PRODUCE
INVESTMENTS plc

Continuing our strategy for growth

Produce Investments plc
Annual Report & Accounts 2016

Produce Investments plc was established in 2006 and is the parent company of one of the UK's leading potato businesses, Greenvale AP Ltd. It is one of the UK's largest suppliers of fresh potatoes, daffodil flowers and bulbs.

Up-to-date information can be found on our website:

www.produceinvestments.co.uk

Operational Highlights

Improvement in operational efficiencies

+8.8%

Management continue to focus on improving operational efficiencies. The Kent pack site was closed in December 2015 and is currently held for sale. Investments at our remaining packing sites helped facilitate this capacity rationalisation. As a result, one of our key operational measures, man hours per tonne, improved by nearly 9%.

Read more on **page 17**

Increase in daffodil sales

+17.9%

Another very good season for daffodil sales from Rowe Farming resulted in an increase in both volumes and value, with turnover increasing by nearly 18%.

Read more on **page 16**

Increase in sales of Jersey Royals

+23.7%

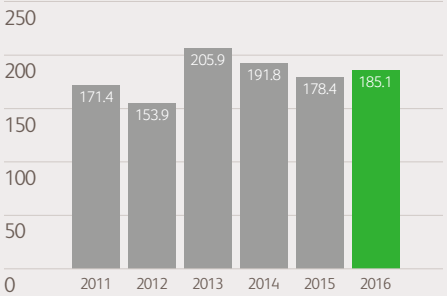
A much improved result for Jersey Royals with turnover increasing by over 23%.

Read more on **page 12**

Financial Highlights

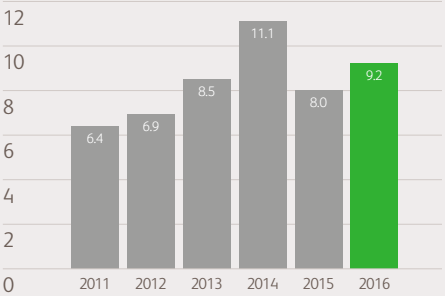
Revenue (£m)

£185.1m



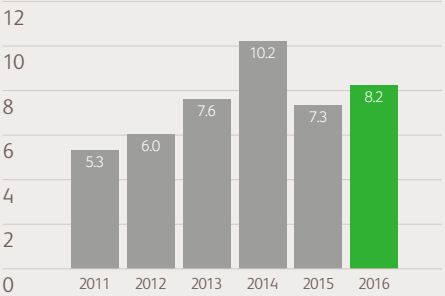
Operating profit (£m)

£9.2m



Pre-tax profit (£m)

£8.2m



Note: Operating profit and pre-tax profit are stated before exceptional items.

Produce Investments at a Glance

Leading the way in the UK potato industry. Produce Investments plc, is a leading operator in the fresh potato and daffodil sectors.

The Group has operations throughout the UK in seed production, growing and packing and serves a number of market sectors including retail, foodservice, wholesale and trading. The Group is split into three segments:

1. Fresh

Which comprises Greenvale AP, Jersey Royal Company Limited and Rowe Farming, and accounts for 82.3% of Group revenues. Customers include a number of the UK leading grocery retailers and wholesale and foodservice companies.

2. Processing

Which accounts for 2.7% of Group revenues. Ingredients supplied are used by a large number of food manufacturers in products such as diced potato salads and mashed potato for fish cakes and ready meals.

3. Other

Includes the seed business, Restrain Company Limited and direct trading, and accounts for 15% of Group revenues. The seed business exports 26% of total production. The proportion of revenues for Restrain from overseas were similar to last year, being 70% of total.

Geographic diversity

The map shows the location of our sites across the UK. Our business is geographically spread throughout the UK ranging from our seed business in Perthshire (1), our main retail pack sites in the Scottish Borders (2) and Cambridgeshire (3) which are ideally located within close proximity to two of the main potato growing areas in the UK. Our processing business, Swancote Foods (4) is located in Shropshire, with Rowe Farming (5) based in Cornwall and The Jersey Royal Company (6) located in Jersey.

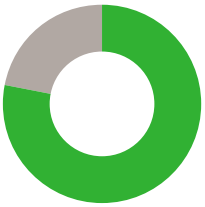
1. Greenvale AP seed business, Burrelton, Perthshire
2. Greenvale AP pack site, Duns
3. Greenvale AP pack site, Floods Ferry
4. Swancote Foods, Shropshire
5. Rowe Farming, Cornwall
6. Jersey Royal Company, Jersey

The Produce Investments Group has a number of businesses located across the UK and the recent acquisitions of Rowe Farming in 2012 and The Jersey Royal Company Limited in 2014 compliment and add strength and diversity to the Group. In addition 24% of our seed revenues come from overseas, and sales of Restrain, our ethylene storage and ripening business, are growing outside the UK.

Greenvale AP

Unique vertically integrated potato business

Unique vertically integrated business comprising seed variety and development, seed growing storage and production, fresh potato growing, and fresh potato storage, packing, distribution and marketing.

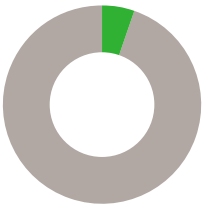


78.0% of Group revenue

Rowe Farming

Daffodils and potatoes

Rowe Farming based in Cornwall, grows and markets early season UK baby new and salad potatoes and grows and markets daffodil flowers and bulbs in the UK and overseas.

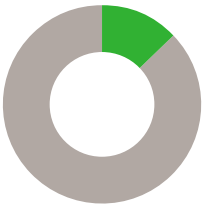


5.4% of Group revenue

The Jersey Royal Company

First new season potatoes

The Jersey Royal Company grows and markets early season Jersey Royal potatoes to most of the major UK retailers.

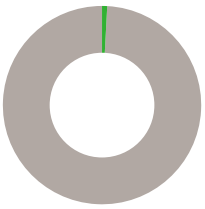


13.0% of Group revenue

Restrain

Ethylene storage and ripening

The Restrain system provides the only residue free solution for sprout suppression in stored potatoes and onions in the UK, Europe and other territories across the world. The Restrain technology is now developing in other produce sectors such as the enhanced ripening of fruits.

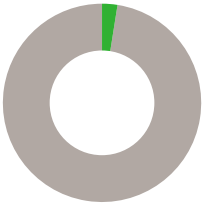


0.9% of Group revenue

Swancote Foods

Additive free cooked potato ingredients

Swancote provides a number of food ingredient manufacturers in the UK with additive-free cooked potato products as well as raw potato ingredients.



2.7% of Group revenue

Our Strategy

Growing through diversification of our products and customer base.

Our strategic approach

Our strategy is to significantly grow the scale and profitability of the Group by acquiring quality businesses that offer synergies coupled with product/customer diversification, whilst at the same time funding organic growth strategies.

The recent acquisitions demonstrate our strategy in action. The Board firmly believes in this strategy and if well executed, will deliver sustainable value growth to all stakeholders and shareholders of the business.

01 Growth through acquisition

The acquisition of Rowe Farming in 2012 and The Jersey Royal Company in 2014 demonstrates the ability of the management team to successfully deliver and integrate new businesses within the expanding Group. Management continue to seek quality businesses that offer synergies along with product and customer diversification.

02 Organic growth

Management continue to look to grow the core business with both existing and new customers. The Group, at its core, is a unique vertically integrated potato business covering seed variety development, production of seed, own growing, through to storage, packing and distribution of fresh potatoes and is ideally placed to take advantage of any opportunities.

Growing and diversifying business

1986
Business acquired by Dalgety PLC

1998
Acquisition of Anglian Produce – Business renamed Greenvale AP

2000
Acquisition of ES Black (Scottish packer with the same private equity shareholders as Greenvale)

2003
Incorporation of Restrain Co Ltd

2006
Greenvale AP acquired by Produce Investments Ltd

2007
Acquisition of Swancote Foods

2010
Listed on London Stock Exchange AIM Market

2012
Acquisition of Rowe Farming Ltd

2014
Acquisition of Jersey Royal Company Ltd

03 Diversification of customers

The recent acquisitions have added a number of important strategic elements to the Group. The new products will allow management to target new customers.

04 Diversification of products

Restrain, which provides ethylene storage and ripening solutions, continues to develop the number of products that can be treated and stored both in Europe and other territories across the world.

Chairman's Statement

Improvement in operating profit (before interest, tax, exceptional items and dividends).

The Group has delivered an excellent performance in the year to 25 June 2016 resulting in an increase in operating profit.

I am pleased to report that following a challenging 2015, the actions taken by the Board to address the market conditions has resulted in a significant improvement in the operational performance of the Group with operating profit for the Group increasing by over 14% to £9.2m (2015: £8.0m). This increase is stated before exceptional items relating to the closure of Kent and costs associated with the product recall at Swancote Foods.

As we highlighted last year, we are working closely with our core retail customers to create a supply chain model that is much more aligned to prevailing market conditions in any given season, thereby reducing the impact of any variations in crop on the Group's financial performance. This has helped to deliver a more robust financial performance in the 52 weeks to 25 June 2016.

We continue to strive to increase operational efficiencies and, where possible, align production capacity to forecasted sales. During the year we conducted a review of capacity across our packing facilities, and along with consideration of the proximity and geographical spread of our grower base, we took the decision to close our pack house in Kent. Following a period of consultation which concluded on 10 November 2015 this decision was ratified and we ceased production in early December, with the volume being transferred to our two sites at Floods Ferry and Duns.

Dividend

While the market is expected to remain challenging, the Directors are confident about the Group's prospects for the coming year and are pleased to announce an increase in the final dividend to 4.88 pence per share (2015: 4.775 pence), when combined with the interim dividend of 2.44 pence per share (2015: 2.39 pence) results in a total dividend for the year of 7.32 pence per share (2015: 7.165 pence per share). The final dividend, conditional on shareholder approval, will be paid on 1 November 2016 to ordinary shareholders on the register at close of business on 7 October 2016.

Board changes

I have been Chairman for more than ten years now and during that period the business has changed a great deal, with a number of successful acquisitions, site rationalisations, listing on the AIM market in November 2010 and the creation of a much stronger management team. I feel the business model is more resilient, more diverse and well placed to handle any pressures that it might encounter. Consequently, I believe it is an appropriate time for me to step down as Chairman, and I will do so following the Annual General Meeting on 28 October 2016. I am pleased to announce that Neil Davidson, who was appointed to the Board on 29 June 2015, will take over as Chairman, subject to shareholder approval at the Annual General Meeting. Neil has held a number of senior positions inside the industry, including Chief Executive of Arla Foods and was recently appointed as a non-executive Director of WM Morrison Supermarkets plc and I am confident his experience will be beneficial to the Group. The Group has also today announced that Brian Macdonald, Finance Director intends to leave the Board at the end of December 2016. Brian will be succeeded by Jonathan Lamont who joined the business as Group Financial Controller at the start of July. I would like to thank Brian for his significant contribution to the business and I wish Jonathan all the best in his new role.

Outlook

Looking at the year ahead, while recognising we are only 50% of the way through harvesting, our best estimates for the current year's crop would indicate average yields and average quality. We expect the supply of crop to be roughly aligned to demand with pricing reflecting a balanced market. Whilst we expect the retail environment to remain extremely competitive, the new supply chain model we have implemented with a core customer, which is more aligned to prevailing market conditions reduces the impact of any variations in crop on the Group's financial performance. We do not envisage any major impact of Brexit on the business in the short term, although we continue to monitor the situation closely as a significant proportion of our workforce originates from outside of the UK.

The recent acquisitions and improved diversity, along with the new supply chain model ensure Produce is better placed to deal with any external pressures. The Board remains confident that Produce is in a strong position to grow organically and to take advantage of any acquisition opportunities.

Given the growth in operating profit against challenging conditions, I would especially like to express my sincere thanks to all employees of the Group who have helped to contribute to these excellent results for the year.

Barrie Clapham
Chairman

Reasons to invest in Produce Investments

Produce Investments is a diverse business with a solid core at its foundation and continues to seek acquisition opportunities offering good returns and exciting growth prospects. The core business supplies fresh products 364 days of the year, into a defensive category with high levels of customer penetration.

1. Improved margins

The Group continues to seek opportunities to add businesses that deliver higher margins and enhance profitability and shareholder returns.

2. Acquisition opportunities

The recent acquisitions demonstrate the Groups appetite and ability to complete and deliver on acquisitions. Management will continue to seek out and explore opportunities to further expand the Group through the addition of appropriate complimentary businesses.

3. New customers

The Group's strategy is to continue to grow its sales with other key customers. The acquisition of both Rowe Farming and The Jersey Royal Company gives access to potential new customers.

4. Products diversification

Our strategy is to seek opportunities that provide growth outside the fresh potato sector. This could come from processed products or other fresh vegetables where our key strengths in commercial and supply chain management can add value and deliver synergies.

Strategy in Action

Greenvale AP
Natural choice for fresh potatoes

Greenvale AP

Improved performance

A more stable market in terms of both value and volume, a lower crop, along with continued efficiency improvements have resulted in an improvement in overall performance.

Greenvale AP (GVAP) is a unique vertically integrated business. This starts with our seed variety and development programme and also includes our seed potato business and our own growing potato operations in Perthshire, the Scottish Borders and the Eastern Counties, making us the biggest grower of fresh table potatoes in the UK. GVAP procures from 200 growers in the UK, most of whom we supply seed to, and along with the potatoes from our own growing operations provide our pack sites with the material to store, manage and pack for our key customer base 364 days of the year.

Chief Executive's Report

Well placed for future growth.

The 2015 season resulted in an average yielding crop, with total production of 5.43m tonnes compared to 5.74m tonnes in 2014 and 5.58m in 2013.

Sales of fresh potatoes stabilised during the year, both in value and volume terms. In the 52 weeks to end of June 2016 value declined by 1% against a decline of 14.5% in the prior year, and volume increased by 0.9% up from 0.3% in 2015. During the year crop prices have been relatively stable, however we did experience an increase in the price of free-buy crop towards the end of the year as demand outstripped supply. This resulted in a higher price for the crop at the end of the financial year, which has continued into the start of the new financial year.

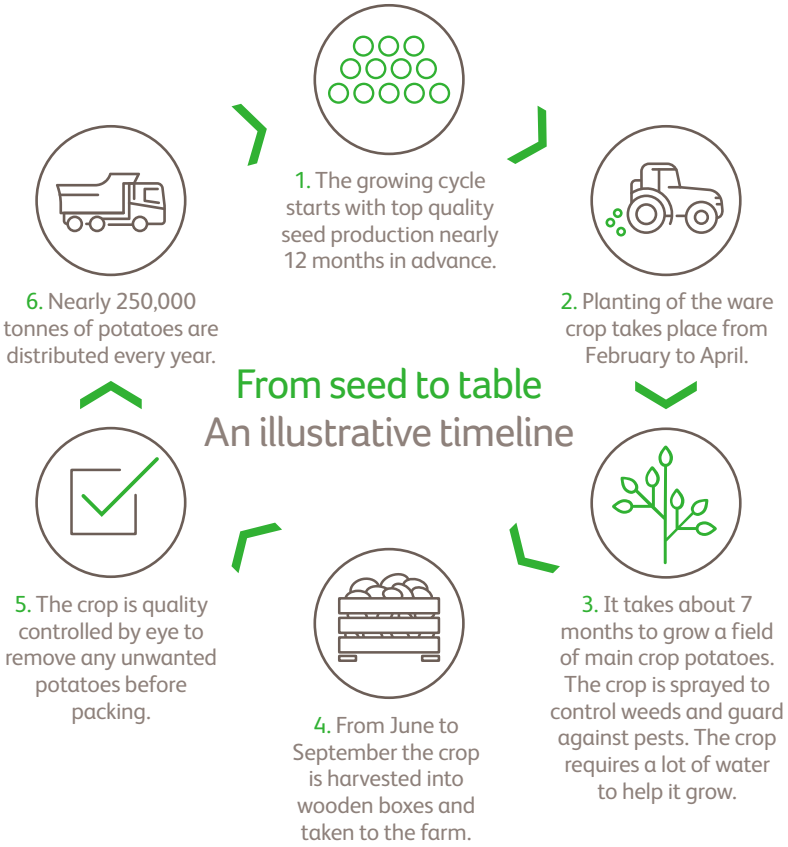
During May 2015, we announced that our processing business, Swancote Foods experienced a contamination issue relating to traces of metal being found in some of our product. Working in collaboration with our affected customers, this resulted in a recall of a number of potato salad and ready meal products. The contamination resulted from the failure of an augur in one of our blanchers, which was not subsequently picked up by detection systems and processes further down the supply chain.

Throughout this period we continued to work with both our insurers and our affected customers to bring this matter to a satisfactory conclusion. I am pleased to report that matters have been concluded and the net cost to the business for the un-insured elements of the claim have been finalised, resulting in an exceptional charge of £571,000. This is at the lower end of expectations that we indicated last year of between £300,000 and £1.5m. We have installed a new blancher and changed a number of processes to ensure we are best placed to meet future requirements. We believe Swancote Foods is well positioned to take advantage of new business development opportunities and gain additional volume.

During the last financial year we announced that we were working closely with one of our core retail customers to create a supply chain model that is closer aligned to prevailing market conditions in any given season. As a consequence of this review, we agreed a reduction in the core volume that we supply to this customer, which came into effect in early July 2016. Whilst this reduction in volume was clearly a disappointment, we are pleased that we have been awarded a three year contract which is a major step forward for the business, reducing the impact of crop value fluctuations on company performance.

We announced a review of the alignment of production capacities to forecast sales last October, with the anticipated closure of our Kent based packing facility. Following a period of consultation, which was concluded on 10 November 2015, a decision was taken to close the site and packing in Kent ceased in early December 2015, with all volume transferred to our two sites in Cambridgeshire and Scotland. The team managing the process did an excellent job in difficult circumstances and I am pleased to report that the vast majority of people who were made redundant through the process have managed to secure alternative employment in the area.

Following the closure of the site we have transferred both growing and packing equipment to our other growing and packing operations. However, it is still necessary to impair the property and equipment which requires a one-off non cash impairment charge of £2.62m.



Strategy in Action

Restrain

A more difficult year

Turnover and profits reduced due to lower income from application fees and fuel sales.

The principal activity of the Company is the sale, lease and marketing of the Restrain system for the production and maintenance of a stable atmosphere of ethylene within potato and onion stores for sprout suppression and seed potato management. The system continues to provide the only residue free solution for sprout suppression in stored potatoes and onions in the UK, Europe and other territories across the world. Sales outside the UK continue to grow and the potential for growth in both new markets and products continue to be explored and management are excited and confident about the future.

Chief Executive's Report (continued)

In addition to this, redundancy costs and other exceptional charges have been incurred totalling £0.97m, which have also been included in exceptional charges for the financial year to 25 June 2016. We are actively working with local agents to consider all possible options for the site, which range from outright disposal, partial development or rental opportunity.

During the year we have invested heavily in upgrading both our IT infrastructure and applications. At the end of July 2015 we completed the transition of our in-house servers to a cloud based external provider. This minimises the risk to the Group from a serious hardware failure, whilst at the same time improving both disaster recovery and contingency procedures. At the same time we took the decision to upgrade our core business applications solution. As is normal in these instances, it was necessary and appropriate for the business to review its operating procedures and practices before implementing a new system. This project commenced last year and went live at one of our sites in June 2016. Although there were some early teething problems, as expected when undertaking a change project of this nature and scale, the operating practices have now settled down. Whilst there is still more to do as we roll-out the new processes and operating procedures to our remaining sites, I am pleased with where we are and confident that a number of business benefits will be delivered.

It is pleasing to highlight that we have again had another very successful year growing, picking and supplying daffodils from our Rowe Farming business, based in Cornwall. All daffodils are picked by hand, often in very challenging climatic conditions, from January through to April, with this year being no exception. In addition to the flower business, Rowe also grow and supply early season potatoes to a number of customers across the UK and I am pleased to report that although the season was one to two weeks late due to the adverse Spring weather, this season's crop largely hit its marketing window.

In May 2014 the Group acquired The Jersey Royal Company Limited, which grows and markets early season Jersey Royal potatoes into a number of UK retailers. The 2016 growing season, similar to Cornwall, was running a week to ten days behind but nevertheless we still managed to produce a high quality crop with low waste levels. Demand from most of our customers was up on last year. Overall the result was a significant improvement on the previous year and we remain very confident about the future prospects for the business. The strategic rationale of the acquisition remains sound as it strengthens the Group's product offering and also gives the Group greater control and influence over the early season potato market.

Over the last two years we have closed packing facilities at Tern Hill and Kent, removing a significant amount of surplus capacity. Improving our operational efficiencies will always remain a key focus as we continue to seek to align capacities against future demand. In the year to June 2016 aided by the closure of Kent and reallocating volumes to our remaining sites in Cambridgeshire and Scotland, man hours per tonne, a key measure used for operational efficiency improved by nearly 9%.

Operations remain cash generative and at the year end, total net debt stood at £18.1m compared to £20.7m last year as we continue to pay down debt. We have continued to invest in our sites, improving efficiencies which helped facilitate the closure of both our Kent site in 2015 and in 2014, Tern Hill. Total capital expenditure in the year amounted to £3.7m compared to £5.8m last year. This re-alignment of our operational capacities and resultant improvement in operating efficiencies should ensure the Group remains strongly competitive for the future.

As the Chairman noted, the growing conditions experienced so far, with a wet and late spring followed by reasonable summer temperatures, would point to an average quality crop and yield. Estimates for the planted area of potatoes would indicate an increase of 4.3% compared to last year. Whilst it is still early in the season and therefore difficult to make predictions, we would expect prices for non-contracted free-buy potatoes to be in line with those that have been contracted.

We strongly believe that following the acquisitions of Rowe Farming and the Jersey Royal Company, coupled with the rationalisation of our fresh packing sites, we are in a much stronger position to deal with external pressures that we might encounter. The Board and the senior management team remain confident that the Group is well placed to grow organically and to take advantage of any acquisition opportunities that might arise in the future.

Angus Armstrong
Chief Executive Officer

Strategy in Action

The Jersey Royal Company Limited

Increased volumes and revenues

A much better season in Jersey driven by an increase in both value and volume.

Jersey Royals are always the first product to the market at the start of the UK season, which is synonymous with the start of the summer. The business supplies a number of UK retailers and provides the Group with the platform to explore further product opportunities. New ways of working continue to be explored with a view to improving operational efficiencies and thus increasing profitability.

Strategic Report

Another solid set of results.

The Directors present their report and financial statements of Produce Investments plc for the 52 weeks ended 25 June 2016.

Principal activities

The principal activity of the Company in the year under review was that of a holding company for the Produce Investment Group of companies, which grows, sources, packs and markets fresh potatoes, daffodils bulbs and flowers.

Review of the business

The Directors are very pleased with the performance of the Group in the year to June 2016.

Despite the set-back and financial impact of the metal contamination issue at Swancote, the Group has delivered another strong set of results for the year with operating profit before exceptional items of £9.2m compared to £8.0m in the previous year, an increase of over 14%. Results were significantly ahead of last year in the first half of the financial year, and also ahead in the second half year which is encouraging. A more stable market for fresh potatoes and a new supply chain model with a core customer helped to contribute towards this result.

Overall, most parts of the Group have performed well in the year, including an improved performance from Jersey following a difficult season last year in terms of demand due to the lower average summer temperatures and another robust performance from Rowe Farming with an increase in daffodil volumes and revenues. The metal contamination incident at Swancote has impacted results in the year, but with the resolution of the uninsured elements and the process and operational improvements made, the business is in a good place to move forward and capitalise on new business opportunities. The Group continues to generate cash and reduce its borrowings.

The current facilities through HSBC were due to expire at the beginning of October and I am pleased to report that new facilities have been agreed, again with HSBC, on much improved terms. These are summarised in the accompanying financial statements (Note 14).

Principal risks and uncertainties

The key fundamental risks and the steps taken to mitigate, affecting the Group are set out on pages 14 and 15.

Key performance indicators

The Board reviews performance using a number of both financial and non-financial key performance indicators (KPI's). KPI's are set out on page 17.

Approved on behalf of the Board

Brian Macdonald
Director

Strategy in Action

Swancote Foods
The Natural Choice for Prepared Potato Products

Swancote Foods

Well placed to expand

Back in May 2015, an issue with one of our blanchers led to a metal contamination which was not detected by a number of processes and systems and which led to a significant product recall.

During the last year we have installed a new blancher and improved a number of processes, with everyone working hard to restore customer confidence. With the final resolution of the outstanding un-insured claims now settled, the business is well placed to expand sales and management are confident about the prospects for Swancote Foods as the business offers a unique cooked additive-free product that is not available elsewhere in the UK.

Principal Risks and Uncertainties

Identifying, assessing and prioritising risks.

Potential risks affecting the Group are continuously reviewed as part of our operational risk self-assessment process and actions to mitigate these are identified. The key fundamental risks are set out below:

Risk/Uncertainty	Mitigation
Interruption or failure of IT systems – Failure to maintain stable business systems regarding both the technical infrastructure platform and operating applications that serve the business requirements.	– The Group has recently invested heavily and taken the decision to outsource its infrastructure requirements in terms of hardware (servers) to an external third party. This includes disaster recovery contingencies and arrangements with the external provider that allow any possible disruption to be limited and therefore minimise any adverse operational impact. – Periodic reviews and tests are undertaken at all of our sites to ensure any manual operating procedures are up to date and effective to ensure the minimum amount of disruption should IT systems become unavailable for an unnecessary duration. – Robust systems with necessary and appropriate back-up procedures in place at both third party provider and on-site. – Experienced internal and external support for hardware and external support available for operating systems.
Cybercrime – Failure to adequately protect the business from cybercrime. – At present, the Groups main exposure to cybercrime would revolve around the misappropriation of data and cash. – Cybercrime is an ever-evolving landscape and it is therefore necessary to have multi layers of protection and implement best of breed multi-level protection from world leading vendors.	– The Group is investing in a significant IT transformation programme. – Hardware has been outsourced to the Cloud through a third party provider. In addition the core business application solution Microsoft Dynamics NAV is being re-designed and upgraded from version 2009 to 2013 which brings additional controls and procedures as standard. – The security arrangement around all of the Groups IT equipment is regularly reviewed. – All equipment is installed with anti-virus/malware software designed to maximise protection. – All equipment is regularly updated with leading anti-virus software. – All inbound emails are subjected to multivendor scan before being allowed into our network. – In addition our cloud-based infrastructure is protected by our Cloud provider's choice of anti-virus software. – Policies and procedures are continuously reviewed and updated to cover the evolving landscape with appropriate communication and updates installed in real time.
Impact of adverse weather – The Group's operations are influenced by the volume and quality of the UK potato crop. In the event of a poor UK potato crop owing to adverse weather conditions, the Group is likely to suffer from an increased price for a proportion of its potato supplies. – The Group's exposure to adverse weather conditions is increased due to its own growing operations, including Rowe Farming and Jersey Royal's grown in Jersey.	– The geographically diverse spread of third party procurement and the Group's own growing, covering the main potato growing regions of the UK, reduces the risk to the Group of crop failure in any specific region. – Recent changes to the supply model with one of the Group's core retail customers, where the model is more aligned to prevailing market conditions in any given season, and thereby reduces the impact of crop variations on the Group's financial performance. – An element of Jersey crop is supplied from third party growers which reduces the risk and exposure to the Group.

Risk/Uncertainty	Mitigation
Staff recruitment, development and retention – Our people which are our biggest asset are fundamental and key to the future success of the Group. – The loss or failure to attract, develop and retain key individuals and staff would have a detrimental effect on the Group's ability to operate and achieve its strategic objectives.	– The Group has a rolling development programme in place to allow employees to improve learning and skills. – Individual performance reviews and assessments are routinely undertaken with all managers across the Group which focuses on individual development plans. Succession plans are in place and regularly reviewed for key management. – The Group also has a number of incentive schemes in place linked to performance criteria for both business unit and the Group which are designed to be competitive and help retention of key individuals. – Regular reviews are undertaken to benchmark 'total benefits' against external market environment to ensure these remain competitive. – The average monthly number of persons (including Directors) employed by the Group during the period was:

	2016	2015
Production and warehouse	**1,077**	1,214
Management and administration	**177**	179
Total average number of employees	**1,254**	**1,393**

Debt funding availability and liquidity – The Group's strategic objective is to grow the Group, which might require increased debt funding. – This could be affected by prolonged periods of market volatility or liquidity.	– Regular and on-going dialogue with existing and potential funders to ensure that appropriate levels of funding are available based on the current market conditions to enable the Group to execute and fulfil its strategic ambitions. – The Group seeks to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. The Group also manages liquidity risk via revolving credit facilities and long-term debt. – If necessary and if significant the Group will consider fixing interest rate payments using interest rate swaps and caps.
Competition – The Group operates in a highly competitive market, particularly around product availability, quality and price.	– Group continually monitors and reviews market prices and undertakes regular customer reviews to ensure required service levels are being achieved. – Constant pipeline of innovation within the product range as well as new product development meetings with all customers. – New supply chain model, including a three year contract with one of the Group's core retail customers helps reduce the financial volatility of crop prices and allows for long-term planning. – Continue to focus and review operational efficiencies to ensure that the Group remains competitive in challenging market conditions.

Strategy in Action

Rowe Farming

Increase in daffodil sales

Rowe Farming grows and supplies daffodils to a major retailer in the UK.

Daffodil sales continue to grow and increased again in the season to 2016, with turnover up nearly 18% on prior year. In addition to daffodil sales, Rowe also harvest and sell a quantity of daffodil bulbs at the end of each season once they have been harvested, sorted, cleaned and sterilised. In recent years we have increased both the number of varieties grown, the acreage planted and have expanded production to Perthshire. This has been necessary to cope with increased demand at the end of the season (April).

Key Performance Indicators

Monitoring performance.

The Board review performance using a number of both financial and non-financial key performance indicators (KPI's).

These are regularly reviewed as to their appropriateness, set and measured continuously in order to monitor performance and comparative efficiencies across the Group.

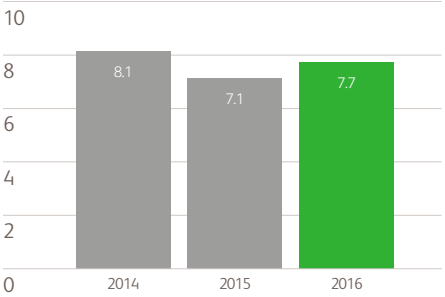
The principal financial KPI's monitored by the Board are average selling prices and procurement costs, which enable the Board to monitor overall profitability. Profitability by segment is disclosed in the accompanying financial statements (Note 4).

Non-financial KPI's are principally efficiency related and include:

- **Volume of potatoes sold:** overall total volumes have remained relatively stable as the retail market has seen slight volume growth in the year to June 2016.
- **Yield %:** the Group monitors the yield through its main fresh potato sites. During the year we have experienced a more balanced crop position and I am pleased to report that yields have increased to more normal levels with a significant improvement on last year.
- **Man hours per tonne:** the Group monitors the number of worked hours to pack potatoes and this showed an improvement for the year just before the implementation of the new operating processes up nearly 11% compared to the prior year. In the last two years we have closed our packing sites at Tern Hill and in Kent. Investments have been made at our two remaining sites to allow the transfer of volume and improved operational efficiencies.

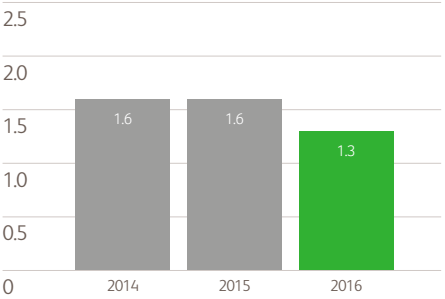
Adjusted EBITDA margin (%)

Adjusted EBITDA margin is operating profit from continuing operations before any exceptional items expressed as a percentage of total revenue.

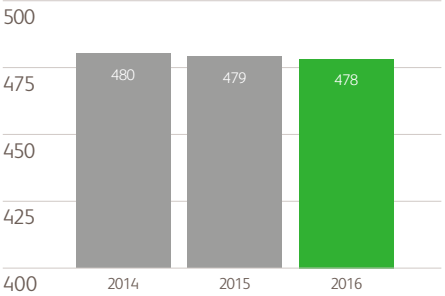


Net debt to adjusted EBITDA (times)

This ratio is calculated as net debt divided by adjusted EBITDA. This measure is also the leverage measure used by the bank as a covenant compliance measure and is required to be below 2.5 times. The measure continues to decline as term debt repayments and cash generation reduce total debt.

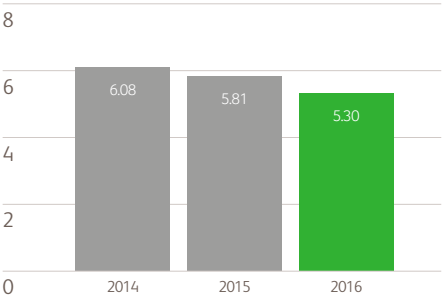


Volume of potatoes sold ('000 tonnes)



Man hours per tonne

The Group monitors the number of worked hours to pack potatoes and this showed an improvement of nearly 9% in the year. During the year the Group closed its fresh packhouse in Kent with volumes reallocated to its remaining sites at Floods Ferry and Duns.



Board of Directors

Barrie Clapham
Non-executive Chairman

Barrie began his working career developing businesses in property finance and consultancy. He founded Credential Holdings in 1982 in order to establish a portfolio for investment and property development and has now extended its trading interests into environmental businesses, telecoms and car parking.

Angus Armstrong
Chief Executive Officer

Coming from an agricultural trading background, Angus joined the Potato industry in 1994 when he joined the Scottish based growing and packing business E.S.Black Ltd. Following the acquisition of Blacks by Greenvale AP Ltd in 2000, Angus held various positions within the Greenvale business before becoming Chief Executive in 2006. He now holds the Chief Executive role in both Greenvale and its parent company Produce Investments Ltd, and was part of the small team that successfully floated the Produce Investments business on the LSE AIM market during 2010.

Brian Macdonald
Finance Director

Brian joined Produce Investments on 1 August 2008 from Scottish & Newcastle, where he held a number of senior finance roles, both abroad and in the UK. He has significant experience having worked in a number of trading businesses and central roles at Scottish & Newcastle including mergers and acquisitions. His last role was Finance Director Developing Markets, covering Russia, Ukraine, Baltic States, India, China, Vietnam and the USA. Brian joined Produce Investments following the acquisition of Scottish & Newcastle by Carlsberg and Heineken.

Derek Porter
Non-executive Director

A Chartered Accountant, Derek has extensive experience across a number of business sectors and is currently Managing Director of a major property investment group, London & Scottish Investments Ltd. He has extensive experience of raising equity and debt in both the UK and international markets and has previously run his own management consultancy. He has held senior executive posts in a major international consulting engineering group, the UK's largest leisure marine distribution company, a light engineering manufacturing company and a Scottish Premier League football club.

Michael Jankowski
Non-executive Director

Following post-graduate studies at the London School of Economics, Michael's career to date has included pension fund management, stockbroking, research, trading and the structuring/arranging of asset-based acquisitions. Michael's trading interests have ranged from pub companies to healthcare providers, with a current focus on technology and environmental companies.

Sir David Naish
Senior Independent Non-executive Director

Sir David Naish has a long association with the food sector, including seven years as the President of the National Farmers Union as well as posts on the British Crops Production Council and Chairman of Arla Foods UK from 2002 until its purchase by Arla Foods amba in 2007. He is currently Chairman of Hilton Food Group plc as well as his family's farming business and additionally holds a number of other non-food related posts.

Tony Bambridge
Non-executive Director

Tony has been involved with Greenvale since 1999, following the merger of Greenvale and the grower cooperative, Anglian Produce, of which Tony was Chairman. In 1988, Tony started B&C Farming Ltd, a farming company which grows over 1,200 hectares of crops, with a particular bias towards potatoes, both seed and ware. Tony has been influential in ensuring Greenvale maintains a long-term and balanced approach in its dealings with its grower base and is as National Council Delegate representing Norfolk with the National Farmers Union.

Neil Davidson
Non-executive Director

Neil has over 30 years' experience in the agri-food sector. He started his career at Northern Foods where he held various roles including Managing Director of the milk division, before becoming Chief Executive of Express Dairies when it demerged from Northern Foods in 1998. Neil subsequently became Chief Executive of Arla Foods following its merger with Express Dairies before retiring in 2005.

Neil was a Non-Executive Director of Persimmon plc from 2004 until 2013 and was Chairman of Cherry Valley Farms between 2005 and 2010. He is a former President of the Dairy Industry Federation, the UK Representative for the Board of the European Dairy Association and Vice President of Dairy UK. In 2006 Neil was awarded a CBE for his services to the dairy industry. Neil is currently the Chairman of The Cricketer Publishing Limited, and has recently been appointed as a Non-Executive Director to the Board of WM Morrison Supermarkets plc.

Directors' Report

Results and dividends

The retained profit after tax for the period was £3,315,000 (2015: £5,619,000).

Basic earnings per share were 11.97 pence (2015: 20.59 pence). Diluted earnings per share were 11.60 pence (2015: 19.77 pence). Adjusted earnings per share were 28.36 pence (2015: 19.93 pence) and adjusted diluted earnings per share were 27.48 pence (2015: 19.13 pence).

An interim dividend of 2.44 pence per ordinary share was paid during the year. The Directors recommend the payment of a final dividend for the period, which is not reflected in these accounts of 4.88 pence per ordinary share which together with the interim dividend, represents 7.32 pence per ordinary share. This is subject to approval at the Annual General Meeting and if approved will be paid on 1 November 2016 to ordinary shareholders on the register at close of business on 7 October 2016. Ordinary shares will go ex dividend on 6 October 2016.

Substantial shareholdings

As at the date of this report, the Company is aware of the following holdings that constitute more than 3% or more of the voting rights of the Company:

	Number of ordinary shares	% of issued share capital
Tosca Asset Management LLP	6,964,516	25.9
Mr Ronald Barrie Clapham	5,928,059	22.0
Jerry Zucker Recoverable Trust	1,650,000	6.1
Downing LLP	1,612,149	6.0
Platform Securities Nominees Limited	1,457,158	5.4

Research and development

Research and development continues in three major areas – developing new and improved potato varieties with increased resistance to diseases in conjunction with the James Hutton Institute; treatments and products to assist in the storage of potatoes and the introduction of potato products in a variety of formats including further processing that are additive and chemical free, whilst maintaining higher proportions of their healthy ingredients.

Employee involvement

The Directors recognise the benefits which arise from keeping employees informed of the Group's progress and through their participation in the Group's performance. The Group is therefore committed on a regular basis to provide its employees with information and to consult them so that their views may be taken into account in making decisions which may affect their interests and to encourage their participation in schemes through which they will benefit from the Group's progress and performance improvement.

Directors and Officers insurance

The Group has purchased insurance against Directors and Officers liability for the benefit of the Directors and Officers of the Group (including its subsidiaries).

Disabled persons

It is the Group's policy to ensure that disabled persons are treated fairly and consistently in terms of recruitment, training, career development and promotion and that their employment opportunities are based on a realistic assessment of their aptitudes and abilities. Wherever possible, the Group will continue the employment of persons who become disabled during the course of their employment with the Group through retraining, acquisition of special aids and equipment or the provision of alternative employment.

Corporate governance

The Directors recognise the value and importance of high standards of corporate governance and intend to observe the principles of the UK Corporate Governance Code to the extent they consider appropriate in light of the Group's size, stage of development and resources.

The Board comprises two Executive Directors and six Non-executive Directors. The Directors consider the composition of the Board to be a satisfactory balance for the purposes of decision making for the Group. In the last 12 months the Board has convened seven times.

The Group has established an Audit Committee and Nominations and Remuneration Committee of the Board with formally delegated duties and responsibilities. Derek Porter chairs the Audit Committee and Sir David Naish chairs the Nominations and Remuneration Committee.

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring the financial performance of the Group is properly measured and reported on. The Audit Committee have access to financial reporting information throughout the year and have unrestricted access to the Group's auditor.

The Nominations and Remuneration Committee is responsible for making recommendations on the appointment of new Directors and for reviewing the composition of the Board. It will also review the performance of the Executive Directors and make recommendations to the Board on matters pertaining to their remuneration, benefits and terms of employment.

Full details of the makeup and scope of these Committees can be found on the Company's website at: www.produceinvestments.co.uk.

Bribery Act

The Group have considered the implications of the recent legislation on bribery and corruption and have undertaken an in-depth review of policies and practices in conjunction with the Group's legal advisers.

Following this review the Directors have drawn up a policy, communicated this to all staff, and others, potentially affected by the implementation of the legislation and have held training sessions for all management to introduce the policy, underline the Group's attitude towards any such corrupt practices and to advise of their personal and corporate responsibility to ensure adherence. The Directors have also introduced a regular internal audit process to provide the stakeholders in the Group with the required reassurance that the legislation is being complied with.

Annual General Meeting

The notice convening the Annual General Meeting (AGM) can be found in the Notice of the AGM accompanying this annual report and financial statements, and can also be found on the Company's website at www.produceinvestments.co.uk.

Auditor

RSM UK Audit LLP, Statutory Auditor, has indicated its willingness to continue to act as auditor.

Statement as to disclosure of information to the auditor

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor was unaware. Each of the Directors have confirmed that they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Strategic Report

In accordance with S414c(11) of the Companies Act the Directors have chosen to set out in the strategic report matters of strategic importance that would otherwise be required to be contained in the directors report.

Approved on behalf of the Board

Brian Macdonald
Director

Directors' Remuneration Report

This report has been approved by the Board and the Nominations and Remuneration Committee and has been voluntarily prepared in accordance with Schedule 8 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 and with due account taken of the UK Corporate Governance Code. The report also provides the information required to be reported on Directors' remuneration under AIM Rule 19.

Nominations and Remuneration Committee

Composition of the Committee

The members of the Committee, all of whom are considered independent of the executive management team, are:

- Sir David Naish (Chairman);
- Barrie Clapham; and
- Michael Jankowski.

Role of the Committee

The key responsibilities of the Committee are to make recommendations to the Board as to the:

- Board policy and elements for the remuneration of the Executive Directors and the Chairman;
- Individual elements of the remuneration of those Directors; and
- Grant of share-based incentives to Executive Directors and all other employees.

No Director takes part in any discussion directly concerning his own remuneration.

The full terms of reference of the Committee are available on the Company's website at www.produceinvestments.co.uk.

Advisers to the Committee

The Committee has appointed independent remuneration consultants, Hewitt New Bridge Street (a trading name of Aon Corporation) to advise on all aspects of senior Executive remuneration.

The Committee also seeks advice where appropriate from the Group Human Resources Director and Company Secretary to ensure that the remuneration policy proposed by the Committee to the Board takes account of company-specific factors relating to strategy and takes due account of pay and conditions in the Group as a whole.

Remuneration policy for Executive Directors

Remuneration policy is based on the following broad principles set by the Committee:

- To provide a market competitive remuneration package to attract and retain Executives of sufficient calibre;
- To align remuneration to the business strategy;
- To align the interests of Executive Directors with the interests of shareholders; and
- To take account of: (i) pay and conditions throughout the Group and (ii) established best practice as set out in institutional investor guidelines.

The objective of this policy is aligned with the recommendations of the UK Corporate Governance Code.

The Committee ensures that account is taken of environmental, social and governance ('ESG') risks when setting remuneration and is comfortable that remuneration packages do not raise any ESG risks by motivating irresponsible behaviour. The Committee also ensures that inappropriate operational and financial risk-taking is neither encouraged nor rewarded through the remuneration policies, and that, instead, a sensible balance is struck between fixed and performance related pay, short and long-term incentives and cash and share-based remuneration.

Fixed versus performance-related remuneration

In order to incentivise management whilst aligning their interests with those of shareholders, a substantial proportion of the Executive Directors' pay is performance related, through an annual bonus plan (based on profit growth) and share-based long term incentives (based on EPS).

Remuneration of Non-executive Directors

The fees of the Non-executive Directors (other than the Chairman) are set by the Board. When setting these fees, due account is taken of fees paid to Non-executive Directors of similar companies, the time commitment of each Director and any additional responsibilities undertaken, such as acting as Chairman to one of the Board Committees or as Senior Independent Director.

Currently the fee level for the Chairman is £85,000. The fee level for the Senior Independent Director, Sir David Naish is £45,000, comprising a base fee of £40,000 and an additional fee for Chairing the Remuneration Committee of £5,000. The fees paid to Michael Jankowski and Derek Porter were £20,000 and £25,000 respectively with Derek Porter receiving an additional £5,000 for chairing the Audit Committee. Fees paid to Tony Bambridge amounted to £25,000. Neil Davidson receives a fee of £40,000 per annum. Non-executive Directors are not eligible to receive pension entitlements or bonuses and may not participate in long-term incentive schemes.

Elements of remuneration

The components of the Executive Directors' remuneration are summarised below.

(i) Basic salary

The salary of individual Executive Directors is reviewed with effect from 1 October each year. Account is taken of the performance of the individual concerned, together with any change in responsibilities that may have occurred and the rates for similar roles within the appropriate comparator groups.

The current salary levels are as follows:

- Angus Armstrong £196,000
- Brian Macdonald £196,000

(ii) Bonus Plan

The maximum potential bonus payable to Executive Directors for the 2015/16 financial year is capped at 70% of salary. Bonuses are payable based on profitability of the Group. If the profit on ordinary activities before taxation shown in the Group's audited financial statements 'Profit' is greater than the amount shown in the budget agreed at the commencement of the financial year, a proportion of that profit ahead of budget will be distributed to Executive Directors and other Executives through the Bonus Plan. The proportion to be distributed will be 20% of the excess if that excess is between £200,000 and £400,000, rising in increments of 1% for each additional £200,000 of the excess, up to a maximum of 30%.

(iii) Long-term incentive arrangements

The LTIP

The LTIP is used to award share options to selected Executives to allow them to share in the success of the Company.

(iv) Benefits

It is Company policy to provide Executive Directors with a company car, private medical, income protection and health and life assurance.

(v) Pensions

Under the terms of his service agreement, Angus Armstrong is entitled to a pension contribution equivalent to 20% of base salary. Brian Macdonald does not receive a pension contribution, but instead is entitled to a 10% uplift in annual bonus entitlement.

Directors' service contracts, notice periods and termination payments

Executive Directors

The contract dates and notice periods for the Executive Directors are as follows:

Director	Contract date	Notice period from the Company	Notice period from the Director
Angus Armstrong	11 November 2010	12 months	12 months
Brian Macdonald	11 November 2010	12 months	12 months

The service contracts of both Directors, which are rolling contracts, are subject to standard terms in the event of termination.

Executive Directors external appointments

Board approval is required before any external appointment can be accepted by an Executive Director. Currently neither Executive Director has any external appointments.

Non-executive Directors

The Non-executive Directors do not have service contracts with the Company but are appointed for an initial three-year term. Non-executive Directors are typically expected to serve for two three-year terms, although their appointment can be terminated either by them or by the Company on three month's written notice. The Chairman's notice period is one month. All Directors are required to stand for re-election by shareholders at least once every three years. The appointment dates of the Non-executive Directors are:

Barrie Clapham	11 November 2010, appointed Chairman
Sir David Naish	20 September 2010
Michael Jankowski	11 November 2010
Derek Porter	11 November 2010
Anthony Bambridge	26 February 2013
Neil Davidson	29 June 2015

Directors' emoluments

	Salary/fees £'000	Bonus £'000	Benefits £'000	Pension £'000	Total 2015/16 £'000
Angus Armstrong	196.0	–	14.1	39.2	249.3
Brian Macdonald	196.0	19.6	11.9	–	227.5

This is the remuneration receivable in their capacity as Executive Directors for the year ending 25 June 2016.

Directors' shareholdings

Directors' interests and transactions in the ordinary shares of the Company

The beneficial and non-beneficial interests of the Directors in office as at 25 June 2016 and at 27 June 2015 are shown below:

	As at 25 June 2016	As at 27 June 2015
Executive Directors		
Angus Armstrong*	**383,790**	383,790
Brian Macdonald**	**100,000**	100,000
Non-executive Directors		
Barrie Clapham (Chairman)***	**6,322,015**	6,322,015
Sir David Naish*******	**7,000**	7,000
Michael Jankowski****	**757,969**	757,969
Derek Porter*****	**112,070**	112,070
Anthony Bambridge******	**18,160**	18,160

* Mr Armstrong's shares are held through his spouse.
** Mr Macdonald's shares are held through his spouse.
*** Mr Clapham's shares are held in his own name and London and Scottish Investments Limited.
**** Mr Jankowski's shares are held through Platform Securities Nominees Limited with the exception of 1,000 shares which are in his own name.
***** Mr Porter's shares are held in his own name.
****** Mr Bambridge's shares are held through B&C Farming Limited and in his own name.
******* Sir David Naish's shares are in his own name.

Outstanding share option awards

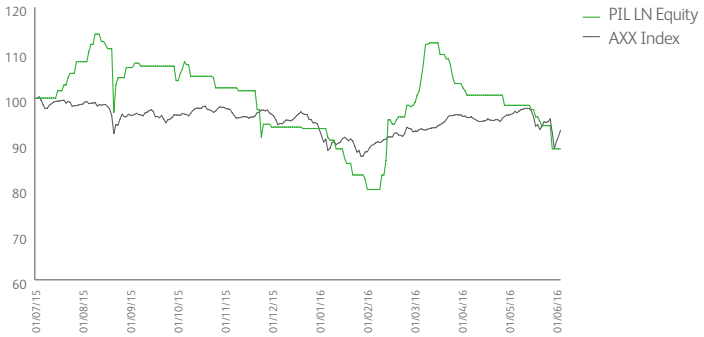
Details of outstanding share option awards are summarised in the table below:

	27 June 2015 Number	Granted Number	Exercised Number	25 June 2016 Number	Exercise price	Date of grant	Dates within which exercisable
Angus Armstrong	102,447	–	–	102,447	£1.67	1.7.2013	1.11.2014–30.6.2023
Brian Macdonald	38,933	–	–	38,933	£0.74	27.5.2009	27.5.2012–26.5.2019
	417,540	–	–	417,540	£0.01	11.11.2010	11.11.2011–10.11.2020
	102,447	–	–	102,447	£1.67	1.7.2013	1.11.2014–30.6.2023

Total shareholder return performance

The following graph shows a comparison of Produce Investment plc's total shareholder return against that achieved by the AIM All Share Index. This measure is seen as the most appropriate to represent the Group's relative performance for these purposes as the Group is a constituent of this index.

Produce Investments vs AIM All Share



This graph shows the total shareholder return of Produce Investments plc from the 28 June 2015 to 25 June 2016 relative to the AIM All Share Index for the same period.

This report has been approved by the Board and the Nominations and Remuneration Committee and has been voluntarily prepared in accordance with Schedule 8 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 and with due account taken of the UK Corporate Governance Code. The report also provides the information required to be reported on Directors' remuneration under AIM Rule 19.

By order of the Board

Sir David Naish
Chairman of the Remuneration Committee

Directors' Report

Directors' Responsibilities

in the Preparation of Financial Statements

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

Company law requires the Directors to prepare group and company financial statements for each financial year. The Directors are required by the AIM Rules of The London Stock Exchange to prepare the Group financial statements in accordance with International Financial Reporting Standards 'IFRS' as adopted by the European Union 'EU'.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the directors are required to:

a. Select suitable accounting policies and then apply them consistently;
b. Make judgements and accounting estimates that are reasonable and prudent;
c. State whether they have been prepared in accordance with IFRS as adopted by the EU; and
d. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Produce Investments plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.

Financial Statements

Independent Auditor's Report

to the Members of Produce Investments PLC

We have audited the Group and parent company financial statements ('the financial statements') on pages 27 to 68. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

As more fully explained in the Directors' Responsibilities Statements set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at: www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 25 June 2016 and of the Group's profit for the 52 weeks then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company 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.

Michael Thornton (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
(formerly Baker Tilly UK Audit LLP)
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG

Financial Statements

Consolidated Income Statement

For the 52 weeks ended 25 June 2016

	Notes	2016 £'000	2015 £'000
Continuing Operations			
Revenue	4	**185,102**	178,443
Cost of sales	7	**(115,036)**	(113,456)
Gross profit		**70,066**	64,987
Administrative and other operating expenses	7	**(60,852)**	(56,945)
Operating profit before interest, tax, exceptional items and dividends		**9,214**	8,042
Exceptional items	7	**(4,635)**	227
Finance costs	6	**(1,107)**	(1,069)
Finance income	6	**13**	20
Dividends received from investments	3	**–**	39
Share of profit of associate	3	**11**	4
Profit before tax		**3,496**	7,263
Income tax expense	9	**(181)**	(1,644)
Profit for the period		**3,315**	5,619
Attributable to:			
Equity holders of the parent		**3,211**	5,485
Non-controlling interests		**104**	134
		3,315	5,619
Earnings per share attributable to owners of the parent during the year:			
Basic earnings per share (pence)	10	**11.97**	20.59
Diluted earnings per share (pence)	10	**11.60**	19.77

Financial Statements

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 25 June 2016

	Notes	2016 £'000	2015 £'000
Profit for the period		**3,315**	5,619
Other comprehensive income:			
Actuarial (loss) in respect of pension scheme	21	**(1,531)**	(1,119)
Deferred tax effect on actuarial loss	9	**196**	114
Current income tax credit recognised through equity	9	**65**	70
Deferred tax credited to equity	9	**(302)**	(210)
Other comprehensive income for the period, net of tax		**(1,572)**	(1,145)
Total comprehensive income for the period, net of tax		**1,743**	4,474
Attributable to:			
Equity holders of the parent		**1,639**	4,340
Non-controlling interests		**104**	134
		1,743	4,474

Financial Statements

Consolidated Statement of Financial Position

At 25 June 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets:			
Property, plant and equipment	12	**34,084**	38,768
Intangible assets	13	**16,136**	16,652
Investment in associates	3	**172**	172
Other investments	3	**529**	78
Deferred tax assets	9	**1,518**	1,533
		52,439	57,203
Current assets:			
Inventories	15	**8,860**	7,683
Biological assets	5	**19,792**	19,379
Trade and other receivables	16	**30,438**	28,650
Prepayments		**1,640**	1,867
Cash and short-term deposits	17	**742**	2,762
		61,472	60,341
Assets held for sale	12	**1,250**	–
Total assets		**115,161**	117,544
Equity and liabilities			
Equity:			
Issued capital	18	**268**	267
Share premium	18	**21,670**	21,598
Other capital reserves	19	**10,228**	10,228
Retained earnings		**18,559**	18,855
Equity attributable to equity holders of the parent		**50,725**	50,948
Non-controlling interests		**530**	452
Total equity		**51,255**	51,400
Non-current liabilities:			
Interest-bearing loans and borrowings	14	**–**	7,000
Other non-current financial liabilities	14	**849**	1,201
Deferred revenue	20	**70**	128
Pensions and other post employment benefit obligations	21	**7,268**	6,063
Deferred tax liability	9	**4,356**	5,542
		12,543	19,934
Current liabilities:			
Trade and other payables	23	**31,075**	28,743
Interest-bearing loans and borrowings	14	**18,871**	16,480
Deferred revenue	20	**88**	97
Income tax payable		**1,329**	890
		51,363	46,210
Total liabilities		**63,906**	66,144
Total equity and liabilities		**115,161**	117,544

The financial statements on pages 27 to 58 were approved for issue by the Board of Directors and signed on its behalf by:

B Macdonald
Director
28 September 2016

Financial Statements

Consolidated Statement of Changes in Equity

For the 52 weeks ended 25 June 2016

	Notes	Issued capital (Note 18) £'000	Share premium (Note 18) £'000	Other capital reserves (Note 19) £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
As at 28 June 2014		**265**	**21,466**	**10,228**	**16,321**	**48,280**	**343**	**48,623**
Profit for the period		–	–	–	5,485	5,485	134	5,619
Actuarial loss on post-employment benefit obligations		–	–	–	(1,119)	(1,119)	–	(1,119)
Deferred tax on actuarial loss		–	–	–	114	114	–	114
Current year tax taken to equity		–	–	–	70	70	–	70
Deferred tax taken directly to equity		–	–	–	(210)	(210)	–	(210)
Total comprehensive income		**–**	**–**	**–**	**4,340**	**4,340**	**134**	**4,474**
New shares issued during period		2	132	–	–	134	–	134
Share-based payment transactions	22	–	–	–	44	44	–	44
Equity dividends paid	11	–	–	–	(1,850)	(1,850)	(25)	(1,875)
As at 27 June 2015		**267**	**21,598**	**10,228**	**18,855**	**50,948**	**452**	**51,400**
Profit for the period		–	–	–	3,211	3,211	104	3,315
Actuarial loss on post-employment benefit obligations		–	–	–	(1,531)	(1,531)	–	(1,531)
Deferred tax on actuarial loss		–	–	–	196	196	–	196
Current year tax taken to equity		–	–	–	65	65	–	65
Deferred tax taken directly to equity		–	–	–	(302)	(302)	–	(302)
Total comprehensive income		**–**	**–**	**–**	**1,639**	**1,639**	**104**	**1,743**
New shares issued during period		1	72	–	–	73	–	73
Share-based payment transactions	22	–	–	–	–	–	–	–
Equity dividends paid	11	–	–	–	(1,935)	(1,935)	(26)	(1,961)
As at 25 June 2016		**268**	**21,670**	**10,228**	**18,559**	**50,725**	**530**	**51,255**

Financial Statements

Consolidated Cash Flow Statement

For the 52 weeks ended 25 June 2016

	2016 £'000	2015 £'000
Operating activities		
Profit before tax from continuing operations	**3,496**	7,263
Adjustments to reconcile profit before tax for the year to net cash inflow from operating activities:		
Depreciation, amortisation and impairment of assets	**7,737**	4,713
Share-based payment transaction expense	**–**	44
Loss/(Gain) on disposal of property, plant and equipment	**38**	(928)
Finance income	**(13)**	(20)
Finance costs	**1,107**	1,069
Share of net profit of associate	**(11)**	(4)
Difference between pension contributions paid and amounts recognised in the income statement	**(552)**	(552)
Working capital adjustments:		
(Increase) in trade and other receivables and prepayments	**(1,561)**	(150)
(Increase) in inventories and biological assets	**(1,590)**	(777)
Increase in trade and other payables	**1,994**	360
(Decrease) in deferred revenue	**(67)**	(152)
Interest received	**13**	20
Income tax paid	**(957)**	(864)
Net cash flows from operating activities	**9,634**	10,022
Investing activities		
Proceeds from sale of property, plant and equipment	**–**	2,173
Purchase of property, plant and equipment	**(3,743)**	(5,760)
Purchase of intangible assets	**(82)**	(42)
Cashflows arising from purchase of subsidiary	**(451)**	–
Net cash flows used in investing activities	**(4,276)**	(3,629)
Financing activities		
Bank loans repaid during period	**(3,000)**	(3,000)
Bank overdraft repaid during the period	**(1,609)**	(279)
Interest paid	**(881)**	(852)
Dividends paid to equity shareholders of parent	**(1,935)**	(1,850)
Dividends paid to minority interest	**(26)**	(25)
Proceeds from share issues	**73**	134
Net cash flows (used in)/generated from financing activities	**(7,378)**	(5,872)
Net (decrease)/increase in cash and cash equivalents	**(2,020)**	521
Cash and cash equivalents at beginning of period	**2,762**	2,241
Cash and cash equivalents at end of period	**742**	2,762

Notes to the Consolidated Financial Statements

For the 52 weeks ended 25 June 2016

1 General information

Produce Investments plc ('the Company') and its subsidiaries (together 'the Group') is a leading operator in the fresh potato sector with vertically integrated activities covering seed production, own growing, processing and packing and supply to the major retailers. The Company's subsidiaries are listed in Note 27.

The Company is a public limited company incorporated and domiciled in the UK. Its registered office is Floods Ferry Road, Doddington, March, Cambridgeshire, PE15 OUW.

The Company was listed on the London Stock Exchange AIM on 18 November 2010.

The financial year represents 52 weeks to 25 June 2016 (prior year 52 weeks to 27 June 2015).

These consolidated financial statements were approved for issue on 28 September 2016.

2 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the period ended 25 June 2016 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the period.

These consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and biological assets, which have both been measured at fair value in line with applicable accounting standards. The consolidated financial statements are presented in British pounds sterling (£) and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly have adopted the going concern basis in preparing the consolidated financial statements. Further information regarding the financial position of the Group, its cash flows, liquidity position, and borrowing facilities are described in the financial statements on pages 27 to 68. In addition, the notes to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and exposures to credit, market and liquidity risk. Cash balances and borrowings are included in Notes 14 and 17. This disclosure has been prepared in accordance with the Financial Reporting Council's Going Concern and Liquidity Risk: 'Guide for Directors of UK Companies 2009'.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 25 June 2016. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All material intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Changes in accounting estimates and disclosures

The Group has adopted all IFRS and IFRIC interpretations effective for periods beginning on or after 28 June 2015.

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below:
IFRS 2 Share-based Payment (amendments)
IFRS 3 Business Combinations (amendments)
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (amendments)
IFRS 7 Financial Instruments: Disclosures (amendments)
IFRS 8 Operating Segments (amendments)
IFRS 9 Financial Instruments
IFRS 10 Consolidated Financial Statements (amendments)
IFRS 12 Disclosure of Interests in Other Entities (amendments)
IFRS 13 Fair Value Measurement (amendments)
IFRS 15 Revenue from Contracts with Customers
IAS 1 Presentation of Financial Statements (amendments)
IAS 16 Property, Plant and Equipment (amendments)

IAS 19 Employee Benefits (amendments)
IAS 24 Related Party Disclosures (amendments)
IAS 27 Separate Financial Statements (amendments)
IAS 28 Investments in Associates and Joint Ventures (amendments)
IAS 38 Intangible Assets (amendments)
IAS 39 Financial Instruments: Recognition and Measurement (amendments)
IAS 41 Agriculture (amendments)

The Group expects that there will be no material impact on the consolidated financial statements resulting from the implementation of the above standards.

Key sources of estimation uncertainty and key judgements
The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the valuation of biological assets, the measurement and impairment of goodwill, the measurement of defined benefit pension obligations.

The measurement of biological assets requires assumptions regarding expected yields of crops, percentage of crop that are saleable, and the expected market value at the date of harvest. Biological assets at the reporting date were valued at £19.8m (2015: £19.4m) (see Note 5).

The Group reviews whether intangible assets are impaired on an annual basis, and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate. Intangible assets at the reporting date had a net book value of £16.1m (2015: £16.7m) (see Note 13).

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate. Defined benefit pension obligations at the reporting date were valued at £7.3m (2015: £6.1m) (see Note 21).

Summary of significant accounting policies
Business combinations and goodwill
Business combinations
Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair values, at the date of acquisition, of the assets transferred, liabilities incurred, and equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs incurred are expensed. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquirees' identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value as at the acquisition date through profit or loss.

Goodwill
Goodwill is initially measured at cost being the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity in the acquiree, over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The customer lists for Swancote Foods are amortised on a straight line basis over a useful economic life of 15 years.

2 Basis of preparation (continued)

Summary of significant accounting policies (continued)

Investments in associates

The Group's non-controlling investments in other entities are accounted for on one of two bases, depending on the conditions relevant to each investment.

An associate is an entity in which the Group has significant influence. Where such conditions exist, the entity is accounted for using the equity method. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

Where the Group does not exert significant influence on an entity in which the Group holds a non-controlling investment, this investment is accounted for at historic cost, less provisions for any impairment as discussed below.

After application of either the equity or cost method in line with the circumstances described above, the Group determines at each reporting date whether there is any evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the impaired amount in the income statement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes (e.g. Value Added Tax) or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

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 the risks and rewards of ownership transfer on despatch of the goods, however, for some customers, the risks and rewards of ownership pass to the buyer when the goods arrive with the buyer. Revenue from the sale of potatoes, daffodil flowers and bulbs to retailers and processors, is recognised on despatch. Revenue from the sale of seed potatoes is recognised on confirmed delivery. Given that goods are principally fresh food products that arrive with the buyer within hours of despatch, the date of despatch and the date of arrival are typically the same.

Rental income arising from operating leases is accounted for on a straight line basis over the lease terms. Rentals paid in advance are recognised as deferred revenue.

Biological assets and agricultural produce

The Group's operations include activities which are agricultural in nature and are subject to the recognition, measurement and disclosure requirements of IAS 41 Agriculture. The Group has identified its potato and daffodil bulb crops in the ground as biological assets. These assets are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Gains or losses arising on initial recognition of both biological assets and agricultural produce and any subsequent changes in fair value are recognised in the income statement in the period in which they arise.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in equity is recognised in other comprehensive income and not in the income statement.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- Deferred tax assets are recognised for deductible temporary differences, including the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except;

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Pensions and other post-employment benefits

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. From 31 October 2007 the defined benefit plan has ceased to accrue benefits going forward and accordingly there are no current service costs. The Group will continue to fund the scheme to ensure that it can meet its obligations. The cost of providing benefits under the defined benefit plan is determined using the Projected Unit Credit method, calculated by an independent actuary every three years, and updated on an annual basis. Actuarial gains and losses are recognised directly in equity and included as part of other comprehensive income.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs and actuarial gains and losses not yet recognised and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Asset fair values are based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any past service costs and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

In addition to the defined benefit plan, the Group operates a stakeholder scheme and a personal pension plan. These are both defined contribution schemes. Contributions payable into these schemes during the period are charged to the income statement as they fall due. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payment transactions

Equity-settled transactions

The cost of equity settled transactions with employees is measured by reference to the fair value at the date which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using the Black Scholes option pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance criteria are satisfied.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous reporting date is recognised in profit or loss, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in profit or loss for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in profit or loss.

2 Basis of preparation (continued)

Summary of significant accounting policies (continued)

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and derivative financial instruments.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs. The financial liabilities are subsequently measured at amortised cost.

The Group's financial liabilities include trade and other payables, accruals, bank overdrafts, loans and borrowings and derivative financial instruments.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses interest rate swaps to hedge its interest rate risk. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period. These instruments have been designated as 'financial assets and liabilities at fair value through profit or loss'. Accordingly, assets and liabilities arising from these derivative financial instruments are carried in the Statement of Financial Position at fair value with gains or losses recognised in the income statement. The Group has not designated any derivatives for hedge accounting.

Property plant and equipment

Property plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

- Buildings — 5 to 50 years
- Plant and equipment — 5 to 15 years
- Fixtures and fittings — 2 to 10 years
- Land is not depreciated

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. All intangible assets of the Group, other than goodwill, are assessed as having finite lives.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication of impairment. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised within administrative and other operating expenses in the income statement.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Amortisation of the asset begins when development is complete and the asset is available for use. Such assets are amortised straight line over five years, being the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Patents and licences

Patents are the accumulated costs of applying for patents in the UK. An amortisation period of three years (straight line) is used as a conservative estimate of the length of effectiveness of the patent.

Foreign currency translation

The Group's consolidated financial statements are presented in British pounds, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2 Basis of preparation (continued)

Summary of significant accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials – purchase cost on a first in, first out basis.
- Finished goods and work in progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Agricultural produce is recognised at fair value less costs to sell at the date of harvest. Once harvested, these goods are subsequently accounted for under IAS 2 in the same manner as other inventories purchased from third parties.

Impairment of non-financial assets including goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Impairment losses relating to goodwill are not reversed in future periods.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Exceptional items

The Group presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in that year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

3 Investments

The Group has non-controlling investments in four companies which are classified as associates or other investments and listed below. The fair value of these investments cannot be reliably measured, therefore they are held at historic cost.

Organic Potato Growers (Scotland) Limited

The Group has a 33.3% interest in Organic Potato Growers (Scotland) Limited, a company incorporated in Scotland which is involved in the growing of potatoes.

Organic Potato Growers (Scotland) Limited is a private entity that is not listed on any public exchange. Organic Potato Growers (Scotland) Limited reports its financial performance with a year end of 31 May. The following table illustrates summarised unaudited financial information of the Group's investment in Organic Potato Growers (Scotland) Limited:

	2016 £'000	2015 £'000
Share of the associate's statement of financial position		
Current assets	**179**	240
Non-current assets	**528**	537
Current liabilities	**(322)**	(398)
Non-current liabilities	**(192)**	(192)
Equity	**193**	**187**
Share of the associate's revenue and profit:		
Revenue	**468**	408
Profits	**11**	4
Carrying amount of the investment	**172**	**172**

A dividend of £nil was received in the year (2015: £nil).

BROP

The Group has a 30% interest in BROP, a company incorporated in the Czech Republic which is involved in the growing and selling of potatoes. BROP is a private entity that is not listed on any public exchange. The Group does not exert significant influence over this entity and therefore does not regard it as an associate. The Group has reached this conclusion because there is no Group involvement in BROP's day-to-day trading and management, no participation in everyday decisions, no exchanges of personnel between the entities and no essential technical information exchanged between the entities.

The Group therefore accounts for its interest in BROP at cost, less provision for impairment if necessary.

The following table illustrates summarised unaudited financial information of the Group's investment in BROP:

	2016 £'000	2015 £'000
Share of the investment's statement of financial position		
Current assets	**292**	484
Non-current assets	**312**	154
Current liabilities	**(89)**	(79)
Equity	**515**	**559**
Share of the investment's revenue and profit:		
Revenue	**1,592**	1,065
Profits	**2**	21
Carrying amount of the investment	**21**	**21**

A dividend of £nil was received in the year (2015: £26,000).

Kernow Grain Ltd

The Group has an investment, valued at cost, of £57,000 in Kernow Grain Ltd as part of the acquisition of Rowe Farming Ltd. Kernow Grain Ltd is a cooperative of farmers who are required to invest a figure based on their level of activity in the company.

Linwood Crops Ltd

The Group has a 72% interest in Linwood Crops Ltd, a newly incorporated company. Due to the level of trade in the financial year being not material, the company is shown as an investment.

4 Operating segment information

Management have determined the operating segments based on the reports utilised by the Directors that are used to make strategic decisions. These are split as follows:

- Fresh;
- Processing; and
- Other.

Fresh comprises the sites, staff and assets that grow, source, pack and deliver fresh produce to customers, ranging from large retailers, wholesalers to small private businesses. This covers potatoes, daffodils and bulbs. As an element of raw material is not suitable for this purpose it also includes any supplementary sales achieved.

Processing comprises the staff and assets that supply pre-prepared potato products which are ultimately sold as ingredients for food manufacturers.

Other comprises seed sales for both the UK and export, traded volume where Greenvale acts as an intermediary between the farmer and the end customer taking a small margin to cover costs, and all sales activities of Restrain Company Limited, a 70% owned subsidiary that provides ethylene-based storage solutions for potatoes and onions.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Assets and liabilities are not segmented for management information purposes for consideration by the Board as the Chief Operating Decision Maker other than as below. Assets and Liabilities are discussed further below.

Inventory procurement, receivables and payables are managed centrally and as a result assets and liabilities are managed at Group level. Consequently, no segmental analysis of these items is presented.

Operating segment information

52 weeks ended 25 June 2016	Fresh £'000	Processing £'000	Other £'000	Total £'000
Revenue	152,369	4,911	27,822	185,102
Depreciation and amortisation	(3,682)	(784)	(656)	(5,122)
Other operating costs	(139,004)	(5,562)	(26,200)	(170,766)
Operating profit/(loss) before exceptional items, interest and dividends	9,683	(1,435)	966	9,214
Costs not allocated:				
Exceptional items				(4,635)
Finance costs				(1,107)
Finance income				13
Share of profit of associate				11
Dividends received				–
Profit before tax				3,496
Capital expenditure	(1,544)	(654)	(1,545)	(3,743)
Development costs	–	–	(82)	(82)

52 weeks ended 27 June 2015	Fresh £'000	Processing £'000	Other £'000	Total £'000
Revenue	147,997	6,572	23,874	178,443
Depreciation and amortisation	(3,490)	(727)	(496)	(4,713)
Other operating costs	(137,425)	(6,129)	(22,134)	(165,688)
Operating profit/(loss) before exceptional items, interest and dividends	7,082	(284)	1,244	8,042
Costs not allocated:				
Exceptional items				227
Finance costs				(1,069)
Finance income				20
Share of profit of associate				4
Dividends received				39
Profit before tax				7,263
Capital expenditure	(4,211)	(266)	(1,283)	(5,760)
Development costs	–	–	(42)	(42)

The accounting policies for the segments are the same as those described in the summary of significant accounting policies. The revenues and operating profit per reportable segment agree in aggregate to the consolidated totals per the financial statements.

Segmentation of assets and liabilities
Investments in associates are not segmented. Such items are managed at board level and are not integral to the operations of any of the Group segments.

Other non-current financial assets and liabilities are not segmented. Such items are managed at Board level with the support of the Group central services team. These items are not integral to the operations of any of the Group segments.

No segmentation is presented in respect of receivables, payables and cash. The Group central services team manages Group treasury, cash flow, payables and receivables independently from the operating segments.

Taxation matters are managed by the Group central services team and are not segmented.

Inventories and biological assets are managed centrally by the Group procurement team. Inventories are usually stored at a Group location most appropriate for the supplier to deliver the goods to, usually the closest geographical location to the supplier. The inventories are then used in the delivery of goods and services to all segments within the Group.

The Group central services team coordinates prepayments, accruals and provisions and these are not segmented.

The deferred revenue is managed by the central services team. All deferred revenue relates to the 'other' segment

Intangible assets

	2016 £'000	2015 £'000
Fresh	**7,286**	7,296
Processing	**8,720**	9,245
Other	**130**	111
Total	**16,136**	**16,652**

Property, plant and equipment analysis

	2016 £'000	2015 £'000
Fresh	**22,395**	27,828
Processing	**2,570**	2,461
Other	**3,719**	2,719
Unallocated	**5,400**	5,760
Total	**34,084**	**38,768**

The amounts for items which are not segmented are disclosed in the Statement of Financial Position.

Geographical information
Revenues from external customers

	2016 £'000	2015 £'000
UK	**179,615**	173,564
Other EU countries	**2,599**	2,277
Rest of the world	**2,888**	2,602
Total revenue per consolidated income statement	**185,102**	**178,443**

The revenue information above is based on the location of the customer.

The Group has two significant customers included within the fresh segment, with turnover as listed below:

	2016 £'000	2015 £'000
Customer 1	**74,741**	69,496
Customer 2	**37,520**	37,283

5 Biological assets

	2016 £'000	2015 £'000
Opening value of biological assets	**19,379**	16,662
Biological assets acquired	**780**	–
Harvested potatoes transferred to inventories	**(19,852)**	(22,742)
Harvested daffodil bulbs transferred to inventories	**(350)**	(500)
Changes in fair value	**760**	1,488
Growing costs invested in the crop	**19,075**	24,471
Closing value of biological assets	**19,792**	19,379

The fair values above are attributable to consumable biological assets, where the Group has ownership of such assets at the reporting date. The fair values have been calculated as the present value of the net cashflows expected to be generated by harvested produce at the reporting date.

The key assumptions used in determining the fair value have been as follows:
- Future costs of growing are based on forecast amounts;
- Selling prices are based on management's estimate of the year's harvest prices;
- Ware yields between 5-23 tonnes per acre, depending on variety;
- Seed yields between 7-22 tonnes per acre, depending on variety; and
- Daffodil bulb yields 14 tonnes per acre.

The biological assets represent the following:
- Crops of partially grown potato plants at each reporting date; and
- Bulb stocks which remain in the ground for up to four years, from which daffodils will grow at certain times of the year, and which will be dormant for the rest of the year.

Potato crops are usually planted between January and May each year, depending on the geography, variety and weather. Harvesting normally occurs between April and October. The Group plants between 6,000 and 8,000 acres of land every growing season, with an expected yield of 60,000-100,000 tonnes of potatoes at harvest. This 'own grown' harvest of potatoes supplements the external purchases required to meet the demands of the Group's customers. Financial risk is therefore restricted to the actual costs invested in the crop, and this is monitored regularly to ensure that there are no exposures in the asset base of the Group.

The Group has in the ground between 1,000 and 1,600 acres of bulb stocks, of which 250 to 400 acres are harvested and replanted each year. This bulb stock provides both the daffodils and bulbs for sale. Financial risk is consistent with potato crops (see above).

The fair value, less costs to sell, of produce harvested from biological assets during the period was £19,852,000 (2015: £22,742,000).

There are no restrictions on title of the crops growing in the ground. However, as part of HSBC Bank's overall charge on the assets of the business, the bank reserves the right to place a charge on all inventory of the Group, including biological assets, in the event that such security is required.

The Group had commitments at the reporting date of £1,300,000 (2015: £1,500,000) in respect of developing or acquiring biological assets. This represents land rents and planting costs payable during the remainder of the growing cycle.

Growing potatoes

	2016	2015
Acres planted at the end of the year	**4,588**	4,666
Expected yield (tonnes/acre)	**16**	16

Growing daffodil bulbs

	2016	2015
Acres planted at the end of the year	**2,057**	1,751
Expected yield (tonnes/acre)	**15**	14

6 Finance costs and finance income

Finance costs

	2016 £'000	2015 £'000
Interest on overdrafts and other finance costs	**881**	852
Net interest on pension obligations	**226**	217
Total finance costs	**1,107**	**1,069**

Finance income

	2016 £'000	2015 £'000
Interest receivable	**13**	20
Total finance income	**13**	**20**

7 Analysis by nature of items included in the consolidated income statement

	2016 £'000	2015 £'000
Revenue	**185,102**	178,443
Cost of inventories recognised as an expense	**(95,367)**	(94,073)
Consumables	**(8,074)**	(7,831)
Other external charges and direct sales costs	**(11,595)**	(11,552)
Gross profit	**70,066**	64,987
Staff costs	**(36,183)**	(36,118)
Depreciation:		
– owned	**(4,374)**	(3,927)
– leased	**(150)**	(200)
Amortisation	**(598)**	(586)
Other operating charges	**(15,436)**	(12,034)
Research and development	**(475)**	(397)
Minimum lease payments recognised as operating expense:		
– plant and machinery	**(700)**	(654)
– fixtures and fittings	**(413)**	(496)
– land and buildings	**(2,523)**	(2,533)
Operating profit before exceptional items, interest and dividends	**9,214**	**8,042**
Share of associate investment	**11**	4
Exceptional items	**(4,635)**	227
Finance costs	**(1,107)**	(1,069)
Dividends received	**–**	39
Finance income	**13**	20
Profit before tax	**3,496**	**7,263**

The exceptional items in the current year refer to the costs associated with the closure of the Kent packing facility (a total of £3,587,000), the finalising of the claims resulting from the Swancote issue and the effect on the normal trading activity level of the Swancote site. Those in the prior year refer to the final costs relating to the closure of the Ternhill site and the profit on sale of the premises.

Auditor's remuneration

Remuneration paid to RSM UK Audit LLP and its associates by all Group companies during the period was as follows:

	2016 £'000	2015 £'000
Audit services:		
Audit of these financial statements	**110**	106
Audit of financial statements of subsidiaries	**49**	20
Tax services:		
Compliance services	**75**	51
Corporate finance transactions	**26**	14

8 Employee benefits expense

	2016 £'000	2015 £'000
Wages and salaries	33,419	32,765
Social security costs	2,264	2,761
Pension costs	500	548
Share-based payment expense	–	44
Total employee benefit expenses	**36,183**	**36,118**

Wages and salaries include agency labour amounting to £3,026,000 (2015: £2,224,000).

The average monthly number of persons (including Directors) employed by the Group during the period is disclosed within the Strategic Report.

Directors' remuneration
The aggregate amount of remuneration paid to Directors, who are considered to be the only key management personnel, by the Group during the period was:

	2016 £'000	2015 £'000
Emoluments for qualifying services	438	425
Company pension contributions to money purchase scheme	39	37
Employer's National Insurance	59	91
Non-executive Directors' fees	240	200
Total	**776**	**753**

The above remuneration includes all Executive Directors and Non-executive Directors of the Group. All fees paid are disclosed within the Directors' Remuneration Report.

Emoluments disclosed above include the following amounts paid to the highest paid Director:

	2016 £'000	2015 £'000
Emoluments for qualifying services	249	242
Employer's National Insurance	27	42
Total	**276**	**284**

9 Income tax
The major components of income tax expense for the period are:

Consolidated income statement

	2016 £'000	2015 £'000
Current income tax expense	1,479	1,016
Amounts overprovided in previous years	(21)	(155)
Total current income tax	**1,458**	**861**
Deferred tax:		
Effect of rate change on opening balance	(350)	–
Origination and reversal of temporary differences	(899)	620
Adjustments in respect of previous periods	(28)	163
	(1,277)	783
Tax expense in the income statement	**181**	**1,644**

Consolidated statement of comprehensive income

	2016 £'000	2015 £'000
Tax items charged/(credited) directly to equity during the period:		
Deferred tax rate change on retirement benefit obligations	–	–
Deferred tax movement on retirement benefit obligations	(196)	(114)
Deferred tax movement on share-based payments	302	210
Current tax taken directly to equity	(65)	(70)
Income tax credited directly to equity	**41**	**26**

There are no income tax consequences attaching to the payments of dividends by the Group to its shareholders.

A reconciliation between the tax expense and the product of accounting profit multiplied by the UK's domestic tax rate for the period is as follows:

	2016 £'000	2015 £'000
Profit before tax	3,496	7,263
Tax at 20.00% (2015: 20.75%)	699	1,507
Effect of:		
Expenses non-deductible	279	104
Change in tax rate	(315)	(34)
Income not taxable	10	(199)
Defined benefit pension scheme	(127)	(48)
Share-based payments	(163)	130
Adjustments in respect of prior years	(50)	251
Overseas losses not available for tax purposes	(152)	(67)
Tax losses utilised not previously recognised for deferred tax	–	–
Tax expense in the income statement	**181**	**1,644**

The weighted average corporation tax rate for the period to 25 June 2016 was 20.00% (2015: 20.75%).

Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2016 £'000	2015 £'000
Non-current deferred tax liabilities		
Accelerated capital allowances	1,478	1,733
Other	1,357	2,054
Fair value adjustments (biological assets)	943	1,008
Fair value adjustments (customer lists)	566	734
Fair value of interest rate swaps	12	13
	4,356	5,542
Non-current deferred tax assets		
Pensions and post employment obligations	1,319	1,237
Share-based payments	199	296
Other	–	–
	1,518	1,533

Net deferred tax position

	2016 £'000	2015 £'000
Net deferred tax	**2,838**	**4,009**

9 Income tax (continued)

Net deferred tax position (continued)

Reconciliation of total deferred tax movements	2016 £'000	2015 £'000
Opening net deferred tax	**4,009**	3,130
Deferred tax balances acquired	**–**	–
Income statement	**(1,277)**	783
Statement of comprehensive income	**106**	96
Closing net deferred tax	**2,838**	**4,009**

The deferred tax included in the income statement is as follows:

	2016 £'000	2015 £'000
Accelerated capital allowances	**(255)**	236
Pensions and post-employment obligations	**32**	(43)
Other	**(696)**	176
Acquisition fair value adjustments – customer lists	**(168)**	(105)
Share-based payments	**(123)**	168
Movement in fair value of interest rate swap	**(1)**	–
Temporary differences arising from valuation of biological assets	**(66)**	351
Deferred income tax charge/(credit)	**(1,277)**	**783**

10 Earnings per share

	2016	2015
Profit attributable to equity shareholders (£'000)	**3,211**	5,485
Weighted average number of ordinary shares in issue	**26,815,963**	26,642,319
Weighted average number of options with dilutive effect	**858,278**	1,106,789
Total number of shares – fully diluted	**27,674,241**	27,749,108
Basic earnings per share – pence	**11.97**	20.59
Diluted earnings per share – pence	**11.60**	19.77
Adjusted earnings per share		
Operating profit (£'000)	**4,579**	8,269
Exceptional Items	**4,635**	(227)
Finance costs and income (£'000)	**(1,094)**	(1,049)
Dividends received from investments	**–**	39
Income from associate	**11**	4
Adjusted profit before tax (£'000)	**8,131**	7,036
Tax on adjusted profit at effective rate (£'000)	**(421)**	(1,592)
Adjusted profit after tax (£'000)	**7,710**	5,444
Adjusted profit attributable to ordinary shareholders (£'000)	**7,606**	5,310
Adjusted basic earnings per share – pence	**28.36**	19.93
Adjusted diluted earnings per share – pence	**27.48**	19.13

11 Dividends

	2016 £'000	2015 £'000
Interim dividend of 2.44 pence per share in respect of 2016 (2015: 2.39 pence per share)	**655**	639
Final dividend of 4.775 pence per share in respect of 2015 (2015: 4.55 pence per share)	**1,280**	1,211
Total dividends paid in the year	**1,935**	**1,850**

The Directors propose a final dividend of 4.88 pence per share payable on 1 November 2016 to shareholders who are on the register at 7 October 2016. This dividend totalling £1,310,000 has not been recognised as a liability in these consolidated financial statements.

12 Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost:				
At 28 June 2014	25,598	41,059	1,235	67,892
Additions	755	4,170	835	5,760
Disposals	(2,051)	(921)	(18)	(2,990)
At 27 June 2015	24,302	44,308	2,052	70,662
Additions	98	2,195	1,450	3,743
Disposals	–	(76)	–	(76)
Transfer to assets held for resale	(3,782)	–	–	(3,782)
At 25 June 2016	**20,618**	**46,427**	**3,502**	**70,547**
Depreciation and impairment:				
At 28 June 2014	6,177	22,448	887	29,512
Depreciation for the period	946	3,043	138	4,127
Disposals	(987)	(740)	(18)	(1,745)
At 27 June 2015	6,136	24,751	1,007	31,894
Depreciation for the period	943	3,352	229	4,524
Disposals	–	(38)	–	(38)
Impairment	2,397	218	–	2,615
Transfer to assets held for resale	(2,532)	–	–	(2,532)
At 25 June 2016	**6,944**	**28,283**	**1,236**	**36,463**
Net book value:				
At 27 June 2015	18,166	19,557	1,045	38,768
At 25 June 2016	**13,674**	**18,144**	**2,266**	**34,084**

Assets used as security
Land and buildings with a carrying amount of £12.2m (2015: £15.5m) are subject to a first charge to secure two of the Group's bank loans (Note 14).

Assets held for sale
Shown separately in the Consolidated Statement of Financial Position is £1.25m in respect of the site in Kent that is held for sale. The Group expect to complete on the sale of the site within a year of the period end.

13 Intangible assets

	Goodwill £'000	Customer relationships £'000	Development costs £'000	Patent costs £'000	Total £'000
Cost or valuation:					
At 28 June 2014	12,907	7,868	623	12	21,410
Additions	–	–	42	–	42
At 27 June 2015	12,907	7,868	665	12	21,452
Additions	–	–	82	–	82
At 25 June 2016	**12,907**	**7,868**	**747**	**12**	**21,534**
Amortisation:					
At 28 June 2014	–	3,705	497	12	4,214
Amortisation for the period	–	535	51	–	586
At 27 June 2015	–	4,240	548	12	4,800
Amortisation for the period	–	535	63	–	598
At 25 June 2016	**–**	**4,775**	**611**	**12**	**5,398**
Net book value:					
At 27 June 2015	12,907	3,628	117	–	16,652
At 25 June 2016	**12,907**	**3,093**	**136**	**–**	**16,136**

13 Intangible assets (continued)

The carrying amount of goodwill includes amounts attributable to the acquisition of Swancote Foods completed in July 2007, the acquisition of Rowe Farming completed in October 2012, and the acquisition of The Jersey Royal Company and The Kent Potato Company completed in May 2014. The carrying amount of customer relationships is attributable solely to the acquisition of Swancote Foods.

The Group tests goodwill and the value of customer relationships for impairment on an annual basis. The amounts calculated are based on the future cash flows generated based upon a value in use basis.

The key assumptions for the value in use calculations are:
- The forecasted changes in volumes (by consideration of future sales plans and production capacity);
- Revenues (by management's growth estimates of revenue to existing and new customers based on an understanding of the needs of those customers obtained through working relationships);
- Cost of sales and direct costs (by assessing efficiency of processes and underlying anticipated purchase prices); and
- Future anticipated capital expenditure.

A pre-tax discount rate of 11% (2015: 11%) has been used in these calculations and applied to future cash flow projections. The Group updates cash flow forecasts based on the most recent budgets/forecasts approved and reviewed by the Directors and extends these forward for the next five years based on those forecasts with a residual terminal value computed at the end of year five. Operating profit growth of 2%-3% per annum from 2016 (2015: 2%-3%) has been assumed for all operations other than Swancote, where specific budget figures have been used.

Sensitivity analysis has been carried out by the Directors and they are comfortable that there is no requirement for any impairment of goodwill or customer relationships. The Directors will continue to perform reviews of these balances at least annually to ensure that any changes in customer or market conditions are considered.

Following the contamination incident at Swancote Foods, and the disruption to that business, the Directors performed an additional review of the Swancote recovery plan. The directors have considered the possibility that recovery is slower than projected. In the event actual growth was 50% of what is currently projected, and had the impairment review used this volume assumption, this would have indicated a potential impairment of £1.5-£2.0m, based on carrying values at June 2016. The Directors believe the base assumption, i.e. a return to 2014 volumes over a 5 year period, is reasonable, rather than optimistic. In addition, Swancote continues to win new customers, suggesting its reputation is intact despite the recent difficulties. As such, the Directors remain confident in the future potential of the Swancote business, and conclude that no impairment is required at 25 June 2016.

14 Financial liabilities

The Group uses interest rate swaps to manage interest rate risk on interest-bearing loans and borrowings, which mean the Group pays a fixed interest rate rather than being subject to fluctuations in the variable rate. The Group has not designated these derivatives as cash flow hedges. These are aged in line with the maturity of the loans against which they were taken out. Consequently such derivatives are treated as current in these financial statements.

Other financial liabilities	2016 £'000	2015 £'000
Total financial liabilities (non-current)	**849**	**1,201**

Interest-bearing loans and borrowings 2016	Interest rate %	Maturity	Current £'000	Non-current £'000
Facility A(1)	LIBOR+3.00%	Oct 2016	3,500	–
Facility A(2)	LIBOR+3.00%	Oct 2016	3,500	–
Revolving Credit – facility B	LIBOR+3.00%	Oct 2016	5,250	–
Invoice Finance Agreements and Overdraft	Base rate+1.75%		6,621	–
Total interest-bearing loans and borrowings			**18,871**	**–**

Interest-bearing loans and borrowings 2015	Interest rate %	Maturity	Current £'000	Non-current £'000
Facility A(1)	LIBOR+3.00%	Oct 2016	1,500	3,500
Facility A(2)	LIBOR+3.00%	Oct 2016	1,500	3,500
Revolving Credit – facility B	LIBOR+3.00%	Oct 2016	5,250	–
Invoice Finance Agreements and Overdraft	Base rate+1.75%		8,230	–
Total interest-bearing loans and borrowings			**16,480**	**7,000**

The bank loans at 25 June 2016 were represented by the following:

Facility A(1) (as above). Interest since October 2012 is payable at 3.00% above LIBOR. Repayments are at £1,125k per annum rising to £1.5m per annum during the year to June 2016. This loan is subject to a fixed rate hedge of 4.02%.

Facility A(2) (as above). Interest since October 2012 is payable at 3.00% above LIBOR. Repayments are at £1,125k per annum rising to £1.5m per annum during the year to June 2016. This loan is subject to an interest rate cap of 3.75%.

Revolving credit facility – facility B (as above). Interest since October 2012 is payable at 3.00% above LIBOR. Repayments can be made at the end of each calendar month at a minimum of £1m. Since October 2012 £5.75m has been repaid in this way.

The Company has entered into an interest rate swap and cap (as above) to fix the overall cost of loan A. The fair value of the swap at the reporting date was £7,000 (2015: £(65,000)).

Greenvale AP Ltd and Rowe Farming Ltd have both entered into an Invoice Finance Agreement during the year to June 14. Borrowings are secured on sales invoices raised, the combined amount drawn from the facility at 25 June 2016 was £6,621,000 (2015: £8,230,000). Interest rates are 2.25%.

Fair values
The Directors do not consider there to be any material differences between the fair values and carrying values of any financial assets or liabilities recorded within these financial statements at the reporting date.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 25 June 2016, the Group held the following financial instruments measured at fair value:

Liabilities assets measured at fair value	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial liabilities/(assets) at fair value:				
Interest rate derivatives as at 25 June 2016	7	–	7	–
Interest rate derivatives as at 27 June 2015	(65)	–	(65)	–

The above assets are shown on the statement of financial position netted off other current financial liabilities.

A put and call option exists relating to the Peacock pack site in Jersey, The Group has a call option, which is exercisable before 16 May 2019, and the current owners have a put option over the same period. The Group has valued the option at £nil (2015: £nil) as the strike price is considered to be equal to the fair value of the underlying asset.

The interest-bearing loans and borrowings referred to above represent facilities, provided by HSBC Bank plc, which have an expiry date of 30 September 2016, and as such are all shown as due within one year of the balance sheet date. These facilities have been extended and renegotiated on more favourable terms as follows:

Term Loan: 4 years to September 2020. £10m rising to £14.5m on exercise of the option to purchase the Peacock packsite in Jersey. Interest maximum 2% above LIBOR. Repayments rising from £250,000 per quarter to £750,000 per quarter in December 2018.

Revolving Credit: 4 years to September 2020. £5m maximum drawing. Interest maximum 2% above LIBOR.

Invoice Finance: 4 years to September 2020. Secured on the trade receivables of Greenvale AP and Rowe Farming. £15m maximum drawing, rising to £20m when Jersey trade receivables are seasonally included. Interest 1.4% over Base Rate.

15 Inventories

	2016 £'000	2015 £'000
Raw materials (at cost)	8,445	7,327
Finished goods (at cost or net realisable value)	415	356
Total inventories at cost or net realisable value	**8,860**	**7,683**

The inventories values above exclude the values of crops of potatoes growing in the ground. These are reflected separately as biological assets and are discussed in Note 5.

There are no provisions against the above inventory at the period end (2015: £nil).

16 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	**27,793**	24,748
Other receivables	**2,645**	3,902
Total trade and other receivables	**30,438**	**28,650**

Trade receivables are non-interest-bearing and are generally on 30-90 day terms.

Receivables are in sterling denominations, with the exception of €646,000 (2015: €91,000).

As at 25 June 2016, trade receivables with an initial value of £13,000 (2015: £13,000) were impaired and fully provided for. See below for the movements in the provision for the impairment of receivables.

	2016 £'000	2015 £'000
At 27 June 2015	**13**	30
Reversal of unused amounts	**–**	(17)
At 25 June 2016	**13**	**13**

All provisions above relate to individually impaired amounts.

The ageing analysis of trade receivables is as follows:

			Past due but not impaired			
	Total £'000	Neither past due nor impaired £'000	<30 days £'000	30-60 days £'000	61-90 days £'000	91-120 days £'000
2016	**27,793**	**23,561**	**2,348**	**906**	**275**	**703**
2015	24,748	20,787	2,357	848	367	389
2014	26,127	22,349	2,077	947	200	554

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counter party default rates. These balances relate to existing customers who have not defaulted in the past.

17 Cash and short-term deposits

	2016 £'000	2015 £'000
Cash at banks and on hand	**742**	2,762
Total cash and short-term deposits	**742**	**2,762**

The Group did not place any cash on short-term deposit in any of the periods presented within these financial statements.

At 25 June 2016, the Group had available £4,118,000 (2015: £2,906,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 25 June 2016:

	2016 £'000	2015 £'000
Cash at banks and on hand	**742**	**2,762**

18 Issued capital

	Number of ordinary shares (thousands)	Ordinary shares £'000	Share premium £'000	Total £'000
As at 28 June 2014	26,546	265	21,466	21,731
Issued on exercise of share options	207	2	132	134
As at 27 June 2015	26,753	267	21,598	21,865
Issued on exercise of share options	98	1	72	73
As at 25 June 2016	**26,851**	**268**	**21,670**	**21,938**

At 28 June 2014 there were 26,546,574 ordinary shares in issue in the Company. All shares carry equal voting rights.
At 27 June 2015 there were 26,752,981 ordinary shares in issue in the Company. All shares carry equal voting rights.
At 25 June 2016 there were 26,851,262 ordinary shares in issue in the Company. All shares carry equal voting rights.

19 Other capital reserves

	Acquisition reserve £'000	Total £'000
At 27 June 2015 and 25 June 2016	**10,228**	**10,228**

Acquisition reserve
This is a non-distributable reserve that arose by applying merger relief s612 CA2006 (previously s131 CA85) to the shares issued in 2008 in connection with the acquisition of Swancote Foods Limited. This was previously recognised as a 'merger reserve' under UK GAAP. Under IFRS, this has been classified within 'other capital reserves'.

It has subsequently been increased by the shares issued to the vendors of Rowe Farming Limited and The Jersey Royal Potato Company.

20 Deferred revenue

	2016 £'000	2015 £'000
Balance brought forward	**225**	377
Deferred during the period	**30**	37
Released to the income statement	**(97)**	(189)
Balance carried forward	**158**	**225**

Deferred revenue is the advanced payment of operating lease rental income, the recognition of which has been spread over the future period to which it relates.

The deferred revenue will be released to income as follows:

	2016 £'000	2015 £'000
Within one year	**88**	97
After one year but not more than five years	**70**	128
Total	**158**	**225**

21 Pensions and other post-employment benefit obligations

The Group operates a defined contribution stakeholder scheme and personal pension plan for various employees, the assets of which are held separately from those of the Group in independently administered funds. Contributions to these defined contribution pension plans for the period amounted to £475,000 (2015: £548,000).

The Group also operates a Defined Benefits Scheme, the Greenvale Produce Pension Plan. The benefits provided by the Plan are final salary defined benefits with the contributions paid by the Group on a balance of cost basis. The plan is run by the Trustees of the Plan who ensure that the plan is run in accordance with the Trust Deed & Rules of the Plan and complies with legislation. The trustees are required by law to fund the Plan on prudent funding assumptions under the Trust Deed & Rules of the Plan. The contributions payable by the Group to fund the plan are set by Trustees after consulting the Group. The assets of the plan are invested in managed funds with Legal & General Investment Management. The Plan closed for all accrual on 31 October 2007.

21 Pensions and other post-employment benefit obligations (continued)

The trustees use the defined accrued benefits method for determining funding. This method is suitable for funding a scheme that is closed for future accrual. During the period ended 25 June 2016, the Group paid contributions at a rate of £46,000 per month, a total of £552,000 (2015: £552,000). This rate is subject to review on completion of the actuarial valuation currently being undertaken as at 1 July 2016. In addition, the Group pays all of the costs of administering the plan and any levies required by the Pensions Protection Fund and the Pensions Regulator.

The following list is not exhaustive but covers the main risks for the plan. Some of the risks can be reduced by adjusting the funding strategy with the help of the Trustees, for example: investment matching risk. Other risks cannot easily be removed, for example: longevity risk, and the Group must be aware of these risks and ask the Trustees to monitor them closely.

Investment Return Risk: If the assets under perform returns assumed in setting funding targets, then additional contributions may be required.
Investment Matching Risk: The Plan invests primarily in equity type assets. If equity type assets fall in value significantly, additional contributions may be required.
Longevity Risk: If future improvements in mortality exceed the assumptions made then additional contributions may be required.
Legislative Risk: Government may introduce overriding legislation which leads to an increase in the value of Plan benefits.
Solvency Risk: As the funding target is not a solvency target, the assets of the Plan may not be sufficient to provide all members with the full value of their benefits on a Plan wind up.

The Group's defined benefit scheme obligations are as follows:

	2016 £'000	2015 £'000
Present value of defined benefit obligations	**(34,166)**	(32,431)
Fair value of plan assets	**26,898**	26,368
Plan deficit per balance sheet	**(7,268)**	**(6,063)**

Changes in the present value of the defined benefit obligation are as follows:

	2016 £'000	2015 £'000
Defined benefit obligation at start of period	**(32,431)**	(30,111)
Interest expense	**(1,241)**	(1,297)
Remeasurements of obligation		
– Financials	**(2,674)**	(2,547)
– Demographics	**–**	972
– Experience	**939**	(1)
Benefits paid	**1,241**	553
Defined benefit obligation at end of period	**(34,166)**	**(32,431)**

The liabilities are split between the plan's members as follows:

Present value of plan liabilities	2016 £'000	2015 £'000
Deferred pensioners (PUPS)	**24,492**	23,301
Current pensioners	**9,674**	9,130
Total	**34,166**	**32,431**

There are no employees identified as 'active' members for the purposes of splitting the liabilities, as the scheme is closed for future accrual.

Changes in the fair value of plan assets are as follows:

	2016 £'000	2015 £'000
Fair value of plan assets at start of period	**26,368**	24,832
Interest on plan assets	**1,015**	1,080
Contribution by employer	**552**	552
Benefits paid	**(1,241)**	(553)
Actual return on plan assets less interest	**204**	457
Fair value of plan assets at end of period	**26,898**	**26,368**

Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

Income Statement	2016 £'000	2015 £'000
Interest cost on obligations	**1,241**	1,297
Interest on plan assets	**(1,015)**	(1,080)
Net finance costs	**226**	**217**

All plan costs are met directly by the Group and form part of the staff costs.

Amounts recognised in other comprehensive income are as follows:

	2016 £'000	2015 £'000
(Losses) recognised in other comprehensive income:		
– Change in financial assumptions	**(2,674)**	(2,547)
– Change in demographic assumptions	**–**	972
– Experience adjustments on benefit obligations	**939**	(1)
Actual return on plan assets less interest on plan assets	**204**	457
(Losses) recognised in other comprehensive income	**(1,531)**	**(1,119)**

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income is a loss of £10,513,000 (2015: £8,982,000 loss).

The Group expects to contribute £552,000 to the defined benefit pension plan in the year ended June 2017.

Assets and assumptions in the funded plans:

	2016 £'000	2015 £'000
Fair Value of plan assets:		
Equities	**13,379**	13,251
Corporate Bonds	**12,079**	11,031
Gilts	**1,407**	2,004
Cash	**33**	82
Total	**26,898**	**26,368**

The plan assets are held exclusively within instruments with quoted market prices in an active market with the exception of the holdings of cash. The plan does not invest directly in property owned by the Group, or in shares issued by the Group.

The principal assumptions used in determining pension obligations for the Group plan are shown below:

	2016 %	2015 %
Discount rate	**3.25**	3.9
Expected rate of return on assets	**3.25**	3.9
Future salary increase	**n/a**	n/a
Future pension increase	**2.8**	3.1
Inflation (RPI) assumption	**2.8**	3.1

No rate of increase in salaries is required as the scheme is closed for future accrual.

The mortality assumptions for both 2016 and 2015 follow the standard tables S1NMA (males) and S1NFA (females), projected by year of birth using the 2012 CMI mortality projection method with a long-term annual rate of improvement of 1%. Assuming retirement at age 65, the life expectancy in years is as follows:

	2016	2015
For a male aged 65 now	**87**	87
For a female aged 65 now	**90**	90

21 Pensions and other post-employment benefit obligations (continued)

Sensitivity analysis:

The impact on the defined benefit obligation of changes in the significant assumptions, based on the 2013 actuarial valuation recently undertaken for the plan trustees, is shown approximately below:

Assumption varied	Defined benefit obligation % change
As at 25 June 2016	
Discount Rate 1% p.a. lower	+25%
Inflation (in payment and deferment) Rate 1% p.a. higher	+24%
Life expectancy one year higher	+4%

The figures assume that each assumption is changed independently of the others. Therefore, the disclosures are only a guide because the effect of changing more than one assumption is not cumulative. The weighted average duration of the defined benefit obligation is approximately 23 years.

22 Share-based payment plans

Company Share Option Plan (CSOP)

Since 2007 the Group has operated an HMRC approved CSOP scheme whereby share options were granted to key personnel within the business. Options vest if and when the Group's achieved profit before interest and taxation (PBIT) meets or exceeds a percentage of budgeted PBIT. Performance targets are split over three years. All option awards are broken into three separate and equal tranches to be measured against the actual results in each of the three years for which options have been granted.

The criteria for vesting options are as follows.

- If 100% of budget is met, all options available for that year vest;
- If, in years one and two, 80 to 100% of budget is met, that portion of the options available in that year vest, with the remaining vesting in the following year provided PBIT target is met in full in the following year;
- If less than 80% of budget is met, no options vest; and
- In the final year, if 80 to 100% of target is achieved, that portion of options will vest and the remaining options will lapse.

CSOP options were granted in October 2007, May 2009 and May 2010 to various key personnel. Vesting criteria were measured against the results of the Group between 2008 and 2014. As of 28 June 2014, all CSOP options granted have now either vested or lapsed. As such, there are not currently any charges to income in respect of these options. The contractual life of each option granted is ten years. There is no cash settlement alternative. The scheme allows for exercising of the options not earlier than three years after the option grant date, and not later than ten years after the option grant date. The expected life of the options is not necessarily indicative of exercise patterns that may occur.

Senior Executives Incentive Plan (SEIP)

Share options were granted to seven senior executives on flotation of the business onto AIM. This was a one-off event, where vesting was conditional solely on successful flotation. A total of 828,064 options were granted, each at an exercise price of £0.01. The options may be exercised at any point between one year from flotation date and not later than ten years from flotation date. The contractual life of each option granted is ten years. There is no cash alternative. The expected life of the options is not necessarily indicative of exercise patterns that may occur.

Management long term incentive plan (LTIP)

During the period ended 28 June 2014, share options were granted to fourteen senior managers. Vesting was conditional on the achievement of certain profit related performance targets. A total of 663,913 options were granted at an exercise price of £1.67. The weighted average exercise price of options granted in the period was £1.67. Options which vest may be exercised at any point between one year from grant and not later than ten years from grant date. The contractual life of each option granted is ten years. There is no cash alternative. The expected life of the options is not necessarily indicative of exercise patterns that may occur.

During the period ended 27 June 2015, share options were granted to thirteen senior managers. Vesting was conditional on the achievement of certain profit related performance targets. A total of 383,780 options were granted at an exercise price of £2.52. The weighted average exercise price of options granted in the period was £2.52. Options which vest may be exercised at any point between one year from grant and not later than ten years from grant date. The contractual life of each option granted is ten years. There is no cash alternative. The expected life of the options is not necessarily indicative of exercise patterns that may occur. Targets for the year, however, were not met and all options granted in respect of this scheme therefore lapsed. Consequently, no options remain outstanding in respect of this 2015 grant, and no charge has been recorded in respect of these options.

During the period ended 25 June 2016, share options were granted to 11 senior managers. Vesting was conditional on the achievement of certain performance targets. A total of 710,455 options were granted at an exercise price of £1.57. The weighted average exercise price of options granted in the period was £1.57. Options which vest may be exercised at any point between one year from grant and not later than ten years from grant date. The contractual life of each option granted is ten years. There is no cash alternative. The expected life of the options is not necessarily indicative of exercise patterns that may occur. Targets for the year, however, were not met and all options granted in respect of this scheme therefore lapsed. Consequently, no options remain outstanding in respect of this 2016 grant, and no charge has been recorded in respect of these options.

Save as You Earn (SAYE)
During the period ended 27 June 2015, the Group commenced an HMRC approved SAYE (Sharesave) scheme, which was open to all UK based employees who had been in service for more than a year. Under this scheme, employees save a regular portion of their net pay for a period of three years. After three years, the employees are entitled to use their saved income to purchase shares at a pre agreed discounted price. Alternatively, the employees can opt to have their savings returned to them as cash, along with any interest that HMRC may determine is payable from time to time. During the year to 27 June 2015, a total of 199,480 options were granted at an exercise price of £1.17. The scheme is of fixed duration, from June 2015 to June 2018, at which point the employees will have the choice to exercise their options, or recover their savings.

Valuation
The fair value of all options granted has been estimated using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the 52 weeks ended 25 June 2016 and 27 June 2015 respectively.

	2016	2015
Dividend yield	**5.0%**	5.0%
Expected share price volatility	**32.4%**	32.4%
Risk free interest rate	**1.5%**	1.5%
Expected life of option (years)	**2.0**	3.0
Option strike price (£)	**1.17**	1.17
Share price (£)	**1.29**	1.29

The expected share price volatility has been derived from historic movements in the Produce Investments plc share price. The expected volatility reflects an assumption that historic share price volatility may be indicative of future trends. This may not reflect the actual future outcome.

Charges in 2016
The expense recognised for share-based payments in respect of employee services rendered during the period ended 25 June 2016 is £nil (2015: £44,000). All of this expense arises from equity share-based payment transactions. This is split as follows:

	2016 £'000	2015 £'000
SAYE scheme	**–**	44
Total SBP charge	**–**	**44**

At 25 June 2016, the weighted average remaining contractual life for outstanding options was as follows:

	2016	2015
CSOP	**1 yrs 11 mths**	2 yrs 11 mths
SEIP	**4 yrs 3 mths**	5 yrs 3 mths
LTIP	**7 yrs 0 mths**	8 yrs 0 mths
SAYE	**2 yrs 0 mths**	3 yrs 0 mths

Outstanding options at the end of the period are exercisable at the following exercise prices.

	2016	2015
CSOP	**£0.74**	£0.74
SEIP	**£0.01**	£0.01
LTIP	**£1.67**	£1.67
SAYE	**£1.17**	£1.17

The weighted average share price for options exercised in the period was £1.64 (2015: £2.07).

22 Share-based payment plans (continued)

Charges in 2016 (continued)

The following table summarises share option movements in the current and prior periods:

	CSOP		SEIP		LTIP		SAYE	
	No	WAEP	No	WAEP	No	WAEP	No	WAEP
Outstanding at 28 June 2014	**773,363**	**0.74**	**569,336**	**0.01**	**663,913**	**1.67**	**–**	**–**
Granted during year	–	–	–	–	383,780	2.52	199,480	1.17
Exercised during year	(181,406)	0.74	(25,000)	0.01	–	–	–	–
Expired/Cancelled	(8,308)	0.74	–	–	(383,780)	2.52	–	–
Outstanding at 27 June 2015	**583,649**	**0.74**	**544,336**	**0.01**	**663,913**	**1.67**	**199,480**	**1.17**
Granted during year	–	–	–	–	710,455	2.52	–	–
Exercised during year	(98,279)	0.74	–	–	–	–	–	–
Expired/Cancelled	–	–	–	–	(710,455)	2.52	(11,640)	1.17
Outstanding at 25 June 2016	**485,370**	**0.74**	**544,336**	**0.01**	**663,913**	**1.67**	**187,840**	**1.17**
Exercisable at 25 June 2016	**485,370**	**0.74**	**544,336**	**0.01**	**663,913**	**1.67**	**187,840**	**1.17**
Exercisable at 27 June 2015	**583,649**	**0.74**	**544,336**	**0.01**	**663,913**	**1.67**	**199,480**	**1.17**

23 Trade and other payables

	2016 £'000	2015 £'000
Trade payables	**20,729**	21,027
Taxes & social security	**689**	679
Accruals and deferred income	**9,657**	7,037
Total trade and other payables	**31,075**	**28,743**

Trade payables are non-interest-bearing and are normally settled on 30-45 day terms.

Trade liabilities are sterling denominated, with the exception of €272,000 (2015: €114,000).

24 Related party disclosures

During the period the Group entered into the following transactions with the related parties as identified below:

Organic Potato Growers (Scotland) Limited (OPG) is a potato grower in which the Group owns a 33.3% interest. The Group made purchases from OPG of £316,000 (2015: £209,000) and sales to OPG of £19,000 (2015: £5,000). At the reporting date the Group was owed £nil by OPG (2015: £nil).

The Group traded with B&C Farming Ltd, a company controlled by A Bambridge, a Director of Produce Investments plc. Purchases of £1,927,000 (2015: £1,812,000) and sales of £262,000 (2015: £186,000) were made.

Restrain Company Limited is a company which is 70% owned by Produce Investments plc. The remaining 30% of ordinary shares are not controlled by the Group. During the year, 100% controlled Group companies made sales to Restrain Company Limited of £96,000 (2015: £155,000) and purchased goods and services from Restrain Company Limited totalling £23,000 (2015: £43,000). At 25 June 2016 Restrain Company Limited owed Group companies £nil (2015: £nil).

Sir David Naish is a director of Naish Farms Limited. The Group made sales to Naish Farms of £nil (2015: £6,000) and purchases from Naish Farms Limited of £14,000 (2015: £42,000).

25 Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on plant items, office space and a leasehold trading premises. These leases have an average life of between three and ten years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 25 June 2016 are as follows:

	2016 £'000	2015 £'000
Within one year	3,622	3,700
After one year but not more than five years	5,057	5,085
Total future minimum rentals payable	**8,679**	**8,785**

Operating lease commitments – Group as lessor

The Group has entered into commercial leases on certain items of plant and machinery which are leased to customers. These non-cancellable leases have a lease term of between one and five years. Where leases are signed for multiple years, revenue is paid in advance and recognised in the period to which it relates, with balances deferred as required.

Future minimum rentals receivable under non-cancellable operating leases as at 25 June 2016 are as follows:

	2016 £'000	2015 £'000
Within one year	88	97
After one year but not more than five years	70	128
Total future minimum rentals receivable	**158**	**225**

Capital commitments

At 25 June 2016, the Group had capital commitments of £48,000 (2015: £288,000).

Guarantees

The Company has provided a composite cross guarantee to its bankers in respect of bank borrowings with Group companies. At the end of the period the total bank borrowings of the Group companies amounted to £18,871,000 (2015: £23,480,000).

26 Financial risk management

Financial risk associated with agricultural activities

Agricultural activities such as potato growing have inherent risk related to planting, growing and harvesting and are subject to the vagaries of the weather. In order to mitigate the financial risk associated with growing and harvesting potatoes, the Group continues to invest in developing and selecting varieties that are resistant to disease and also seeks to utilise modern harvesting equipment which is less susceptible to adverse weather and lifting conditions. The Group also enters into fixed price potato contracts with growers for the majority of its procurement. This protects the raw material cost from market fluctuation in all but the most abnormal seasons.

The Board reviews and agrees policies for managing the risks associated with interest rate, credit and liquidity risk. The Group has in place a risk management policy that seeks to minimise any adverse effect on the financial performance of the Group by continually monitoring the following risks:

Interest rate risk

The Group's interest rate risk arises as a result both its long and short-term borrowing facilities. The Group seeks to manage exposure to interest rate fluctuations through the use of fixed interest rate swaps and caps.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates is not significant as primarily all of the Group's operating activities are denominated in pound sterling.

Credit risk

The Group is exposed to credit risk in respect of its many customers. The Group has long-established policies and procedures for controlling customer credit risk. Credit limits are established for all customers based on internal rating criteria and are constantly reviewed and updated in accordance with the customer's latest financial position.

The Group operates a debts insurance policy, covering the larger non-retail customers. No claims have been made against the policy in the year.

The Group's maximum exposure to credit risk from its customers is £27,793,000 (2015: £24,748,000) as disclosed in Note 16 – trade and other receivables.

The Group regularly monitors and updates its cash flow forecasts to ensure it has sufficient and appropriate funds to meet its ongoing operational requirements whilst maintaining adequate headroom on its facilities to ensure no breach in its banking covenants.

26 Financial risk management (continued)

Financial risk associated with agricultural activities (continued)

Liquidity risk

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

52 weeks ended 25 June 2016	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Interest-bearing loans and borrowings	–	–	18,871	–	–	18,871
Trade and other payables	–	31,075	–	–	–	31,075
Other liabilities	–	22	66	70	–	158
	–	31,097	18,937	70	–	50,104

52 weeks ended 27 June 2015	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Interest-bearing loans and borrowings	–	–	16,480	7,000	–	23,480
Trade and other payables	–	28,743	–	–	–	28,743
Financial derivatives	–	–	–	(65)	–	(65)
Other liabilities	–	24	73	128	–	225
	–	28,767	16,553	7,063	–	52,383

Capital management

Capital is the equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, sell assets, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings less cash. EBITDA is calculated as operating profit before any significant non-recurring items, interest, tax, depreciation and amortisation. The gearing ratio at the period end was 1.26 (2015: 1.62).

27 Principal Group companies

As at the period end, the Group comprises the following holdings:

Name	Country of incorporation	Nature of business	Class of shares held	% equity interest 2016	% equity interest 2015
Greenvale Holdings Limited	UK	Holding company	Ordinary	100.0	100.0
Greenvale AP Limited	UK	Buying and selling of potatoes	Ordinary & B Preference	100.0	100.0
Greenvale Growing Limited	UK	Growing potatoes	Ordinary	100.0	100.0
Restrain Company Limited	UK	Potato and onion atmosphere regulation	Ordinary	70.0	70.0
Swancote Foods Limited	UK	Dormant	Ordinary	100.0	100.0
Organic Potato Growers (Scotland) Limited	UK	Growing potatoes	Ordinary	33.3	33.3
BROP s.r.o	CZ	Potato processing	Ordinary	30.0	30.0
Rowe Farming Limited	UK	Growing potatoes and daffodils	Ordinary	100.0	100.0
The Jersey Royal Company Limited	JE	Growing potatoes	Ordinary	100.0	100.0
The Kent Potato Company Limited	UK	Growing potatoes	Ordinary	100.0	100.0
Linwood Crops Limited	UK	Buying and selling of potatoes	Ordinary	72.0	–

Company Financial Statements
Directors' Responsibilities
in the Preparation of Financial Statements

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

Company law requires the directors to prepare Company financial statements for each financial year. Under that law the directors have elected to prepare the Company 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 Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those Company financial statements, the directors are required to:

a. Select suitable accounting policies and then apply them consistently;
b. Make judgements and estimates that are reasonable and prudent;
c. State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
d. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and 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 the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Company Financial Statements

Company Balance Sheet

At 25 June 2016

Company reg no: 05624995

	Notes	2016 Company £'000	2015 Company £'000
Fixed assets			
Investments	3	**61,646**	61,195
Current assets			
Debtors	4	**9,550**	10,221
Cash at bank and in hand		**23**	1
		9,573	10,222
Creditors			
Amounts falling due within one year	5	**(39,205)**	(29,534)
Net current liabilities		**(29,632)**	**(19,312)**
Total assets less current liabilities		**32,014**	41,883
Creditors			
Amounts falling due after more than one year	6	**–**	(7,000)
Net assets		**32,014**	**34,883**
Capital and reserves			
Called up share capital	7	**268**	267
Share premium account	9	**21,670**	21,598
Profit and loss account	9	**(494)**	2,448
Merger reserve	9	**10,228**	10,228
Other reserve	9	**342**	342
Shareholders funds	9	**32,014**	**34,883**

The financial statements on pages 60 to 68 were approved by the board of directors and authorised for issue on 28 September 2016 and were signed on its behalf by:

B Macdonald
Director

Company Financial Statements
Statement of Changes in Equity
For the 52 weeks ended 25 June 2016

	Issued capital (Note 9) £'000	Share premium (Note 9) £'000	Other capital reserves (Note 9) £'000	Retained earnings £'000	Total £'000
As at 28 June 2014	**265**	**21,466**	**10,526**	**811**	**33,068**
Profit for the period	–	–	–	3,487	3,487
Share Based Payment	–	–	44	–	44
New shares issued during period	2	132	–	–	134
Equity dividends paid	–	–	–	(1,850)	(1,850)
As at 27 June 2015	**267**	**21,598**	**10,570**	**2,448**	**34,883**
(Loss) for the period	–	–	–	(1,007)	(1,007)
New shares issued during period	1	72	–	–	73
Equity dividends paid	–	–	–	(1,935)	(1,935)
As at 25 June 2016	**268**	**21,670**	**10,570**	**(494)**	**32,014**

Company Financial Statements

Cash Flow Statement

For the 52 weeks ended 25 June 2016

	2016 £'000	2015 £'000
Operating activities		
(Loss) before tax from continuing operations	**(1,007)**	(696)
Adjustments to reconcile profit before tax for the year to net cash inflow from operating activities:		
Finance costs	**518**	619
Working capital adjustments:		
Decrease/(Increase) in trade and other receivables and prepayments	**671**	(73)
Increase in trade and other payables	**5,671**	1,026
Net cash flows from operating activities	**6,860**	1,572
Investing activities		
Cashflows arising from purchase of subsidiary	**(451)**	–
Net cash flows used in investing activities	**(451)**	–
Financing activities		
Bank loans repaid during period	**(3,000)**	(2,750)
Dividend from subsidiaries	**–**	4,183
Interest paid	**(518)**	(619)
Dividends paid to equity shareholders of parent	**(1,935)**	(1,850)
Proceeds from share issues	**73**	134
Net cash flows (used in)/generated from financing activities	**(5,380)**	(902)
Net (decrease)/increase in cash and cash equivalents	**22**	(26)
Cash and cash equivalents at beginning of period	**1**	27
Cash and cash equivalents at end of period	**23**	1

Company Financial Statements
Notes to the Financial Statements
For the 52 weeks ended 25 June 2016

1 Basis of accounting and accounting policies

These separate Company 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, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and under the historical cost convention.

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 £1,000.

These financial statements are the first financial statements of Produce Investments plc ('the Company') prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of the Company for the period ended 27 June 2015 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. As a result of the adoption of FRS 102 no adjustments to equity arose at the date of transition (29 June 2014) or at the end of the last period presented under previous UK GAAP (27 June 2015) and no adjustments arose to the profit reported to 27 June 2015 under previous UK GAAP.

Investments
Fixed asset investments are stated at cost less provision for diminution in value.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the accounting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Financing costs
The financing costs of debt are recognised in the profit and loss account over the term of the instrument at a constant rate on the carrying amount.

Revenue recognition
Revenue is derived from dividends from Group companies and is recognised when approved by the Board.

Financial instruments
Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled. Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

Share-based payments
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. The fair value of equity options has been determined using the Black Scholes option pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance criteria are satisfied.

At the balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the profit and loss account.

2 Result for the financial period

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial period was £1,007,000 (2015: profit £3,487,000). The Company was a holding company in both periods and did not trade. The results reflect dividend income from the subsidiary companies, offset by the interest costs of servicing the loans reflected on the balance sheet and the administrative costs of running the Company.

Auditor fees for the period were £30,000 (2015: £30,000). These were settled by the main trading subsidiary, Greenvale AP Limited.

3 Fixed asset investments

	Shares in subsidiaries
Cost and net book value:	
At 27 June 2015	61,195
Acquisition of Linwood Crops Limited	451
At 25 June 2016	**61,646**

As at the period end, the fixed asset investments of the Company comprise the following holdings:

Name	Country of incorporation	Nature of business	Class of shares held	% equity interest 2015
Greenvale Holdings Limited #	UK	Holding company	Ordinary	100.0
Greenvale AP Limited #	UK	Supply of potatoes	Ordinary & B Preference	100.0
Greenvale Growing Limited #	UK	Growing potatoes	Ordinary	100.0
Swancote Foods Limited	UK	Dormant	Ordinary	100.0
Organic Potato Growers (Scotland) Limited	UK	Growing potatoes	Ordinary	33.3
BROP s.r.o.	CZ	Potato processing	Ordinary	30.0
Restrain Company Limited #	UK	Potato and onion atmosphere regulation	Ordinary	70.0
Rowe Farming Limited #	UK	Growing of potatoes and daffodils	Ordinary	100.0
The Jersey Royal Company Limited #	JE	Growing potatoes	Ordinary	100.0
The Kent Potato Company Limited	UK	Growing potatoes	Ordinary	100.0
Linwood Crops Limited #	UK	Supply of vegetables	Ordinary	72.0

Direct holding of the Company.

4 Debtors

	2016 £'000	2015 £'000
Due within one year:		
Amounts owed by Group undertakings	**9,529**	9,588
Prepayments and accrued income	**21**	633
	9,550	**10,221**

5 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank loans	**12,250**	8,250
Amounts owed to Group undertakings	**26,909**	21,284
Accruals and deferred income	**46**	–
	39,205	**29,534**

The bank loans are secured by a composite cross guarantee given by all Group companies. These borrowings are also secured by first legal charges over land and buildings, debenture over all present and future assets of the Group and assignment of keyman policies. Further details regarding the loans are given below.

6 Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Bank loans	**–**	**7,000**

Analysis of bank loan maturity:

	2016 £'000	2015 £'000
Amounts falling due:		
In one year or less, or on demand	**12,250**	8,250
Between one and two years	**–**	3,000
Between two and five years	**–**	4,000
	12,250	**15,250**

The bank loans at 27 June 2015 were represented by the following:

Facility A.1 (as above). Interest since October 2012 is payable at 3.00% above LIBOR. Repayments are at £1,500k per annum rising to £1.5m per annum during the year to June 2016. This loan is subject to a fixed rate hedge of 4.02%.

Facility A.2 (as above). Interest since October 2012 is payable at 3.00% above LIBOR. Repayments are at £1,500k per annum rising to £1.5m per annum during the year to June 2016. This loan is subject to an interest rate cap of 3.75%.

Revolving Credit Facility (as above). Interest since October 2012 is payable at 3.00% above LIBOR. Repayments can be made at the end of each calendar month at a minimum of £1m. Since October 2012 £5.75m has been repaid in this way.

The Company has entered into an interest rate swap (as above) to fix the overall cost of this loan. The fair value of the swap at the reporting date was £65,000 (2014: £65,000).

The bank loans at 25 June 2016 were represented by the following:

Facility A.1 (as above). Interest since October 2012 is payable at 3.00% above LIBOR. Repayments are at £1,500k per annum. This loan is subject to a fixed rate hedge of 4.02%.

Facility A.2 (as above). Interest since October 2012 is payable at 3.00% above LIBOR. Repayments are at £1,500k per annum This loan is subject to an interest rate cap of 3.75%.

Revolving Credit Facility (as above). Interest since October 2012 is payable at 3.00% above LIBOR. Repayments can be made at the end of each calendar month at a minimum of £1m. Since October 2012 £5.75m has been repaid in this way.

The Company has entered into an interest rate swap (as above) to fix the overall cost of this loan. The fair value of the swap at the reporting date was a liability £7,000 (2015: asset £65,000).

The interest-bearing loans and borrowings referred to above represent facilities, provided by HSBC Bank plc, which have an expiry date of 30 September 2016, and as such are all shown as due within one year of the balance sheet date. These facilities have been extended and renegotiated on more favourable terms as follows:

Term Loan: 4 years to September 2020. £10m rising to £14.5m on exercise of the option to purchase the Peacock packsite in Jersey. Interest maximum 2% above LIBOR. Repayments rising from £250,000 per quarter to £750,000 per quarter in December 2018.

Revolving Credit: 4 years to September 2020. £5m maximum drawing. Interest maximum 2% above LIBOR.

7 Share capital

	Number of ordinary shares (thousands)	Ordinary shares £'000	Share premium £'000	Total £'000
As at 27 June 2015	26,752	267	21,598	21,865
Issued on exercise of share options	99	1	72	73
As at 25 June 2016	**26,851**	**268**	**21,670**	**21,938**

At 28 June 2014 there were 26,546,574 ordinary shares in issue in the Company. All shares carry equal voting rights.
At 27 June 2015 there were 26,752,981 ordinary shares in issue in the Company. All shares carry equal voting rights.
At 25 June 2016 there were 26,851,262 ordinary shares in issue in the Company. All shares carry equal voting rights.

8 Share-based payments

Company Share Option Plan (CSOP)

Since 2007 the Group has operated an HMRC approved CSOP scheme whereby share options were granted to key personnel within the business. Options vest if and when the Group's achieved profit before interest and taxation (PBIT) meets or exceeds a percentage of budgeted PBIT. Performance targets are split over three years. All option awards are broken into three separate and equal tranches to be measured against the actual results in each of the three years for which options have been granted.

The criteria for vesting options are as follows:

- If 100% of budget is met, all options available for that year vest;
- If, in years one and two, 80 to 100% of budget is met, that portion of the options available in that year vest, with the remaining vesting in the following year provided PBIT target is met in full in the following year;
- If less than 80% of budget is met, no options vest; and
- In the final year, if 80 to 100% of target is achieved, that portion of options will vest and the remaining options will lapse.

CSOP options were granted in October 2007, May 2009 and May 2010 to various key personnel. Vesting criteria were measured against the results of the Group between 2008 and 2014. As of 28 June 2014, all CSOP options granted have now either vested or lapsed. As such, there are not currently any charges to income in respect of these options. The contractual life of each option granted is ten years. There is no cash settlement alternative. The scheme allows for exercising of the options not earlier than three years after the option grant date, and not later than ten years after the option grant date. The expected life of the options is not necessarily indicative of exercise patterns that may occur.

9 Statement of movement on reserves and shareholders' funds

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Profit and loss £'000	Total £'000
At 27 June 2015	267	21,598	10,228	342	2,448	34,883
Reserve transfer	–	–	–	–	–	–
New equity issued in period	1	72	–	–	–	73
Dividends received from subsidiaries	–	–	–	–	–	–
(Loss)/Profit for the period	–	–	–	–	(1,007)	(1,007)
Equity dividends paid in period	–	–	–	–	(1,935)	(1,935)
At 25 June 2016	**268**	**21,670**	**10,228**	**342**	**(494)**	**32,014**

10 Contingent liability

The Company has provided a composite cross guarantee to its bankers in respect of bank borrowings with Group companies. At the end of the period the total bank borrowings of the Group companies amounted to £18,871,000 (2015: £23,480,000).

11 Dividends

	2016 £'000	2015 £'000
Interim dividend of 2.44 pence per share in respect of 2016 (2015: 2.39 pence)	**655**	639
Final dividend of 4.775 pence per share in respect of 2015 paid 29 October 2015	**1,280**	1,211
Total dividends paid in the year	**1,935**	**1,850**

The Directors propose a final dividend of 4.88 pence per share payable on 1 November 2016 to shareholders who are on the register at 7 October 2016. This dividend totalling £1,310,000 has not been recognised as a liability in these consolidated financial statements.

Company Financial Statements
Notes

Notes

Directors, Officers and Advisers

Directors
A Armstrong
R B Clapham
M Jankowski
B Macdonald
Sir D Naish
D Porter
A Bambridge
N Davidson (appointed 29 June 2015)

Secretary
B Macdonald

Registered Office
Greenvale AP
Floods Ferry Road
Doddington
March
Cambridgeshire
PE15 0UW

Auditor
RSM UK Audit LLP
(formerly Baker Tilly UK Audit LLP)
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG

Bankers
HSBC Bank plc
60 Queen Victoria Street
London
EC4N 4TR

Nominated Advisor
Shore Capital and Corporate Ltd
Bond Street House
14 Clifford Street
London
W1S 4JU

Stockbroker
Shore Capital Stockbrokers Ltd
Bond Street House
14 Clifford Street
London
W1S 4JU

Financial Public Relations
Powerscourt
1 Tudor Street
London
EC4Y OAH

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www.emperordesign.co.uk +44 (0)131 220 7990

www.produceinvestments.co.uk

Produce Investments plc
Floods Ferry Road
Doddington
March
Cambridgeshire
PE15 OUW