

VITACRESS LIMITED

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Company Registration Number 06544254 (England and Wales)

VITACRESS LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2016

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**VITACRESS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Directors

V Santos
R T Bastos
T J Brinsmead
S D Rothwell PhD
R J Wilkinson
S Conway (resigned 6 January 2016)

Secretary

R J Wilkinson

Registered office

Lower Link Farm
St Mary Bourne
Andover
Hampshire
SP11 6DB

Independent auditors

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
Hampshire
SO14 3QB

Bankers

Deutsche Bank AG, London

Trading subsidiaries and joint venture

Vitacress Salads Limited
Vitacress Sales Limited
Vitacress Kent Limited
Vitacress Portugal SGPS SA
Vitacress Agricultura Intensiva SA
Vitacress Portugal SA
Euralface Agricultura Limitada
Vitacress Iberia SL
Vitacress España SL
Wight Salads Group Limited
Hortililha – Agro Industria SA
Margaret Nurseries San Martin SL
Vitacress Herbs Limited
Vitacress Real BV

VITACRESS LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors have pleasure in presenting their strategic report, directors' report and the audited consolidated financial statements for the Vitacress group (the "Group" or "Vitacress") for the year ended 31 December 2016. Vitacress Limited ("the Company") is the RAR Group's holding company for all its fresh produce businesses and also provides certain services to Group companies, especially those in the UK.

Principal activity

The Group's principal activity is the growing, procurement, packing and marketing of fresh produce. The Company provides shared services to the UK-based business units in the finance, sales and IT areas and also manages the treasury requirements of all the UK businesses.

Vitacress's main operations are conducted through three businesses, namely; Vitacress Salads (watercress and leafy salads in the UK), Vitacress Portugal (watercress, baby leaf salads and other packaged fresh produce in Portugal and Spain, plus bulk leaf supply to the UK), and Vitacress Herbs (fresh herbs in the UK).

Vitacress also owns tomato nurseries in Portugal and Spain (and until May 2015 in the UK), 51% stake in a baby leaf salads grower in Spain (Vitacress España) and has a 50:50 joint venture with the Dutch Gipmans group (Vitacress Real) in the Netherlands, from where fresh cut herbs are packed for the Benelux and German markets.

The wholesale markets business in the UK (Vitacress Sales) ceased trading by the end of the reporting period.

Each of the Vitacress companies has the following attributes in common:

- They are based on excellence in farming, whether it is open field farming or under glass in a nursery.
- They set leading standards in terms of product quality, technical skills and environmental stewardship.
- They are leaders in innovation and product quality in their chosen markets.

Review of the business

The overall Group performance during 2016 was encouraging.

In 2016 Vitacress Salads upgraded the packhouse facilities through investing in new despatch bays, a new workshop and beginning the development of new intake bays to further enhance product quality and efficiencies. The vertically integrated supply chain ensured that great customer service and product quality were maintained throughout the year.

The investment Vitacress Herbs made during 2015 in new facilities meant the business was well placed to deliver a high level of customer service and product quality during the year, despite the challenges of rising input costs. The launch of several new added value product lines reflected the strong demand for fresh herbs and further strengthened our relationships with customers. Continued investment was made to improve productivity through the implementation of a new Enterprise Resource Planning system, the launch of a strategy to integrate lean principles across the supply chain and the building of a new combined heat and power plant.

Vitacress Portugal had a strong performance in 2016 bearing in mind the weather incidents at the start and the end of the year. The Vitacress brand has developed significantly; it is market leader in Portugal in bagged salads and now accounts for more than half of Iberian sales. Investment has started in the packhouse to further enhance productivity.

Growing salads and herbs in Vitacress Spain continued to provide the Group with a range of sourcing options to enable year round supply of consistent, high quality products regardless of the season.

Vitacress Real registered significant growth in revenue in the Benelux markets and an encouraging trial has also commenced in Germany.

The table below presents consolidated sales and EBITDA data as reported to senior management during the year. The EBITDAs in both years exclude the impact of certain RAR management charges. Otherwise the numbers can be reconciled with these statutory accounts. These are the key financial measures used in assessing performance during the year.

	Revenue		EBITDA	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Salads	52,585	53,115	4,162	3,406
Portugal	16,849	13,353	1,650	988
Herbs	36,516	31,953	3,420	2,923
Tomatoes	3,814	1,755	(143)	(43)
Other operations	481	657	(52)	427
Total	110,245	100,833	9,038	7,701

Results and movements in equity

The consolidated income statement for the year is set out on page 9. The Group loss after taxation amounted to £750,000 (2015: £4,315,000 profit). Total equity at 31 December 2016 was £43,850,000 (2015: £42,551,000) and the movements are set out on page 13.

Future developments

The Group will continue to invest in capital and innovation, while focusing on quality, service and efficiency, with an overarching commitment to health and safety.

Risk management objectives and policies

Operating risks

Vitacress operates in a challenging economic climate, in which inflationary pressure on costs must be balanced against the price expectations of our customers and competition within the market. The nature of the business, being the growing, procurement and supply of fresh produce, means the Group is always faced with the uncertainties of the weather and its impact upon both supply of product and the demand of the ultimate consumers. Accordingly, the directors assess the key risks to the business as:

- Poor weather, reducing demand and depressing supply;
- Continued weakness of Sterling against the Euro;
- Continued pressure from the market to reduce prices;
- Weakness in demand due to the general economic climate, or other external factors (e.g. consumer trends); and
- Higher input prices, increasing costs of production.

The directors are addressing these risks by:

- Continuing to optimise the balance between own-grown and third party procured sources of raw material;
- Hedging foreign currency and energy exposures where forecast;
- Reducing operating costs through capital investment and efficiency improvement initiatives; and
- Focusing on the delivery of superior product quality and unique "points of difference" so as to differentiate our products from our competitors.

Financial risks

The Group's operations expose it to a variety of financial risks that include credit risk, liquidity risk and market risk (specifically, interest rate risk and exchange rate risk). The Group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Group.

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The Group continually monitors existing customer accounts and takes appropriate action where necessary to minimise any potential credit risk. In Vitacress Portugal, credit insurance is used to mitigate credit risk. Due to the dependence of the other businesses on a small number of large, stable retail customers, credit insurance is not an economic option there.

Liquidity risk

The Group retains sufficient cash and overdraft facilities to ensure it has sufficient available funds for operations and planned expansions. The Group also has access to longer term funding if required. The Group uses a combination of term loans and overdrafts to manage its working capital requirements, which are strongly seasonal in nature.

Interest rate risk

The Group has interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances, all of which earn interest at a floating rate. Interest bearing liabilities are all at floating rates.

Foreign exchange risk

The Group has a policy of covering forward its estimated net currency exposure on a rolling basis. These transactions are designated as hedging instruments and are deemed effective in cash flow hedge relationships, and are accounted for in line with the policy for derivatives and hedge accounting detailed in note 3.20.6.

Key performance indicators

The directors use a number of measures, both financial and non-financial to monitor and benchmark the performance of the Group. They regard the following as the key financial indicators of performance:

- Revenue and revenue growth (2016: £110,245,000; 2015: £100,833,000)
- EBITDA (Operating profit before RAR Management Charge and depreciation and amortisation) – measuring the cash generating potential of the Group's operations (2016: £9,038,000; 2015: £7,701,000).
- Net cash flow from operating activities – measuring the performance in translating operating profit into cash flow through management of working capital (shown in Statement of Cashflows on page 15).

The key non-financial indicators used by the Group are; health and safety metrics, the ability to improve product quality, maintain its existing customer base, attract new customers, grow the market and meet customer service levels.

Market value of land and buildings

The market and net book values of land and buildings, including glasshouses, is disclosed in notes 14 and 15.

Approved by the board, and signed on their behalf on:

.....
R J Wilkinson
Director

Directors

The directors who held office during the year and up to the date of signing these financial statements are shown on page 1 of these financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Group's financial position and financial performance;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

In preparing the financial statements the directors have had regard to the fact that the Group generated a profit before tax from continuing operations in the financial year ended 31 December 2016 of £1,000,000 (2015: £3,038,000 loss). A key judgment is the appropriateness of using the going concern basis in preparing the financial statements. The directors are confident that the Group has adequate funding in place to support its future operations, for a period of at least 12 months from signing these financial statements.

Dividends

A final dividend for 2016 has not been proposed prior to the approval of these financial statements and there is no intention to declare such a dividend (2015: £nil).

Directors' and officers' indemnity insurance

The Company has taken out insurance to indemnify, against third party proceedings, the directors of the Company whilst serving on the board of the Company and of any subsidiary. This cover also indemnifies those employees of the Group who serve on the boards of subsidiaries. The cover subsisted throughout the year and remains in place at the date of this report.

Employees

The Group's policy is to encourage employee involvement, thereby improving Group performance through regular meetings. Information on matters of concern to employees is given through staff newsletters, employee forums, management meetings and regular team briefings, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Political and charitable donations

During the financial year the Group made donations to UK and Portuguese registered charities of £63,000 (2015: £44,604).

Disclosure of information to auditors

In so far as the directors in office at the date of approval of this report are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors 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 the Company's auditors are aware of that information.

Independent auditors

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the board, and signed on their behalf on:

.....
R J Wilkinson
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VITACRESS LIMITED

We have audited the financial statements of Vitacress Limited for the year ended 31 December 2016 which comprise the Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company statement of Changes in Equity, Consolidated and Company Cash Flow Statement and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, set out on pages 5-6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's loss for the year 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 IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of 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.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

INDEPENDENT AUDITORS' REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2016

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

- adequate accounting records have not been kept 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.

.....
Geraint Davies (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

VITACRESS LIMITED
Consolidated income statement for the year ended 31 December 2016

	<i>Notes</i>	2016	2015
		<u>£'000</u>	<u>Restated £'000</u>
<i>Continuing operations</i>			
Revenue	5	110,245	100,833
Raw materials and consumables used		(39,808)	(35,018)
Changes in inventories		(106)	(69)
Changes in fair value of biological assets		470	(61)
External supplies and services		(32,067)	(30,439)
Depreciation and amortisation expenses	14, 15, 17	(6,546)	(5,856)
Employee expenses	6	(32,333)	(32,451)
Other operating expenses		<u>(705)</u>	<u>(553)</u>
Total operating expenses		(111,095)	(104,447)
Other operating income	8	<u>2,354</u>	<u>1,592</u>
Operating profit/(loss)		1,504	(2,022)
Financial expenses	10	(778)	(1,164)
Financial income	11	144	82
Income on joint venture company	11	<u>130</u>	<u>66</u>
Profit/(loss) before tax from continuing operations		1,000	(3,038)
Income tax expense	13	<u>(130)</u>	<u>(380)</u>
Profit/(loss) after tax for the year from continuing operations		870	(3,418)
<i>Discontinued operations</i>			
(Loss)/profit after tax for the year from discontinued operations	12	<u>(1,620)</u>	<u>7,733</u>
(Loss)/profit the year		<u>(750)</u>	<u>4,315</u>
Attributable to:			
Owners of the Company		(726)	4,239
Non-controlling interests		<u>(24)</u>	<u>76</u>
		<u>(750)</u>	<u>4,315</u>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income for the year ended 31 December 2016

	Group 2016	Group 2015
	£'000	£'000
(Loss)/profit for the year	(750)	4,315
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss (net of tax)</i>		
Disposal of subsidiary	-	(31)
<i>Items that may be subsequently reclassified to profit or loss (net of tax)</i>		
Exchange differences on translating foreign operations	2,507	(986)
Cash flow hedging	(140)	163
Other comprehensive income/(loss), net of tax	2,367	(854)
Total comprehensive income for the year, net of tax	1,617	3,461
Total comprehensive income for the year attributable to:		
Owners of the parent	1,473	3,440
Non-controlling interest	144	21
	1,617	3,461

The income tax relating to each component of other comprehensive income is disclosed in note 29.

All total comprehensive income is attributable to equity shareholders.

The accompanying notes form an integral part of these consolidated financial statements.

VITACRESS LIMITED
Consolidated statement of financial position as at 31 December 2016

	<i>Notes</i>	31/12/16	31/12/15
		£'000	£'000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	14	50,257	46,047
Investment property	15	485	494
Investment in joint venture	18	142	98
Other investments		2	2
Goodwill	16	15,602	15,602
Other intangible assets	17	2,372	2,459
Deferred tax assets	29	459	424
Other non-current assets		11	5
Total non-current assets		69,330	65,131
<i>Current assets</i>			
Inventories	19	3,840	3,860
Biological assets	20	4,198	4,017
Loans to group companies	27	5,054	258
Trade and other receivables	21	12,952	11,629
Derivative financial instruments	27	-	118
Cash and cash equivalents	22	898	1,241
Total current assets		26,942	21,123
Non-current assets held for sale	23	-	332
Total assets		96,272	86,586
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital	24	59,942	59,942
Revaluation reserve	25	-	4
Cash flow hedge reserve	25	(42)	98
Other reserve	25	315	315
Foreign currency translation reserve	25	1,011	(1,652)
Retained earnings		(18,322)	(17,168)
Total equity attributable to owners of the parent		42,904	41,539
Non-controlling interests		946	1,012
Total equity		43,850	42,551
<i>Non-current liabilities</i>			
Borrowings	27	25,398	18,514
Finance lease obligations	30	21	37
Deferred tax liabilities	29	2,620	2,488
Other non-current liabilities	28	1,496	1,500
Total non-current liabilities		29,535	22,539
<i>Current liabilities</i>			
Borrowings	27	4,254	2,504
Finance lease obligations	30	23	22
Trade and other payables	28	18,559	18,970
Derivative financial instruments	27	51	-
Total current liabilities		22,887	21,496
Total liabilities		52,422	44,035
Total equity and liabilities		96,272	86,586

The accompanying notes form an integral part of these consolidated financial statements. The financial statements were approved by the board of directors and authorised for issue on 2017 and were signed on its behalf by:

.....
R J Wilkinson
Director
Vitacress Limited
Registered number: 06544254

Company statement of financial position as at 31 December 2016

	Notes	31/12/16 £'000	31/12/15 £'000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	14	33	48
Investments	18	66,098	78,408
Other intangible assets	17	269	305
Deferred tax assets	29	18	18
Total non-current assets		66,418	78,779
<i>Current assets</i>			
Loans to group companies	27	12,245	12,918
Trade and other receivables	21	1,735	4,665
Cash and cash equivalents	22	384	400
Total current assets		14,364	17,983
Total assets		80,782	96,762
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital	24	59,942	59,942
Cash flow hedge reserve	25	(1)	2
Retained earnings		802	20,807
Total equity		60,743	80,751
<i>Non-current liabilities</i>			
Borrowings	27	14,749	5,000
Total non-current liabilities		14,749	5,000
<i>Current liabilities</i>			
Borrowings	27	3,639	3,669
Trade and other payables	28	1,650	7,342
Derivative financial instruments	27	1	-
Total current liabilities		5,290	11,011
Total liabilities		20,039	16,011
Total equity and liabilities		80,782	96,762

The accompanying notes form an integral part of these financial statements. The financial statements were approved by the board of directors and authorised for issue on 2017 and were signed on its behalf by:

.....
R J Wilkinson
Director
Vitacress Limited
Registered number: 06544254

VITACRESS LIMITED
Consolidated statement of changes in equity for the year ended 31 December 2016

	Share capital	Revaluation reserve	Cash flow hedge reserve	Other reserve	Foreign currency translation reserve	Retained earnings	Total attributable to owner of parent	Non- controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2015	59,942	4,068	(124)	315	(857)	(25,245)	38,099	991	39,090
Loss for the year	-	-	-	-	-	4,237	4,237	78	4,315
<i>Other comprehensive income:</i>									
Cash flow hedging	-	-	163	-	-	-	163	-	163
Annual transfer from revaluation reserve	-	(324)	-	-	-	324	-	-	-
Disposal of subsidiary	-	(3,740)	59	-	-	3,650	(31)	-	(31)
Exchange differences on translating foreign operations	-	-	-	-	(795)	(134)	(929)	(57)	(986)
Total other comprehensive loss for the year	-	(4,064)	222	-	(795)	3,840	(797)	(57)	(854)
Balance at 31 December 2015	59,942	4	98	315	(1,652)	(17,168)	41,539	1,012	42,551
Profit for the year	-	-	-	-	-	(726)	(726)	(24)	(750)
<i>Other comprehensive income:</i>									
Cash flow hedging	-	-	(140)	-	-	(140)	(140)	-	(140)
Annual transfer from revaluation reserve	-	(4)	-	-	-	4	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	2,663	(324)	2,339	168	2,507
Total other comprehensive income for the year	-	(4)	(140)	-	2,663	(320)	2,199	168	2,367
Dividend payment	-	-	-	-	-	(108)	(108)	(210)	(318)
Balance at 31 December 2016	59,942	-	(42)	315	1,011	(18,322)	42,904	946	43,850

The accompanying notes form an integral part of these consolidated financial statements.

VITACRESS LIMITED

Company statement of changes in equity for the year ended 31 December 2016

	Share capital	Cash flow hedge reserve	Retained earnings	Total parent equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2015	59,942	1	(2,107)	57,836
Profit for the year	-	-	22,914	22,914
<i>Other comprehensive income:</i>				
Cash flow hedging	-	1	-	1
Total other comprehensive income for the year	-	1	22,914	22,915
Balance at 31 December 2015	59,942	2	20,807	80,751
Loss for the year			(20,007)	(20,007)
<i>Other comprehensive income:</i>				
Cash flow hedging	-	(1)	-	(1)
Prior year adjustment	-	(2)	2	-
Total other comprehensive loss for the year	-	(3)	2	(1)
Balance at 31 December 2016	59,942	(1)	802	60,743

The accompanying notes form an integral part of these financial statements.

VITACRESS LIMITED
Statement of cash flows for the year ended 31 December 2016

	Group 2016	Group 2015	Company 2016	Company 2015
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Receipts from customers	122,462	133,076	159	143
Payments to suppliers	(82,203)	(92,080)	(3,931)	(2,729)
Payments related to employees	(33,195)	(36,348)	(3,815)	(4,449)
Other operating receipts	135	-	-	-
Net (payments to)/receipts from group companies	(969)	(764)	8,312	13,324
Operating cash flow	6,230	3,884	725	6,289
Tax payments	(300)	(698)	-	-
Net cash generated from operating activities	5,930	3,186	725	6,289
Cash flows from investing activities				
Purchase of property, plant and equipment	(8,320)	(9,690)	(16)	(32)
Purchase of intangible assets	-	(52)	-	-
Sale of property, plant and equipment	623	127	1	-
Sale of investment properties	-	57	-	-
Proceeds from disposal of subsidiary	-	23,879	-	-
Transaction costs on disposal of subsidiary	-	(301)	-	-
Interest and similar income from group companies	2	7	464	477
Interest and similar income from external parties	-	52	-	13
Dividends received	-	-	3,000	23,500
Dividends paid	(210)	-	-	-
Loans granted to group companies	(5,254)	(169)	(7,476)	(8,646)
Loan repayments received from group companies	500	-	892	19,179
Net cash (used in)/generated from investment activities	(12,659)	13,910	(3,135)	34,491
Cash flows from financing activities				
Payment of finance leases	(25)	-	-	-
Loans obtained from group companies	8,031	-	11,162	4,033
Loan repayments to group companies	-	(24,055)	(7,334)	(35,704)
Loans obtained from external parties	-	14,139	-	5,000
Loan repayments to external parties	(2,188)	(2,966)	(2,188)	-
Movements in group cash pool	-	-	-	(9,979)
Interest and similar costs to group companies	(24)	(989)	(280)	(1,655)
Interest and similar costs to external parties	(688)	(662)	(241)	(127)
Net cash generated from/(used in) financing activities	5,106	(14,533)	1,119	(38,432)
Net (decrease)/increase in cash and cash equivalents	(1,623)	2,563	(1,291)	2,348
Cash and cash equivalents at the beginning of the year	925	(1,638)	400	(1,948)
Cash and cash equivalents at the end of the year	(698)	925	(891)	400

The accompanying notes form an integral part of these consolidated financial statements.

1. General information and statement of compliance with IFRS

Vitacress Limited (the "Company") is a limited company incorporated and domiciled in the UK. The principal activity of the Company and its subsidiaries (the "Group") is the growing, procurement, packing and marketing of fresh produce.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

On publishing the Parent Company financial statements together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes as part of these approved financial statements.

The address of the registered office is set out on the Company information page.

2. New and revised IFRS's in issue but not yet effective***2.1 New and amended standards adopted by the Group***

On the 1 January 2016 the Group adopted the amendment to IAS 16, 'Property, Plant and Equipment' and IAS 41, 'Agriculture'. These amendments changed the accounting requirements for biological assets that met the definition of bearer plants, which no longer are within the scope of IAS 41 but instead IAS 16 applies. The amendments also require that produce that grows on bearer plants remains in the scope of IAS 41 measured at fair value less costs to sell. The Group reclassified £203,000 from biological assets to property, plant and equipment.

There are no other standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2016 that would be expected to have a material impact on the Group.

2.2 Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9, 'Financial Instruments' is effective for annual periods beginning on or after 1 January 2018 and it replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

IFRS 15, 'Revenue from Contracts with Customers' is effective from annual periods beginning on or after 1 January 2018. The standard establishes a five-step model to account for revenue arising from contracts with customers, whereby revenue is recognised at an amount that reflect the consideration to which an entity is expected to be entitled in exchange for transferring goods or services to a customer.

IFRS 16, 'Leases' is effective for annual periods beginning on or after 1 January 2019. The standard sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases under IAS 17.

The directors do not anticipate that the adoption of these standards or interpretations in future periods will have a material impact on the financial statements of the Group.

3. Significant accounting policies

3.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties, biological assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. A summary of the Group accounting policies, which have been consistently applied across the Group, is set out below.

3.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Vitacress Limited obtains and exercises control through more than half the voting rights for all its subsidiaries. All subsidiaries have a reporting date of 31 December.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance, based on their respective ownership interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation of wholly owned subsidiaries.

3.2.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3.3 Business combinations

Business combinations are accounted for using the acquisition method under the revised IFRS 3 Business Combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount is recognised immediately in the income statement as negative goodwill.

3. Significant accounting policies - continued

3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.3 above) less accumulated impairment losses, if any.

Differences between the cost of acquisition of investments in foreign subsidiaries and the fair value of their identifiable assets and liabilities as at the date of acquisition are recorded in their functional currencies and translated to the Group's functional currency at the exchange rates as of the statement of financial position date. Exchange differences arising on this translation are recorded in equity as 'Translation reserves'.

Where the fair value of the identifiable assets and liabilities of Group companies exceeds the cost of the investments in these companies as of the date of their acquisition, the difference is recognised directly in the income statement or statement of comprehensive income.

Goodwill is not amortised but is subject to impairment tests at least annually. Impairment losses identified are immediately recorded in the income statement and are not subsequently reversed.

Goodwill arising on acquisitions prior to the date of transition to IFRS is maintained at the amounts recorded. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.5 Investment in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group's investments in its joint venture is accounted for using the equity method.

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

3.6 Foreign currency translation

The consolidated financial statements are presented in the currency GBP, which is also the functional currency of the Company. The functional currency of the entities in the Group has remained unchanged during the reporting period. All financial information presented in GBP has been rounded to the nearest thousand.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate and forward contracts). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in the income statement.

In the Group's financial statements, all assets, liabilities and transactions of the Group entities with a functional currency other than GBP (the Group's presentational currency) are translated into GBP upon consolidation.

On consolidation, assets and liabilities have been translated into GBP at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentational currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit and loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into GBP at the closing rate.

3. Significant accounting policies - continued***3.7 Revenue recognition***

Revenue from the sale of goods is recognised in the income statement when the risks and benefits of ownership have been transferred to the buyer and the amount of revenue can be reasonably measured. Sales are therefore recognised on dispatch and are net of sales taxes, discounts, rebates and other expenses arising on the sale, at the fair value of the amount received or receivable.

Revenue from services rendered is recognised in the income statement as the fair value of consideration receivable on the delivery of services delivered, at the statement of financial position date, net of discounts and sales taxes.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

3.8 Leases

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

3.8.1 The Group as lessor

Rental income from the operating leases of the Group's investment properties is recognised on a straight-line basis over the term of the relevant lease.

3.8.2 The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3.9 Borrowing costs

Borrowing costs on loans obtained are recognised in the income statement on an accruals basis at the implicit interest rate.

3.10 Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to an expense item are recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Government grants related to the purchase, construction or acquisition of non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to the income statement in proportion to the depreciation of the subsidised property, plant and equipment.

3.11 Retirement benefit costs

The Group provides post-employment benefits through defined contribution retirement benefit plans. Payments to defined contribution retirement benefit plans are recognised as an expense when the relevant employees have rendered service entitling them to the contributions.

3. Significant accounting policies - continued**3.12 Taxation**

Income tax expense is determined based on the taxable income of the companies included in the consolidation and includes deferred taxation.

3.12.1 Current tax

Current tax is based on taxable profit/loss for the year (which differs from accounting profit/loss) of the companies included in the consolidation. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.12.2 Deferred tax

Deferred tax is calculated using the statement of financial position method, and reflects the timing differences between the carrying amounts of assets and liabilities for financial reporting and their income tax bases. Deferred tax assets and liabilities are not recognised on timing differences resulting from goodwill and from the initial recognition of assets or liabilities unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised only when there is reasonable expectation that there will be sufficient future taxable income against which to use them. The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.12.3 Current and deferred tax for the year

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3.13 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in the income statement to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in the income statement. There is an annual transfer between the revaluation reserve and retained earnings of the additional depreciation arising from the revaluation. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated. All other classes of property, plant and equipment excluding land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

Bearer assets that were historically treated as biological assets have been initially recognised at the fair value recognised in the balance sheet at 1 January 2016. Any new bearer assets will be stated at cost. An assessment of the useful life of the bearer plant has been made at the time of transition.

3. Significant accounting policies - continued***3.13 Property, plant and equipment - continued***

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful economic lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

3.14 Investment property

Investment properties are land and properties held to earn income rentals or for capital appreciation, rather than for use in the production or supply of goods or services or for administration purposes or for sale in the ordinary course of business. Investment properties are measured at amortised cost. Like property, plant and equipment, investment properties are depreciated using the straight-line method. Expenses relating to investment properties in use such as maintenance repairs and insurance are recognised in the income statement of the period to which they refer.

An investment property is de-recognised upon disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the property is de-recognised.

3.15 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives when the asset is brought into use. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.16 Impairment of tangible and intangible assets other than goodwill

Assets are assessed for impairment at each statement of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Whenever the book value of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement.

The recoverable amount of an asset is the higher of its net realisable value and its value in use. Net realisable value is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable parties, less costs of sale. Value in use is the present value of future cash flows from the continued use of an asset and its sale at the end of its useful life.

Impairment losses recognised in prior years are reversed when there are indications that the impairment losses no longer exist or have decreased. The reversal of impairment losses is recorded in the income statement. However, reversal of an impairment loss is recognised up to the amount that would have been recognised (net of depreciation or amortisation) had no impairment loss been recognised for that asset in prior years.

3.17 Biological assets

Growing crops are valued at fair value less costs to sell. Fair value is based on market prices of each crop less transport and other costs necessary to get the crop to market.

Biological assets are non-depreciable and the fair value changes are included in the income statement. These assets are classified as current assets because their life cycle is less than 12 months.

3. Significant accounting policies - continued***3.18 Inventories***

Raw materials are stated at the lower of cost and net realisable value. Cost is determined using a weighted average cost method and includes the purchase price and all the expenses incurred to their reception into the warehouse.

Work in progress and Finished goods are valued at the lower of production cost and net realisable value. Cost includes the cost of raw materials incorporated, direct labour and production overheads.

Net realisable value is the estimated selling price in the ordinary course of the business, less applicable variable selling expenses. Accumulated inventory impairment losses reflect the difference between cost and net realisable value of inventories, as well as estimated impairment losses due to slow turnover, obsolescence and deterioration of inventories.

3.19 Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition and management expect to complete a sale within one year from the date of classification. Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.20 Financial assets and liabilities

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the respective financial instrument.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are measured initially at fair value taking into account transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

3.20.1 Financial Instruments

Investments are classified as follows:

- Investments held-to-maturity – financial assets with fixed or variable repayment and fixed maturity, which the Board of Directors intend to hold until maturity. Investments held to maturity are presented as non-current investments, except when its maturity is within the 12 month period as of the date of the statement of financial position;
- Investments at fair value through the income statement – financial assets or liabilities that are held for the purpose of obtaining short-term capital gains; and
- Investments available for sale – financial assets that are available for sale or cannot be classified in the above categories.

All purchases and sales of investments are recognised on the date of signature of the respective purchase and sale contracts, independently of their financial settlement dates.

After initial recognition, investments at fair value through the income statement and investments available for sale are revalued to fair value by reference to their market value at the statement of financial position, with no deduction of any transactions costs that may arise upon sale. Gains or losses resulting from changes in the fair value of investments at fair value through the income statement are recorded in the income statement for the period.

3.20.2 Trade receivables

Receivables from third parties are stated at their nominal value less possible impairment losses, which are recognised under 'Impairment losses on receivables', so that they are reflected at their net realisable value.

3.20.3 Classification as equity or liability

Financial liabilities and equity instruments are classified based on their contractual substance, independently from their legal form. Equity instruments correspond to contracts that have a residual impact in the Group's assets after deduction of the liabilities.

3. Significant accounting policies – continued***3.20 Financial assets and liabilities - continued****3.20.4 Loans*

Loans are recorded as liabilities at their amortised cost. Possible costs incurred with the issuance of these loans are recorded as deductions from the liability and recognised over the period of the loans based on the effective interest rate. Financial expenses are calculated based on the effective interest rates, including premiums payable, and are reflected in the income statement on an accruals basis.

3.20.5 Accounts payable

Non-interest bearing accounts payable are stated at their nominal value.

3.20.6 Derivatives and hedge accounting

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

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

For the reporting periods under review, the Group has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate currency exchange risk arising from highly probable forecast transactions denominated in foreign currency.

At the inception of the hedge relationship, the relationship between the hedging instrument and the hedged item, risk management objective and strategy, is documented. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in the income statement.

At the time the hedged item affects the income statement, any gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognised in other comprehensive income is transferred immediately to the income statement.

3.21 Carbon emissions allowances

The Group has energy activities that are subject to the European carbon emissions trading scheme and is allocated carbon emissions allowances by the UK government. Where actual carbon emissions in the period are less than the allowances received (adjusted for allowances traded in the year), the unused allowances are recognised on the Statement of financial position at the lower of their original market value at the date of grant and their value at the date of the statement of financial position and income to that value is recognised in the income statement. Where actual carbon emissions exceed the granted allowances in the year (adjusted for allowances traded in the year), a liability is recognised based on the fair value at the date of the Statement of financial position of the additional allowances required and is shown in the income statement as an expense. Sales during the year of allowances are recorded in the financial statements in 'Other income'.

3. Significant accounting policies – continued

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgements in applying accounting policies

4.1.1 Going concern

In preparing the financial statements the directors have had regard to the fact that the Group generated a profit before tax from continuing operations in the financial year ended 31 December 2016 of £1,000,000 (2015: £3,038,000 loss). A key judgment is the appropriateness of using the going concern basis in preparing the financial statements. The directors are confident that the Group has adequate funding in place to support its future operations, for a period of at least 12 months from signing these financial statements.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Fair value of biological assets

The fair value of the Group's biological assets is comprised of three elements:

1. The estimated net sales value of those assets;
2. Less an estimate of the costs to bring those assets to maturity and the costs of harvesting them; and
3. Less an estimate of wastage due to a part grown crop not reaching maturity or not proving saleable for other reasons.

Discounted cash-flow techniques have not been applied as the time from planting to harvesting is typically very short, and always less than one year. Separate valuation models have been used for watercress, other leaf crops, tomatoes and herbs. The significant assumptions made in determining the fair value of the Group's biological assets are:

- The expected yield, the length of the growing cycle, the build-up of costs within the growing cycle, wastage levels and the costs to harvest the crop.
- The expected yield is based upon agronomic experience of the growing conditions of specific crops in specific locations. Due to the short growing cycle these will be based on recent data. Where new crops are grown, yields are based upon general experience.
- All crops have a growing cycle which is dependent upon the intensity and length of the daylight. This means that there are different assumptions regarding the length of the growing cycle in different countries within the Group. The growing cycle for watercress is between six weeks and four months. For other leaf crops it is between five and ten weeks. Tomatoes have an annual planting; and cropping will occur throughout the last eight months of this growing cycle. The growing cycle for herbs is between four weeks to four months.
- The build-up of costs within the growing cycle is based upon past experience. Due to the way costs continue to build up throughout the growing cycle of tomatoes; this is the most significant assumption within the valuation methodology.
- The assumptions regarding wastage are based upon detailed experience of the losses experienced within the growing operations. No distinction is made between losses due to sales volatility, inclement weather or losses and disease within the farm.
- The costs to harvest are based upon past experience.
- For all crops, except for pot herbs, the sales price is the price of a bulk product of the appropriate crop. For pot herbs, the sales price is the average sales price across the customer base of a unit of the respective pot herb. An estimate for packing and distribution of these pots is then deducted.

4. Critical accounting judgements and key sources of estimation uncertainty - continued***4.2 Key sources of estimation uncertainty - continued****4.2.2 Fair value of derivatives and other financial instruments*

As described in note 32, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 32 provides information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

4.2.3 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3.4. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of estimates (note 16.1).

4.2.4 Recoverability of trade receivables

The directors have reviewed the carrying value of trade receivables and made a provision against non-payment of these receivables. The significant factors in determining the fair value of the Company's trade receivables are listed below:

- Past payment history;
- Indications from credit insurer;
- Credit rating information and analysis of customer financial statements;
- Any special factors such as notification of the appointment of an administrator; and
- Indications from the customer which cause doubt over their ability to pay.

4.2.5 Revaluation of land and buildings

The Group carries both land and buildings at revalued amounts. These are updated periodically, using qualified independent Chartered Surveyors.

5. Revenue

The following is an analysis of the Group's revenue for the year.

	2016	2015 Restated
	£'000	£'000
Revenue from the sale of goods in the UK	89,140	85,111
Revenue from the sale of goods in Continental Europe	21,105	15,722
	<u>110,245</u>	<u>100,833</u>

6. Employee benefit expense

Employee benefit expense is made up as follows:

	2016	2015 Restated
	£'000	£'000
Wages and salaries	27,565	27,724
Social security cost	3,133	3,022
Pension contributions	633	599
End of contract compensation	136	439
Other personnel costs	866	667
	<u>32,333</u>	<u>32,451</u>

Number of employees

	2016	2015 Restated
	Number	Number
Management and administration	187	186
Production and packing	1,082	1,135
Selling and distribution	64	59
	<u>1,333</u>	<u>1,380</u>

Average monthly number of staff employed by the Group

7. Directors' emoluments

	2016	2015
	£'000	£'000
Salary payments and other short-term employee benefits	645	1,080
Company contributions to defined contribution schemes	42	88
	<u>687</u>	<u>1,168</u>

Four of the directors' emoluments were paid through Vitacress Limited in the year (2015: five). Two of the directors (2014: two) consider their services to the Group are incidental to their other activities within the wider RAR Group. Accordingly their emoluments are paid by the intermediate parent company, RAR - Sociedade de Controle (Holding) SA. It is not possible to determine a specific allocation for services rendered to this Company, and consequently their emoluments are not shown in the table above.

The aggregate emoluments of the highest paid director were £418,000 (2015: £538,000).

Retirement benefits are accruing to three directors under a defined contribution pension scheme (2015: four).

8. Other operating income

	2016	2015
	<u>£'000</u>	<u>Restated £'000</u>
Operating lease rental income:		
Investment property	116	106
Other rental income	212	224
Gain on sale of property, plant and equipment	169	129
Operational exchange gains	1,305	608
Government grants	380	425
Other income	172	100
	<u>2,354</u>	<u>1,592</u>

9. Fees to auditors

	2016	2015
	<u>£'000</u>	<u>£'000</u>
Audit of company financial statements	15	15
Audit of subsidiary financial statements	121	159
Provision of taxation compliance services	52	10
Fees paid for other services	74	36
	<u>262</u>	<u>220</u>

10. Financial expenses

	2016	2015
	<u>£'000</u>	<u>Restated £'000</u>
Interest expense:		
On bank borrowings at amortised cost	233	323
On obligations under finance leases	3	3
On intercompany loans	115	539
Other	123	105
Finance exchange losses	-	16
Bank charges	137	133
Other financial expenses	167	45
	<u>778</u>	<u>1,164</u>

11. Financial income and Income on joint venture company

	2016	2015
	<u>£'000</u>	<u>Restated £'000</u>
Interest income:		
On bank deposits	-	52
On intercompany loans	60	7
Income on joint venture company	130	66
Finance exchange gains	84	-
Fair value gains on derivative financial liabilities held at fair value through profit or loss	-	23
	<u>274</u>	<u>148</u>

12. Discontinued operations

Vitacress Sales Limited ceased trading by the end of the reporting period and has been considered as a discontinued operation in these financial statements. The comparatives have been restated accordingly.

In May 2015, the Group sold its UK tomato business to A Pearson Holdings Limited, which included the following trading subsidiaries: Wight Salads Limited, The Tomato Stall Limited and The Isle of Wight Energy Company Limited.

The results for the discontinued operations are as follows:

	2016	2015
	£'000	Restated £'000
Revenue	11,251	35,156
Expenses	(13,295)	(31,921)
Operating (loss)/profit	(2,044)	3,235
Finance costs	(17)	(218)
Gain on disposal	-	3,472
(Loss)/profit before tax from discontinued operations	(2,061)	6,489
Income tax credit:		
Related to pre-tax loss/profit	441	-
Related to gain on disposal	-	1,244
(Loss)/profit after tax for the year from discontinued operations	(1,620)	7,733

Notwithstanding the one line presentation for profit after tax for the year from discontinued operations on the face of the consolidated income statement, discontinued operations remain consolidated in the Group financial statements, i.e., transactions between discontinued and continuing operations are eliminated as usual in the consolidation.

As a consequence, the amounts ascribed to the continuing and discontinued operations will be income and expense only from transactions with counterparties external to the Group. This means the results presented on the face of the consolidated income statement will not necessarily represent the activities of the operations as individual entities, particularly when there has been significant trading between the continuing and discontinued operations.

If the trading between continuing and discontinued operations was not eliminated for the purpose of presenting a consolidated income statement, then the results for continuing operations would be as below:

	2016	2015
	£'000	Restated £'000
Operating profit/(loss) for the year from continuing operations	1,504	(2,022)
Intercompany trading with discontinued operations	225	2,957
Restated operating profit for the year from continuing operations	1,729	935

The net cash flows incurred by the discontinued operations are as follows:

	2016	2015
	£'000	Restated £'000
Operating	(2,346)	(1,491)
Investing	2	23,435
Financing	(18)	(32)
Net cash (outflow)/inflow	(2,362)	21,912

13. Income tax credit**13.1 Income tax recognised in the income statement**

	2016	2015
	£'000	Restated £'000
Current tax expense		
Current year	(516)	(182)
Adjustments in respect of prior years	396	(38)
Total current tax	(120)	(220)
Deferred tax income		
Current year	(28)	(34)
Adjustments in respect of prior years	(3)	(6)
Movement on change of rate of tax	21	(120)
Total deferred tax	(10)	(160)
Total income tax expense recognised in income statement	(130)	(380)

13.2 Reconciliation of tax charge

The income tax (expense)/credit for the year can be reconciled to the accounting profit/(loss) as follows:

	2016	2015
	£'000	Restated £'000
Profit/(loss) before tax from continuing operations	1,000	(3,038)
(Loss)/profit before tax from discontinued operations	(2,061)	6,489
Income tax calculated at UK average corporation tax rate of 20% (2015: 20.25%)	212	(699)
Non-deductible expenses	(142)	(546)
Income not taxable	20	1,235
Adjustment in respect of prior years – current tax	396	(37)
Adjustment in respect of prior years – deferred tax	(3)	(120)
Movement on change of rate of tax	21	(23)
Reversal of deferred tax liability on revalued land and buildings	-	1,055
Other tax adjustments	(129)	-
Overseas taxation	(64)	(1)
Total consolidated income tax	311	864
Income tax expense recognised in the consolidated income statement	(130)	(380)
Income tax credit attributable to discontinued operations	441	1,244
	311	864

No provision is made for any additional taxation which might arise on remittance of retained profits of overseas subsidiary companies because there is no intention in the foreseeable future that such profits will be remitted.

13.3 Factors affecting future tax charges

The main rate of corporation tax has been 20% since 1 April 2015. A reduction in the corporation tax rate to 19% from 1 April 2017 was enacted during 2015 and a further reduction to 17% from 1 April 2020 was enacted during 2016. All closing deferred tax balances have been valued at 17%, being the rate at which most balances are expected to reverse.

14. Property, plant and equipment**Group**

	Land and natural resources	Buildings and other constructions	Plant and machinery	Vehicles	Office furniture and fittings	Other tangible assets	Bearer assets	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost or valuation</i>									
Balance at 1 January 2016	13,383	34,738	52,903	2,213	2,036	748	-	3,039	109,060
Additions	-	163	440	4	28	22	-	5,916	6,573
Disposals	(19)	(13)	(1,001)	(263)	(43)	(5)	-	-	(1,344)
Effect of foreign currency exchange differences	1,659	2,656	2,606	129	125	-	-	83	7,258
Transfers	-	4,243	1,732	-	502	(2)	203	(6,185)	493
Balance at 31 December 2016	15,023	41,787	56,680	2,083	2,648	763	203	2,853	122,040
<i>Accumulated depreciation and impairment</i>									
Balance at 1 January 2016	2,106	17,498	38,845	2,141	1,752	671	-	-	63,013
Eliminated on disposals of assets	(19)	(5)	(937)	(263)	(38)	(5)	-	-	(1,267)
Depreciation expense	21	1,814	3,524	41	222	11	51	-	5,684
Effect of foreign currency exchange differences	352	1,503	2,018	123	113	-	-	-	4,109
Transfers	-	-	(29)	-	273	-	-	-	244
Balance at 31 December 2016	2,460	20,810	43,421	2,042	2,322	677	51	-	71,783
Carrying amount 31 December 2016	12,563	20,977	13,259	41	326	86	152	2,853	50,257

14. Property, plant and equipment - continued

Group	Land and natural resources	Buildings and other constructions	Plant and machinery	Vehicles	Office furniture and fittings	Other tangible assets	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost or valuation</i>								
Balance at 1 January 2015	18,065	45,110	54,238	2,411	2,632	748	3,945	127,149
Additions	14	2,084	4,109	9	86	-	3,361	9,663
Disposals	(32)	(14)	(3,195)	(40)	(57)	-	(58)	(3,396)
Disposal of subsidiary	(3,905)	(11,631)	(4,724)	(120)	(726)	-	(114)	(21,220)
Effect of foreign currency exchange differences	(611)	(954)	(928)	(47)	(44)	-	(55)	(2,639)
Transfers	(148)	143	3,403	-	145	-	(4,040)	(497)
Balance at 31 December 2015	13,383	34,738	52,903	2,213	2,036	748	3,039	109,060
<i>Accumulated depreciation and impairment</i>								
Balance at 1 January 2015	2,217	21,833	42,830	2,226	2,142	660	-	71,908
Eliminated on disposals of assets	-	(4)	(3,121)	(40)	(56)	-	-	(3,221)
Eliminated on disposal of subsidiary	-	(5,431)	(3,315)	(69)	(549)	-	-	(9,364)
Depreciation expense	17	1,704	3,158	67	252	11	-	5,209
Effect of foreign currency exchange differences	(128)	(483)	(681)	(43)	(37)	-	-	(1,372)
Transfers	-	(121)	(26)	-	-	-	-	(147)
Balance at 31 December 2015	2,106	17,498	38,845	2,141	1,752	671	-	63,013
Carrying amount 31 December 2015	11,277	17,240	14,058	72	284	77	3,039	46,047

14. Property, plant and equipment - continued**Company**

	Office furniture and fittings	Work in progress	Total
	£'000	£'000	£'000
<i>Cost or valuation</i>			
Balance at 1 January 2016	287	4	291
Additions	13	2	15
Disposals	(29)	-	(29)
Transfers	2	(4)	(2)
Balance at 31 December 2016	273	2	275

Accumulated depreciation and impairment

Balance at 1 January 2016	243	-	243
Depreciation expense	25	-	25
Eliminated on disposals	(26)	-	(26)
Balance at 31 December 2016	242	-	242
Carrying amount 31 December 2016	31	2	33

	Office furniture and fittings	Work in progress	Total
	£'000	£'000	£'000
<i>Cost or valuation</i>			
Balance at 1 January 2015	252	65	317
Additions	28	4	32
Disposals	-	(58)	(58)
Adjustments to asset classifications	7	(7)	-
Balance at 31 December 2015	287	4	291

Accumulated depreciation and impairment

Balance at 1 January 2015	217	-	217
Depreciation expense	26	-	26
Balance at 31 December 2015	243	-	243
Carrying amount 31 December 2015	44	4	48

14.1 Useful economic lives

The following useful economic lives are used in the calculation of depreciation.

Buildings and other construction	10 – 50 years
Plant and machinery	3 – 10 years
Vehicles	4 – 7 years
Office furniture and fittings	3 – 10 years
Tools	3 – 7 years
Reusable containers	3 – 7 years
Other tangible assets	3 – 50 years
Bearer assets	2 – 6 years
Equipment under finance lease	Life of the lease

Work in progress comprises assets that, once complete, will be disclosed within one of the other property, plant and equipment headings, and the assets will be depreciated in line with useful economic life for that heading.

14. Property, plant and equipment – continued**14.2 Freehold land and buildings carried at revalued amounts**

An independent valuation of the Group's freehold land and buildings was performed to determine their fair values as at 31 December 2011. Another review was performed in 2014 which validated the fair value of the assets and no adjustment was required. UK freehold land and buildings were valued by Smiths Gore, external Chartered Surveyors, and Quinton Edwards, external Chartered Surveyors, and freehold land and buildings in Portugal were valued by American Appraisal, external valuers. The valuations, which conformed to International Valuation Standards, were determined by reference to recent market transactions on arm's length terms.

The directors reviewed the land and building fair values as at 31 December 2016 and do not believe their value had changed materially enough to justify another revaluation.

Included in the Group's land and buildings are assets held at revalued amounts with a net book value of £20,540,000 (2015: £19,925,000).

Had these assets been measured on a historical cost basis, their carrying amount would have been as follows.

	Group 2016	Group 2015
	<u>£'000</u>	<u>£'000</u>
Land and natural resources		
Cost at 31 December	<u>2,890</u>	<u>2,645</u>
Buildings and other constructions		
Cost at 31 December	18,302	16,728
Accumulated depreciation	<u>(11,044)</u>	<u>(9,484)</u>
Carrying value at historic cost of buildings and other constructions	<u>7,258</u>	<u>7,244</u>
Total carrying value at historic cost	<u>10,148</u>	<u>9,889</u>

15. Investment property

	Group 2016	Group 2015
	<u>£'000</u>	<u>£'000</u>
<i>Cost</i>		
Balance at 1 January	610	644
Disposals	-	(32)
Effect of foreign currency exchange differences	-	(2)
	<u>610</u>	<u>610</u>
<i>Accumulated depreciation and impairment</i>		
Balance at 1 January	116	107
Depreciation expense	9	9
	<u>125</u>	<u>116</u>
Carrying amount at 31 December	<u>485</u>	<u>494</u>

Within the Group, direct operating expenses for 2016 of £nil (2015: £nil) were incurred on properties that generated rental income during the year. Expenses of £2,000 (2015: £2,000) were incurred on properties that did not generate rental income during the year.

Investment properties are valued at cost.

All of the Group's investment properties are held under freehold interests.

The following useful lives are used in the calculation of depreciation.

Buildings and other construction 10 – 50 years

An independent valuation of the Group's investment properties was performed to determine their fair values as at 1 January 2011. Another review was performed in 2014 which validated the previous fair value of the assets disclosed in this note. The valuation was carried out by Smiths Gore, external Chartered Surveyors. The valuation, which conformed to International Valuation Standards, was determined by reference to recent market transactions on arm's length terms. The directors reviewed the investment property fair values as at 31 December 2016 and do not believe their value had changed materially enough to justify another valuation.

Had the Group investment properties been measured on a fair value basis, their carrying amount would have been as follows as at 31 December 2016:

	Group 2016	Group 2015
	<u>£'000</u>	<u>£'000</u>
Fair value	<u>890</u>	<u>890</u>

16. Goodwill

The Company has no goodwill. Details of the goodwill relating to the Group is as follows:

	Group 2016	Group 2015
	<u>£'000</u>	<u>£'000</u>
Cost		
Balance at 1 January	15,602	15,633
Disposal	<u>-</u>	<u>(31)</u>
Carrying amount at 31 December	<u>15,602</u>	<u>15,602</u>

16.1 Annual impairment review

For the purposes of annual impairment testing, goodwill is allocated to the following cash-generating units (CGUs), this grouping aligns the units expected to benefit from the synergies of the business combination with the associated goodwill.

	2016	2015
	<u>£'000</u>	<u>£'000</u>
Vitacress Salads Limited	8,927	8,927
Vitacress Herbs Limited	<u>6,675</u>	<u>6,675</u>
	<u>15,602</u>	<u>15,602</u>

The recoverable amount of the CGUs were determined based on pre-tax value-in-use calculations, covering a detailed five year forecast, followed by an extrapolation of expected pre-tax cash flows for the each CGU's remaining useful life using the growth rates stated below. The growth rates reflect the long-term average growth rates for the industries in which the CGUs operate. Management's key assumptions included stable profit margins based on past performance and its expectations of market development. The pre-tax discount rate used reflects the specific risks relating to the Vitacress Group at those points in time.

The key assumptions used for the value-in-use calculations are as follows:

	2016	2015
<i>Long-term growth rate:</i>		
Vitacress Salads Limited	1%	1%
Vitacress Herbs Limited	1%	1%
<i>Pre-tax discount rate:</i>		
Vitacress Salads Limited	6.9%	7.8%
Vitacress Herbs Limited	6.9%	7.8%

The directors believe that there are no reasonably foreseeable circumstances in which this goodwill would be impaired.

17. Other intangible assets

Group	Software	Software work in progress	Intangible on acquisition of VHBUs	Unused carbon credits	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 January 2016	3,546	235	2,866	140	6,787
Additions and allocations	38	867	-	25	930
Disposals and usages	(85)	-	-	(36)	(121)
Effect of foreign currency exchange differences	120	-	-	(9)	111
Transfers	710	(1,000)	-	-	(290)
Balance at 31 December 2016	4,329	102	2,866	120	7,417
Accumulated amortisation and impairment					
Balance at 1 January 2016	1,958	-	2,370	-	4,328
Amortisation expense	486	-	496	-	982
Eliminated on disposals of assets	(85)	-	-	-	(85)
Effect of foreign currency exchange differences	64	-	-	-	64
Transfers	(244)	-	-	-	(244)
Balance at 31 December 2016	2,179	-	2,866	-	5,045
Carrying amount at 31 December 2016	2,150	102	-	120	2,372
	Software	Software work in progress	Intangible on acquisition of VHBUs	Unused carbon credits	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 January 2015	4,614	186	2,866	175	7,841
Additions and allocations	52	58	-	26	136
Disposals and usages	(51)	(9)	-	(61)	(121)
Disposal of subsidiary	(1,017)	-	-	(10)	(1,027)
Effect of foreign currency exchange differences	(43)	-	-	-	(43)
Revaluation	-	-	-	10	10
Transfers	17	-	-	-	17
Adjustments to asset classifications	(26)	-	-	-	(26)
Balance at 31 December 2015	3,546	235	2,866	140	6,787
Accumulated amortisation and impairment					
Balance at 1 January 2015	2,597	-	1,775	-	4,372
Amortisation expense	458	-	595	-	1,053
Eliminated on disposals of assets	(50)	-	-	-	(50)
Eliminated on disposal of subsidiary	(1,006)	-	-	-	(1,006)
Effect of foreign currency exchange differences	(15)	-	-	-	(15)
Adjustments to asset classifications	(26)	-	-	-	(26)
Balance at 31 December 2015	1,958	-	2,370	-	4,328
Carrying amount at 31 December 2015	1,588	235	496	140	2,459

17. Other intangible assets - continued

Company	2016	2015
	£'000	£'000
<i>Cost</i>		
Balance at 1 January	468	477
Additions	34	-
Disposals	(13)	(9)
Transfers	2	-
Balance at 31 December	491	468
<i>Accumulated depreciation and impairment</i>		
Balance at 1 January	163	90
Depreciation expense	72	73
Eliminated on disposals	(13)	-
Balance at 31 December	222	163
Carrying amount at 31 December	269	305

Amortisation of software is calculated on the basis of a useful life of between 3 and 5 years.

18. Investments in subsidiaries and joint venture

Company	2016	2015
	£'000	£'000
Investments balance at 1 January	78,408	78,408
Impairment *	(12,310)	-
Investments balance at 31 December	66,098	78,408

* In June 2016 a capital restructure programme was undertaken in Wight Salads Group Limited and its subsidiaries. Following this restructure, management has reviewed the carrying value of the Company's investment in Wight Salads Group and an impairment of £12,310,000 was deemed necessary.

Group

The Group share of income statement and other comprehensive income of Vitacress Real BV is:

	2016	2015
	£'000	£'000
Group's share of income and total comprehensive income	142	98

The aggregate carrying value of the group's interests in Vitacress Real BV is not considered material by the directors, hence not disclosed accordingly.

As at 31 December 2016 there are no contingencies and commitments related to this joint venture.

18. Investments in subsidiaries and joint venture – continued

The Company holds the following investments in trading subsidiaries and joint ventures (of which only Wight Salads Group Limited, Vitacress Salads Limited, Vitacress Herb Limited and Vitacress Real BV represent direct holdings):

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31/12/16	31/12/15
Vitacress Salads Limited	Produce salad crops	England & Wales	100%	100%
Vitacress Sales Limited	Market wholesalers	England & Wales	100%	100%
Vitacress Kent Limited	Produce salad crops	England & Wales	100%	100%
Wight Salads Group Limited	Holding company	England & Wales	100%	100%
Vitacress Herbs Limited	Herb growing and packing	England & Wales	100%	100%
Vitacress Agricultura Intensiva S.A.	Produce salad crops	Portugal	100%	100%
Vitacress Portugal S.A.	Produce salad crops	Portugal	100%	100%
Euralface Agricultura S.A.	Produce salad crops	Portugal	100%	100%
Vitacress Portugal SGPS S.A.	Holding company	Portugal	100%	100%
Vitacress Iberia S.L.	Sell fresh produce	Spain	100%	100%
Hortcilha – Agro Industria SA	Growing vegetables & nursery products	Portugal	100%	100%
Margaret Nurseries San Martin SL	Growing vegetables & nursery products	Spain	100%	100%
Vitacress España S.L.	Produce salad crops	Spain	51%	51%
Vitacress Real BV	Herb packing	Holland	50%	50%

On the 26th May 2016 an interim dividend of £210,000 was paid by Vitacress Espana S.L for 2016 to the minority interest party (2015: £nil).

19. Inventories

	31/12/16	31/12/15
Group	£'000	£'000
Raw materials	3,440	3,452
Work in progress	215	136
Finished goods	185	139
Other	-	133
	3,840	3,860

The cost of inventories in the Group recognised as an expense during the year from continuing operations was £39,808,000 (2015: £35,018,000).

The cost of inventories recognised as an expense in the Group includes £nil (2015: £7,584) in respect of write-downs of inventory to net realisable value.

20. Biological assets

	Group 2016	Group 2015
	£'000	£'000
Fair value at 1 January	4,017	6,706
Transfer to tangible fixed assets	(203)	-
Transfer to inventory raw materials	(86)	-
Gain from changes in fair value less costs to sell	20,275	18,983
Increases due to purchases	16,409	23,863
Decreases from harvest	(36,726)	(40,324)
Disposal of subsidiary	-	(5,028)
Exchange differences	512	(183)
Fair value at 31 December	4,198	4,017

The fair value of biological assets comprise the following elements:

	Group 2016	Group 2015
	£'000	£'000
Tomatoes	693	676
Watercress	620	466
Herbs	1,433	961
Other leaf	1,452	1,914
	4,198	4,017

The areas under cultivation in hectares were as follows:

	Group 2016	Group 2015
Tomatoes	9.58	12.09
Watercress	36.70	36.70
Herbs	45.61	28.60
Other leaf	173.34	175.40
	265.23	252.79

21. Trade and other receivables

Group	31/12/16	31/12/15
	£'000	£'000
Trade receivables, gross	7,176	7,858
Allowance for doubtful debts	(172)	(415)
Trade receivables	7,004	7,443
Social security and other taxes	2,197	1,387
Current tax assets	387	174
Other debtors	521	707
Amounts owed by group companies – trade (note 33.1)	1,627	726
Prepayments	1,216	1,192
	12,952	11,629
Company	31/12/16	31/12/15
	£'000	£'000
Trade Debtors	-	84
Current tax assets	3	-
Other debtors	4	22
Amounts owed by group companies – trade (note 33.1)	1,594	4,317
Prepayments	134	242
	1,735	4,665

All amounts are short-term and repayable on demand. The net carrying amount of trade receivables is considered a reasonable approximation of fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be (recovered)/impaired during the period and an allowance for doubtful debts of (£48,000) (2015: £181,000) has been recorded within other operating expenses from continuing operations.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting year for which the Group has not recognised an additional allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

21.1 Age of trade receivables that are past due but not impaired

Group	31/12/16	31/12/15
	£'000	£'000
0-90 days	1,179	1,468
91-180 days	18	136
>180 days	49	183
Total	1,246	1,787

21.2 Movement in the allowance for doubtful debts

	Group 2016	Group 2015
	£'000	£'000
Balance at beginning of the year	415	842
Impairment losses recognised on receivables	110	232
Amounts written off during the year as uncollectible	(286)	(517)
Amounts recovered during the year	(86)	(65)
Disposal of subsidiary	-	(53)
Foreign exchange translation gains and losses	19	(24)
Balance at end of the year	172	415

21. Trade and other receivables – continued**21.2 Movement in the allowance for doubtful debts – continued**

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to £nil (31 December 2015: £ nil) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

22. Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting year as shown in the Statement of Cash Flows can be reconciled to the related items in the Statement of Financial Position as follows:

Group	31/12/16	31/12/15
	£'000	£'000
Cash and bank balances	898	1,241
Bank overdrafts (note 27.3)	(1,596)	(316)
	<u>(698)</u>	<u>925</u>
Company	31/12/16	31/12/15
	£'000	£'000
Cash and bank balances	384	400
Bank overdrafts (note 27.3)	(1,275)	-
	<u>(891)</u>	<u>400</u>

23. Non-current assets held for sale

Group	Land and natural resources	Buildings and other constructions	Plant and machinery	Total
	£'000	£'000	£'000	£'000
<i>Cost or valuation</i>				
Balance at 1 January 2016	148	295	36	479
Disposal	<u>(148)</u>	<u>(295)</u>	<u>(36)</u>	<u>(479)</u>
Balance at 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Accumulated depreciation</i>				
Balance at 1 January 2016	-	121	26	147
Eliminated on disposal	<u>-</u>	<u>(121)</u>	<u>(26)</u>	<u>(147)</u>
Balance at 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

23. Non-current assets held for sale - continued

Group	Land and natural resources £'000	Buildings and other constructions £'000	Plant and machinery £'000	Total £'000
<i>Cost or valuation</i>				
Balance at 1 January 2015	-	-	-	-
Transfers	148	295	36	479
Balance at 31 December 2015	148	295	36	479
<i>Accumulated depreciation</i>				
Balance at 1 January 2015	-	-	-	-
Transfers	-	121	26	147
Balance at 31 December 2015	-	121	26	147
Carrying amount 31 December 2015	148	174	10	332

At 31 December 2015 the Group decided to sell some assets, hence these were transferred from property, plant and equipment to non-current assets held for sale.

24. Share capital

Group and Company	31/12/16 £'000	31/12/15 £'000
Share capital of £1 each	59,942	59,942
<i>Issued share capital comprises:</i>		
59,941,593 (2015 : 59,941,593) fully paid ordinary shares	59,942	59,942

Authorised ordinary share capital, which have a par value of £1, carry one vote per share and carry a right to dividends.

25. Other reserves***25.1 Revaluation reserve***

The revaluation reserve arises on the revaluation of freehold land and buildings. When revalued land or buildings are sold, the portion of the revaluation reserve that relates to that asset is transferred directly to retained earnings.

25.2 Cash flow hedge reserve

The cash flow hedge reserve reflects the effective portion of changes in the fair value of foreign currency forward contracts that qualify as hedging derivatives.

25.3 Other reserve

The other reserve represents goodwill on Vitacress Limited's acquisition of Wight Salads Group Limited. Predecessor accounting applied on transition to IFRS with effect from 1 January 2010 does not allow new goodwill to be created as there is no value added in restructuring a group under common control. This excess sits within equity and will only crystallise on the sale of Wight Salads Group Limited.

25.4 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy on foreign currency translation.

26. Dividends

A final dividend for 2016 had not been proposed prior to the approval of these financial statements and there is no intention to declare such a dividend (2015: £nil).

27. Financial assets and liabilities**27.1 Categories of financial assets and liabilities**

Group	31/12/16	31/12/15
	£'000	£'000
Financial assets		
<i>Loans and receivables</i>		
Current:		
Trade receivables (note 21)	7,004	7,443
Amounts owed by group companies – trade (note 21)	1,627	726
Loans to group companies (note 33.2)	5,054	258
Cash and cash equivalents (note 22)	898	1,241
	<u>14,583</u>	<u>9,668</u>
<i>Derivatives designated as cash flow hedging instruments (carried at fair value)</i>		
Derivative financial instruments (note 27.4)	-	118
	<u>14,583</u>	<u>9,786</u>
Disclosed as:		
Current	<u>14,583</u>	<u>9,786</u>
	31/12/16	31/12/15
	£'000	£'000
Financial liabilities		
<i>Financial liabilities measured at amortised cost</i>		
Non-current:		
Borrowings (note 27.3)	25,398	18,514
Finance lease obligations (note 30)	21	37
Current:		
Borrowings (note 27.3)	4,254	2,504
Finance lease obligations (note 30)	23	22
Trade payables (note 28)	12,806	12,966
Amounts owed to group companies – trade (note 28)	197	252
	<u>42,699</u>	<u>34,295</u>
<i>Derivatives designated as cash flow hedging instruments (carried at fair value)</i>		
Derivative financial instruments (note 27.4)	51	-
	<u>42,750</u>	<u>34,295</u>
Disclosed as:		
Current	17,331	15,744
Non-current	<u>25,419</u>	<u>18,551</u>
	<u>42,750</u>	<u>34,295</u>

27. Financial assets and liabilities – continued**27.2 Categories of financial assets and liabilities - continued****Company**

	31/12/16	31/12/15
	£'000	£'000
Financial assets		
<i>Loans and receivables</i>		
Trade receivables (note 21)	-	84
Loans to group companies (note 33.2)	12,245	12,918
Amounts owed by group companies - trade (note 21)	1,594	4,317
Cash and cash equivalents (note 22)	384	400
	<u>14,223</u>	<u>17,719</u>
Disclosed as:		
Current	<u>14,223</u>	<u>17,719</u>
	31/12/16	31/12/15
	£'000	£'000
Financial liabilities		
<i>Financial liabilities measured at amortised cost</i>		
Non-current:		
Borrowings (note 27.3)	14,749	5,000
Current:		
Borrowings (note 27.3)	3,639	3,669
Trade payables (note 28)	266	391
Amounts owed to group companies – trade (note 28)	395	5,469
	<u>19,049</u>	<u>14,529</u>
<i>Derivatives designated as cash flow hedging instruments (carried at fair value)</i>		
Derivative financial instruments (note 27.4)	1	-
	<u>19,050</u>	<u>14,529</u>
Disclosed as:		
Current	4,301	9,529
Non-current	<u>14,749</u>	<u>5,000</u>
	<u>19,050</u>	<u>14,529</u>

27.3 Borrowings

Borrowings include the following liabilities:

Group

	31/12/16	31/12/15
	£'000	£'000
<i>Financial liabilities measured at amortised cost</i>		
Bank overdrafts	1,596	316
Bank loans (i)	4,375	6,563
Other loans (ii)	15,650	14,139
Loans from group companies (note 33.3)	8,031	-
	<u>29,652</u>	<u>21,018</u>

27. Financial assets and liabilities – continued**27.3 Borrowings - continued**

	31/12/16	31/12/15
	£'000	£'000
Disclosed as:		
Current	4,254	2,504
Non-current	25,398	18,514
	29,652	21,018
Company	31/12/16	31/12/15
	£'000	£'000
Financial liabilities measured at amortised cost		
Bank overdrafts	1,275	-
Bank loans (i)	4,375	-
Other loans (ii)	5,000	5,000
Loans from group companies (note 33.3)	7,738	3,669
	18,388	8,669
Disclosed as:		
Current	3,639	3,669
Non-current	14,749	5,000
	18,388	8,669

- (i) Loans with banks are unsecured, attract an interest rate of 1% over the 3 month LIBOR rate and with a remaining maturity periods not exceeding 2 years (2015: 3 years). In January 2016 this loan was novated from Wight Salads Group Limited to the Parent Company.
- (ii) Other loans comprise unsecured contracts with banks for commercial paper programmes with a maturity of 2 years (2015: 3 years). Each issue of commercial paper can be made up to one year, up to the amount contracted and the bank guarantees full placement of each issue made under the program contract.

27.4 Derivative financial instruments

The carrying amount of the Group and Company's financial instruments may be further analysed as follows:

Group	31/12/16	31/12/15
	£'000	£'000
Fair value		
Forward foreign exchange contracts – cash flow hedge	(51)	118
Net fair value of derivative financial (liabilities)/assets	(51)	118
Company	31/12/16	31/12/15
	£'000	£'000
Fair value		
Forward foreign exchange contracts – cash flow hedge	(1)	-
Net fair value of derivative financial liabilities	(1)	-

27. Financial assets and liabilities – continued**27.4 Derivative financial instruments - continued**

All derivatives are measured at fair value. The fair value of forward foreign exchange contracts is provided by the counterparty and is determined using forward exchange rates at the statement of financial position date.

The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising from highly probable purchases in Euros and US Dollars. All foreign exchange forward contracts have been designated as hedging instruments in cash flow hedges in accordance with IAS 39. The forecast transactions for which hedge accounting has been used are expected to occur.

An interest rate swap contract is considered by management to be part of economic hedge arrangements.

There was no significant ineffectiveness of cash flow hedges in 2015 or 2016.

28. Trade and other payables

Group	31/12/16	31/12/15
	£'000	£'000
Trade payables	12,806	12,966
Social security and other taxes	1,037	669
Other creditors	910	797
Amounts owed to group companies – trade (note 33.1)	197	252
Other current liabilities	3,364	4,076
Deferred governments grants	245	210
	18,559	18,970
Company	31/12/16	31/12/15
	£'000	£'000
Trade payables	266	391
Social security and other taxes	245	571
Other creditors	23	35
Amounts owed to group companies – trade (note 33.1)	395	5,469
Other current liabilities	721	876
	1,650	7,342

The Group has been awarded a number of government grants conditional upon the construction of packhouses and continuing agricultural development. These grants, recognised as deferred income, are being amortised over the useful life of the assets to which they relate. Other current liabilities includes the portion of government grants that will be recognised as income in the next year. Other non-current liabilities consists of the non-current portion of deferred government grants, as follows:

Group	31/12/16	31/12/15
	£'000	£'000
Current	245	210
Non-current	1,496	1,500
	1,741	1,710

29. Deferred tax assets and liabilities**29.1 Deferred tax balances**

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

Group	31/12/16 £'000	31/12/15 £'000
Deferred tax assets	459	424
Deferred tax liabilities	(2,620)	(2,488)
	<u>(2,161)</u>	<u>(2,064)</u>
	31/12/16 £'000	31/12/15 £'000
Company		
Deferred tax assets	18	18
	<u>18</u>	<u>18</u>

29.2 Deferred tax movement

Group	Opening balance £'000	Disposal of subsidiary £'000	Discontinued operations £'000	Recognised in profit or loss £'000	Recognised directly in equity £'000	Closing balance £'000
2016						
Deferred tax (liabilities)/assets in relation to:						
Cash flow hedge	(21)	-	-	3	29	11
Derivative financial instruments	33	-	-	(10)	-	23
Property, plant & equipment	(467)	-	(24)	161	(48)	(378)
Revaluations	(2,000)	-	-	(137)	(105)	(2,242)
Other short term timing differences	391	-	-	(27)	61	425
	<u>(2,064)</u>	<u>-</u>	<u>(24)</u>	<u>(10)</u>	<u>(63)</u>	<u>(2,161)</u>
2015						
Deferred tax (liabilities)/assets in relation to:						
Cash flow hedge	38	-	-	(3)	(56)	(21)
Derivative financial instruments	40	-	-	(7)	-	33
Property, plant & equipment	(697)	116	347	(242)	9	(467)
Revaluations	(3,145)	37	897	81	130	(2,000)
Other short term timing differences	403	-	-	11	(23)	391
	<u>(3,361)</u>	<u>153</u>	<u>1,244</u>	<u>(160)</u>	<u>60</u>	<u>(2,064)</u>

29. Deferred tax assets and liabilities - continued**29.2 Deferred tax movement - continued**

Company	Opening balance	Recognised in profit or loss	Recognised directly in equity	Closing balance
	£'000	£'000	£'000	£'000
2016				
<i>Deferred tax assets in relation to:</i>				
Property, plant & equipment	12	2	-	14
Other short term timing differences	6	(2)	-	4
	<u>18</u>	<u>-</u>	<u>-</u>	<u>18</u>
	Opening balance	Recognised in profit or loss	Recognised directly in equity	Closing balance
	£'000	£'000	£'000	£'000
2015				
<i>Deferred tax assets in relation to:</i>				
Property, plant & equipment	10	2	-	12
Other short term timing differences	1	5	-	6
	<u>11</u>	<u>7</u>	<u>-</u>	<u>18</u>

30. Obligations under finance leases**30.1 Leasing arrangements**

The Group has leased manufacturing equipment and vehicles under finance leases. The average lease term is 4 years (2015: 4 years). The Group has options to purchase the equipment for a nominal amount at the end of the lease term. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

No future sub lease income is expected to be received as all assets are used exclusively by the Group.

30.2 Finance lease liabilities, minimum lease payments

Group	2016	2015
	£'000	£'000
Expiring in one year or less	24	24
Expiring between one and five years	<u>22</u>	<u>39</u>
Less: future finance charges	<u>(2)</u>	<u>(4)</u>
Present value of minimum lease payments	<u>44</u>	<u>59</u>
Disclosed as:		
Current	23	22
Non-current	<u>21</u>	<u>37</u>
	<u>44</u>	<u>59</u>

30. Obligations under finance leases – continued***30.3 Net book value of assets acquired through lease contracts***

Group	2016 £'000	2015 £'000
Manufacturing equipment	31	37
Vehicles	13	22
	<u>44</u>	<u>59</u>

31. Retirement benefit plans

The Group and Company operate defined contribution pension schemes. The assets of the schemes are held separately from those of the Group and Company, in independently administered funds.

The total expense recognised in the consolidated income statement from continuing operations of £633,000 (2015: £599,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2016, contributions of £80,000 (2015: £92,000) due in respect of the year had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting year.

32. Financial instruments***32.1 Financial risk management objectives***

The Group is exposed to various risks in relation to financial instruments. The main types of risk are market risk (specifically to currency risk and interest rate risk which result from its operating activities), credit risk and liquidity risk.

The Group's risk management is coordinated at its head office in close cooperation with the subsidiary company boards of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

32.2 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of net debt (borrowings as detailed in note 27 offset by cash and bank balances) and equity of the Group (comprising issued share capital, reserves, retained earnings and non-controlling interests as detailed in notes 24 to 25).

The Group is not subject to any externally imposed capital requirements.

The Group manages its capital by regularly reviewing internal reports such as short and medium term cash flow forecasts and capital expenditure reports. Management use this information to assess the Group's capital availability against targets set by the Group parent company and manage it in line with the Group's objectives.

32. Financial instruments - continued**32.3 Market risk - foreign currency risk management**

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to fluctuating exchange rates arise. Exchange rate exposures are managed utilising forward foreign exchange contracts.

The carrying amounts of the Group and Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting year are as follows:

Group	Assets		Liabilities	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Euro	9,742	2,513	19,437	16,031
US Dollar	7	5	114	38

Company	Assets		Liabilities	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Euro	1,516	1,524	672	1
US Dollar	121	5	110	-

32.3.1 Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and US Dollar currencies.

The following table details the Group and Company's sensitivity to a 5% increase and decrease in the GBP against the Euro and against the US Dollar. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where the GBP strengthens 5% against the relevant currency. For a 5% weakening of the GBP against the relevant currency, there would be a comparable impact on the profit, and the balances below would be negative.

Group	Euro impact		US Dollar impact	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Profit or loss (i)	462	242	5	2
Equity (ii)	739	(307)	2	-

Company	Euro impact		US Dollar impact	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Profit or loss (i)	(104)	(73)	(11)	-
Equity (ii)	11	(2)	-	-

(i) This is mainly attributable to the exposure outstanding on Euro and US Dollar denominated receivables and payables in the Group at the end of the reporting year.

(ii) This is as a result of the changes in fair value of derivative instruments designated as hedging instruments in cash flow hedges.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting year does not reflect the exposure during the year. Euro and US Dollar denominated purchases are seasonal, with lower volumes in the mid-quarters of the financial year, resulting in an increase in payables at the end of the reporting year.

32. Financial instruments – continued**32.3 Market risk - foreign currency risk management - continued***32.3.2 Forward foreign exchange contracts*

It is the policy of the Group to enter into forward foreign exchange contracts to cover highly probable forecast transactions. The total Euro denominated and US Dollar denominated purchases are forecast each month for 6 months ahead. The Group then takes a contract allowing the purchase of that quantity of Euros and US Dollars for a date 6 months ahead at a fixed rate. Although at the time of purchase fixed orders have not been placed, the expected payment profile can be predicted with a high degree of accuracy.

Fair value is determined by obtaining a market price valuation from the relevant broker.

The following table details the forward foreign currency (FC) contracts outstanding at the end of the reporting year:

Group	Average exchange rate		Foreign currency		Notional value		Fair value assets (liabilities)	
	2016	2015	2016	2015	2016	2015	2016	2015
			FC'000	FC'000	£'000	£'000	£'000	£'000
Cash flow hedges								
Buy Euro								
Less than 3 months	0.855	0.728	9,529	7,978	8,150	5,811	32	65
3 to 6 months	0.873	0.718	7,106	2,759	6,201	1,980	(84)	53
Buy US Dollar								
Less than 3 months	0.787	-	52	-	41	-	1	-
							(51)	118
Company								
	Average exchange rate		Foreign currency		Notional value		Fair value assets (liabilities)	
	2016	2015	2016	2015	2016	2015	2016	2015
			FC'000	FC'000	£'000	£'000	£'000	£'000
Cash flow hedges								
Buy Euro								
Less than 3 months	0.863	0.739	165	328	142	242	(1)	-
3 to 6 months	0.861	0.717	231	14	199	10	-	-
							(1)	-

The Group has entered into contracts to purchase raw materials from suppliers in Europe and the USA. The Group has entered into forward foreign exchange contracts (for terms not exceeding 6 months) to hedge the exchange rate risk arising from these anticipated future purchases, which are designated as cash flow hedges.

For the year ended 31 December 2016, the aggregate amount of profits and losses under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to these anticipated future purchase transactions is a loss of £169,000 (2015: £276,000 profit). It is anticipated that the purchases will take place during the first 6 months of the next financial year at which time the amount deferred in equity will be included in the carrying amount of the raw materials. It is anticipated that the raw materials will be converted into inventory and sold within 12 months after purchase, at which time the amount deferred in equity will be reclassified to the income statement.

32. Financial instruments - continued**32.4 Market risk - interest rate risk management**

The Group is exposed to interest rate risk through Group entities borrowing and lending funds at floating interest rates.

32.4.1 Interest rate sensitivity analysis

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 0.5% (2015: +/- 0.5%). These changes are considered reasonably possible based on observation of current market conditions. The calculations are based on change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. It assumes the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. All other variables are held constant.

Group	+ 0.5%		-0.5%	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Income statement	118	97	(118)	(97) (i)

(i) This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has increased during the current year as the absolute value of the interest bearing liabilities has risen during the year.

32.5 Credit risk management

The Group's exposure to credit risk is mainly associated with receivable accounts arising from operational activities. Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss for the Group.

The management of this risk seeks to guarantee an effective collection of its receivables without impact on the Group's financial equilibrium. This risk is controlled on a regular basis with the objective of (i) defining credit limits to customers based on credit checks undertaken, (ii) controlling the level of credit, and (iii) regularly reviewing and analysing accounts receivable.

Impairment losses on accounts receivable are computed considering (a) the risk profile of the customer, (b) the average collection period, which is different from business to business, and (c) the financial situation of the customer. The movements of these impairment losses during the years ended 31 December 2016 and 2015 are disclosed in note 21.

32.6 Liquidity risk management

Liquidity risk is the risk that the Group cannot meet or settle its obligations on time or at a reasonable price. Due to the existence of liquidity risk, management of liquidity is performed with the objective of ensuring permanent and efficient access to funds to fulfil commitments, minimising the probability of not being able to fulfil its commitments and minimising the opportunity cost of retaining excess liquidity in the short-term.

The Group manages liquidity risk by regularly reviewing internal reports such as daily, weekly and medium term cash flow forecasts and matching the maturity profiles of financial assets and liabilities. Management uses this information to ensure sufficient liquidity is available for the Group's day to day needs, from either the parent companies or third party sources.

32.6.1 Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

32. Financial instruments - continued**32.6 Liquidity risk management - continued***32.6.1 Liquidity risk tables - continued*

Group	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1-5 years £'000	5+ years £'000	Total £'000
31 December 2016						
<i>Non-derivative financial liabilities</i>						
Bank loans	4,375	4,434	2,234	2,200	-	4,434
Other loans	15,650	16,043	307	15,736	-	16,043
Bank overdrafts	1,596	1,596	1,596	-	-	1,596
Loans from group companies	8,031	9,120	579	8,541	-	9,120
Amounts owed to group companies	197	197	197	-	-	197
Finance lease obligations	44	46	24	22	-	46
Trade payables	12,806	12,806	12,806	-	-	12,806
	42,699	44,242	17,743	26,499	-	44,242
31 December 2015						
<i>Non-derivative financial liabilities</i>						
Bank loans	6,563	6,727	2,276	4,451	-	6,727
Other loans	14,139	14,732	262	14,470	-	14,732
Bank overdrafts	316	316	316	-	-	316
Amounts owed to group companies	252	252	252	-	-	252
Finance lease obligations	59	63	24	39	-	63
Trade payables	12,966	12,966	12,966	-	-	12,966
	34,295	35,056	16,096	18,960	-	35,056
Company	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1-5 years £'000	5+ years £'000	Total £'000
31 December 2016						
<i>Non-derivative financial liabilities</i>						
Bank loans	4,375	4,434	2,234	2,200	-	4,434
Other loans	5,000	5,160	125	5,035	-	5,160
Bank overdraft	1,275	1,275	1,275	-	-	1,275
Loans from group companies	7,738	8,827	286	8,541	-	8,827
Amounts owed to group companies	395	395	395	-	-	395
Trade payables	266	266	266	-	-	266
	19,049	20,357	4,581	15,776	-	20,357
31 December 2015						
<i>Non-derivative financial liabilities</i>						
Other loans	5,000	5,286	125	5,161	-	5,286
Loans from group companies	3,669	3,669	3,669	-	-	3,669
Amounts owed to group companies	5,469	5,469	5,469	-	-	5,469
Trade payables	391	391	391	-	-	391
	14,529	14,815	9,654	5,161	-	14,815

33. Related party transactions

The Group's immediate parent company is RAR – Sociedade de Controle (Holding) SA, a company registered in Portugal. Its ultimate parent company and controlling party is SIEL SGPS SA, a company registered in Portugal. SIEL SGPS SA owns 100% of RAR – Sociedade de Controle (Holding) SA. The address of its registered office and principal place of business is Rua Passeio Alegre 624, 4169-002, Porto, Portugal.

RAR – Sociedade de Controle (Holding) SA is both the largest and smallest group to consolidate these financial statements, and copies of its consolidated statements can be obtained from the address above.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

33.1 Trading transactions

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

	Sales of goods and services rendered		Purchases of goods and services received	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Joint venture	433	320	-	5
	<u>433</u>	<u>320</u>	<u>-</u>	<u>5</u>

Fellow subsidiaries are any subsidiaries of RAR – Sociedade de Controle (Holding) SA that are not also subsidiaries of Vitacress Limited. The joint venture is Vitacress Real B.V. The Immediate parent company is RAR – Sociedade de Controle (Holding) SA. The ultimate parent company is SIEL SGPS SA.

The following balances were outstanding at the end of the reporting period:

Group	Amounts owed by related parties		Amounts owed to related parties	
	31/12/16	31/12/15	31/12/16	31/12/15
	£'000	£'000	£'000	£'000
Fellow subsidiary	-	-	20	14
Joint venture	68	62	-	8
Immediate parent	59	-	106	150
Ultimate parent	<u>1,500</u>	<u>664</u>	<u>71</u>	<u>80</u>
	<u>1,627</u>	<u>726</u>	<u>197</u>	<u>252</u>
Company	Amounts owed by related parties		Amounts owed to related parties	
	31/12/16	31/12/15	31/12/16	31/12/15
	£'000	£'000	£'000	£'000
Fellow subsidiary	-	-	2	-
Subsidiary	1,581	4,323	291	5,469
Joint venture	3	(6)	-	-
Immediate parent	<u>10</u>	<u>-</u>	<u>102</u>	<u>-</u>
	<u>1,594</u>	<u>4,317</u>	<u>395</u>	<u>5,469</u>

Purchases of goods and services were made on terms equivalent to those that prevail in arm's length transactions. The amounts outstanding are un-secured, interest free trading balances repayable in accordance with the standard terms of trade. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

33. Related party transactions – continued**33.2 Loans to related parties**

Group	31/12/16	31/12/15
	£'000	£'000
Joint venture	103	89
Immediate parent	4,951	169
	<u>5,054</u>	<u>258</u>

Loans to related parties within the RAR Group are unsecured and attract interest at a fixed rate of 2.5% (2015: 2.75%) above the 3 months LIBOR ruling in the month preceding the month in which the loan was made. The loans are considered by management to be short-term and are repayable on demand.

Company	31/12/16	31/12/15
	£'000	£'000
Immediate parent	1,000	-
Subsidiary	11,141	12,829
Joint venture	104	89
	<u>12,245</u>	<u>12,918</u>

33.3 Loans from related parties

Group	31/12/16	31/12/15
	£'000	£'000
Immediate parent	<u>8,031</u>	<u>-</u>

Company	31/12/16	31/12/15
	£'000	£'000
Subsidiary	177	3,669
Immediate parent	<u>7,561</u>	<u>-</u>
	<u>7,738</u>	<u>3,669</u>

Loans from related parties within the RAR Group are unsecured and attract interest at a fixed rate of 2.5% (2015: 2.75%) above the 3 months LIBOR or EURIBOR ruling in the month preceding the month in which the loan was made. The loans are considered by management to be short-term and are repayable on demand, except for loans granted from RAR Holding to Vitacress Limited which have a maturity of 5 years but can be repaid after 1 year.

33.4 Key management compensation

Key management comprises the executive directors of the parent and subsidiary companies. The compensation paid or payable to key management for employee services is shown in note 7.

33. Related party transactions – continued**33.5 Other related party transactions**

In addition to the above, there were the following non-trading transactions.

	Group 2016	Group 2015	Company 2016	Company 2015
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Tax losses (claimed)/surrendered	500	240	(20)	133
Management fee charged to subsidiaries for certain administrative services	-	-	6,745	8,216
Management fee charged to joint venture for certain administrative services	175	128	175	128
Service charge from fellow subsidiaries for certain administrative services	(136)	(106)	(25)	-
Management charge from RAR for certain administrative services	(989)	(892)	(989)	(892)
Dividend received from subsidiaries	-	-	3,000	23,500
Interest received on loans to group companies	57	2	447	464
Interest received on loans to joint ventures	3	5	3	5
Interest paid on loans from group companies	<u>(115)</u>	<u>(539)</u>	<u>(198)</u>	<u>(963)</u>
	<u>(505)</u>	<u>(1,162)</u>	<u>9,138</u>	<u>30,591</u>

34. Operating lease arrangements**34.1 The Group as lessee***34.1.1 Leasing arrangements*

Operating leases relate to leases of land, buildings, vehicles and equipment with lease terms of between 2 and 5 years. The Group does not have an option to purchase the leased assets at the expiry of the lease periods.

	Group 2016	Group 2015	Company 2016	Company 2015
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<i>34.1.2 Payments recognised as an expense</i>				
Minimum lease payments	<u>2,342</u>	<u>2,525</u>	<u>112</u>	<u>137</u>
	Group 31/12/16	Group 31/12/15	Company 31/12/16	Company 31/12/15
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<i>34.1.3 Non-cancellable operating lease commitments</i>				
Not later than 1 year	2,047	2,074	121	45
Later than 1 year and not later than 5 years	3,569	3,003	227	51
Later than 5 years	<u>864</u>	<u>975</u>	<u>-</u>	<u>-</u>
	<u>6,480</u>	<u>6,052</u>	<u>348</u>	<u>96</u>

All operating leases in Vitacress Sales were either assigned or cancelled by the time of signing these financial statements, with the exception of one property lease. The directors have requested that this lease be surrendered in return for foregoing the deposit held by the landlord.

34. Operating lease arrangements – continued**34.2 The Group as lessor***34.2.1 Leasing arrangements*

Operating leases relate to the investment property owned by the Group and to an area rented out in the Runcton site to a third party. Rental income earned by the Group from its investment property, and direct operating expenses arising on investment property for the year are set out in notes 8 and 15 respectively.

34.2.2 Non-cancellable operating lease receivables

Group	31/12/16	31/12/15
	£'000	£'000
Not later than 1 year	201	201
Later than 1 year and not longer than 5 years	574	775
	<u>775</u>	<u>976</u>

35. Commitments for expenditure

As at 31 December 2016 the Company had committed to purchase 590,500 therms of gas in 2016 at a value of £252,209, an average rate of 42.71 pence per therm (2015: 301,750 therms of gas at a value of £140,962, an average rate of 46.71 pence per therm).

In addition, the following capital commitments existed at the year end:

	Group 2016	Group 2015	Company 2016	Company 2015
	£'000	£'000	£'000	£'000
For the acquisition of property, plant and equipment	<u>3,965</u>	<u>1,209</u>	<u>-</u>	<u>-</u>

36. Contingent assets and contingent liabilities

The Group has no contingent assets or liabilities (2015: £nil).

37. Events after the reporting period

There are no events after the reporting period that require disclosure in these financial statements.