	Notes	Share capital	Capital redemption reserve	Share option reserve	Profit and loss reserves	Total
		£	£	£	£	£
As restated for the period ended 31 January 2016:						
Balance at 1 February 2015		5,538	40	5,227	1,906,270	1,917,075
Year ended 31 January 2016:						
Profit and total comprehensive income for the year		-	-	-	797,577	797,577
Dividends	10	-	-	-	(210,000)	(210,000)
Balance at 31 January 2016		5,538	40	5,227	2,493,847	2,504,652
Year ended 31 January 2017:						
Profit and total comprehensive income for the year		-	-	-	1,309,647	1,309,647
Issue of options, rights and warrants		-	-	272,851	-	272,851
Balance at 31 January 2017		5,538	40	278,078	3,803,494	4,087,150

FRESHCUT FOODS LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JANUARY 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Cash flows from operating activities					
Cash generated from operations	**29**		1,376,568		1,712,362
Interest paid			(1,273)		(2,189)
Income taxes paid			(218,908)		(213,852)
Net cash inflow from operating activities			1,156,387		1,496,321
Investing activities					
Purchase of tangible fixed assets		(1,237,827)		(170,320)	
Proceeds on disposal of tangible fixed assets		-		10,749	
Proceeds from other investments and loans		(600,000)		-	
Interest received		7,019		3,636	
Net cash used in investing activities			(1,830,808)		(155,935)
Financing activities					
Payment of finance leases obligations		(18,600)		(18,600)	
Dividends paid		-		(210,000)	
Net cash used in financing activities			(18,600)		(228,600)
Net (decrease)/increase in cash and cash equivalents			(693,021)		1,111,786
Cash and cash equivalents at beginning of year			1,774,277		662,491
Cash and cash equivalents at end of year			1,081,256		1,774,277

1 Accounting policies

Company information

Freshcut Foods Ltd is a private company limited by shares incorporated in England and Wales. The registered office is 370-374 Nottingham Road, Newthorpe, Nottinghamshire, NG16 2ED.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), 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.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 Tangible fixed assets

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

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

Plant and equipment	25% straight line
Fixtures and fittings	33% straight line

1 Accounting policies **(Continued)**

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

1.5 Impairment of fixed assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

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

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.8 Financial instruments

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

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

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

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

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1 Accounting policies **(Continued)**

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.9 Equity instruments

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

1.10 Taxation

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

Current tax

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

1 Accounting policies **(Continued)**

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

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

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

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

1.12 Retirement benefits

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

1.13 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date is expensed upon granting of the options. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1 Accounting policies **(Continued)**

1.14 Leases

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

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

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

2 Judgements and key sources of estimation uncertainty

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

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

3 Turnover and other revenue

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

	2017	2016
	£	£
Turnover		
Sale of goods	19,786,955	16,436,696
Other significant revenue		
Interest income	7,019	3,636

Turnover analysed by geographical market

	2017	2016
	£	£
United Kingdom	19,786,955	16,436,696

4 Operating profit

Operating profit for the year is stated after charging/(crediting):	2017 £	2016 £
Fees payable to the company's auditor for the audit of the company's financial statements	11,000	11,000
Depreciation of owned tangible fixed assets	175,839	159,551
Depreciation of tangible fixed assets held under finance leases	12,400	12,400
(Profit)/loss on disposal of tangible fixed assets	-	30,969
Cost of stocks recognised as an expense	9,232,004	7,808,237
Share-based payments	194,244	78,607
Operating lease charges	125,021	115,000

5 Employees

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

	2017 Number	2016 Number
Production staff	130	117
Administration staff	42	38
Management staff	3	2
	175	157

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	4,107,598	3,285,339
Social security costs	343,652	301,848
Pension costs	88,183	289,449
	4,539,433	3,876,636

6 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	485,180	294,447
Company pension contributions to defined contribution schemes	7,813	163,500
	492,993	457,947

6 Directors' remuneration **(Continued)**

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2016 - 2).

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

	2017	2016
	£	£
Remuneration for qualifying services	198,477	157,546
Company pension contributions to defined contribution schemes	2,500	81,750

7 Interest receivable and similar income

	2017	2016
	£	£
Interest income		
Interest on bank deposits	6,437	3,252
Other interest income	582	384
Total income	7,019	3,636

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	6,437	3,252

8 Interest payable and similar expenses

	2017	2016
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on finance leases and hire purchase contracts	1,273	1,273
Other finance costs:		
Other interest	-	916
	1,273	2,189

9 Taxation

	2017	2016
	£	£
Current tax		
UK corporation tax on profits for the current period	149,271	223,457
Adjustments in respect of prior periods	(134,474)	(10)
Total current tax	14,797	223,447

9 Taxation **(Continued)**

Deferred tax		
Origination and reversal of timing differences	15,686	(11,571)
Adjustment in respect of prior periods	-	(1,045)
Total deferred tax	15,686	(12,616)
Total tax charge	30,483	210,831

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

	2017 £	2016 £
Profit before taxation	1,340,130	1,008,408
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.22%)	268,026	203,900
Tax effect of expenses that are not deductible in determining taxable profit	(10,886)	19,630
Effect of change in corporation tax rate	184	(91)
Permanent capital allowances in excess of depreciation	15,264	(11,553)
Research and development tax credit	(107,631)	-
Under/(over) provided in prior years	(134,474)	(1,055)
Taxation charge for the year	30,483	210,831

10 Dividends

	2017 £	2016 £
Final paid	-	210,000

11 Intangible fixed assets

	Goodwill
	£
Cost	
At 1 February 2016 and 31 January 2017	313,508
Amortisation and impairment	
At 1 February 2016 and 31 January 2017	313,508
Carrying amount	
At 31 January 2017	-
At 31 January 2016	-

12 Tangible fixed assets

	Plant and equipment	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 February 2016	1,734,725	131,880	1,866,605
Additions	1,190,951	46,876	1,237,827
At 31 January 2017	2,925,676	178,756	3,104,432
Depreciation and impairment			
At 1 February 2016	1,332,611	108,435	1,441,046
Depreciation charged in the year	164,959	23,280	188,239
At 31 January 2017	1,497,570	131,715	1,629,285
Carrying amount			
At 31 January 2017	1,428,106	47,041	1,475,147
At 31 January 2016	402,114	23,445	425,559

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

	2017	2016
	£	£
Plant and equipment	26,867	39,267
Depreciation charge for the year in respect of leased assets	12,400	12,400

13 Financial instruments

	2017	2016
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	4,037,473	2,541,747
Carrying amount of financial liabilities		
Measured at amortised cost	2,977,454	2,413,288

14 Stocks

	2017	2016
	£	£
Raw materials and consumables	372,227	242,937
Finished goods and goods for resale	68,340	41,629
	440,567	284,566

15 Debtors

	2017	2016
Amounts falling due within one year:	£	£
Trade debtors	3,210,872	2,361,326
Corporation tax recoverable	325,309	384
Other debtors	937,772	262,053
Prepayments and accrued income	87,542	90,856
	4,561,495	2,714,619
Deferred tax asset (note 20)	53,308	16,766
	4,614,803	2,731,385

16 Creditors: amounts falling due within one year

		2017	2016
	Notes	£	£
Obligations under finance leases	18	4,756	18,600
Trade creditors		2,065,626	1,291,607
Corporation tax		344,271	223,457
Other taxation and social security		144,092	67,812
Other creditors		139,585	743,656
Accruals and deferred income		767,487	354,669
		3,465,817	2,699,801

17 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Obligations under finance leases	18	-	4,756

Amounts due under finance leases and hire purchase agreements are secured by fixed and floating charges over the assets.

The average interest rate for the lending facilities in the year was 6.84%.

18 Finance lease obligations

Future minimum lease payments due under finance leases:	2017 £	2016 £
Within one year	4,756	18,600
In two to five years	-	4,756
	4,756	23,356

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

19 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	20	58,806	6,578
		58,806	6,578

20 Deferred taxation

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

Balances:	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
Accelerated capital allowances	67,614	29,324	-	-
Share based payments	-	-	53,308	16,766
Provisions	(8,808)	(22,746)	-	-
	58,806	6,578	53,308	16,766

20 Deferred taxation (Continued)

Movements in the year:	2017 £
Liability/(Asset) at 1 February 2016	(10,188)
Charge to profit or loss	52,228
Liability at 31 January 2017	42,040

The deferred tax asset set out above is not expected to reverse within 12 months and relates to the deferment of tax relief available on share options granted. The deferred tax liability set out above is not expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

21 Retirement benefit schemes

Defined contribution schemes	2017 £	2016 £
Charge to profit or loss in respect of defined contribution schemes	88,183	289,449

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

22 Share-based payment transactions

The company has share option schemes for its senior management team. Options are exercisable at a price equal to the average market price of the company's shares on the date of grant. The options are exercisable on conditional events, or before the expiry dates in September 2024 and April 2026. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee ceases to be an eligible employee before the options vest, except in the case of death of the employee or ill health, injury or disability in which case the option period continues for reduced periods.

22 Share-based payment transactions **(Continued)**

	Number of share options		Weighted average exercise price	
	2017	2016	2017	2016
	Number	Number	£	£
Outstanding at 1 February 2016	142	142	36.81	36.81
Granted	1,208	-	225.87	-
Outstanding at 31 January 2017	1,350	142	205.98	36.81
Exercisable at 31 January 2017	-	-	-	-

The weighted average share price at the date of exercise for share options exercised during the year was £0 (2016 - £0).

The options outstanding at 31 January 2017 had an exercise price ranging from £36.81 to £225.87.

During the year, the company recognised total share-based payment expenses of £194,244 (2016 - £78,607) which related to equity settled share based payment transactions.

23 Share capital

	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
5,538 Ordinary A Shares of £1 each	5,538	5,538

24 Capital redemption reserve

The capital redemption reserve represents a non-distributable reserve into which amounts have been transferred following the redemption or purchase of the company's own shares.

25 Financial commitments, guarantees and contingent liabilities

During the year cross guarantees in relation to the bank facilities were in place between Freshcut Foods Ltd and Fresh Mediterranean Foods Ltd, a company in which the directors have an interest. There was no liability at the year end.

26 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£	£
Within one year	135,628	135,628
Between two and five years	74,295	345,551
	209,923	481,179

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017	2016
	£	£
Aggregate compensation	789,440	568,013

28 Directors' transactions

Advances or credits have been granted by the company to its directors as follows:

Description	% Rate	Opening balance	Amounts advanced	Closing balance
		£	£	£
Mr. Adam Clarke - Loan	-	-	100,000	100,000
Mr. Peter Clee - Loan	-	-	500,000	500,000
		-	600,000	600,000

The loans are unsecured and repayable on demand.

29 Cash generated from operations

	2017	2016
	£	£
Profit for the year after tax	1,309,647	797,577
Adjustments for:		
Taxation charged	30,483	210,831
Finance costs	1,273	2,189
Investment income	(7,019)	(3,636)
(Gain)/loss on disposal of tangible fixed assets	-	30,969
Depreciation and impairment of tangible fixed assets	188,239	171,951
Equity settled share based payment expense	194,244	78,607
Movements in working capital:		
(Increase) in stocks	(156,001)	(33,632)
(Increase) in debtors	(921,951)	(284,683)
Increase in creditors	737,653	742,189
Cash generated from operations	1,376,568	1,712,362

30 Prior period adjustment

Changes to the profit and loss account

	Period ended 31 January 2016		
	As previously reported	**Adjustment**	**As restated**
	£	**£**	**£**
Cost of sales	(11,113,453)	376,258	(10,737,195)
Administrative expenses	(3,280,568)	(376,258)	(3,656,826)
Profit for the financial period	797,577	-	797,577

During the year certain costs were reclassified between direct and administrative costs. The prior year figures have been restated to reflect these changes for consistency.

Changes to the balance sheet

No changes have been made to the Balance Sheet as at 31 January 2016.