PRODUCE
INVESTMENTS plc



Produce Investments plc

ANNUAL REPORT & ACCOUNTS 2017

A continued growth story

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

SWANCOTE FOODS VOLUMES IMPROVED

+28.9%

A broader product portfolio and expanded customer base have helped increase sales volumes in Swancote Foods during the year. An ongoing programme of investment will increase the operationally efficiencies further during the year ahead.

SEED VOLUMES INCREASE

+6.9%

An increase in volumes in the fresh packing business has led to an increase in the volumes of seed sold. The ongoing varietal development programme supports this by bringing new, improved varieties to market.

INCREASE IN SALES OF JERSEY ROYALS

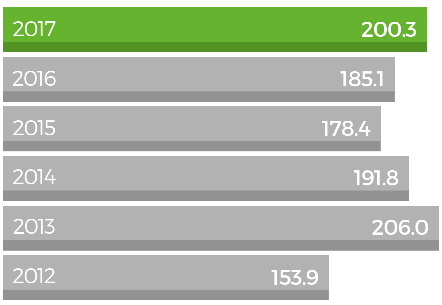
+11.6%

A combination of favourable growing conditions in Jersey, followed by good UK weather in the Spring and early summer resulted in an increase in sales volumes of Jersey Royals.

FINANCIAL HIGHLIGHTS

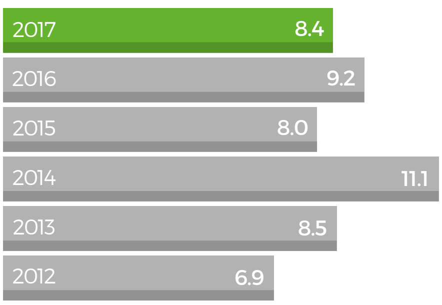
REVENUE (£M)

£200.3m



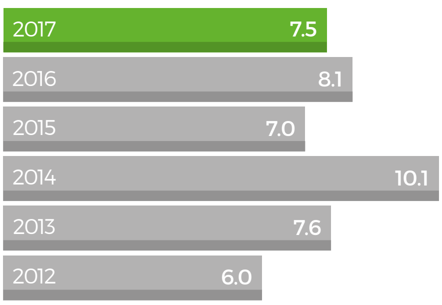
OPERATING PROFIT (£M)

£8.4m



PRE-TAX PROFIT (£M)

£7.5m



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

Leading the way in the UK potato industry

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 77.4% of Group revenues. Customers include a number of the UK leading grocery retailers and wholesale and foodservice companies.

2. Processing

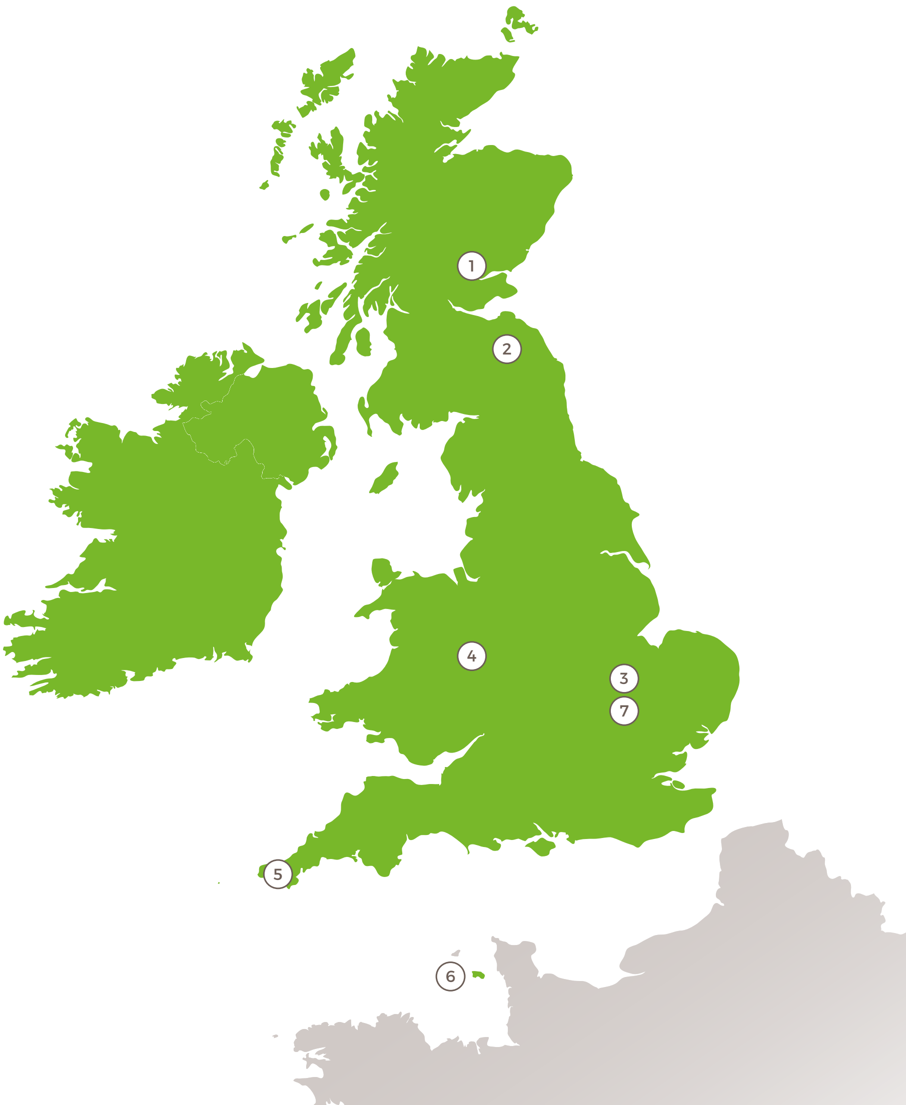
Which accounts for 3.3% of Group revenues. Ingredients supplied are used by a large number of food manufacturers in products such as diced potato salads and mashed potato for fish cakes and ready meals.

3. Other

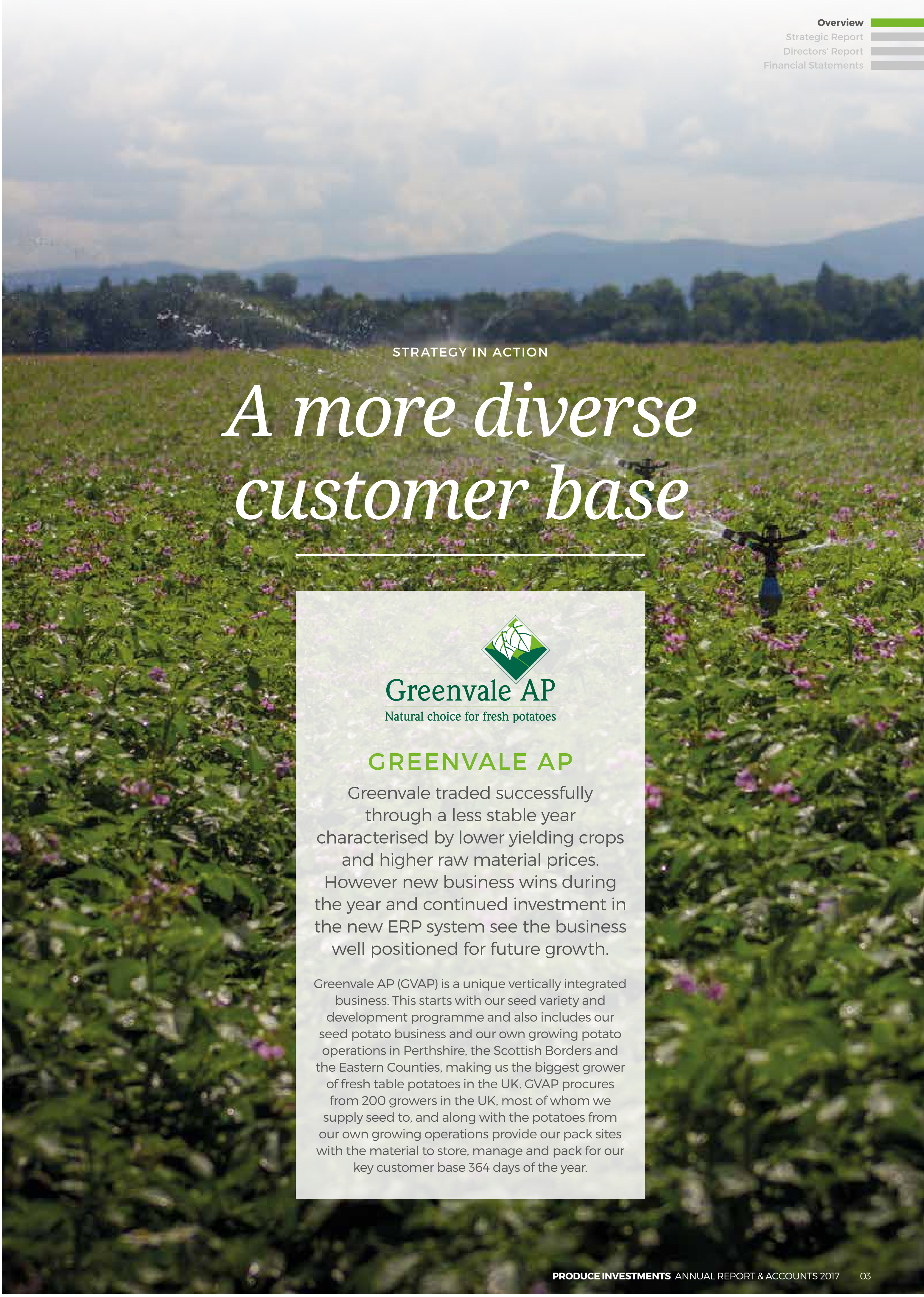
Includes the seed business, Restrain Company Limited and direct trading, and accounts for 19.3% of Group revenues. The seed business exports circa 25% of total production. The proportion of revenues for Restrain from overseas were similar to last year, being circa 70% of total.

GEOGRAPHIC DIVERSITY

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 complement and add strength and diversity to the Group. In addition circa 25% of our seed revenues come from overseas, and sales of Restrain, our ethylene storage and ripening business, are growing outside the UK.



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
7. Linwood Crops



STRATEGY IN ACTION

A more diverse customer base

Greenvale AP
Natural choice for fresh potatoes

GREENVALE AP

Greenvale traded successfully through a less stable year characterised by lower yielding crops and higher raw material prices. However new business wins during the year and continued investment in the new ERP system see the business well positioned for future growth.

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.

CHAIRMAN'S STATEMENT

A strong finish from a difficult start

The Group ended on a high in a year of two halves. I am pleased to report a strong performance in the second half of our financial year, confirming the effectiveness of our strategic approach and the success of the diversified business model we have developed in our established produce operations.

RESULTS

As we anticipated in the interim report, the second half saw a much improved trading result as we began to recover higher raw material costs in our core Greenvale potato business, enjoyed a strong season for Jersey Royals and started to realise the benefits of our new ERP system. This has delivered a Group operating profit before exceptional items for the year of £8.4m (2016: £9.2m), in line with our expectations, and a profit before tax of £6.6m (2016: £3.5m) despite the increased loss before tax of £1.0m (2016: loss £0.2m) reported in the first half.

DIVIDEND

The Board recommends an increased final dividend of 5.026 pence per share (2016: 4.88 pence). Together with the interim dividend of 2.44 pence per share (2016: 2.44 pence) paid in April, this makes a total dividend for the year of 7.466 pence (2016: 7.32 pence), a rise of 2.0%. Subject to the approval of shareholders at the Annual General Meeting (AGM), the final dividend will be paid on 5 December 2017 to ordinary shareholders on the register at the close of business on 3 November 2017.

BOARD CHANGES

I will be retiring at the AGM on 29 November 2017, as will Non-Executive Director (NED) Sean Christie. Having served two full three-year terms, Senior independent NED Sir David Naish will also be retiring by rotation. Barrie Clapham will resume the position of Chairman on an interim basis as the Group commences a recruitment process to find a more permanent successor. Liz Kynoch will continue in her role as NED, as will Robert Johnston, the principal representative of the Jerry Zucker Revocable Trust, the largest shareholder in the Group, who joined the Board as NED on 9 June 2017. The Board will continue to work in a sustainable way to deliver incremental shareholder value over the longer term.

STRATEGY

Following the restatement of the Company Strategy at the interims in March, the Board has decided to revert to the original strategy of growing the business through strategic acquisitions of quality businesses that offer synergies and product or customer diversification. At the same time we will continue to explore and fund the organic growth opportunities of the subsidiary companies.

PEOPLE

On behalf of the Board, I would like to express sincere thanks to all our employees for their hard work in delivering these results, and for their continuing commitment to ensuring we provide our customers with products and service of the highest quality. Maintaining and improving these high standards is key to our future success.

OUTLOOK

Looking to the year ahead, harvest is now progressing, although with the majority of the potato crop still in the ground, favourable weather is required during October to see the harvest safely secured. Assuming harvest proceeds as it should, an increase in the planted area will see a gross crop yield that will exceed demand and therefore deflate raw material prices. A solid start to the year sees trading in line with forecast and the new business gains, and new contractual arrangements with established customers give us much enhanced visibility on both volume and margins in our core retail potato business. We are achieving improved efficiencies in our two fresh potato processing sites, and anticipate further significant efficiency benefits from the implementation of our

new ERP system. All this allows us to feel confident in the Group's ability to achieve good progress during the current year.

As a business predominantly growing and selling produce in the UK, our principal concern about Britain's withdrawal from the EU is ensuring the continued availability of high quality seasonal labour. While we have encountered no difficulties in recruitment to date, and return rates of seasonal staff remain high, clear direction from the Government is required to ensure a Brexit agreement that maintains access to this essential resource.

The Group continues to generate cash and we are well placed to continue our well-established and proven strategy of widening both our product range and customer base within our existing produce operations, and to exploit other opportunities for profitable acquisitions as these arise.

Neil Davidson
Chairman
27 September 2017

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.

OUR STRATEGY

Providing a strong platform for development

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.

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

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.

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.

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

2015
Site rationalisation programme closes two packing sites

2016
Incorporation of Linwood Crops Ltd

STRATEGY IN ACTION

Rebuilding with confidence

Swancote Foods
The Natural Choice for Prepared Potato Products

SWANCOTE FOODS

Investment in a new management structure and an ongoing focus on improved processes and efficiencies.

With investment in new cooking and detection equipment, and the installation of a third production line, Swancote Foods now supplies a broader portfolio of products to an expanded customer base. While Swancote still offers it's unique cooked-additive free product range, it has moved into the raw peeled sector in response to the demands of the market-place. This move has seen the customer base expand and sees the business well positioned for further new business wins.

CHIEF EXECUTIVE'S REPORT

Strength in diversity

Diversification, investment, new business gains and strengthened customer relationships have all helped us to overcome the significant challenges posed by rising raw material costs and continuing intense price competition in the UK retail market place.

FRESH

Our core potato business, accounting for circa 78% of Group revenues during the year (2016: circa 78%), traded successfully through a less stable year, characterised by lower crop yields, resulting in higher raw material costs and retail price deflation. Although the planted area for UK potatoes increased by just over 4% in the 2016 harvest, below average yields resulted in a 4% reduction in the total crop to 5.22m tonnes (2015 harvest: 5.43m tonnes). With demand outstripping supply throughout the year, input costs remained consistently high. However, Kantar World panel data for the fresh retail potato market showed a decline in market value of 3.5% during the year, on relatively static volumes, reflecting the continuation of intense competition in the supermarket sector.

We have benefited from our strategic approach in this challenging market, securing increased volumes with a major retail customer for a fixed period of three years through the adoption of a more collaborative and transparent approach to supply chain management. This has delivered improved efficiencies for both parties. We are also pleased to announce that we have won a third mainstream retail account, again for an initial fixed period of three years. Sales into the non-retail sectors of foodservice and wholesale also showed good growth during the year, and the launch of Linwood Crops at the start of the year as a subsidiary trading division will support further growth in these sectors.

Following completion of our packing site rationalisation programme in 2015, we now operate two efficient facilities in Scotland and Cambridgeshire, both of which are very well placed for both the major UK potato growing areas and distribution channels. We have continued to drive productivity through investment in these sites, which accounted for a significant proportion of the Group's operational capital expenditure during the year of £4.8m (net of Peacock farm packing facility acquisition) (2016: £3.7m).

We have also continued our investment in IT, following the successful transition in 2015 from in-house servers to a cloud-based external provider, thereby reducing the risk of business disruption and improving our contingency planning and disaster recovery capability. The focus this year has been on the installation of our new ERP system which, as noted in the interim report, resulted in some additional costs during a longer than expected implementation process. The roll-out across both our UK packing sites has now been completed and we are pleased to report that it has bedded in well, and that the expected planning and process efficiencies are starting to be realised.

Our growing arm had a successful year, benefiting from higher raw material prices. The increased order book in our fresh packing business also drove higher

FROM SEED TO TABLE

An illustrative timeline

1. The growing cycle starts with top quality seed production nearly 12 months in advance.
2. Planting of the ware crop takes place from February to April.
3. It takes about seven months to grow a field of main crop potatoes. The crop is sprayed to control weeds and guard against pests. The crop requires a lot of water to help it grow.
4. From June to September the crop is harvested into wooden boxes and taken to the farm.
5. The crop is quality controlled by eye to remove any unwanted potatoes before packing.
6. Nearly 250,000 tonnes of potatoes are distributed every year.

demand for seed, delivering a strong performance by our seed division. Our varietal development programme in this division continues apace, and we have a strong pipeline of new potato varieties coming through to market.

Our Cornish business of Rowe has had an average year growing, picking and marketing daffodils in a season that extends from late December to late April. Unfortunately rapid crop development resulted in an early harvest which compromised sales opportunities. Expansion of our production area has given us the opportunity to serve an extended customer base, enabling us to secure a number of new business wins during the year. In addition to daffodils, Rowe Farming also grows and supplies early potatoes from Cornwall, and made a successful start to the 2017 season.

Following a good and uninterrupted planting season, and subsequent favourable growing conditions, Jersey produced an excellent crop of new potatoes in 2017. Strong UK demand from the launch of the crop in late April into June ensured an equally successful sales season, and the performance of the business was further enhanced by our continued focus on cost control and efficiency gains.

PROCESSING

Our potato processing business has continued its recovery, benefiting from a new management structure and an ongoing focus on improved processes and efficiencies. We have invested in new cooking equipment and detection technology, extended our product range into the raw peel sector and gained new business as a result. The performance of the business was much improved in the closing months of the year and we are about to install a third production line in the factory to keep pace with growing demand.

OTHER

Our storage and ripening technology business enjoyed a better year, with recovery in two core markets. In addition, new member state chemical approvals within the EU have enabled Restrain to achieve a significant increase in its territorial reach within the last few months, giving solid grounds for optimism about its prospects in the year ahead.

FINANCES

The business remains cash-generative. An increase in net debt to £28.0m (2016: £18.1m) at the year end principally reflects our purchase during the year of a packing facility (land and buildings) in Jersey for £6.1m (cash), as well as higher stock valuations and increased trade receivables. Following the closure of Greenvale's Kent packing facility in December 2015 we have removed all plant and machinery from the buildings and are confident that the sale of the site is now nearing completion.

PROSPECTS

The indications are that the planted area of potatoes in the UK has increased by approximately 4% for the second successive year. A timely planting season has been followed by variable growing conditions, and current predictions are for a 2017 crop that is of average yield and quality. If this proves to be accurate, it could deliver a gross yield as much as 9% greater than in 2016 at around 5.7m tonnes. This would usually indicate that we will have a season with more moderate raw material pricing compared with the 2016/2017 season.

The diversity of our core business has delivered real benefits during the year under review. This proven model, the new retail business we have secured and the more transparent arrangements we have agreed with established customers, all give us increased confidence in our ability to achieve profitable growth in our established produce operations in the years ahead.

Angus Armstrong
Chief Executive Officer
27 September 2017

STRATEGY IN ACTION

A good solid performance

RESTRAIN
Company Ltd.

RESTRAIN

Turnover and profits have increased due to a recovery in core markets supported by additional regulatory approvals by EU member states.

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.

STRATEGY IN ACTION

A more challenging year

ROWE FARMING

Rapid crop development resulted in an early harvest which comprised sales opportunities. Sales volume and value did increase during the year, as did costs.

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).

STRATEGIC REPORT

A year of two halves

The Directors present their report and financial statements of Produce Investments plc for the 53 weeks ended 1 July 2017. The current period was 53 weeks compared to the prior period of 52 weeks. References in this document to current and prior year refer to 53 weeks (2017) and 52 weeks (2016), respectively.

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 content with the solid performance of the Group in the year to 1 July 2017. Despite the difficult trading, high raw material costs and low yielding crop through the first half of the year, the Group, as forecast, recovered well and delivered one of its strongest six-month periods ever. Operating profit before exceptional items of £8.4m compared to £9.2m in the previous year, a decrease of 9.1%. However, the second half of the year was significantly ahead of the same period last year, delivering £8.1m vs £5.8m, an increase of 40.7%. As reported during the half year results, trading in the second half recovered the majority of the high raw material costs through the pricing arrangements with our key customers. Profit before tax was £6.5m, an 88% increase vs the prior year (£3.9m). Profit before tax in the current year includes an exceptional charge of £1.0m announced at the half year. The exceptional items are the write off of suspense accounts identified by the business within legacy ERP systems (£0.5m), the shutting down of an animal feed plant at the Group's Swancote site (£0.3m) and impairments arising from assets in the fresh business (£0.2m).

Revenue came in at £200.1m up 8.1% vs the prior year (2016: £185.1m), primarily on the back of increased selling prices driven by the high cost of raw material. Cost of Goods sold at £128.7m was up 11.8% on the back of the raw material cost and retailer pack size mix.

Working capital, viewed as Inventories, Biological assets, Trade receivables, and Trade payables has increased from £35.6m (2016) to £40.9m, (15%). Working capital has risen mainly as a result of the high priced raw material, however, extended customer terms have also contributed to this increase.

Property, plant and equipment is up £5.8m to £39.9m, primarily as a result of the Peacock Farm purchase on Jersey. Intangible assets are £15.6m at the year end; consistent with the prior year, the Directors have performed an impairment test on both Rowe Farming and Swancote Foods (detailed in Note 13). The Directors are content with the carrying values based on the testing performed. However, this will require both businesses to show some improvement in financial performance compared with the current year.

Net debt increased to £28.0m (2016: £18.1m) as a result of the option exercised on Peacock Farm (£6.1m) and movements in working capital. The Group continues to generate cash. However operating cash flows in the current period were £3.4m (2016: £9.6m) as a result of increased customer terms, and the higher cost of inventory holding.

Overall, most parts of the Group have performed well in the year. The core business traded successfully in a difficult season; it secured increased volumes and has delivered further efficiencies. Swancote has continued to recover, supported by a new management team and improved processes. Rowe had an average year, extending further our customer base, and the expanded production area has helped support this. Jersey had an outstanding year, higher than average spring and early summer temperatures drove healthy UK demand, and the margin was further supported by continued cost control and efficiencies.

Jonathan Lamont
Director
27 September 2017

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
BREXIT – The impact following the UK's decision to leave the EU is still to be determined. – How the various food safety bodies and agencies interact over the coming months and years may well have an impact on our agricultural base. – Food safety, food crime and bio security will become increasingly important. – Protecting and having access to a flexible and internationally diverse workforce.	– The Group is closely monitoring the negotiations and continues to work closely with the appropriate regulatory bodies and agencies to ensure all opportunities and challenges are equally met. – We believe our established links to our grower base, coupled with our reputation in supplying top quality traceable crop, may actually offer up opportunities in the post-Brexit era. – To date the Group has no issues as we have a high retention and return rate in our two seasonal businesses of Jersey and Rowe Farming. We have a long-standing policy of recruiting directly, offering good terms and favourable working conditions.
INTERRUPTION OR FAILURE OF IT SYSTEMS – Failure to maintain stable business systems in respect of both technical infrastructure platform and operating applications that serve the business requirements.	– The Group has recently invested heavily and taken the decision to outsource its hardware 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 are in place at both third party provider and on-site. – Experienced internal and external support for hardware and external support available for operating systems.
CYBER CRIME – Failure to adequately protect the business from cybercrime. – At present, the Group's main exposure to cybercrime is 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 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 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 multi-vendor scan before being allowed into our network. – 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.

RISK/UNCERTAINTY	MITIGATION
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 operations, 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 models with our core retail customers' means we are more aligned to prevailing market conditions in any given season, 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.
STAFF RECRUITMENT, DEVELOPMENT AND RETENTION – Our people are our biggest asset are 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.
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 ongoing dialogue with existing and potential funders to ensure that appropriate levels of funding are available based on the current market conditions. – 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. – For significant debts 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.	– The 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 models with our 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.

Further details of financial risk applicable to the Group are disclosed in Note 26 of the financial statements.

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 monitored by the Board is the Group operating profit. This enables the Board to monitor overall segment profitability. Profitability by segment is disclosed in the accompanying financial statements (Note 4). Profitability of the business is considered further in the review of the business at the start of the Strategic Report.

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

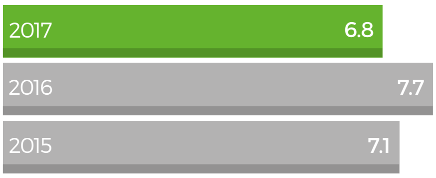
- **Volume of potatoes sold:** overall total volumes have dropped slightly (2%). The change of retailer mix has contributed towards this; however, we are expecting to see a good uplift going into the 2017/18 season as we are on board for a full year with the new customer base.
- **Yield %:** the Group 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 further, up 0.9%, primarily on the Group's ability in managing crop usage.
- **Man hours per tonne:** the Group monitors the number of worked hours to pack fresh potatoes and this showed an adverse movement for the year, 6.19 hours per tonne for 2017 vs 5.30 hours per tonne, due to the last three months uplift in labour behind the full year increased volumes of two key customers. We expect this to stabilise and decrease throughout the coming period.

Approved on behalf of the Board

Jonathan Lamont
Director
27 September 2017

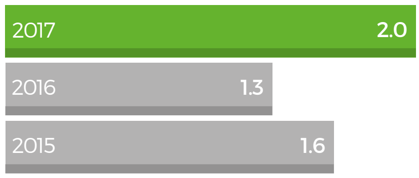
ADJUSTED EBITDA MARGIN (%)

Adjusted EBITDA margin is operating profit from continuing operations before any exceptional items expressed as a percentage of total revenue. High seasonal prices have impacted the overall EBITDA margin.

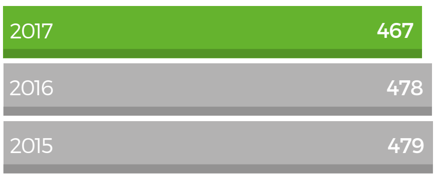


NET DEBT TO ADJUSTED EBITDA (TIMES)

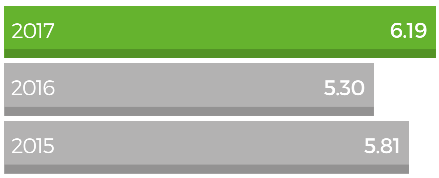
This ratio is calculated as net debt divided by adjusted EBITDA. This measure is also the leverage measure used by the bank as a covenant compliance measure and is required to be below 2.5 times.



VOLUME OF POTATOES SOLD ('000 TONNES)



MAN HOURS PER TONNE



STRATEGY IN ACTION

A year of further growth

The Jersey Royal Company

THE JERSEY ROYAL COMPANY LIMITED

Favourable weather has driven UK demand leading to increased sales and revenues.

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.

Conducting business with integrity and respect to human rights

Our vision is to improve our position as a leading supplier in the UK fresh potato and daffodil market, retaining our unique customer diversity and improving the efficiency of everything we do by 2020.

OUR VISION

Our vision will be achieved by acquiring quality businesses that offer synergies and product and/or customer diversification and funding the organic growth strategies of the groups' subsidiary companies.

We will continue to work towards this in line with our core values and our Corporate Social Responsibility (CSR) Vision.

PRODUCE INVESTMENTS AND CSR

In order for a CSR Policy to be successful we believe it must be aligned with our core values and be incorporated into the way we operate as a business day-to-day. By considering the wider social and environmental impacts of our actions we can make better decisions to ensure the long-term sustainability of Produce Investments. We are determined to continue improving and exceeding expectations and see CSR as an integral part of that as we move forward.

OUR CSR VISION

Our CSR vision is to continue to demonstrate our commitment to the environment, our people and the community, whilst working towards our company's vision in line with our core values. In order to achieve this we have identified four key areas of focus:

- Our Environment
- Responsible Sourcing and Ethical Trading
- Our People
- Group companies in the local community

Our policy is continuously monitored and reviewed to remain current and effective.

OUR ENVIRONMENT

We take great pride and responsibility in the way we mitigate our environmental impact.

Greenvale AP Ltd

Over our 40 years of trading we have always been environmentally proactive and innovative. This is currently represented by our ISO14001 certified Group Environmental Policy and Management System, coupled with our group companies own environmental strategies. Our award winning* Green20 aims to continue Greenvale's environmental success, striving to achieve the following targets by 2020:

- Reduce water volumes by 35%
- Reduce carbon emissions by 30%
- Send no waste to landfill
- Generate 35% of Group electricity from renewable sources

* Greenvale received the Manufacturer of the Year Award at the Business Green Leaders Awards in June 2017 for its Green20 Environmental Plan.

Our Growers
Across all of our group companies, including Greenvale AP, Rowe Farming Ltd and the Jersey Royal Company, our growers are environmentally aware, producing natural, healthy potatoes with nature in mind.

RESPONSIBLE SOURCING AND ETHICAL TRADING

At Produce Investments, we want to source local British produce and trade with the highest integrity and ethical standards. We aim to create a culture of responsibility and fairness throughout our supply chain. This facilitates our commitment to ensuring everyone involved in producing our products work in conditions that meet or exceed the Ethical Trading Initiative Base Code and the International Labour Organisation Conventions.

Modern Slavery
Our first Modern Slavery Statement was published in September 2016 and outlined the key steps taken by all group companies to help ensure the risk of exposure to Modern Slavery activities is minimised.

OUR PEOPLE

We recognise and value the contribution of everyone who is involved with ensuring we keep producing a high quality product and service. We are committed to improving and developing all members of our team, as well as creating an engaging workplace culture that is fair, safe and recognises hard work and success.

Health & Safety
Our aim is not simply to comply with Health & Safety legislation, but to attain higher standards through the adoption of good practice and to achieve industry leadership, as evidenced by our OHSAS 18001 occupational health and safety management accreditation. We are committed to achieving a safe and healthy working environment for all people that are affected by our work activities, and promote the company as a responsible employer.

Learning and Development
We invest heavily in both the personal and professional development of our people; this facilitates continued excellence in what we do. Within our group companies we aim to bring individuals together with the sharing of knowledge, skills and experiences, whilst focusing on key areas of business and developmental needs.

Engagement
We continuously aim to exceed the expectations of our employees, as we believe a happy and motivated workforce is an efficient and productive one. Examples of employee engagement within the group include quarterly meetings, a Group Intranet set, The Produce Times (own company newspaper), whistleblowing service, and an Employee Engagement Survey – "Your Voice".

Benefits
We offer a range of benefits to our employees; this is in recognition and reward for the continued hard work of everyone involved.

Gender Pay Gap
Greenvale AP Ltd and Rowe Farming Ltd were amongst the first ten companies in the UK to publish their reports on The Gender Pay Gap. The key data was published in June and July 2017 respectively, which is outlined on their individual websites.

PRODUCE INVESTMENTS IN THE LOCAL COMMUNITY

We recognise the difference we can make within our local communities by providing jobs, services and supporting various charities and causes. We rely on local communities supporting us and we believe it has to be a mutually favourable relationship.

Our group companies initiate and support community investment and educational programs. We support local charities and education as well as continuing to employ from the communities around our sites across the U.K.

Charities supported this year have included:

GroceryAid FareShare FACET

DIRECTORS' REPORT

Board of Directors

1. NEIL DAVIDSON
NON-EXECUTIVE CHAIRMAN

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 in October 2015, joined the Board of Morrisons as a Non-Executive Director where he is Chairman of the Corporate Compliance and Responsibility Committee and is a member of the Audit, Nomination and Remuneration Committees.

Neil will retire from the Board at the AGM.

2. 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.

Sir David will retire from the Board at the AGM.

3. 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.

4. JONATHAN LAMONT
FINANCE DIRECTOR

Jonathan joined Produce Investments in July 2016, coming from a large privately owned agri-food conglomerate in Sub Sahara East Africa.

Prior to this he held a number of senior leadership roles within Kraft, including Director M&A Europe. Previously he was with Wrigley based in Munich at their EMEAI HQ where he held Senior finance leadership roles covering key international markets and EMEAI manufacturing.

5. SEAN CHRISTIE
NON-EXECUTIVE DIRECTOR

Sean Christie has held a number of Senior Executive and Non-Executive positions. He is currently a Non-Executive Director of Accsys Technologies plc, Applied Graphene Materials plc and of Turner & Townsend Limited. Previously Sean was Finance Director of Croda International plc from 2006-2015 and, prior to that, he was Group Finance Director of Northern Foods plc. Sean also served as a Non-Executive Director at KCOM Group plc until 2007 and of Cherry Valley Farms Ltd until its sale in 2010. Sean will become Chairman of the Audit committee.

Sean will retire from the Board at the AGM.

6. LIZ KYNOCH
NON-EXECUTIVE DIRECTOR

Liz Kynoch runs a portfolio of Non-Executive and advisory roles following a career in retail and manufacturing. Liz was formerly Group Technical & Trading Law Director at Tesco plc. Previously Liz was Technical Director at Safeway plc and prior to that was Technical and R&D Director at Express Dairies plc, having originally started her career at Marks & Spencer.

7. BARRIE CLAPHAM
NON-EXECUTIVE DIRECTOR

Barrie began his working career developing businesses in property finance and in 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. Barrie is a former Director and Chairman of the Company, having held that position from the Company's inception in 2006 until its AGM in November 2016, when he stood down after serving two five-year terms as Chairman.

8. ROBERT JOHNSTON
NON-EXECUTIVE DIRECTOR

Robert Johnston was appointed to the Board in 2017. He is Chief Strategy Officer with The InterTech Group, Inc. in South Carolina, USA which manages a diverse group of businesses, including a number of strategic investments in various public companies. He is a director and former director of several businesses, including a number of listed companies in the UK, US and Canada.

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The retained profit after tax for the period was £6,095,000 (2016: £3,315,000).

Basic earnings per share were 22.43 pence (2016: 11.97 pence). Diluted earnings per share were 21.42 pence (2016: 11.60 pence). Adjusted earnings per share were 25.90 pence (2016: 28.36 pence) and adjusted diluted earnings per share were 24.72 pence (2016: 27.48 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 5.026 pence per ordinary share which together with the interim dividend, represents 7.466 pence per ordinary share. This is subject to approval at the Annual General Meeting and if approved will be paid on 5 December 2017 to ordinary shareholders on the register at close of business on 3 November 2017. Ordinary shares will go ex-dividend on 2 November 2017.

DIRECTORS

The following Directors have held office during the period and subsequently:

A Armstrong
A Bambridge (resigned 28 October 2016)
R B Clapham (resigned 28 October 2016) (reappointed 9 June 2017)
S Christie (appointed 28 October 2016)
N Davidson
M Jankowski (resigned 28 October 2016)
R Johnston (appointed 9 June 2017)
L Kynoch (appointed 28 October 2016)
J Lamont (appointed 1 January 2017)
B Macdonald (resigned 1 January 2017)
Sir D Naish
D Porter (resigned 28 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
Jerry Zucker Revocable Trust	6,897,136	25.4
Mr Ronald Barrie Clapham	5,928,059	21.9
Downing LLP	1,800,654	6.6
Ruffer	1,400,000	5.2
Killik Stockbrokers	956,969	3.5

RESEARCH AND DEVELOPMENT

Research 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 to provide its employees with information on a regular basis 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/equipment or the provision of alternative employment.

CORPORATE GOVERNANCE

The Directors recognise the value and importance of high standards of corporate governance.

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. Sean Christie 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. 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.

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

Jonathan Lamont
Director
27 September 2017

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)
- Liz Kynoch
- Neil Davidson

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 vs 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 £90,000. 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 for Liz Kynoch and Sean Christie are £40,000 and £45,000, respectively, with Sean Christie receiving an additional £5,000 annum for chairing the Audit Committee. Fees are still to be agreed with Rob Johnston and Barrie Clapham who joined the Board on 9 June 2017.

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 (other than the Chairman) 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 £210,000
- Jonathan Lamont £175,000

(ii) Bonus Plan

The maximum potential bonus payable to Executive Directors for the 2016/17 financial year is capped at 100% 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 Long-Term Incentive Plan (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.

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
Jonathan Lamont	1 January 2017	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 six months. 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:

Neil Davidson	29 June 2015, appointed Chairman 28 October 2016
Sir David Naish	20 September 2010
Sean Christie	28 October 2016
Liz Kynoch	28 October 2016
Barrie Clapham	9 June 2017
Rob Johnston	9 June 2017

DIRECTORS' EMOLUMENTS

	Salary/Fees £000's	Bonus £000's	Benefits £000's	Pension £000's	Total £000's
Angus Armstrong	206.5	60.9	15.3	–	282.7
Brian Macdonald*	101.5	29.8	6.4	–	137.6
Jonathan Lamont**	88.4	–	5.2	–	93.6
Neil Davidson	73.7	–	–	–	73.7
Sir David Naish	45.0	–	–	–	45.0
Sean Christie	30.4	–	–	–	30.4
Liz Kynoch	27.0	–	–	–	27.0
Barrie Clapham	21.3	–	–	–	21.3
Tony Bambridge	14.6	–	–	–	14.6
Derek Porter	6.3	–	–	–	6.3
Michael Jankowski	5.0	–	–	–	5.0

This is the remuneration receivable in their capacity as Directors for the year ending 1 July 2017.

* Brian Macdonald retired 31 December 2016.
** Jonathan Lamont was appointed 1 January 2017.

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 1 July 2017 are shown below:

	As at 1 July 2017	As at 25 June 2016
Executive Directors		
Angus Armstrong*	**383,790**	383,790
Jonathan Lamont	**–**	–
Non-Executive Directors		
Barrie Clapham (Chairman)**	**5,928,059**	6,322,015
Sir David Naish***	**7,000**	7,000
Neil Davidson****	**130,400**	–
Liz Kynoch	**–**	–
Sean Christie	**–**	–
Robert Johnston*****	**2,500**	–

* Mr Armstrong's shares are held through his spouse.
** Mr Clapham's shares are held in his own name.
*** Sir David Naish's shares are held in his own name.
**** Mr Davidson's shares are held in his own name.
***** Mr Johnston's shares are held in his own name.

OUTSTANDING SHARE OPTION AWARDS

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

	25 June 2016 Number	Granted Number	Exercised Number	1 July 2017 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
Neil Davidson	–	454,545	–	454,545	£0.01	28.10.2016	*

* Mr Davidson's options include market conditions and have not yet vested. In event all conditions are met the options will expire on 28 October 2026.

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.

This graph shows the total shareholder return of Produce Investments plc from the 26 June 2016 to 1 July 2017 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
27 September 2017

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' and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

In preparing each of the Group and company 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. for the Group financial statements state whether they have been prepared in accordance with IFRS as adopted by the EU, and for the Company financial statements state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company 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 the Company 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRODUCE INVESTMENTS PLC

OPINION

We have audited the financial statements of Produce Investments plc (the 'parent company') and its subsidiaries (the 'Group') for the 53 weeks ended 1 July 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement, the Company balance sheet, the Company statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. 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, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)'.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 1 July 2017 and of the Group's profit for the period 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.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Biological assets (Note 5)

The Group has significant biological assets of £21.0m. The Group applies IAS 41 'Agriculture' to account for these assets which requires the assets to be measured at their fair value less cost to sell. The valuation of these biological assets is inherently judgemental because:

- the biological assets are growing within the ground at the balance sheet date and therefore management have to estimate the quantity of biological assets; and
- the estimation of fair value less cost to sell involves judgement in determining both likely selling prices and also costs to sell.

Due to the degree of estimation and judgement involved in the valuation of biological assets, there is a significant audit risk that there may be a material error in the calculations provided by management.

Management provided us with an analysis of the biological assets held by the Group by business, together with their calculation of fair value less cost to sell. We performed audit work for each business and for each type of biological asset (being potatoes and daffodil bulbs) as follows:

– Discussed the basis of the valuation with management, and compared it with the valuation performed in the prior year to identify any major changes in approach or input assumptions.
– Considered the nature of the produce to ensure that we were satisfied that the asset should be recognised as a biological asset.
– Compared the valuation methodology used with the requirements of IAS 41 and IFRS 13 'Fair Value Measurement' to ensure that the valuation presented was technically compliant with these standards.
– Compared the assumptions used to estimate the quantity of biological assets to a range of non-financial information, depending upon the specific nature of each business. This included planting records, harvest records (where biological assets have been harvested after the balance sheet date), land registers showing specific areas currently farmed by the Group and historic yields achieved in previous periods where relevant.
– Compared selling price assumptions to actual sales or purchase transactions that had taken place around or after the balance sheet date or, in the case of seed potatoes, by reference to similar seed potato sales in previous seasons.
– Compared cost to sell assumptions to the actual costs incurred in the current year within the relevant business.

Given the degree of estimation, we aggregated both factual and judgemental differences that our work identified and considered these within the context of our overall audit.

Impairment of intangible assets (Note 13)

The Group has intangible assets of £15.6m at the balance sheet date and management have performed an impairment test on this balance. Impairment testing requires management to identify appropriate cash-generating units (CGUs), identify the carrying amount of the CGU and to determine the value in use of the CGU through performing net present value calculations.

Impairment testing involves a significant degree of judgement due to the level of estimation involved in estimating the likely future performance of the business. A material amount of goodwill relates to the processing CGU (also referred to as Swancote Foods) and to Rowe Farming. Given the performance of these businesses during the year, we identified that there was a significant audit risk that these CGUs might be impaired and that a material adjustment to carrying amount might be necessary.

Management provided us with an impairment test for each CGU detailed in Note 13. We performed audit work on these tests as follows:

– Agreed the carrying amount of the CGU to underlying records at 1 July 2017.
– Checked the arithmetical accuracy and methodology behind the calculation of the value in use of the CGU.
– Compared the calculation of the discount rate used in the value in use calculation to a range of discount rates that we consider appropriate for the Group.
– Checked the calculation of free cash flow to ensure that appropriate adjustments were made for capital expenditure and working capital.
– Considered the forecasts used in the calculation of value in use, and compared them with historic results and future forecasts. We discussed these forecasts with management and challenged key assumptions, requesting supporting evidence where available.

Based on this work, we formed our own view as to the likelihood of future forecasts being achieved and discussed with management the key issues and sensitivities relating to the forecasts. We then focused on ensuring that the disclosures made in Note 13, particularly with regard to sensitivity, adequately described those key assumptions that might possibly change and result in impairment.

OUR APPLICATION OF MATERIALITY

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £1,800,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit scope included all components and was performed to component materiality. Our audit work therefore covered 100% of Group revenue, Group profit and total Group assets and liabilities. It was performed to the materiality levels set out above.

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

- adequate accounting records have not been kept 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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.

Michael Thornton (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG
27 September 2017

CONSOLIDATED INCOME STATEMENT

FOR THE 53 WEEKS ENDED 1 JULY 2017

	Notes	2017 £'000	2016 £'000
Continuing operations			
Revenue	4	**200,130**	185,102
Cost of sales	7	**(128,681)**	(115,036)
Gross profit		**71,449**	70,066
Administrative and other operating expenses	7	**(63,076)**	(60,852)
Operating profit before interest, tax, exceptional items and dividends		**8,373**	9,214
Exceptional Items	7	**(1,007)**	(4,635)
Operating profit		**7,366**	4,579
Finance costs	6	**(867)**	(1,107)
Finance income	6	**17**	13
Share of profit of associate	3	**62**	11
Profit before tax		**6,578**	3,496
Income tax expense	9	**(483)**	(181)
Profit for the period		**6,095**	3,315
Attributable to:			
Equity holders of the parent		**6,046**	3,211
Non-controlling interests		**49**	104
		6,095	3,315
Earnings per share attributable to owners of the parent during the year:			
Basic earnings per share (pence)	10	**22.43**	11.97
Diluted earnings per share (pence)	10	**21.42**	11.60

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 53 WEEKS ENDED 1 JULY 2017

	Notes	2017 £'000	2016 £'000
Profit for the period		**6,095**	3,315
Other comprehensive income:			
Actuarial (loss) in respect of pension scheme	21	**(2,011)**	(1,531)
Deferred tax movement on actuarial loss	9	**180**	196
Current income tax credit on actuarial loss	9	**64**	65
Deferred tax movement on share-based payments	9	**357**	(302)
Other comprehensive income for the period		**(1,410)**	(1,572)
Total comprehensive income for the period		**4,685**	1,743
Attributable to:			
Equity holders of the parent		**4,636**	1,639
Non-controlling interests		**49**	104
		4,685	1,743

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 1 JULY 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets:			
Property, plant and equipment	12	**39,902**	34,084
Intangible assets	13	**15,589**	16,136
Investment in associates	3	**190**	172
Other investments	3	**122**	529
		55,803	50,921
Current assets:			
Inventories	15	**9,663**	8,860
Biological assets	5	**21,006**	19,792
Trade and other receivables	16	**34,469**	30,438
Prepayments		**2,355**	1,640
Cash and short-term deposits	17	**7,749**	742
		75,242	61,472
Assets held for sale	12	**1,250**	1,250
Total assets		**132,295**	113,643
Equity and liabilities			
Equity:			
Issued capital	18	**271**	268
Share premium	18	**21,842**	21,670
Other capital reserves	19	**10,228**	10,228
Retained earnings		**21,349**	18,559
Equity attributable to equity holders of the parent		**53,690**	50,725
Non-controlling interests		**719**	530
Total equity		**54,409**	51,255
Non-current liabilities:			
Interest-bearing loans and borrowings	14	**16,875**	–
Other non-current financial liabilities	14	**544**	849
Deferred revenue	20	**47**	70
Pensions and other post-employment benefit obligations	21	**8,954**	7,268
Deferred tax liability (net)	9	**1,977**	2,838
		28,397	11,025
Current liabilities:			
Trade and other payables	23	**29,624**	31,075
Interest-bearing loans and borrowings	14	**18,912**	18,871
Deferred revenue	20	**53**	88
Income tax payable		**900**	1,329
		49,489	51,363
Total liabilities		**77,886**	62,388
Total equity and liabilities		**132,295**	113,643

The financial statements on pages 32 to 65 were approved for issue by the Board of Directors and signed on its behalf by:

Jonathan Lamont
Director
27 September 2017

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 53 WEEKS ENDED 1 JULY 2017

	Notes	Issued capital (Note 18) £'000	Share premium (Note 18) £'000	Other capital reserves (Note 19) £'000	Retained earnings	Total £'000	Non-controlling interest £'000	Total equity £'000
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 in respect of pension scheme		–	–	–	(1,531)	(1,531)	–	(1,531)
Deferred tax on actuarial loss		–	–	–	196	196	–	196
Current income tax credit on actuarial loss		–	–	–	65	65	–	65
Deferred tax movement on share-based payments		–	–	–	(302)	(302)	–	(302)
Total comprehensive income		**–**	**–**	**–**	**1,639**	**1,639**	**104**	**1,743**
New shares issued during period		1	72	–	–	73	–	73
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**
Profit for the period		–	–	–	6,046	6,046	49	6,095
Actuarial loss in respect of pension scheme		–	–	–	(2,011)	(2,011)	–	(2,011)
Deferred tax movement on actuarial loss		–	–	–	180	180	–	180
Current income tax credit on actuarial loss		–	–	–	64	64	–	64
Deferred tax movement on share-based payments		–	–	–	357	357	–	357
Total comprehensive income		**–**	**–**	**–**	**4,636**	**4,636**	**49**	**4,685**
New shares issued during period		3	172	–	–	175	–	175
Minority interest acquisition		–	–	–	(155)	(155)	155	–
Share-based payment transactions	22	–	–	–	280	280	–	280
Equity dividends paid	11	–	–	–	(1,971)	(1,971)	(15)	(1,986)
As at 1 July 2017		**271**	**21,842**	**10,228**	**21,349**	**53,690**	**719**	**54,409**

FINANCIAL STATEMENTS
CONSOLIDATED CASH FLOW STATEMENT
FOR THE 53 WEEKS ENDED 1 JULY 2017

	2017 £'000	2016 £'000
Operating activities		
Profit before tax from continuing operations	**6,578**	3,496
Adjustments to reconcile profit before tax for the year to net cash inflow from operating activities:		
Depreciation, amortisation and impairment of assets	**5,628**	7,737
Share-based payment transaction expense	**280**	–
Exceptional non-cash write offs	**547**	–
Loss/(Gain) on disposal of property, plant and equipment	**(389)**	38
Finance costs	**867**	1,107
Share of net profit of associate	**(62)**	(11)
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	**(4,746)**	(1,561)
(Increase) in inventories and biological assets	**(2,017)**	(1,590)
(Decrease)/Increase in trade and other payables	**(1,501)**	1,994
(Decrease) in deferred revenue	**(58)**	(67)
Income tax paid	**(1,168)**	(957)
Net cash flows from operating activities	**3,407**	9,634
Investing activities		
Proceeds from sale of property, plant and equipment	**430**	–
Purchase of property, plant and equipment	**(10,953)**	(3,743)
Purchase of intangible assets	**(41)**	(82)
Cashflows arising from purchase of subsidiary	**(301)**	(451)
Net cash flows used in investing activities	**(10,865)**	(4,276)
Financing activities		
Bank loans repaid during period	**(750)**	(3,000)
Invoice finance movement during the period	**9,916**	(1,609)
New bank loans during period	**7,750**	–
Interest paid	**(640)**	(881)
Dividends paid	**(1,986)**	(1,961)
Proceeds from share issues	**175**	73
Net cash flows generated from/(used in) financing activities	**14,465**	(7,378)
Net increase/(decrease) in cash and cash equivalents	**7,007**	(2,020)
Cash and cash equivalents at beginning of period	**742**	2,762
Cash and cash equivalents at end of period	**7,749**	742

FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED 1 JULY 2017

1 GENERAL INFORMATION
Produce Investments plc ('the Company') and its subsidiaries (together 'the Group') is a leading operator in the fresh potato and daffodil sectors. The Group has vertically integrated activities covering seed and bulb development, seed and bulb production, farming, processing/packing and supply of produce 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 financial year represents 53 weeks to 1 July 2017 (prior year 52 weeks to 25 June 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 1 July 2017 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 32 to 65. 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.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 1 July 2017. 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.
- 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 1 July 2017.

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 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers
IFRS 16 Leases
IAS 7 Statement of cash flows

The Group is currently investigating the impact of IFRS 15 and IFRS 16. The Group expects that there will be no material impact on the consolidated financial statements resulting from the implementation of any of the other above standards.

2 BASIS OF PREPARATION (CONTINUED)

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 intangible assets and 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 £21.0m (2016: £19.8m) (see Note 5 for further disclosure).

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 £15.6m (2016: £16.1m) (see Note 13 for further disclosure).

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 £9.0m (2016: £7.3m) (see Note 21 for further disclosure).

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 remeasured to fair value as at the acquisition date through the income statement.

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.

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 fair value, 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.

2 BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

Taxes (continued)

Deferred tax (continued)

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 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 either a Monte Carlo pricing model or Black Scholes option pricing model, depending on the nature of the share option.

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.

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 timeframe 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 and trade and other receivables.

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

From time to time 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 4 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.

The asset held for resale is held at cost less accumulated depreciation and impairment losses. The carrying value currently reflects the expected net realisable value and is reviewed as required.

2 BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

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.
- 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.

Customer relationships

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

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.

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.

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.

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 IAS2 in the same manner as other inventories purchased from third parties.

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 five companies which are classified as associates or other investments and listed below.

Organic Potato Growers (Scotland) Limited – Associate

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:

	2017 £'000	2016 £'000
Share of the associate's statement of financial position		
Current assets	**187**	179
Non-current assets	**544**	528
Current liabilities	**(358)**	(322)
Non-current liabilities	**(170)**	(192)
Equity	**203**	193
Share of the associate's revenue and profit:		
Revenue	**470**	468
Profits	**18**	11
Carrying amount of the investment	**190**	172

A dividend of £nil was received in the year (2016: £nil).

BROP – Investment

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 accounts for its interest in BROP at fair value of £65,000 (2016: £21,000).

Kernow Grain Ltd – Investment

The Group has an investment, valued at fair value of £57,000 (2016: £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.

ABG Biofumigants Limited – Investment

During 2016 the Group established a three-way joint venture in ABG Biofumigants Limited and therefore holds 33.3%. The business is currently dormant.

The Little Spud Company Limited – Investment

During 2017 this entity was incorporated. The Group controls 25% of this newly established enterprise. The business was incorporated on 4 April 2017 and will trade potatoes.

4 OPERATING SEGMENT INFORMATION

Management have determined the operating segments based on the reports utilised by the Directors for making strategic decisions. These are split as follows:

- Fresh
- Processing
- Other

Fresh includes the sites, staff, and assets that grow, source, pack and deliver fresh produce to customers, ranging from large retailers and wholesalers to small private businesses. This covers potatoes, daffodils and bulbs.

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

Other includes all remaining activities of the Group. This comprises of the Greenvale AP Limited potato seed business, Greenvale AP Limited potato trading, where Greenvale acts as an intermediary between the farmer and the end customer, Restrain Company Limited (an ethylene storage and ripening business) and Linwood Crops Limited (a potato trading business).

Management monitors the operating results of each business location 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 costs 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. Assets and liabilities are discussed further below.

Inventory, receivables and payables are managed centrally and balances cannot be easily apportioned between separate segments. Consequently, no segmental analysis of these items is presented.

Operating segment information

53 weeks ended 1 July 2017	**Fresh £000**	**Processing £000**	**Other £000**	**Total £000**
Revenue	**154,853**	**6,554**	**38,723**	**200,130**
Depreciation and amortisation	**(3,041)**	**(1,085)**	**(715)**	**(4,841)**
Other operating costs	**(142,945)**	**(6,957)**	**(37,014)**	**(186,916)**
Operating profit/(loss) before exceptional items, interest and dividends	**8,867**	**(1,488)**	**994**	**8,373**
Costs not allocated:				
Exceptional items				**(1,007)**
Finance costs				**(867)**
Finance income				**17**
Share of profit of associate				**62**
Dividends received				**–**
Profit before tax				**6,578**
Capital expenditure	**(8,832)**	**(409)**	**(2,012)**	**(11,253)**
Development costs	**–**	**–**	**(41)**	**(41)**

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)

Included in Fresh revenues above are daffodil related sales of £8,707,000 (2016: £7,932,000) and potato-related sales of £146,146,000 (2016: £144,437,000).

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 and other investments (Note 3) are not segmented. Such items are managed at Board level and are not integral or specifically linked to the operations of any of the Group segments.

Other non-current financial liabilities all relate to the Fresh segment.

No segmentation is presented in respect of receivables, payables, financing, loans and cash. The Group Financial Control team manages these items independently from the operating segments. The centralised structure of the finance records does not permit an accurate allocation of receivables and payables between segments.

4 OPERATING SEGMENT INFORMATION (CONTINUED)

Segmentation of assets and liabilities (continued)

The asset held for resale is the former trading location of Kent Potato Company Limited. As it is not currently being used for trading purposes it is not included within the segmental split of property, plant and equipment (see below).

Taxation matters are managed by the Group Financial Control 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 Financial Control team coordinates prepayments, accruals and provisions and these are not segmented.

All deferred revenue relates to the 'Other' segment.

Intangible assets

	2017 £'000	2016 £'000
Fresh	**12,312**	12,278
Processing	**3,163**	3,728
Other	**114**	130
Total	**15,589**	16,136

During the year the Directors reviewed the segmental analysis of intangible assets. The Directors identified that certain intangible assets carried as 'Processing' assets, were actually being supported by 'Fresh' segment customers. This has been the case since the acquisition of Swancote Foods processing business. Given the challenges faced by Swancote Foods over the past two years and the importance of identifying any impairment risks (see Note 13), the Directors reviewed the intangible assets acquired with Swancote Foods and allocated them between Processing and Fresh, in line with the benefits that were expected to accrue from that acquisition. Consequently, the Directors have reallocated £4,992,000 from Processing to Fresh, representing the goodwill that was considered to be covered by Fresh business opportunities arising from the acquisition of Swancote Foods. This reallocation has been made in both the current and the prior year segment split.

Property, plant and equipment analysis

	2017 £'000	2016 £'000
Fresh	**27,510**	22,395
Processing	**2,128**	2,570
Other	**5,224**	3,719
Unallocated	**5,040**	5,400
Total	**39,902**	34,084

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

Geographical information

Revenues from external customers

	2017 £'000	2016 £'000
UK	**192,852**	179,615
Other EU countries	**3,031**	2,599
Rest of the world	**4,247**	2,888
Total revenue per consolidated income statement	**200,130**	185,102

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:

	2017 £'000	2016 £'000
Customer 1	**56,364**	74,741
Customer 2	**41,453**	37,520

5 BIOLOGICAL ASSETS

	2017 £'000	2016 £'000
Opening value of biological assets	**19,792**	19,379
Biological assets acquired	**–**	780
Harvested potatoes transferred to inventories	**(13,857)**	(19,852)
Harvested daffodil bulbs transferred to inventories	**(1,078)**	(350)
Changes in fair value	**116**	760
Growing costs invested in the crop	**16,033**	19,075
Closing value of biological assets	**21,006**	19,792

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 for potatoes 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.
- Daffodil bulb yields 6-20 tonnes per acre.

Certain biological assets are consumed and replanted as part of the Group's farming strategy (seed potatoes and daffodil bulbs). The determination of the selling price for these assets involves more estimation, but the Directors are satisfied that suitable active market prices are used in their valuation.

The biological assets represent the following:

- Crops of partially grown potato plants at each reporting date (£9.5m).
- Bulb stocks which may remain in the ground for between one and eight years, from which daffodils will grow at certain times of the year, which will be dormant for the rest of the year (£11.5m).

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 4,500 and 7,500 acres with potato seed 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 2,000 and 2,500 acres of bulb stocks, of which 150 to 350 acres are harvested and replanted each year. These biological assets provide daffodils for sale, bulbs for replanting and bulbs for sale. Financial risk is consistent with potato crops (see above). Given that 1,650-1,850 acres are ordinarily expected to remain in the ground for greater than one year, the value of bulbs which are not current assets is estimated to be £8.5m-£10.5m.

The fair value, less costs to sell, of produce harvested from biological assets during the period was £13,857,000 (2016: £19,852,000).

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 £1,500,000 (2016: £1,300,000) in respect of developing or acquiring biological assets. This represents land rents and planting costs payable during the remainder of the growing cycle.

5 BIOLOGICAL ASSETS (CONTINUED)

Growing potatoes

	2017	2016
Acres planted at the end of the year	**3,614**	4,588
Harvested produce in the year (tonnes)	**75,225**	62,957
Expected average selling price (£/tonne)	**515**	552
Expected saleable yield (tonnes/acre)	**15**	16

Growing daffodil bulbs

	2017	2016
Acres planted at the end of the year	**2,209**	2,057
Harvested produce in the year (tonnes)	**2,047**	3,491
Expected average selling price (£/tonne)	**490**	490
Expected saleable yield (tonnes/acre)	**13.5**	13.5

6 FINANCE COSTS AND FINANCE INCOME

Finance costs

	2017 £'000	2016 £'000
Interest on bank loans and other finance costs	**640**	881
Net interest on pension obligations	**227**	226
Total finance costs	**867**	1,107

Finance income

	2017 £'000	2016 £'000
Interest receivable	**17**	13
Total finance income	**17**	13

7 ANALYSIS BY NATURE OF ITEMS INCLUDED IN THE CONSOLIDATED INCOME STATEMENT

	2017 £'000	2016 £'000
Revenue	**200,130**	185,102
Cost of inventories recognised as an expense	**(107,704)**	(95,367)
Consumables	**(8,415)**	(8,074)
Other external charges and direct sales costs	**(12,562)**	(11,595)
Gross profit	**71,449**	70,066
Staff costs	**(37,859)**	(36,183)
Depreciation:		
– owned	**(4,430)**	(4,374)
– leased	**(150)**	(150)
Amortisation	**(588)**	(598)
Other operating charges	**(14,653)**	(15,436)
Research and development	**(138)**	(475)
Minimum lease payments recognised as operating expense:		
– plant and machinery	**(1,151)**	(700)
– fixtures and fittings	**(448)**	(413)
– land and buildings	**(3,659)**	(2,523)
Operating profit before exceptional items, interest and dividends	**8,373**	9,214
Share of associate investment	**62**	11
Exceptional items	**(1,007)**	(4,635)
Finance costs	**(867)**	(1,107)
Dividends received	**17**	13
Profit before tax	**6,578**	3,496

The exceptional items in the current year are the write off of suspense accounts identified by the business within legacy ERP systems (£547,000), the shutting down of an animal feed plant at the Group's Swancote site (£300,000) and impairments arising from assets in the fresh business (£160,000). The exceptional items in the prior year refer to the costs associated with the closure of the Kent packing facility (a total of £3,587,000) and the finalising of the claims resulting from the Swancote contamination issue.

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

	2017 £'000	2016 £'000
Audit services:		
Audit of these financial statements	**104**	110
Audit of financial statements of subsidiaries	**41**	49
Audit related assurance services	**15**	–
Tax services:		
Compliance services	**56**	75
Advisory services	**7**	–
Corporate finance transactions	**19**	26

8 EMPLOYEE BENEFITS EXPENSE

	2017 £'000	2016 £'000
Wages and salaries	**33,760**	33,419
Social security costs	**2,884**	2,264
Pension costs	**935**	500
Share-based payment expense	**280**	–
Total employee benefit expenses	**37,859**	36,183

Wages and salaries include agency labour amounting to £2,925,000 (2016: £3,026,000).

The average monthly number of persons (including Directors) employed by the Group during the period is disclosed below:

	2017	2016
Production and warehouse	**1,026**	1,077
Management and administration	**174**	177
Total average number of employees	**1,200**	1,254

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:

	2017 £'000	2016 £'000
Emoluments for qualifying services	**514**	438
Company pension contributions to money purchase scheme	**–**	39
Employer's National Insurance	**84**	59
Non-Executive Directors' fees	**223**	240
Total	**821**	776

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:

	2017 £'000	2016 £'000
Emoluments for qualifying services	**283**	249
Employer's National Insurance	**35**	27
Total	**318**	276

9 INCOME TAX

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

Consolidated income statement

	2017 £'000	2016 £'000
Current income tax expense	**1,012**	1,479
Amounts overprovided in previous years	**(205)**	(21)
Total current income tax	**807**	1,458
Deferred tax:		
Effect of rate change on opening balance	**(29)**	(350)
Origination and reversal of temporary differences	**(295)**	(899)
Adjustments in respect of previous periods	**–**	(29)
	(324)	(1,277)
Tax expense in the income statement	**483**	181

Consolidated statement of comprehensive income

	2017 £'000	2016 £'000
Tax items charged/(credited) directly to equity during the period:		
Deferred tax movement on actuarial loss	**(180)**	(196)
Deferred tax movement on share-based payments	**(357)**	302
Current tax credit on actuarial loss	**(64)**	(65)
Income tax (credited)/charged directly to equity	**(601)**	41

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:

	2017 £'000	2016 £'000
Profit before tax	**6,578**	3,496
Tax at 19.75% (2016: 20%)	**1,299**	699
Effect of:		
Expenses non-deductible	**168**	279
Change in tax rate	**(158)**	(315)
Income not taxable	**–**	10
Defined benefit pension scheme	**(92)**	(127)
Share-based payments	**172**	(163)
Adjustments in respect of prior periods	**(205)**	(50)
Overseas profits at differing tax rates	**(701)**	(152)
Tax expense in the income statement	**483**	181

The weighted average corporation tax rate for the period to 1 July 2017 was 19.75% (2016: 20.00%).

Deferred tax

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

	2017 £'000	2016 £'000
Non-current deferred tax liabilities		
Accelerated capital allowances	**1,328**	1,478
Other	**1,183**	1,357
Fair value adjustments (biological assets)	**936**	943
Fair value adjustments (customer lists)	**437**	566
Fair value of interest rate swaps	**–**	12
	3,884	4,356
Non-current deferred tax assets		
Pensions and post-employment obligations	**(1,522)**	(1,319)
Share-based payments	**(385)**	(199)
Net deferred tax	**1,977**	2,838

Reconciliation of total deferred tax movements	2017 £'000	2016 £'000
Opening net deferred tax	**2,838**	4,009
Income statement	**(324)**	(1,277)
Statement of comprehensive income	**(537)**	106
Closing net deferred tax	**1,977**	2,838

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

	2017 £'000	2016 £'000
Accelerated capital allowances	**(150)**	(255)
Pensions and post-employment obligations	**(24)**	32
Other	**(174)**	(696)
Acquisition fair value adjustments – customer lists	**(129)**	(168)
Share-based payments	**172**	(123)
Movement in fair value of interest rate swap	**(12)**	(1)
Temporary differences arising from valuation of biological assets	**(7)**	(66)
Deferred income tax (credit)	**(324)**	(1,277)

10 EARNINGS PER SHARE

	2017	2016
Profit attributable to equity shareholders (£'000)	**6,046**	3,211
Weighted average number of ordinary shares in issue	**26,946,218**	26,815,963
Weighted average number of options with dilutive effect	**1,281,042**	858,278
Total number of shares – fully diluted	**28,227,260**	27,674,241
Basic earnings per share – pence	**22.43**	11.97
Diluted earnings per share – pence	**21.42**	11.60
Adjusted earnings per share		
Operating profit (£'000)	**7,366**	4,579
Exceptional Items	**1,007**	4,635
Finance costs and income (£'000)	**(850)**	(1,094)
Income from associate	**62**	11
Adjusted profit before tax (£'000)	**7,585**	8,131
Tax on adjusted profit at effective rate (£'000)	**(557)**	(421)
Adjusted profit after tax (£'000)	**7,028**	7,710
Adjusted profit attributable to ordinary shareholders (£'000)	**6,979**	7,606
Adjusted basic earnings per share – pence	**25.90**	28.36
Adjusted diluted earnings per share – pence	**24.72**	27.48

11 DIVIDENDS

	2017 £000	2016 £000
Interim dividend of 2.44 pence per share in respect of 2017 (2016: 2.44 pence per share)	**659**	655
Final dividend of 4.88 pence per share in respect of 2016 (2015: 4.775 pence per share)	**1,312**	1,280
Total dividends paid in the year	**1,971**	1,935

The Directors propose a final dividend of 5.026 pence per share payable on 5 December 2017 to shareholders who are on the register at 3 November 2017. This dividend totalling £1,369,000 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 27 June 2015	24,302	44,308	2,052	70,662
Additions	98	2,195	1,450	3,743
Disposals	–	(76)	–	(76)
Transfer to asset held for sale	(3,782)	–	–	(3,782)
At 25 June 2016	20,618	46,427	3,502	70,547
Additions	6,692	3,014	1,547	11,253
Disposals	–	(887)	–	(887)
At 1 July 2017	**27,310**	**48,554**	**5,049**	**80,913**
Depreciation and impairment:				
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 sale	(2,532)	–	–	(2,532)
At 25 June 2016	6,944	28,283	1,236	36,463
Depreciation for the period	1,274	3,530	236	5,040
Disposals	(5)	(487)	–	(492)
At 1 July 2017	**8,213**	**31,326**	**1,472**	**41,011**
Net book value:				
At 25 June 2016	13,674	18,144	2,266	34,084
At 1 July 2017	**19,097**	**17,228**	**3,577**	**39,902**

Assets used as security
Land and buildings with a carrying amount of £18.9m (2016: £12.2m) 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.

The Group has options to purchase the entire share capital of three companies that all hold property in Jersey at a combined option price of £6.0m. These options were acquired for £3 in total at the time of the acquisition of the The Jersey Royal Company Limited and all expire in May 2019. The Directors consider the fair value of these options to be £nil (2016: £nil).

13 INTANGIBLE ASSETS

	Goodwill £'000	Customer relationships £'000	Development costs £'000	Patent costs £'000	Total £'000
Cost or valuation:					
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
Additions	–	–	41	–	41
At 1 July 2017	**12,907**	**7,868**	**788**	**12**	**21,575**
Amortisation:					
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
Amortisation for the period	–	525	63	–	588
At 1 July 2017	**–**	**5,300**	**674**	**12**	**5,986**
Net book value:					
At 25 June 2016	12,907	3,093	136	–	16,136
At 1 July 2017	**12,907**	**2,568**	**114**	**–**	**15,589**

The carrying amount of goodwill includes amounts attributable to the following;

- the acquisition of Swancote Foods (£0.6m) completed in July 2007 (Processing segment);
- customer access and processing synergies ('Synergies') arising in the Fresh segment resulting from the Swancote Foods acquisition (£5.0m, Fresh segment);
- the acquisition of Rowe Farming (£6.4m) completed in October 2012 (Fresh segment); and
- the acquisition of The Jersey Royal Company (£0.9m) completed in May 2014 (Fresh segment).

The carrying amount of customer relationships (£2.6m) is attributable solely to the acquisition of Swancote Foods and relates to the customers acquired with that business. This is attributable entirely to the Processing segment.

The Group tests goodwill and the value of customer relationships for impairment on an annual basis, or more frequently where impairment indicators exist, by comparing the carrying value of the cash-generating unit (CGU) with its value in use. Value in use is estimated based on future cash flow discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money. An impairment charge arises where the carrying value exceeds the value in use.

The inputs into cash flow forecasts are based on the most recent budgets/forecasts approved and reviewed by the Directors for the following year and extended forward for the next four years based on expected growth within that CGU over that period. At the end of year five, a terminal value is calculated using a long-term growth assumption of 2%.

The key inputs to the cash flow forecasts are:

- 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);
- future anticipated capital expenditure; and
- movements in working capital.

13 INTANGIBLE ASSETS (CONTINUED)

Based upon the impairment tests performed, the Directors have concluded that there is no material impairment across any of the Group's goodwill or intangible assets. The key assumptions for each CGU, for which the carrying amount of goodwill or intangible assets allocated is significant in comparison with the total carrying amount of goodwill and intangible assets of the Group, are as follows:

CGU	Swancote Foods	Synergies	Rowe Farming
Segment	Processing	Fresh	Fresh
Carrying amount	£6.3m	£5.0m	£26.0m
Value in use	£7.3m	£8.8m	£28.2m
Key assumptions			
2018 forecast EBIT	£0.47m	£0.67m	£1.93m
EBIT growth – 2019 to 2022	10%	0%	5%
Pre-tax discount rate	9.5%	9.5%	9.5%

Comments in respect of each CGU and the key assumptions adopted are as follows:

Swancote Foods

Since the contamination incident at Swancote Foods in May 2015 and the disruption to that business, the Directors continue to carefully monitor the Swancote recovery plan. The key issue for this facility is securing additional volume to take the facility back to and beyond the production volumes achieved prior to the contamination issue. The Directors continue to believe that this remains achievable.

Comments relative to the key assumptions used in the value in use calculation are as follows:

- 2018 forecast EBIT of £470,000 is based on the latest forecasts prepared. This is higher than in the past two years, when Swancote has been loss-making. The Directors are confident that this improved EBIT will be achieved due to a new customer that is expected to deliver a further 5,000T of processing and thus increase overall production to approximately 18,000T. At the date of approval of the annual report, the contract with this new customer is not yet signed but the Directors confirm that they expected this to be finalised during the remainder of 2017.
- EBIT growth of 10% from 2019 through to 2022 is expected to result from increased production volumes, primarily to existing customers, through broader product offering.

Synergies

The Fresh business has benefited from the original Swancote acquisition through access to original Swancote customers and the processing of outsized potatoes. The revenue and savings from this original acquisition continue to be enjoyed by the Fresh business. The key assumptions, in the value in use calculation, reflect past experience and remain consistent with those used in previous periods.

Rowe Farming Limited

Rowe Farming Limited's business has enjoyed significant growth of its capacity, sales volumes and asset base over the past three years against a backdrop of stagnant sales prices and margins in a number of markets. The Directors and management have reviewed the customer base and sales strategies on a customer by customer basis and identified a number of areas of development for the business in the short and medium term.

Comments relative to the key assumptions used in the value in use calculation are as follows:

- 2018 forecast EBIT of £1.93m is based on the latest forecasts prepared and is significantly higher than the EBIT achieved in 2017. However, this level of EBIT is at a level consistent and also below other years since acquisition. The Directors are confident that the increase in EBIT will be achieved through achievable increases in price, through pursuing new retail customers, and also due to adverse trading issues experienced in 2017 not being expected to recur.
- EBIT growth of 5% from 2019 through to 2022 is expected to be driven through increasing sales penetration into retail, and a shift away from wholesale.

Discount rate – all CGUs

The discount rate of 9.5% has been determined based upon calculating the weighted average cost of capital for the Group with reference to comparable companies operating within the sector.

Sensitivity analysis

As part of their overall review, the Directors have determined that there is a reasonably possible change in a key assumption that could give rise to an impairment for both Swancote Foods and Rowe Farming. The extent to which the value in use as calculated exceeds carrying amount is disclosed in the table above, together with the key assumptions.

The following table sets out each key assumption and the extent to which it would need to change (in isolation) to result in value in use equalling carrying amount for the Swancote Foods and Rowe Farming CGUs.

Key assumptions where a reasonably possible change could result in impairment:	Key assumption used in value in use calculation	Key assumption that would result in value in use equalling carrying amount
Swancote Foods		
2018 forecast EBIT	£0.47m	£0.41m
EBIT growth – 2019 to 2022	10%	6%
Pre-tax discount rate	9.5%	10.7%
Rowe Farming Limited		
2018 forecast EBIT	£1.93m	£1.78m
EBIT growth – 2019 to 2022	5%	0.5%
Pre-tax discount rate	9.5%	10.2%

In performing this sensitivity analysis, the Directors note the relatively small headroom within the impairment tests and the reality that key assumptions need only change slightly to result in carrying amount equalling value in use.

14 FINANCIAL LIABILITIES

The Group from time to time 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	2017 £'000	2016 £'000
Finance leases (non-current)	**544**	849

Interest-bearing loans and borrowings 2017	Interest rate %	Maturity	Current £'000	Non-current £'000
Facility A	**LIBOR+2.00%**	**Sep 2020**	**2,375**	**6,875**
Facility A – Peacock	**LIBOR+2.00%**	**Sep 2020**	**–**	**5,000**
Revolving Credit – facility B	**LIBOR+2.00%**	**Sep 2020**	**–**	**5,000**
Invoice finance agreements	**Base rate+1.40%**		**16,537**	**–**
Total interest-bearing loans and borrowings			**18,912**	**16,875**

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	Base rate+1.75%		6,621	–
Total interest-bearing loans and borrowings			**18,871**	**–**

A new bank facility was signed by the Group in September 2016. The bank loans outstanding at 1 July 2017 are represented by the following:

Facility A: four years to September 2020. £14.5m total facility, with £14.25m outstanding at the balance sheet date. Interest maximum 2% above LIBOR. Repayments rising from £500,000 per quarter at the next instalment (September 2017) to £750,000 per quarter by December 2018.

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

Invoice finance: four years to September 2020. Secured on the trade receivables of Greenvale AP and Rowe Farming. £20m maximum drawing. Interest 1.4% over base rate.

14 FINANCIAL LIABILITIES (CONTINUED)

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 1 July 2017, 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 1 July 2017	–	–	–	–
Interest rate derivatives as at 25 June 2016	7	–	7	–

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

15 INVENTORIES

	2017 £'000	2016 £'000
Raw materials (at cost)	**9,491**	8,445
Finished goods (at cost or net realisable value)	**172**	415
Total inventories at cost or net realisable value	**9,663**	8,860

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

There are provisions totalling £250,000 (2016: £nil) against inventories at the balance sheet date. Amounts totalling £250,000 (2016: £nil) have been recorded as an inventory write off expense during the period.

16 TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Trade receivables	**32,973**	27,793
Other receivables	**1,496**	2,645
Total trade and other receivables	**34,469**	30,438

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

Receivables are in sterling denominations, with the exception of €13,000 (2016: €646,000).

As at 1 July 2017, trade receivables with an initial value of £17,000 (2016: £13,000) were impaired and fully provided for. See below for the movements in the provision for the impairment of receivables.

	2017 £'000	2016 £'000
At 25 June 2016	**13**	13
Provided in period	**4**	–
At 1 July 2017	**17**	13

All provisions above relate to individually impaired amounts.

The ageing analysis of trade receivables is as follows:

	Total £'000	Neither past due nor impaired £'000	Past due but not impaired <30 days £'000	30-60 days £'000	61-90 days £'000	91-120 days £'000
2017	**32,973**	**27,718**	**3,201**	**1,130**	**757**	**167**
2016	27,793	23,561	2,348	906	275	703
2015	24,748	20,787	2,357	848	367	389

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

	2017 £'000	2016 £'000
Cash at banks and on hand	**7,749**	742
Total cash and short-term deposits	**7,749**	742

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

At 1 July 2017, the Group had available £1,176,000 (2016: £4,118,000) 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 1 July 2017:

	2017 £'000	2016 £'000
Cash at banks and on hand	**7,749**	742

18 ISSUED CAPITAL

	Number of ordinary shares (thousands)	Ordinary shares £'000	Share premium £'000	Total £'000
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
Issued on exercise of share options	261	3	172	175
As at 1 July 2017	**27,112**	**271**	**21,842**	**22,113**

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.

At 1 July 2017 there were 27,112,628 ordinary shares in issue in the Company. All shares carry equal voting rights

The only options outstanding over the shares of the Company relate to share schemes as disclosed in Note 22.

19 OTHER CAPITAL RESERVES

	Acquisition reserve £'000	Total £'000
At 25 June 2016 and 1 July 2017	**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

	2017 £'000	2016 £'000
Balance brought forward	**158**	225
Deferred during the period	**41**	30
Released to the income statement	**(99)**	(97)
Balance carried forward	**100**	158

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:

	2017 £'000	2016 £'000
Within one year	**53**	88
After one year but not more than five years	**47**	70
Total	**100**	158

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 £397,000 (2016: £475,000).

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.

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 1 July 2017, the Group paid contributions at a rate of £46,000 per month, a total of £552,000 (2016: £552,000). This rate is subject to review on completion of the actuarial valuation currently being undertaken for the scheme 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:

	2017 £'000	2016 £'000
Present value of defined benefit obligations	**(37,920)**	(34,166)
Fair value of Plan assets	**28,966**	26,898
Plan deficit per balance sheet	**(8,954)**	(7,268)

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

	2017 £'000	2016 £'000
Defined benefit obligation at start of period	**(34,166)**	(32,431)
Interest expense	**(1,060)**	(1,241)
Remeasurements of obligation:		
– financials	**(6,517)**	(2,674)
– demographics	**552**	–
– experience	**171**	939
Benefits paid	**3,100**	1,241
Defined benefit obligation at end of period	**(37,920)**	(34,166)

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

Present value of Plan liabilities	2017 £'000	2016 £'000
Deferred pensioners (PUPS)	**24,876**	24,492
Current pensioners	**13,044**	9,674
Total	**37,920**	34,166

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:

	2017 £'000	2016 £'000
Fair value of Plan assets at start of period	**26,898**	26,368
Interest on Plan assets	**833**	1,015
Contribution by employer	**552**	552
Benefits paid	**(3,100)**	(1,241)
Actual return on Plan assets less interest	**3,783**	204
Fair value of Plan assets at end of period	**28,966**	26,898

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

Income statement	2017 £'000	2016 £'000
Interest cost on obligations	**1,060**	1,241
Interest on Plan assets	**(833)**	(1,015)
Net finance costs	**227**	226

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:

	2017 £'000	2016 £'000
(Losses)/Gains recognised in other comprehensive income:		
– change in financial assumptions	**(6,517)**	(2,674)
– change in demographic assumptions	**552**	–
– experience adjustments on benefit obligations	**171**	939
Actual return on plan assets less interest on Plan assets	**3,783**	204
(Losses) recognised in other comprehensive income	**(2,011)**	(1,531)

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income is a loss of £12,524,000 (2016: £10,513,000 loss).

21 PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

The Group expects to contribute at least £552,000 to the defined benefit pension plan in the year ended June 2018, assuming no changes to current agreed funding plans. The scheme Trustees are, however, in discussion with the Group in respect of the deficit reduction plan, and a new long-term plan is expected to be agreed during the year ended June 2018.

Assets and assumptions in the funded plans:

	2017 £'000	2016 £'000
Fair value of Plan assets:		
Equities	**15,520**	13,379
Corporate bonds	**13,348**	12,079
Gilts	**–**	1,407
Cash	**98**	33
Total	**28,966**	26,898

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:

	2017 %	2016 %
Discount rate	**2.75**	3.25
Expected rate of return on assets	**2.75**	3.25
Future salary increase	**n/a**	n/a
Future pension increase	**3.2**	2.8
Inflation (RPI) assumption	**3.2**	2.8

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

The mortality assumptions for 2017 follow the standard table known as S2NXA with CMI_2016 projection model with a long-term improvement rate of 1.25% p.a. For 2016, mortality assumptions followed the 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 now as follows:

	2017	2016
For a male aged 65 now	**87**	87
For a female aged 65 now	**89**	90

Sensitivity analysis:
The impact on the defined benefit obligation of changes in the significant assumptions, based on the 2013 actuarial valuation (the most recent valuation completed for the plan trustees prior to the current valuation work), is shown approximately below:

Assumption varied	Defined benefit obligation % change
As at 1 July 2017	
Discount Rate 1% p.a. lower	+27%
Inflation (in payment and deferment) rate 1% p.a. higher	+25%
Life expectancy one year higher	+5%

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 24 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.
– 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.

Executive Share Option Scheme (ESOS)

During the period ended 1 July 2017, options were granted to the incoming chairman as part of his remuneration package. These options were approved by shareholders at the AGM on 28 October 2016. The grant was for 454,545 options. The vesting of these options is conditional upon market conditions relating to the future share price. In the event these options vest, all options relating to this grant will be exercisable at an exercise price of £0.01. 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. At the balance sheet date, these options have not yet vested but remain outstanding.

Senior Executive Incentive Plan (SEIP)

During the period ended 25 June 2011, 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 from one year after 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.

Long-Term Incentive Plan (LTIP)

During the period ended 1 July 2017, share options were granted to ten senior managers. Vesting was conditional on the achievement of certain performance targets. A total of 747,023 options were granted at an exercise price of £1.39. The weighted average exercise price of options granted in the period was £1.39. Options which vest may be exercised at any point from one year after the 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 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.

Charges in 2017

The expense recognised for share-based payments in respect of employee services rendered during the period ended 1 July 2017 is £280,000 (2016: £nil). All of this expense arises from equity share-based payment transactions. This is split as follows:

	2017 £'000	2016 £'000
ESOS scheme	**280**	–
Total SBP charge	**280**	–

22 SHARE-BASED PAYMENT PLANS (CONTINUED)

Valuation

The fair value of all options granted during the current period has been estimated using a Monte Carlo simulation model (2016: 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 53 weeks ended 1 July 2017 and 52 weeks ended 25 June 2016, respectively.

	2017	2016
Dividend yield	**4.9%**	5.0%
Expected share price volatility	**30.7%**	32.4%
Risk-free interest rate	**0.4%**	1.5%
Expected life of option (years)	**4.0**	2.0
Option strike price (£)	**0.01**	1.17
Share price (£)	**1.49**	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.

At 1 July 2017, the weighted average remaining contractual life for outstanding options was as follows:

	2017	2016
CSOP	**1 yr 0 mths**	1 yr 11 mths
SEIP	**3 yrs 4 mths**	4 yrs 4 mths
LTIP	**6 yrs 0 mths**	7 yrs 0 mths
ESOS	**9 yrs 10 mths**	–
SAYE	**1 yr 6 mths**	2 yrs 6 mths

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

	CSOP		SEIP/ESOS		LTIP		SAYE	
	No	WAEP	No	WAEP	No	WAEP	No	WAEP
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**
Granted during year	–	–	454,545	0.01	747,023	1.39	–	–
Exercised during year	(182,432)	0.74	(54,600)	0.01	(20,958)	1.67	(3,376)	1.17
Expired/Cancelled	(3)	–	–	–	(747,023)	1.39	(36,772)	1.17
Outstanding at 1 July 2017	**302,935**	**0.74**	**944,281**	**0.01**	**642,955**	**1.67**	**147,692**	**1.17**
Exercisable at 1 July 2017	**302,935**	**0.74**	**489,736**	**0.01**	**642,955**	**1.67**	**147,692**	**1.17**
Exercisable at 25 June 2016	**485,370**	**0.74**	**544,336**	**0.01**	**663,913**	**1.67**	**187,480**	**1.17**

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

	2017	2016
CSOP	**£0.74**	£0.74
SEIP	**£0.01**	£0.01
LTIP	**£1.67**	£1.67
ESOS	**£0.01**	–
SAYE	**£1.17**	£1.17

The weighted average share price for options exercised in the period was £1.80 (2016: £1.64).

23 TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade payables	**22,680**	20,729
Taxes and social security	**855**	689
Accruals and deferred income	**6,089**	9,657
Total trade and other payables	**29,624**	31,075

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

Trade liabilities are sterling-denominated, with the exception of €77,000 (2016: €272,000).

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 £493,000 (2016: £316,000) and sales to OPG of £24,000 (2016: £19,000). At the reporting date the Group was owed £22,000 by OPG (2016: £nil).

The Group traded with B&C Farming Ltd, a company controlled by A Bambridge, who was a Director of Produce Investments plc until October 2016. Purchases of £1,543,000 (2016: £1,927,000) and sales of £222,000 (2016: £262,000) were made.

Restrain Company Limited is a company which is 80% owned by Produce Investments plc. The remaining 20% of ordinary shares are not controlled by the Group. During the year, 100% controlled Group companies made recharges to Restrain Company Limited of £74,000 (2016: £96,000) and purchased goods and services from Restrain Company Limited totalling £25,000 (2016: £23,000). At 1 July 2017 Group companies owed Restrain Company Limited £1,311,000 (2016: £1,080,000).

Linwood Crops Limited is a company which is 71.1% owned by Produce Investments plc. The remaining 28.9% of ordinary shares are not controlled by the Group. During the year, 100% controlled Group companies made sales to Linwood Crops Limited of £1,455,000 (2016: £nil) and purchased goods and services from Linwood Crops Limited totalling £296,000 (2016: £nil). At 1 July 2017 Linwood Crops Limited owed Group companies £86,000 (2016: £nil).

25 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on land, plant and equipment, fixtures and fittings and business accommodation. These leases have a life of between one and ten years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 1 July 2017 are as follows:

	2017 £'000	2016 £'000
Within one year	**3,237**	3,622
After one year but not more than five years	**7,406**	5,057
More than five years	**412**	–
Total future minimum rentals payable	**11,055**	8,679

25 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 1 July 2017 are as follows:

	2017 £'000	2016 £'000
Within one year	**53**	88
After one year but not more than five years	**47**	70
Total future minimum rentals receivable	**100**	158

Capital commitments

At 1 July 2017, the Group had capital commitments of £463,000 (2016: £80,000).

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 £35,787,000 (2016: £18,871,000).

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 will, when it considers appropriate, 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 pounds 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 £32,973,000 (2016: £27,793,000) 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.

Liquidity risk

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

53 weeks ended 1 July 2017	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	–	–	**18,912**	**16,875**	–	**35,787**
Trade and other payables	–	**29,570**	–	–	–	**29,570**
Other liabilities	–	**13**	**40**	**47**	–	**100**
	–	**29,583**	**18,952**	**16,922**	**–**	**65,457**

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**

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 2.13 (2016: 1.26).

27 GROUP COMPANIES

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

				% equity interest	
Name	Country of incorporation	Nature of business	Class of shares held	2017	2016
Greenvale Holdings Limited*	UK	Holding company	Ordinary	**100.0**	100.0
Greenvale AP Limited*	UK	Buying & 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 & onion atmosphere regulation	Ordinary	**80.0**	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
The Little Spud Company Limited	UK	Growing potatoes	Ordinary	**25.0**	–
ABG Biofumigants Limited	UK	Research & experimental development on biotechnology	Ordinary	**33.3**	33.3
BROP s.r.o	CZ	Potato processing	Ordinary	**30.0**	30.0
Jersey Royal (Potato Marketing) Limited	JE	Property holding company	Ordinary	**100.0**	–
Rowe Farming Limited*	UK	Growing potatoes & daffodils	Ordinary	**100.0**	100.0
The Jersey Royal Company Limited	JE	Growing potatoes	Ordinary	**100.0**	100.0
Linwood Crops Limited	UK	Buying & selling of potatoes	Ordinary	**71.1**	71.1

* The registered office of these companies is Floods Ferry Road, Doddington, March, Cambridgeshire, PE15 0UW. Details of the registered offices of the other companies listed above can be obtained from the Secretary at the above address.

The minority interests during the year moved in respect of both Restrain Company Limited and Linwood Crops Limited. The Group acquired an additional 10% interest in Restrain Company Limited for £87,500. It acquired net assets of £143,500 resulting in a reduction to minority interests of £56,000. The Group consolidated Linwood Crops Limited into the Group for the first time during the year ended 1 July 2017. The share capital contributed by the minority shareholders of Linwood Crops Limited is £211,000, increasing the minority interest. The overall minority movement is an increase of £155,000.

COMPANY FINANCIAL STATEMENTS

COMPANY BALANCE SHEET

AT 1 JULY 2017

COMPANY REG NO: 05624995

While the consolidated financial statements of Produce Investments plc. Have been prepared in accordance with IFRS, as adopted by the EU. The financial statements of the parent company have been prepared. In accordance with FRS 102, as permitted by the Companies Act.

	Notes	2017 £'000	2016 £'000
Fixed assets			
Property, plant and equipment	4	**6,420**	–
Investments	5	**62,120**	61,646
Current assets			
Debtors	6	**12,641**	9,550
Cash at bank and in hand		**717**	23
		13,358	9,573
Creditors			
Amounts falling due within one year	7	**(29,232)**	(39,205)
Net current liabilities		**(15,874)**	(29,632)
Total assets less current liabilities		**52,666**	32,014
Creditors			
Amounts falling due after more than one year	8	**(16,875)**	–
Net assets		**35,791**	32,014
Capital and reserves			
Called up share capital	9	**271**	268
Share premium account	10	**21,842**	21,670
Profit and loss account	10	**3,108**	(494)
Merger reserve	10	**10,228**	10,228
Other reserve	10	**342**	342
Shareholders funds	10	**35,791**	32,014

The Company profit for the year and total comprehensive income was £5,573,000 (2016: £1,007,000 loss).

The financial statements on pages 66 to 72 were approved by the Board of Directors and authorised for issue on 27 September 2017 and were signed on its behalf by:

Jonathan Lamont
Director
27 September 2017

COMPANY FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE 53 WEEKS ENDED 1 JULY 2017

	Issued capital (Note 10) £'000	Share premium (Note 10) £'000	Other capital reserves (Note 10) £'000	Retained earnings £'000	Total £'000
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**
Profit for the period	–	–	–	5,573	5,573
New shares issued during period	3	172	–	–	175
Equity dividends paid	–	–	–	(1,971)	(1,971)
As at 1 July 2017	**271**	**21,842**	**10,570**	**3,108**	**35,791**

COMPANY FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION
Produce Investments plc ('the Company') and its subsidiaries (together 'the Group') is a leading operator in the fresh potato and daffodil sectors. The Group has vertically integrated activities covering seed and bulb development, seed and bulb production, farming, processing/packing, and supply of produce 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 0UW.

The financial year represents 53 weeks to 1 July 2017 (prior year 52 weeks to 25 June 2016).

2 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.

Reduced disclosures
The Company has taken advantage of the exemption from disclosing the following information in its Company only accounts, as permitted by the reduced disclosure regime within FRS 102:
- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares.
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts for financial instruments measured at amortised cost or cost less impairment; interest income/expense and net gains/losses for financial instruments measured at amortised cost; loan defaults or breaches, and descriptions of hedging relationships.
- Section 26 'Share-based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the Company are consolidated in the financial statements of Produce Investments plc. The consolidated financial statements of Produce Investments plc are available from its registered office, Floods Ferry Road, Doddington, March, Cambridgeshire, PE15 0UW.

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.

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 4 to 50 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.

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 either the Black Scholes option pricing model or a Monte Carlo simulation 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.

3 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 profit for the financial period was £5,573,000 (2016: £1,007,000 loss). 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 (2016: £30,000). These were settled by the main trading subsidiary, Greenvale AP Limited.

The only persons providing services to the Company were the Directors. The Directors' emoluments can be found on page 26.

4 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Total £'000
Cost:		
At 25 June 2016	–	–
Additions	6,420	6,420
At 1 July 2017	6,420	6,420
Depreciation for the period	–	–
At 25 June 2016 and 1 July 2017	–	–
Net book value:		
At 25 June 2016	–	–
At 1 July 2017	6,420	6,420

5 FIXED ASSET INVESTMENTS

	Shares in subsidiaries
Cost and net book value:	
At 25 June 2016	61,646
Increased shareholding in Restrain Company Ltd	88
Acquisition of Linwood Crops Limited	386
At 1 July 2017	**62,120**

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
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 & onion atmosphere regulation	Ordinary	80.0
Rowe Farming Limited*	UK	Growing of potatoes & daffodils	Ordinary	100.0
The Jersey Royal Company Limited*	JE	Growing potatoes	Ordinary	100.0
Jersey Royal (Potato Marketing) Limited*	JE	Property holding company	Ordinary	100.0
Linwood Crops Limited*	UK	Supply of vegetables	Ordinary	71.1
The Little Spud Company	UK	Growing potatoes	Ordinary	25.0
ABG Biofumigants Limited	UK	Research & experimental development on biotechnology	Ordinary	33.3

* Direct holding of the Company.

6 DEBTORS

	2017 £'000	2016 £'000
Due within one year:		
Amounts owed by Group undertakings	**12,514**	9,529
Prepayments and accrued income	**105**	21
Other debtors	**22**	–
	12,641	9,550

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Bank loans	**2,375**	12,250
Amounts owed to Group undertakings	**26,857**	26,909
Accruals and deferred income	**–**	46
	29,232	39,205

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.

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £'000	2016 £'000
Bank loans	**16,875**	–

Analysis of bank loan maturity:

	2017 £'000	2016 £'000
Amounts falling due:		
In one year or less, or on demand	**2,375**	12,250
Between one and two years	**2,875**	–
Between two and five years	**14,000**	–
	19,250	12,250

A new bank facility was signed by the Group in September 2016. The bank loans outstanding at 1 July 2017 are represented by the following:

Term loan: four years to September 2020. £14.5m total facility, with £14.25m outstanding at the balance sheet date. Interest maximum 2% above LIBOR. Repayments rising from £500,000 per quarter at the next instalment (September 2017) to £750,000 per quarter by December 2018.

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

9 SHARE CAPITAL

	Number of ordinary shares (thousands)	Ordinary shares £'000	Share premium £'000	Total £'000
As at 25 June 2016	26,851	268	21,670	21,938
Issued on exercise of share options	262	3	172	175
As at 1 July 2017	**27,113**	**271**	**21,842**	**22,113**

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.

At 1 July 2017 there were 27,112,628 ordinary shares in issue in the Company. All shares carry equal voting rights.

The only options outstanding over the shares of the Company relate to share schemes as disclosed in Note 22 of the consolidated financial statements.

10 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 25 June 2016	268	21,670	10,228	342	(494)	32,014
Reserve transfer	–	–	–	–	–	–
New equity issued in period	3	172	–	–	–	175
Profit for the period	–	–	–	–	5,573	5,573
Equity dividends paid in period	–	–	–	–	(1,971)	(1,971)
At 1 July 2017	**271**	**21,842**	**10,228**	**342**	**3,108**	**35,791**

11 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 £35,787,000 (2016: £18,871,000).

12 DIVIDENDS

	2017 £000	2016 £000
Interim dividend of 2.44 pence per share in respect of 2017 (2016: 2.44 pence)	**659**	655
Final dividend of 4.88 pence per share in respect of 2016 paid 1 November 2016	**1,310**	1,280
Total dividends paid in the year	**1,969**	1,935

The Directors propose a final dividend of 5.026 pence per share payable on 5 December 2017 to shareholders who are on the register at 3 November 2017. This dividend totalling £1,369,000 has not been recognised as a liability in these financial statements.

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