

Company Registration No. 04584241 (England and Wales)

FRESHCUT FOODS LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2019

FRESHCUT FOODS LTD

COMPANY INFORMATION

Directors	Mr D Bondi Mrs M Jones Mr D Gilman Mr D Sargent	(Appointed 23 February 2018) (Appointed 23 February 2018) (Appointed 23 February 2018)
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Company number	04584241
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Registered office	Units 14-16 Lilac Grove Beeston Nottingham NG9 1PF
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Auditor	Baldwins Audit Services 32 Eldon Road Beeston Nottingham Nottinghamshire NG9 6DZ
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FRESHCUT FOODS LTD

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FRESHCUT FOODS LTD

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 JULY 2019

The directors present the strategic report for the period ended 31 July 2019.

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

Competitor activity

The company operates in a highly competitive market. Significant product innovations, technical advances, raw material cost and availability issues 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, impact of Brexit 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 and 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.

FRESHCUT FOODS LTD

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

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 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 the 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 an interest rate hedge 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

The Company has continued to achieve significant growth during the period. Turnover has risen to £41,324,482 in the 18 month period, (2018 12 month period: £24,611,491), with gross profit remaining strong at 30.2%, (2018: 31.9%).

There was small loss for the period before tax of £118,707, (2018 profit: £1,021,419). EBITDA showed a slight improvement at 6.7%, (2018: 6.6%), due to efficiency saving projects. The Company carries out regular cost reviews, with new methods and processes being continually assessed and implemented to maintain profit margins.

In order to continue to improve our performance and reduce long term costs, £1,107,227, (2018: £4,903,783), has been invested in fixed assets during the period, with numerous capital projects planned for the next period.

The net assets of the Company increased to £4,902,520, (2018: £4,837,570).

FRESHCUT FOODS LTD

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

Change in ownership

On 23 February 2018, Freshcut Foods Limited was acquired in a management buyout. The ultimate controlling party is PW Mey UK Limited.

On behalf of the board

Mr D Bondi

Director

12 February 2020

FRESHCUT FOODS LTD

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 JULY 2019

The directors present their annual report and financial statements for the period ended 31 July 2019.

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 period and up to the date of signature of the financial statements were as follows:

Mr A D Clarke	(Resigned 23 February 2018)
Mr P M Clee	(Resigned 23 February 2018)
Mr D Bondi	
Mrs M Jones	(Appointed 23 February 2018)
Mr D Gilman	(Appointed 23 February 2018)
Mr D Sargent	(Appointed 23 February 2018)

Results and dividends

The results for the period are set out on page 10.

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 2018	Granted	Exercised	Expired	At 31 July 2019
David Bondi	746	-	320	426	-
Dominic Gilman	85	-	43	42	-
David Sargent	50	-	24	26	-
Maxine Jones	50	-	24	26	-

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.

FRESHCUT FOODS LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

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.

Disabled persons

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

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

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, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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 D Bondi

Director

12 February 2020

FRESHCUT FOODS LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 31 JULY 2019

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;
- 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.

FRESHCUT FOODS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESHCUT FOODS LTD

Opinion

We have audited the financial statements of Freshcut Foods Ltd (the 'company') for the period ended 31 July 2019 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 state of the company's affairs as at 31 July 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the 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.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial period 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.

FRESHCUT FOODS LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FRESHCUT FOODS LTD

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.

Responsibilities of directors

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, 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

FRESHCUT FOODS LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FRESHCUT FOODS LTD

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.

**Mr Stephen Anthony Harcourt FCCA (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services**

26 February 2020

Statutory Auditor

32 Eldon Road
Beeston
Nottingham
Nottinghamshire
NG9 6DZ

FRESHCUT FOODS LTD

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 JULY 2019

		Period ended 31 July 2019 £	Year ended 31 January 2018 £
Turnover	3	41,324,482	24,611,491
Cost of sales		(28,824,803)	(16,752,516)
Gross profit		12,499,679	7,858,975
Distribution costs		(2,129,786)	(1,376,923)
Administrative expenses		(10,523,896)	(4,976,756)
Other operating income		31,401	-
Exceptional item	4	-	(487,514)
Operating (loss)/profit	5	(122,602)	1,017,782
Interest receivable and similar income	8	4,115	3,897
Interest payable and similar expenses	9	(220)	(260)
(Loss)/profit before taxation		(118,707)	1,021,419
Tax on (loss)/profit	10	53,525	(275,494)
(Loss)/profit for the financial period		(65,182)	745,925

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 PERIOD ENDED 31 JULY 2019

	Period ended 31 July 2019 £	Year ended 31 January 2018 £
(Loss)/profit for the period	(65,182)	745,925
Other comprehensive income	-	-
Total comprehensive income for the period	(65,182)	745,925

FRESHCUT FOODS LTD

BALANCE SHEET

AS AT 31 JULY 2019

		2019		2018	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	12		5,376,072		5,854,425
Current assets					
Stocks	14	530,708		447,828	
Debtors	15	4,150,155		6,458,909	
Cash at bank and in hand		1,149,994		25,083	
		<u>5,830,857</u>		<u>6,931,820</u>	
Creditors: amounts falling due within one year	16	<u>(6,284,040)</u>		<u>(7,862,030)</u>	
Net current liabilities			<u>(453,183)</u>		<u>(930,210)</u>
Total assets less current liabilities			<u>4,922,889</u>		<u>4,924,215</u>
Creditors: amounts falling due after more than one year	17		<u>(13,777)</u>		-
Provisions for liabilities	19		<u>(6,592)</u>		<u>(86,645)</u>
Net assets			<u><u>4,902,520</u></u>		<u><u>4,837,570</u></u>
Capital and reserves					
Called up share capital	23		6,233		5,538
Share premium account			130,133		-
Capital redemption reserve	24		40		40
Other reserves			-		139,620
Profit and loss reserves			<u>4,766,114</u>		<u>4,692,372</u>
Total equity			<u><u>4,902,520</u></u>		<u><u>4,837,570</u></u>

The financial statements were approved by the board of directors and authorised for issue on 12 February 2020 and are signed on its behalf by:

Mr D Bondi
Director

Company Registration No. 04584241

FRESHCUT FOODS LTD

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JULY 2019

	Share capital £	Share premium account £	Capital redemption reserve £	Share option reserve £	Profit and loss reserves £	Total £
Balance at 1 February 2017	5,538	-	40	101,222	3,946,447	4,053,247
Period ended 31 January 2018:						
Profit and total comprehensive income for the period	-	-	-	-	745,925	745,925
Issues of options, rights and warrants	-	-	-	38,398	-	38,398
Balance at 31 January 2018	5,538	-	40	139,620	4,692,372	4,837,570
Period ended 31 July 2019:						
Loss and total comprehensive income for the period	-	-	-	-	(65,182)	(65,182)
Issue of share capital	695	130,133	-	-	-	130,828
Other	-	-	-	(139,620)	138,924	(696)
Balance at 31 July 2019	6,233	130,133	40	-	4,766,114	4,902,520

FRESHCUT FOODS LTD

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 JULY 2019

	Notes	2019		2018	
		£	£	£	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	28		(235,280)	6,028,306	
Interest paid			(220)		(260)
Income taxes paid			(31,938)		(433,962)
			<u> </u>	<u> </u>	
Net cash (outflow)/inflow from operating activities			(267,438)	5,594,084	
Investing activities					
Purchase of tangible fixed assets		(1,107,227)		(4,903,783)	
Proceeds on disposal of tangible fixed assets		-		2,000	
Proceeds from other investments and loans		2,347,615		(1,747,615)	
Interest received		4,115		3,897	
		<u> </u>	<u> </u>	<u> </u>	
Net cash generated from/(used in) investing activities			1,244,503	(6,645,501)	
Financing activities					
Proceeds from issue of shares		130,133		-	
Payment of finance leases obligations		17,713		(4,756)	
		<u> </u>	<u> </u>	<u> </u>	
Net cash generated from/(used in) financing activities			147,846	(4,756)	
Net increase/(decrease) in cash and cash equivalents			<u>1,124,911</u>	<u>(1,056,173)</u>	
Cash and cash equivalents at beginning of period			25,083	1,081,256	
			<u> </u>	<u> </u>	
Cash and cash equivalents at end of period			<u><u>1,149,994</u></u>	<u><u>25,083</u></u>	

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 JULY 2019

1 Accounting policies

Company information

Freshcut Foods Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Units 14-16 Lilac Grove, Beeston, Nottingham, NG9 1PF.

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 Reporting period

The financial statements are presented for a period of 18 months in order to bring the period end into line with other group companies. As a result, the comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.

1.4 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 it is probable will be recovered.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

1 Accounting policies (Continued)

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 3 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 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	10 - 25% straight line
Fixtures and fittings	33% straight line

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.

1.7 Impairment of fixed assets

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

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.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

1 Accounting policies **(Continued)**

1.8 Stocks

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

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.

1.9 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.

1.10 Financial instruments

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

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

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

Basic financial assets

Basic financial assets, which include 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.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

1 Accounting policies

(Continued)

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.

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 through 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.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

1 Accounting policies **(Continued)**

Derecognition of financial liabilities

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

1.11 Equity instruments

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

1.12 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.13 Taxation

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

Current tax

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

Deferred tax

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

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.

1.14 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.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

1 Accounting policies **(Continued)**

1.15 Retirement benefits

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

1.16 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.

1.17 Leases

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

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

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

1.18 Government grants

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

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

1.19 Foreign exchange

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

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

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:

	2019	2018
	£	£
Turnover analysed by class of business		
Sale of goods	41,324,482	24,611,491
	<u>41,324,482</u>	<u>24,611,491</u>

	2019	2018
	£	£
Other significant revenue		
Interest income	4,115	3,897
Grants received	31,401	-
	<u>35,516</u>	<u>3,897</u>

	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom	41,324,482	24,611,491
	<u>41,324,482</u>	<u>24,611,491</u>

4 Exceptional item

	2019	2018
	£	£
Restructuring costs	-	487,514
	<u>-</u>	<u>487,514</u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

5 Operating (loss)/profit

	2019	2018
	£	£
Operating (loss)/profit for the period is stated after charging/(crediting):		
Exchange losses	16	-
Government grants	(31,401)	-
Fees payable to the company's auditor for the audit of the company's financial statements	13,000	13,000
Depreciation of owned tangible fixed assets	1,583,387	524,505
Depreciation of tangible fixed assets held under finance leases	2,192	-
Profit on disposal of tangible fixed assets	-	(2,000)
Cost of stocks recognised as an expense	20,491,219	11,815,091
Share-based payments	-	38,398
Operating lease charges	414,616	228,157
	<u> </u>	<u> </u>

Exchange differences recognised in profit or loss during the period, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £16 (2018 - £-).

6 Employees

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

	2019	2018
	Number	Number
Production staff	212	184
Administration staff	50	54
Management staff	1	3
	<u> </u>	<u> </u>
	263	241
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	7,798,065	5,088,485
Social security costs	618,967	445,297
Pension costs	139,489	111,028
	<u> </u>	<u> </u>
	8,556,521	5,644,810
	<u> </u>	<u> </u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

7 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	10,417	365,231
Company pension contributions to defined contribution schemes	(5,199)	5,663
	<u>5,218</u>	<u>370,894</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2018 - 1).

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

	2019	2018
	£	£
Remuneration for qualifying services	n/a	125,000
Company pension contributions to defined contribution schemes	n/a	5,663
	<u>n/a</u>	<u>130,663</u>

As total directors' remuneration was less than £200,000 in the current period, no disclosure is provided for that period.

8 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Interest on bank deposits	4,115	1,272
Other interest income	-	2,625
	<u>4,115</u>	<u>3,897</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>4,115</u>	<u>1,272</u>
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9 Interest payable and similar expenses

	2019	2018
	£	£
Other finance costs:		
Interest on finance leases and hire purchase contracts	<u>220</u>	<u>260</u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

10 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	-	254,779
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(53,525)	20,715
	<u> </u>	<u> </u>
Total tax (credit)/charge	<u>(53,525)</u>	<u>275,494</u>

The actual (credit)/charge for the period can be reconciled to the expected (credit)/charge for the period based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
(Loss)/profit before taxation	<u>(118,707)</u>	<u>1,021,419</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.16%)	(22,554)	195,704
Tax effect of expenses that are not deductible in determining taxable profit	(340,603)	112,788
Tax effect of utilisation of tax losses not previously recognised	250,130	-
Unutilised tax losses carried forward	(29,346)	-
Effect of change in corporation tax rate	-	(874)
Permanent capital allowances in excess of depreciation	88,848	21,064
Research and development tax credit	-	(53,188)
	<u> </u>	<u> </u>
Taxation (credit)/charge for the period	<u>(53,525)</u>	<u>275,494</u>

11 Intangible fixed assets

	Goodwill £
Cost	
At 1 February 2018 and 31 July 2019	<u>313,508</u>
Amortisation and impairment	
At 1 February 2018 and 31 July 2019	<u>313,508</u>
Carrying amount	
At 31 July 2019	<u> </u>
At 31 January 2018	<u> </u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

12 Tangible fixed assets	Plant and equipment £	Fixtures and fittings £	Total £
Cost			
At 1 February 2018	7,719,009	282,206	8,001,215
Additions	981,944	125,283	1,107,227
At 31 July 2019	<u>8,700,953</u>	<u>407,489</u>	<u>9,108,442</u>
Depreciation and impairment			
At 1 February 2018	1,977,985	168,806	2,146,791
Depreciation charged in the period	1,486,065	99,514	1,585,579
At 31 July 2019	<u>3,464,050</u>	<u>268,320</u>	<u>3,732,370</u>
Carrying amount			
At 31 July 2019	<u>5,236,903</u>	<u>139,169</u>	<u>5,376,072</u>
At 31 January 2018	<u>5,741,025</u>	<u>113,400</u>	<u>5,854,425</u>

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

	2019 £	2018 £
Plant and equipment	<u>19,733</u>	<u>-</u>
Depreciation charge for the period in respect of leased assets	<u>2,192</u>	<u>-</u>

13 Financial instruments	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>3,592,763</u>	<u>5,798,882</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>6,190,529</u>	<u>7,714,537</u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

14 Stocks		2019	2018
		£	£
Raw materials and consumables		458,199	374,740
Finished goods and goods for resale		72,509	73,088
		<u>530,708</u>	<u>447,828</u>
		<u><u>530,708</u></u>	<u><u>447,828</u></u>
15 Debtors		2019	2018
		£	£
Amounts falling due within one year:			
Trade debtors		3,407,625	3,386,107
Corporation tax recoverable		195,000	195,000
Amounts owed by group undertakings		125,708	-
Other debtors		288,987	2,656,217
Prepayments and accrued income		132,835	195,057
		<u>4,150,155</u>	<u>6,432,381</u>
Deferred tax asset (note 20)		-	26,528
		<u>4,150,155</u>	<u>6,458,909</u>
		<u><u>4,150,155</u></u>	<u><u>6,458,909</u></u>
16 Creditors: amounts falling due within one year		2019	2018
	Notes	£	£
Obligations under finance leases	18	3,936	-
Trade creditors		3,294,060	2,268,245
Amounts owed to group undertakings		1,974,913	-
Corporation tax		2,841	34,779
Other taxation and social security		104,447	112,714
Other creditors		500,348	4,503,128
Accruals and deferred income		403,495	943,164
		<u>6,284,040</u>	<u>7,862,030</u>
		<u><u>6,284,040</u></u>	<u><u>7,862,030</u></u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

17 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Obligations under finance leases	18	13,777	-
		<u>13,777</u>	<u>-</u>

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

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Within one year	3,936	-
In two to five years	13,777	-
	<u>17,713</u>	<u>-</u>

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	2019 £	2018 £
Deferred tax liabilities	20	6,592	86,645
		<u>6,592</u>	<u>86,645</u>

20 Deferred taxation

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

	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Balances:				
Accelerated capital allowances	6,592	86,645	-	-
Share based payments	-	-	-	26,528
	<u>6,592</u>	<u>86,645</u>	<u>-</u>	<u>26,528</u>

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

20	Deferred taxation	(Continued)
		2019
	Movements in the period:	£
	Liability at 1 February 2018	60,117
	Credit to profit or loss	(53,525)
	Liability at 31 July 2019	<u>6,592</u>

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	2019	2018
	Defined contribution schemes	£	£
	Charge to profit or loss in respect of defined contribution schemes	139,489	111,028

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

If the options remained unexercised after a period of 10 years from the date of grant, the options expired. Options were forfeited if the employee ceased 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 continued for reduced periods.

During the period, 805 share options expired and 695 share options were exercised at a weighted average exercise price of £187.24.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

22 Share-based payment transactions (Continued)

	Number of share options		Weighted average exercise price	
	2019 Number	2018 Number	2019 £	2018 £
Outstanding at 1 February 2018	1,500	1,350	-	205.98
Granted	-	150	-	225.87
Exercised	(695)	-	187.24	-
Expired	(805)	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Outstanding at 31 July 2019	-	1,500	-	207.97
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Exercisable at 31 July 2019	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The weighted average share price at the date of exercise for share options exercised during the period was £187 (2018 - £0).

There were no options outstanding at 31 July 2019.

During the period, the company recognised total share-based payment expenses of £- (2018 - £38,398) which related to equity settled share based payment transactions.

23 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
5,680 (2018: 5,538) Ordinary A Shares of £1 each	5,680	5,538
280 (2018: 0) Ordinary C Shares of £1 each	280	-
40 (2018: 0) Ordinary D Shares of £1 each	40	-
72 (2018: 0) Ordinary E Shares of £1 each	72	-
161 (2018: 0) Ordinary F Shares of £1 each	161	-
	<u> </u>	<u> </u>
	6,233	5,538
	<u> </u>	<u> </u>

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.

FRESHCUT FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 JULY 2019

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:

	2019 £	2018 £
Within one year	287,854	58,226
Between two and five years	1,100,000	16,069
In over five years	1,068,750	-
	<u>2,456,604</u>	<u>74,295</u>

27 Ultimate controlling party

The ultimate controlling party is PW Mey UK Limited.

28 Cash (absorbed by)/generated from operations

	2019 £	2018 £
(Loss)/profit for the period after tax	(65,182)	745,925
Adjustments for:		
Taxation (credited)/charged	(53,525)	275,494
Finance costs	220	260
Investment income	(4,115)	(3,897)
Gain on disposal of tangible fixed assets	-	(2,000)
Depreciation and impairment of tangible fixed assets	1,585,579	524,505
Equity settled share based payment expense	-	38,398
Movements in working capital:		
Increase in stocks	(82,880)	(7,261)
Increase in debtors	(65,389)	(253,579)
(Decrease)/increase in creditors	(1,549,988)	4,710,461
Cash (absorbed by)/generated from operations	<u>(235,280)</u>	<u>6,028,306</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.