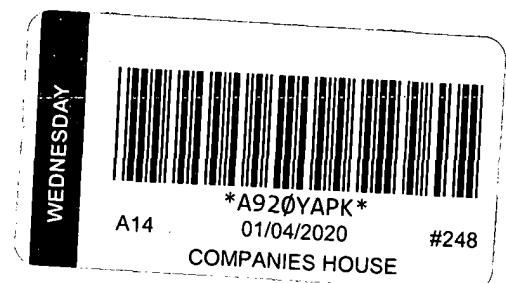


Branston Limited

**Annual report and financial
statements**

Registered number 02889789

28 July 2019



Contents

Strategic report	1
Directors' report	4
Statement of directors' responsibilities in respect of the annual report and the financial statements	5
Independent auditor's report to the members of Branston Limited	6
Profit and loss account	8
Balance sheet	9
Statement of changes in equity	10
Notes	11

Strategic report

Business review

Objectives

The Company's long term objective is to increase sustainable profitability in order to support the continued investment in the Group's infrastructure, and its ability to deliver shareholder return through dividend stream and equity value.

In pursuing this objective the Company intends to maintain sound financial management and avoid excessive risks.

Key business strategies

In pursuit of its objectives the Company has a number of key business strategies which have been successfully implemented over recent years.

We aim to secure increased sales through:

- Increasing product ranges and earned shared of business with our existing customer base.
- The development of new customers in our core market.
- The development of new products and new market sectors.

We aim to maintain our gross margin performance in what are challenging market conditions through the development of new product ranges, reducing waste, improving manufacturing efficiencies and developing ever more collaborative relationships with our customer and supply base.

We aim to have sufficient finance to support our future growth plans and to ensure we can take advantage of opportunities when they arise.

Strategy is constantly reviewed by the Board in the light of the Company's performance and changing market conditions to ensure it remains appropriate to achieve the Company's objectives.

Risks and uncertainties

The key risk areas of the Company are:

- Customer pricing affecting sales and gross margin.
- Loss of key customer accounts.
- Continuity of supply of good quality potatoes.
- Availability and certainty of good quality factory workforce.

The Company seeks to manage as far as possible the key risks that it faces.

Customer pricing is under constant review and is managed through our sales team. Excellent customer service and product quality as well as strong customer dialogue will continue to mitigate pricing pressures and help ensure our accounts are sustainable for all parties.

The Company mitigates the raw material risk as much as possible through the use of contracts with growers and by investing in highly trained field services and quality assurance teams.

Employee engagement is closely monitored and proactively discussed at all levels of the business using the 'Customer Plan' and 'How We Do Business' forums.

Having considered the above risks and uncertainties, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Strategic report *(continued)*

Key performance indicators

The Company uses a number of financial measures to monitor progress against strategies and corporate objectives. These are summarised below:

	2019 £000	2018 £000
Turnover	152,455	133,595
Operating profit	4,520	4,397
Profit before tax	4,492	4,414

In addition to financial measures, the Board also monitors the Company's operations with the objective of ensuring that health and safety is at the core of all working practices. In measuring the success of this, the Board reviews the level of reported incidents and monitors the training being undertaken by all relevant employees.

During the year, performance has been satisfactory and as far as the Board is aware, this is likely to be the case in the forthcoming year.

Future prospects

The Board is confident that the Company's strategy will continue to deliver results that meet our shareholders' expectations in the years to come.

Turnover of the Company increased by 14% compared to the previous year whilst volume reduced 9%. The turnover increase was driven by higher raw material costs characterised by a free-buy market operating consistently above contract pricing. Despite the increased cost of raw material the Company has maintained operating and profit before tax returns broadly in line with prior year, £4.5m and £4.5m (2018: £4.4m and £4.4m).

The Company continues to place customer service at the head of its schedule of corporate objectives, and this strategy of providing superior service, alongside a competitive purchasing policy, will drive the Company towards its anticipated future success.

To date the impact of the Brexit has not had a material financial impact on the Company. The Board will monitor relevant metrics going forward, labour availability and the value of the pound against the Euro being most critical in the short to medium term.

Employees

The Company employs a small number of disabled people and will continue to do so wherever possible, through recruitment, by retention of persons who become disabled during service and by appropriate training, career development and promotion. The Company endeavours to keep all employees informed of the progress and development of the business.

The Company seeks to ensure that all employees, job applicants and prospective job applicants, are afforded equality of job opportunity in all areas of employment.

The Company's Health & Safety Policy fully recognises the Company's responsibility for the health and safety of employees and members of the community in which they work.

The Company places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees, and on various matters affecting the performance of the Company.

Strategic report *(continued)*

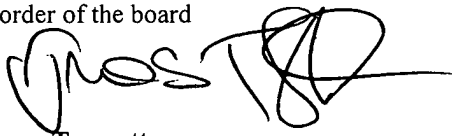
Environmental policy

The Company has an environmental policy which is fully supported by the Board of Directors.

We recognise that our product relies heavily on nature and our operations impact on the environment in a number of ways. We are committed to reducing these impacts wherever practically possible.

We are committed to our strong environmental credentials to make our operations energy efficient and to reduce our energy costs. The policy is reviewed annually to ensure that we work to reduce our environmental impact by minimising the use of water, energy and other natural resources wherever possible. Where practicable, we aim to reduce waste to a minimum and ensure that, wherever possible, materials are reused or recycled.

By order of the board



James Truscott
Director

19 November 2019

Directors' report

The Directors present their Report and the Financial Statements of the Company for the period to 28 July 2019.

Principal activity and business review

The Company is engaged in the packing and marketing of fresh potatoes. The Company supplies own label products to major supermarket accounts as well as selling under its own Branston labels. The Company also operates a prepared foods division supplying own label products to major supermarket accounts.

Directors

The Directors of the Company who served during the period and up to the date of signing the accounts were as follows:

Guy McCracken
James Truscott
James Windle
John Lockwood
Mark Willcox

Dividends

A dividend of £1,700,000 has been paid within the period (2018: £1,721,000).

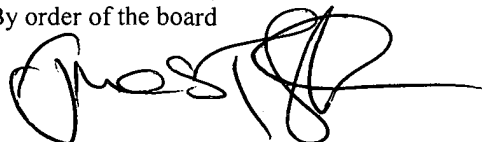
Disclosure of information to the auditor

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

Auditor

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

By order of the board



James Truscott
Director

Branston Limited
Mere road
Branston
Lincoln
LN4 1NJ

19 November 2019

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

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

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

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

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



Independent auditor's report to the members of Branston Limited

Opinion

We have audited the financial statements of Branston Limited ("the company") for the period ended 28 July 2019 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 July 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

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

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

Strategic report and directors' report

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

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



Independent auditor's report to the members of Branston Limited *(continued)*

Based solely on that work:

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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

Craig Parkin *(Senior Statutory Auditor)*

*for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants*

St Nicholas House
Park Row
Nottingham NG1 6FQ

Dated: 19 November 2019

Profit and loss account
for period ended 28 July 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2	152,455	133,595
Cost of sales		(135,660)	(117,339)
Gross profit		16,795	16,256
Distribution costs		(8,912)	(8,338)
Administrative expenses		(3,363)	(3,521)
Operating profit	3,4	4,520	4,397
Income from fixed asset investments	5	6	14
Other interest receivable and similar income	6	-	6
Interest payable and similar charges	7	(34)	(3)
Profit before taxation		4,492	4,414
Tax on profit	8	(990)	(900)
Profit for the financial period		3,502	3,514

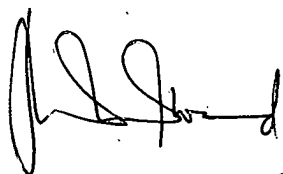
All gains and losses have been accounted for in the profit and loss account. There is no other comprehensive income.

Balance sheet
at 28 July 2019

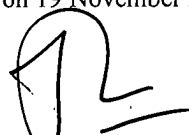
	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	9	17,854	14,719
Investments	10	17	17
		<u>17,871</u>	<u>14,736</u>
Current assets			
Stocks	11	5,086	4,295
Debtors (including £100,000 (2018: £61,111) due after one year)	12	34,733	26,554
Cash at bank and in hand		1,650	1,874
		<u>41,469</u>	<u>32,723</u>
Creditors: amounts falling due within one year	13	<u>(15,158)</u>	<u>(10,813)</u>
Net current assets		<u>26,311</u>	<u>21,910</u>
Total assets less current liabilities		<u>44,182</u>	<u>36,646</u>
Creditors: amounts falling due after more than one year	14	<u>(5,809)</u>	<u>(75)</u>
Net assets		<u><u>38,373</u></u>	<u><u>36,571</u></u>
Capital and reserves			
Called up share capital		-	-
Share premium account		844	844
Profit and loss account		37,529	35,727
Shareholders' funds		<u><u>38,373</u></u>	<u><u>36,571</u></u>

These financial statements were approved by the board of directors on 19 November 2019 and were signed on its behalf by:

JW Lockwood
Director



J Windle
Director



Company registered number: 02889789

Statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 31 July 2017	-	844	33,934	34,778
Total comprehensive income for the period				
Profit for the period	-	-	3,514	3,514
Total comprehensive income for the period	-	-	3,514	3,514
Transactions with owners, recorded directly in equity				
Dividend	-	-	(1,721)	(1,721)
Balance at 29 July 2018	-	844	35,727	36,571
	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 30 July 2018	-	844	35,727	36,571
Total comprehensive income for the period				
Profit for the period	-	-	3,502	3,502
Total comprehensive income for the period	-	-	3,502	3,502
Transactions with owners, recorded directly in equity				
Dividend	-	-	(1,700)	(1,700)
Balance at 28 July 2019	-	844	37,529	38,373

Notes

(forming part of the financial statements)

1 Accounting policies

Branston Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK. The registered number is 02887989 and the registered address is Branston Limited, Mere Road, Branston, Lincoln, LN4 1NJ.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2018 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s ultimate parent undertaking, Branston Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Branston Holdings Limited are available to the public and may be obtained from Mere Road, Branston, Lincoln, LN4 1NJ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Branston Holdings Limited include the equivalent disclosures, the Company has taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

In adopting the going concern basis for preparing the financial statements the directors have considered the company’s business activities as set out in the strategic report. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the company continues to adopt the going concern basis for preparing its financial statements.

Notes (continued)

1 Accounting policies (continued)

1.3. Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.4. Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

Cash and cash equivalents

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

1.5. Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.6. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.11 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Plant and machinery 4 – 25% straight line
- IT equipment 25 – 33.3% straight line
- Motor vehicles 20 – 25% straight line

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

1.7. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.8. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

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

Notes (continued)

1 Accounting policies (continued)

1.8. Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets

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

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

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

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

1.9. Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.10. Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period exclusive of VAT, and is wholly derived from ordinary activities. Turnover is recognised when the stock is received by the customer.

Notes (continued)

1 Accounting policies (continued)

1.11. Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

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

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.12. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries and associates to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

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

Notes *(continued)*

1 **Accounting policies** *(continued)*

1.13. Government grants

Government grants are included within accruals and deferred income in the balance sheet. The asset to which the government grant relates is held as an asset under construction at the year end as it has not yet been installed and commissioned. At the point the asset becomes operational depreciation will be charged over the useful economic life of the asset with the grant income being released over the same period into cost of sales.

Notes (continued)

2 Turnover

	2019 £000	2018 £000
Sale of goods	152,455	133,595

All turnover is generated in the United Kingdom.

3 Expenses and auditor's remuneration

Included within operating profit are the following:

	2019 £000	2018 £000
Impairment loss on inventories	-	123
Research and development expensed as incurred	740	601
Gain on sale of tangible fixed assets	(32)	(22)

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	34	32
Amounts receivable by the company's auditor and its associates in respect of:		
Audit related assurance services	-	-
Taxation compliance services	9	8

4 Staff numbers and costs

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

	Number of employees	
	2019	2018
Production	514	507
Administration	201	186
	715	693

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	17,146	16,204
Social security costs	1,560	1,448
Contributions to defined contribution plans (note 17)	587	590
	19,293	18,242

Directors' costs of £955,551 (2018: £949,053) have been borne by the ultimate parent company, Branston Holdings Limited in the current and prior period.

Notes (continued)

5 Income from other fixed asset investments

	2019 £000	2018 £000
Other income from fixed asset investments	6	14
	<u>6</u>	<u>14</u>

6 Other interest receivable and similar income

	2019 £000	2018 £000
Interest receivable on financial assets at amortised cost	-	6
Total interest receivable and similar income	<u>-</u>	<u>6</u>

Interest receivable and similar income includes income from group undertakings of £nil (2018: £nil)

7 Interest payable and similar charges

	2019 £000	2018 £000
Interest payable on financial liabilities at amortised cost	3	3
Interest payable on bank loans and overdrafts	31	-
Total interest payable and similar charges	<u>34</u>	<u>3</u>

Notes (continued)

8 Taxation

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

	2019	2018
	£000	£000
<i>Current tax</i>		
Current tax on income for the period	949	1,017
Adjustments in respect of prior periods	24	(51)
Total current tax	973	966
<i>Deferred tax (note 16)</i>		
Origination and reversal of timing differences	45	(69)
Adjustments in respect of prior periods	(28)	3
Total deferred tax	17	(66)
Total tax	990	900

The total tax charge for 2019 and 2018 was recognised in the profit and loss account.

Reconciliation of effective tax rate

	2019	2018
	£000	£000
Profit for the period	3,502	3,514
Total tax expense	990	900
Profit excluding taxation	4,492	4,414
Tax using the UK corporation tax rate of 19% (2018: 19%)	854	839
Fixed asset differences	11	5
Reduction in tax rate on deferred tax balances	-	8
Non-deductible expenses	134	96
Non-taxable income	(5)	-
Over provided in prior years	(4)	(48)
Total tax expense included in profit or loss	990	900

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2019) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was subsequently enacted on 6 September 2018. The deferred tax asset at 28 July 2019 has been calculated based on these rates.

Notes (continued)

9 Tangible fixed assets

	Plant and equipment £000	Motor vehicles £000	IT equipment £000	Total £000
Cost				
Balance at 30 July 2018	44,524	229	2,883	47,636
Additions	6,962	-	798	7,760
Disposals	(264)	-	-	(264)
Balance at 28 July 2019	51,222	229	3,681	55,132
Depreciation and impairment				
Balance at 30 July 2018	30,049	167	2,701	32,917
Depreciation charge for the period	4,512	24	89	4,625
Disposals	(264)	-	-	(264)
Balance at 28 July 2019	34,297	191	2,790	37,278
Net book value				
At 28 July 2019	16,925	38	891	17,854
At 29 July 2018	14,475	62	182	14,719

Leased plant and machinery

At 28 July 2019 the net carrying amount of plant and equipment leased under a finance lease was £47,674 (2018: £91,667). The leased equipment secures lease obligations (note 15).

Tangible fixed assets under construction

At 28 July 2019 the amount of assets in the course of construction within fixed assets that are not being depreciated is £4,880,734 (2018: £676,337).

10 Fixed asset investments

	Other investments £000	Interests in associated undertakings £000	Total £000
Cost			
At beginning and end of period	975	160	1,135
Provisions			
At beginning and end of period	(975)	(143)	(1,118)
Net book value			
At 29 July 2018 and 28 July 2019	-	17	17

Notes (continued)

10 Fixed asset investments (continued)

The Company has the following investments in subsidiaries and associates:

	Aggregate of capital and reserves £000	Profit or loss for the year £000	Country of incorporation	Principle activity	Ownership 2019 %	Ownership 2018 %
Branston Potatoes Limited *	-	-	England and Wales	Dormant	100%	100%
The Real Potato Company Limited *	-	-	England and Wales	Dormant	100%	100%
The Real Vegetable Company Limited *	-	-	England and Wales	Dormant	100%	100%
APS Biocontrol Limited **	499	132	Scotland	Trading	40%	40%

Registered address

*Mere Road, Branston, Lincoln, Lincolnshire, LN4 1NS.

**7d Muirdrum, Carnoustie, Angus, DD7 6LE.

11 Stocks

	2019 £000	2018 £000
Potatoes	1,175	694
Packaging	1,059	802
Other consumables	1,011	934
Growing crops	1,841	1,865
	<u>5,086</u>	<u>4,295</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £101,220,875 (2018: £85,034,202). The write-down of stocks to net realisable value amounted to £nil (2018: £123,464).

12 Debtors

	2019 £000	2018 £000
Trade debtors	16,820	11,797
Amounts owed by group undertakings	13,616	12,005
Other debtors	1,805	726
Deferred tax assets (note 16)	198	215
APS loan	100	100
Prepayments and accrued income	2,194	1,711
	<u>34,733</u>	<u>26,554</u>

Debtors include prepayments and accrued income of £100,000 (2018: £61,111) due after more than one year. Amounts owed to Group undertakings are due on demand but there is no intention to call on this amount to be settled. No interest is charged on intercompany loan balances.

Notes (continued)

13 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Bank loan (note 15)	1,229	-
Obligations under finance leases (note 15)	40	40
Trade creditors	9,528	8,322
Corporation tax	282	391
Taxation and social security	398	504
Accruals and deferred income	3,681	1,556
	<u>15,158</u>	<u>10,813</u>

14 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Bank loan (note 15)	5,771	-
Obligations under finance leases (note 15)	38	75
	<u>5,809</u>	<u>75</u>

15 Interest-bearing loans and borrowings

Bank loan and finance lease liabilities are payable as follows:

	Bank loans		Finance leases		Total	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Less than one year	1,229	-	40	40	1,269	40
Between one and five years	5,771	-	38	75	5,809	75
	<u>7,000</u>	<u>-</u>	<u>78</u>	<u>115</u>	<u>7,078</u>	<u>115</u>

Interest on the finance lease is charged at 7%. The bank loan covers a five year term with interest charged at 1.5% above LIBOR. Interest and capital repayments commenced as of September 2019. Security is held via cross guarantee across all assets of the Group.

Notes (continued)

16 Deferred tax assets

Deferred tax assets are attributable to the following:

	2019 £000	2018 £000
Accelerated capital allowances	190	183
Other	8	32
Net tax assets	198	215

In addition to the deferred tax asset above, the Company has additional unrecognised gross tax losses of £nil (2018: £nil).

17 Employee benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current period was £586,966 (2018: £589,667)

18 Capital and reserves

Share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
15,945 ordinary shares of £0.01 each	159	159

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

Dividends

A dividend of £1,700,000 has been paid within the period (2018: £1,721,000).

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	2,099	1,360
Between one and five years	882	1,471
	2,981	2,831

During the period £2,182,885 was recognised as an expense in the profit and loss account in respect of operating leases (2018: £1,562,337).

Notes (continued)

20 Commitments

Capital commitments

The Company contractual commitments to purchase tangible fixed assets at the period-end were £9,655,728 (2018: £3,078,221).

21 Related parties

As the Company is a wholly owned subsidiary of Branston Holdings Limited, the Company has taken advantage of the exemption contained in FRS102.33.1A and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group headed by Branston Holdings Limited.

Identity of related parties with which the Company has transacted

Messers Dean and Lockwood are directors of companies which trade with the Group. During the period, the aggregate value of transactions with this company, mainly in respect of potato purchases was £2,451,953 (2018: £1,519,228). As at 28 July 2019 the balances outstanding were Patrick Dean Limited £308,252 (2018: £209,770)

In the prior year period Branston Limited advanced an interest bearing loan of £100,000, repayable over three years, to APS Biocontrol Limited. Branston Limited own 24.99% of APS Biocontrol Limited's share capital. As at 28 July 2019 the balance outstanding was £100,000 (2018: £100,000)

Branston Limited outsource their research and development activity to B-Hive Innovations Limited, a related party by way of share ownership and control. As at 28 July 2019 Branston Limited have loaned B-Hive Innovations Limited £1,098,261 (2018: £550,261), these amounts have been fully provided for in the accounts of Branston Limited.

22 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Branston Holdings Limited. The ultimate controlling party is Branston Holdings Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Branston Holdings Limited, incorporated in the United Kingdom. The consolidated financial statements of these groups are available to the public and may be obtained from Mere Road, Branston, Lincoln, LN4 1NJ.

23 Subsequent events

There are no events subsequent to the balance sheet date that materially impact the financial statements for the period ended 28 July 2019.

24 Accounting estimates and judgements

Key sources of estimation uncertainty

On 26 June 2009 the Company invested in Big Screen Productions 10 LLP. The investment represents a 40.81% share in the partnership and due to the voting structure the Group does not exert significant influence and accordingly has been accounted for as an investment. A tax deduction of £1,297,520 was recognised. During the accounting period to 29 July 2018 the Group received an Advanced Payment Notice (APN) from HMRC dated 1 December 2017 requesting payment of £1,297,059. The Group subsequently settled this amount on 1 March 2018. Whilst this payment settles the previously underpaid tax it does not necessarily conclude all payments which may be required to settle the matter in full and final form with HMRC. In future accounting periods the Group may be required to pay interest and penalties should the ongoing legal case find in favour of HMRC. The basis of calculation for interest and penalties are not available from HMRC and therefore any future liability cannot be accurately calculated. No further transactions have occurred during the accounting period to 28 July 2019.