

VITACRESS LIMITED

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

Company Registration Number 06544254 (England and Wales)

VITACRESS LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2015

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**VITACRESS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015**

Directors

V Santos
R T Bastos
T J Brinsmead
S D Rothwell PhD
S Conway (resigned 6 January 2016)
R J Wilkinson (appointed 19 June 2015)
K Fairbrass (resigned 19 June 2015)

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 subsidiary and joint venture

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

**VITACRESS LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 2015. 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.

Vitacress's main operations are conducted through three Businesses (2014: four), 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), Vitacress Herbs (previously Van Heyningen Brothers) (fresh herbs in the UK), and until May 2015 Wight Salads (tomatoes in the UK). Vitacress also owns a 51% stake in a baby leaf salads grower in Spain (Vitacress España) and a wholesale markets business in the UK (Vitacress Sales). Vitacress is a member of the RAR group of companies, based in Porto, Portugal.

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

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 overall business performance of the continuing operations during 2015 was encouraging and the sale has and will allow the Group to focus on its core prepared salads and fresh herbs businesses and accelerate its investment programme.

Vitacress Salads had a robust year in 2015. The business continued to deliver strong innovation to our customers, especially in salads bowls, and profitability increased, despite a reduction in turnover.

Vitacress Portugal had another good year in 2015, with the Vitacress brand performing very well in bagged salads and strengthening its position as market leader in Portugal.

Vitacress Herbs completed the consolidation of its pot herb growing activities into one site at Runcton and also expanded its cut herb pack house to accommodate additional customer demand and deliver revenue growth.

Challenging conditions in the first half of 2015 made it a difficult year for Vitacress España (VE) which saw a decline in both sales and profits compared to the previous year. However the second half of the year saw the business get back on track with improved supply to the UK.

Vitacress Sales experienced a challenging second half of the year but continued to focus on developing the business with products and customers that can yield a margin with limited risk.

Vitacress Real (VR) is a 50:50 joint venture between Vitacress and the Dutch Gipmans group. Operating in the eastern Netherlands, it packs fresh cut herbs for the Benelux and German markets. VR continues to grow in its core markets.

Vitacress Ltd (VL) is the group holding company and also provides shared services to the UK-based business units in the finance, sales and IT areas. Vitacress Ltd also manages the treasury requirements of all the UK businesses.

The table below presents consolidated sales and EBITDA data as reported to senior management during the year. The EBITDAs in both years also 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	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Salads	53,115	56,851	3,406	2,753
Portugal	13,353	14,037	988	1,236
Herbs	31,953	31,381	2,923	3,006
Tomatoes	15,913	44,266	532	1,501
Other operations	21,397	22,989	525	666
Total	135,731	169,524	8,374	9,162

Results and movements in equity

The consolidated income statement for the year is set out on page 9. The Group profit after taxation amounted to £4,315,000 (2014: £597,000 loss). Total equity closed the year at £42,551,000 (2014: £39,090,000).

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. 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 spring and summer weather, reducing demand and depressing supply;
- Exchange rate movements between Sterling and 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, 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 Sales and 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 almost all at floating rates.

The Group held, for historical reasons, a single interest rate swap that qualified as a derivative which ended during the year. Please refer to note 27.4 for further details of this instrument.

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 (2015: £135,731,000; 2014: £169,524,000)
- EBITDA (Operating profit before RAR Management Charge and depreciation and amortisation) – measuring the cash generating potential of the Group’s operations (2015: £8,374,000; 2014: £9,162,000).
- Net cash flow from operating activities – measuring the performance in translating operating loss 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 loss before tax from continuing operations in the financial year ended 31 December 2015 of £2,180,000 (2014: £7,893,000). 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.

Dividends

A final dividend for 2015 has not been proposed prior to the approval of these financial statements and there is no intention to declare such a dividend (2014: £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 £22,104 (2014: £18,267). The largest of these was a donation of £3,000 to the Basingstoke Consortium Limited. Charitable donations were to UK and Portuguese registered charities.

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
FOR THE YEAR ENDED 31 DECEMBER 2015**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VITACRESS LIMITED

We have audited the financial statements of Vitacress Limited for the year ended 31 December 2015 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 2015 and of the group's profit 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 the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

.....
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 2015

	<i>Notes</i>	2015	2014
		£'000	Restated £'000
Continuing operations			
Revenue	<i>5</i>	121,573	125,504
Raw materials and consumables used		(52,250)	(57,410)
Changes in inventories		(69)	(262)
Gain arising from changes in fair value of biological assets		(61)	(638)
External supplies and services		(31,157)	(33,246)
Depreciation and amortisation expenses	<i>14, 15, 17</i>	(5,906)	(5,854)
Employee expenses	<i>6</i>	(34,256)	(35,564)
Other operating expenses		(606)	(520)
Total operating expenses		(124,305)	(133,494)
Other operating income	<i>8</i>	1,592	1,940
Operating loss		(1,140)	(6,050)
Financial expenses	<i>10</i>	(1,188)	(1,952)
Financial income	<i>11</i>	82	70
Income on joint venture company	<i>11</i>	66	39
Loss before tax from continuing operations		(2,180)	(7,893)
Income tax (expense)/credit	<i>13</i>	(391)	335
Loss after tax for the year from continuing operations		(2,571)	(7,558)
Discontinued operations			
Profit after tax for the year from discontinued operations	<i>12</i>	6,886	6,961
Profit/(loss) for the year		4,315	(597)
Attributable to:			
Owners of the Company		4,239	(669)
Non-controlling interests		76	72
		4,315	(597)

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

Consolidated statement of other comprehensive income for the year ended 31 December 2015

	Group 2015	Group 2014
	£'000	£'000
Profit/(loss) for the year	4,315	(597)
Other comprehensive (expenses)/income		
<i>Items that will not be reclassified to profit or loss (net of tax)</i>		
Annual transfer from revaluation reserve	-	123
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	(986)	(767)
Cash flow hedging	163	38
Other comprehensive loss, net of tax	(854)	(606)
Total comprehensive profit/(loss) for the year, net of tax	3,461	(1,203)
Total comprehensive profit/(loss) for the year attributable to:		
Owners of the parent	3,440	(1,208)
Non-controlling interest	21	5
	3,461	(1,203)

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 2015

	<i>Notes</i>	<u>31/12/15</u>	<u>31/12/14</u>
		£'000	£'000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	14	46,047	55,241
Investment property	15	494	537
Investment in joint venture		98	39
Other investments		2	-
Goodwill	16	15,602	15,633
Other intangible assets	17	2,459	3,469
Deferred tax assets	29	424	481
Other non-current assets		5	-
Total non-current assets		<u>65,131</u>	<u>75,400</u>
<i>Current assets</i>			
Inventories	19	3,860	4,999
Biological assets	20	4,017	6,706
Trade and other receivables	21	11,887	17,296
Derivative financial instruments	27	118	-
Cash and cash equivalents	22	1,241	2,449
Total current assets		<u>21,123</u>	<u>31,450</u>
Non-current assets held for sale	23	332	-
Total assets		<u>86,586</u>	<u>106,850</u>
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital	24	59,942	59,942
Revaluation reserve	25	4	4,068
Cash flow hedge reserve	25	98	(124)
Other reserve	25	315	315
Foreign currency translation reserve	25	(1,652)	(857)
Retained earnings		<u>(17,168)</u>	<u>(25,245)</u>
Total equity attributable to owners of the parent		41,539	38,099
Non-controlling interests		1,012	991
Total equity		<u>42,551</u>	<u>39,090</u>
<i>Non-current liabilities</i>			
Borrowings	27	18,514	6,563
Finance lease obligations	30	37	63
Deferred tax liabilities	29	2,488	3,842
Other non-current liabilities	28	1,500	1,741
Total non-current liabilities		<u>22,539</u>	<u>12,209</u>
<i>Current liabilities</i>			
Borrowings	27	2,504	7,053
Finance lease obligations	30	22	24
Trade and other payables	28	18,970	48,293
Derivative financial instruments	27	-	181
Total current liabilities		<u>21,496</u>	<u>55,551</u>
Total liabilities		<u>44,035</u>	<u>67,760</u>
Total equity and liabilities		<u>86,586</u>	<u>106,850</u>

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 2016 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 2015

	<i>Notes</i>	<u>31/12/15</u> £'000	<u>31/12/14</u> £'000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	14	48	100
Investments	18	78,408	78,408
Other intangible assets	17	305	387
Deferred tax assets	29	18	11
Total non-current assets		<u>78,779</u>	<u>78,906</u>
<i>Current assets</i>			
Trade and other receivables	21	17,583	26,432
Derivative financial instruments	27	-	-
Cash and cash equivalents	22	400	1,557
Total current assets		<u>17,983</u>	<u>27,989</u>
Total assets		<u>96,762</u>	<u>106,895</u>
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital	24	59,942	59,942
Cash flow hedge reserve	25	2	1
Retained earnings		<u>20,807</u>	<u>(2,107)</u>
Total equity		<u>80,751</u>	<u>57,836</u>
<i>Non-current liabilities</i>			
Borrowings	27	<u>5,000</u>	<u>-</u>
Total non-current liabilities		<u>5,000</u>	<u>-</u>
<i>Current liabilities</i>			
Borrowings	27	3,669	38,845
Trade and other payables	28	7,342	10,212
Derivative financial instruments	27	-	2
Total current liabilities		<u>11,011</u>	<u>49,059</u>
Total liabilities		<u>16,011</u>	<u>49,059</u>
Total equity and liabilities		<u>96,762</u>	<u>106,895</u>

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 2016 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 2015

	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 2014	59,942	4,537	(162)	315	1,116	(26,441)	39,307	986	40,293
Loss for the year	-	-	-	-	-	(669)	(669)	72	(597)
<i>Other comprehensive income:</i>									
Cash flow hedging	-	-	38	-	-	-	38	-	38
Annual transfer from revaluation reserve	-	(469)	-	-	-	592	123	-	123
Exchange differences on translating foreign operations	-	-	-	-	(1,973)	1,273	(700)	(67)	(767)
Total other comprehensive income for the year	-	(469)	38	-	(1,973)	1,865	(539)	(67)	(606)
Balance at 31 December 2014	59,942	4,068	(124)	315	(857)	(25,245)	38,099	991	39,090
Profit 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 income 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

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 2015

	Share capital	Cash flow hedge reserve	Retained earnings	Total parent equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2014	59,942	(4)	(1,373)	58,565
Loss for the year	-	-	(734)	(734)
<i>Other comprehensive income:</i>				
Cash flow hedging	-	5	-	5
Total other comprehensive income for the year	-	5	-	5
Balance at 31 December 2014	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

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

VITACRESS LIMITED

Statement of cash flows for the year ended 31 December 2015

	Group 2015	Group 2014	Company 2015	Company 2014
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Receipts from customers	133,076	170,821	143	-
Payments to suppliers	(92,080)	(117,690)	(2,729)	(2,573)
Payments related to employees	(36,348)	(43,679)	(4,449)	(2,874)
Net (payments to)/receipts from group undertakings	(764)	(922)	13,324	(124)
Operating cash flow	3,884	8,530	6,289	(5,571)
Tax payments	(698)	(278)	-	-
Net cash generated from/(used in) operating activities	3,186	8,252	6,289	(5,571)
Cash flows from investing activities				
Purchase of property, plant and equipment	(9,690)	(4,335)	(32)	(82)
Purchase of intangible assets	(52)	(1,814)	-	(290)
Sale of property, plant and equipment	127	756	-	-
Sale of investment properties	57	450	-	-
Proceeds from disposal of subsidiary	23,879	-	-	-
Transaction costs on disposal of subsidiary	(301)	-	-	-
Interest and similar income from group undertakings	7	7	477	979
Interest and similar income from external parties	52	9	13	-
Dividends received	-	-	23,500	-
Loans granted to group undertakings	(169)	-	(8,646)	(3,831)
Loan repayments received from group undertakings	-	7	19,179	-
Net cash generated from/(used in) investment activities	13,910	(4,920)	34,491	(3,224)
Cash flows from financing activities				
Loans obtained from group undertakings	-	9,257	4,033	13,249
Loan repayments to group undertakings	(24,055)	-	(35,704)	-
Loans obtained from external parties	14,139	-	5,000	-
Loan repayments to external parties	(2,966)	(9,131)	-	-
Movements in group cash pool	-	-	(9,979)	(2,829)
Interest and similar costs to group undertakings	(989)	(1,109)	(1,655)	(1,853)
Interest and similar costs to external parties	(662)	(761)	(127)	(48)
Net cash (used in)/generated from financing activities	(14,533)	(1,744)	(38,432)	8,519
Net increase/(decrease) in cash and cash equivalents	2,563	1,588	2,348	(276)
Cash and cash equivalents at the beginning of the year	(1,638)	(3,226)	(1,948)	(1,672)
Cash and cash equivalents at the end of the year	925	(1,638)	400	(1,948)

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

There are no standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 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 Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets'. The amendments are applicable from 1 January 2016 and clarify the acceptable methods of depreciation and amortisation. A revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

IAS 16, 'Property, Plant and Equipment' and IAS 41, 'Agriculture' amendments are applicable from 1 January 2016. These amendments change the accounting requirements for biological assets that meet the definition of bearer plants, which no longer will be within the scope of IAS 41 but instead IAS 16 will apply. The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell.

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.

IAS 27, 'Equity Method in Separate Financial Statements'. The amendments are effective for annual periods beginning on or after 1 January 2016 and they will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

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.

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.

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.

3. Significant accounting policies - continued

3.13 Property, plant and equipment - continued

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 determined using the value of future cash flows of the crops. Costs to sell include costs to complete, packing and selling costs. An adjustment is also made to reflect the maturity of the asset and an estimate for wastage.

Harvested products are valued at fair value less costs to sell. Fair value is based on market prices.

3. Significant accounting policies - continued

3.18 Inventories

Raw materials and work in progress are stated at the lower of cost and net realisable value. Cost is determined using a weighted average cost method. The cost is determined as purchase price, direct costs and related production overheads (based on normal operating capacity), excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Finished goods and other stock are valued at the lower of cost and net realisable value. Cost is determined at purchase price using a weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of the business, less applicable variable selling expenses.

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 interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

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'.

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 loss before tax from continuing operations in the financial year ended 31 December 2015 of £2,180,000 (2014: £7,893,000). 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.

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 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 the sales price is the price of a bulk product of the appropriate crop. The prices used are internal transfer prices, less an allowance for transport, if applicable. There is an active market within Europe for these bulk products and our transfer prices are benchmarked against these markets each year.

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.

	Year ended 31/12/15	Year ended 31/12/14 Restated
	£'000	£'000
Revenue from the sale of goods in the UK	105,851	110,912
Revenue from the sale of goods in Continental Europe	15,722	14,592
	<u>121,573</u>	<u>125,504</u>

6. Employee benefit expense

Employee benefit expense is made up as follows:

	Year ended 31/12/15	Year ended 31/12/14 Restated
	£'000	£'000
Wages and salaries	29,256	30,839
Social security cost	3,222	3,427
Pension contributions	652	571
End of contract compensation	439	-
Other personnel costs	687	727
	<u>34,256</u>	<u>35,564</u>

	Year ended 31/12/15	Year ended 31/12/14 Restated
	Number	Number
Number of employees		
Management and administration	201	189
Production and packing	1,135	1,226
Selling and distribution	86	105
	<u>1,422</u>	<u>1,520</u>

7. Directors' emoluments

	Year ended 31/12/15	Year ended 31/12/14
	£'000	£'000
Salary payments and other short-term employee benefits	1,080	764
Company contributions to money purchase schemes	88	49
	<u>1,168</u>	<u>813</u>

Five of the directors' emoluments were paid through Vitacress Limited in the year (2014: 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 £538,000 (2014: £348,000).

Retirement benefits are accruing to four directors under a defined contribution pension scheme (2014: five).

8. Other operating income

	Year ended 31/12/15	Year ended 31/12/14 Restated
	£'000	£'000
Operating lease rental income:		
Investment property	106	475
Other rental income	224	386
Gain on sale of property, plant and equipment	129	589
Operational exchange gains	608	159
Government grants	425	331
Other income	100	-
	<u>1,592</u>	<u>1,940</u>

9. Fees to auditors

	Year ended 31/12/15	Year ended 31/12/14
	£'000	£'000
Audit of company financial statements	15	25
Audit of subsidiary financial statements	159	153
Provision of taxation compliance services	10	93
Fees paid for other services	36	322
	<u>220</u>	<u>593</u>

10. Financial expenses

	Year ended 31/12/15	Year ended 31/12/14 Restated
	£'000	£'000
Interest expense:		
On bank borrowings at amortised cost	323	617
On obligations under finance leases	3	-
On intercompany loans	539	1,109
Other	105	90
Finance exchange losses	16	7
Bank charges	157	114
Other financial expenses	45	15
	<u>1,188</u>	<u>1,952</u>

11. Financial income and Income on joint venture company

	Year ended 31/12/15	Year ended 31/12/14 Restated
	£'000	£'000
Interest income:		
On bank deposits	52	19
On intercompany loans	7	7
Income on joint venture company	66	39
Fair value gains on derivative financial liabilities held at fair value through profit or loss	23	44
	<u>148</u>	<u>109</u>

12. Discontinued operations

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:

	Year ended 31/12/15	Year ended 31/12/14
	£'000	£'000
Revenue	14,416	44,723
Expenses	<u>(12,063)</u>	<u>(37,551)</u>
Operating profit	2,353	7,172
Finance costs	(194)	(239)
Gain on disposal	<u>3,472</u>	<u>-</u>
Profit before tax from discontinued operations	5,631	6,933
Income tax credit:		
Related to pre-tax profit	11	28
Related to gain on disposal	<u>1,244</u>	<u>-</u>
Profit after tax for the year from discontinued operations	<u>6,886</u>	<u>6,961</u>

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:

	Year ended 31/12/15	Year ended 31/12/14
	£'000	£'000
Operating loss for the year from continuing operations	(1,140)	(6,050)
Intercompany trading with discontinued operations	<u>2,123</u>	<u>6,442</u>
Restated operating profit for the year from continuing operations	<u>983</u>	<u>392</u>

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

	Year ended 31/12/15	Year ended 31/12/14
	£'000	£'000
Operating	(2,866)	4,518
Investing	23,447	(464)
Financing	<u>(29)</u>	<u>-</u>
Net cash inflow	<u>20,552</u>	<u>4,054</u>

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

	Year ended 31/12/15	Year ended 31/12/14
	£'000	Restated £'000
Current tax expense		
Current year	(194)	(234)
Adjustments in respect of prior years	(37)	52
Total current tax	<u>(231)</u>	<u>(182)</u>
Deferred tax income		
Current year	(33)	516
Adjustments in respect of prior years	(7)	1
Movement on change of rate of tax	(120)	-
Total deferred tax	<u>(160)</u>	<u>517</u>
Total income tax (expense)/credit recognised in income statement	<u>(391)</u>	<u>335</u>

13.2 Reconciliation of tax charge

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

	Year ended 31/12/15	Year ended 31/12/14
	£'000	Restated £'000
Loss before tax from continuing operations	(2,180)	(7,893)
Profit before tax from discontinued operations	<u>5,631</u>	<u>6,933</u>
Income tax calculated at UK average corporation tax rate of 20.25% (2014: 21.49%)	(699)	206
Non-deductible expenses	(546)	(331)
Income not taxable	1,235	-
Permanent differences	-	104
Adjustment in respect of prior years – current tax	(37)	42
Adjustment in respect of prior years – deferred tax	(120)	5
Movement on change of rate of tax	(23)	(9)
Reversal of deferred tax liability on revalued land and buildings	1,055	-
Other tax adjustments	-	72
Overseas taxation	(1)	274
Total consolidated income tax	<u>864</u>	<u>363</u>
Income tax (expense)/credit recognised in the consolidated income statement	(391)	335
Income tax credit attributable to discontinued operations	<u>1,255</u>	<u>28</u>
	<u>864</u>	<u>363</u>

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 was lowered from 21% to 20% with effect from 1 April 2015. Further reductions to 19% from 1 April 2017 and 18% from 1 April 2020 were enacted during 2015. All closing deferred tax balances have been valued at 19%, being the rate at which most balances are expected to reverse over the next 5 years.

A further reduction to 17% effective from 1 April 202 was announced by the Chancellor of the Exchequer in his budget of 16 March 2016 however this has not been considered when assessing the rate at which deferred tax should reverse as this reduction was not substantively enacted at the balance sheet date.

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	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	<u>13,383</u>	<u>34,738</u>	<u>52,903</u>	<u>2,213</u>	<u>2,036</u>	<u>748</u>	<u>3,039</u>	<u>109,060</u>
<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	<u>2,106</u>	<u>17,498</u>	<u>38,845</u>	<u>2,141</u>	<u>1,752</u>	<u>671</u>	<u>-</u>	<u>63,013</u>
Carrying amount 31 December 2015	<u>11,277</u>	<u>17,240</u>	<u>14,058</u>	<u>72</u>	<u>284</u>	<u>77</u>	<u>3,039</u>	<u>46,047</u>

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 2014	18,934	46,516	53,413	2,469	2,452	748	3,151	127,683
Additions	-	628	1,033	39	141	-	2,459	4,300
Disposals	(220)	(192)	(86)	(104)	(1)	-	(160)	(763)
Effect of foreign currency exchange differences	(749)	(1,219)	(1,083)	(54)	(46)	-	(107)	(3,258)
Transfers	100	(623)	961	61	86	-	(1,398)	(813)
Balance at 31 December 2014	18,065	45,110	54,238	2,411	2,632	748	3,945	127,149
<i>Accumulated depreciation and impairment</i>								
Balance at 1 January 2014	2,167	21,236	39,894	2,369	1,831	603	-	68,100
Eliminated on disposals of assets	-	(106)	(84)	(104)	(1)	-	-	(295)
Depreciation expense	21	2,033	3,415	103	280	10	-	5,862
Effect of foreign currency exchange differences	(143)	(626)	(780)	(53)	(40)	-	-	(1,642)
Transfers	172	(704)	385	(89)	72	47	-	(117)
Balance at 31 December 2014	2,217	21,833	42,830	2,226	2,142	660	-	71,908
Carrying amount 31 December 2014	15,848	23,277	11,408	185	490	88	3,945	55,241

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

	Office furniture and fittings	Work in progress	Total
	£'000	£'000	£'000
Cost or valuation			
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	<u>287</u>	<u>4</u>	<u>291</u>
Accumulated depreciation and impairment			
Balance at 1 January 2015	217	-	217
Depreciation expense	26	-	26
Balance at 31 December 2015	<u>243</u>	<u>-</u>	<u>243</u>
Carrying amount 31 December 2015	<u>44</u>	<u>4</u>	<u>48</u>
	Office furniture and fittings	Work in progress	Total
	£'000	£'000	£'000
Cost or valuation			
Balance at 1 January 2014	230	155	385
Additions	18	65	83
Adjustments to asset classifications	4	(155)	(151)
Balance at 31 December 2014	<u>252</u>	<u>65</u>	<u>317</u>
Accumulated depreciation and impairment			
Balance at 1 January 2014	158	-	158
Depreciation expense	59	-	59
Balance at 31 December 2014	<u>217</u>	<u>-</u>	<u>217</u>
Carrying amount 31 December 2014	<u>35</u>	<u>65</u>	<u>100</u>

The adjustments to asset classifications relate to items where further analysis has been undertaken by the directors following the conversion to IFRS in order to more fairly present the closing balances within these financial statements.

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 – 7 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, on transition to IFRS. 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 2015 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 £13,534,000 (2014: £18,954,000).

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

	Group 2015	Group 2014
	<u>£'000</u>	<u>£'000</u>
Land and natural resources		
Cost	<u>2,645</u>	<u>3,481</u>
Buildings and other constructions		
Cost	16,728	19,713
Accumulated depreciation	<u>(9,484)</u>	<u>(11,453)</u>
Carrying value at historic cost of buildings and other constructions	<u>7,244</u>	<u>8,260</u>
Total carrying value at historic cost	<u>9,889</u>	<u>11,741</u>

15. Investment property

	Group 2015	Group 2014
	<u>£'000</u>	<u>£'000</u>
Cost		
Balance at 1 January	644	847
Disposals	(32)	(200)
Effect of foreign currency exchange differences	(2)	(3)
	<u>610</u>	<u>644</u>
Accumulated depreciation and impairment		
Balance at 1 January	107	155
Effect of foreign currency exchange differences	-	(1)
Depreciation expense	9	65
Transfers (see note 14)	-	(56)
Disposals	-	(56)
	<u>116</u>	<u>107</u>
Balance at 31 December	<u>610</u>	<u>644</u>
Carrying amount at 31 December	<u>494</u>	<u>537</u>

Within the Group, direct operating expenses for 2015 of £nil (2014: £nil) were incurred on properties that generated rental income during the year. Expenses of £2,000 (2014: £11,292) 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, on transition to IFRS. 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 2015 and do not believe their value had changed materially from the fair values established as at 1 January 2011.

Had the Group investment properties been measured on a fair value basis, their carrying amount would have been as follows as at 31 December 2015:

	Group 2015	Group 2014
	<u>£'000</u>	<u>£'000</u>
Fair value	<u>890</u>	<u>924</u>

16. Goodwill

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

	Group 2015	Group 2014
	£'000	£'000
Cost		
Balance at 1 January	15,633	15,633
Disposal	(31)	-
Carrying amount at 31 December	<u>15,602</u>	<u>15,633</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.

	2015	2014
	£'000	£'000
Vitacress Salads Limited	8,927	8,927
Van Heyningen Brothers Limited	6,675	6,675
The Tomato Stall Limited	-	31
	<u>15,602</u>	<u>15,633</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:

	2015	2014
Long-term growth rate:		
Vitacress Salads Limited	1%	1%
Van Heyningen Brothers Limited	1%	1%
The Tomato Stall Limited	-	1%
	<u>2015</u>	<u>2014</u>
Pre-tax discount rate:		
Vitacress Salads Limited	7.8%	9%
Van Heyningen Brothers Limited	7.8%	9%
The Tomato Stall Limited	7.8%	9%

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

17. Other intangible assets

Group					Total
	Software	Software work in progress	Intangible on acquisition of VHBU	Unused carbon credits	
	£'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
Cost					
Balance at 1 January 2014	2,440	617	2,866	108	6,031
Additions and allocations	702	318	-	138	1,158
Disposals and usages	(55)	-	-	(105)	(160)
Effect of foreign currency exchange differences	(10)	-	-	-	(10)
Revaluation	-	-	-	34	34
Adjustments to asset classifications*	1,537	(749)	-	-	788
Balance at 31 December 2014	4,614	186	2,866	175	7,841
Accumulated amortisation and impairment					
Balance at 1 January 2014	1,997	-	1,180	-	3,177
Amortisation expense	604	-	595	-	1,199
Eliminated on disposals of assets	(55)	-	-	-	(55)
Effect of foreign currency exchange differences	(12)	-	-	-	(12)
Adjustments to asset classifications	63	-	-	-	63
Balance at 31 December 2014	2,597	-	1,775	-	4,372
Carrying amount at 31 December 2014	2,017	186	1,091	175	3,469

17. Other intangible assets - continued

Company	2015	2014
	<u>£'000</u>	<u>£'000</u>
Cost		
Balance at 1 January	477	36
Additions	-	441
Disposals	<u>(9)</u>	<u>-</u>
Balance at 31 December	<u>468</u>	<u>477</u>
Accumulated depreciation and impairment		
Balance at 1 January	90	22
Depreciation expense	<u>73</u>	<u>68</u>
Balance at 31 December	<u>163</u>	<u>90</u>
Carrying amount at 31 December	<u>305</u>	<u>387</u>

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

*For explanation of the adjustments to asset classifications refer to note 14.

18. Investments in subsidiaries and joint venture

Company	2015	2014
	<u>£'000</u>	<u>£'000</u>
Investments balance at 31 December	<u>78,408</u>	<u>78,408</u>
The group share of income statement and other comprehensive income of Vitacress Real BV is:		
	<u>2015</u>	<u>2014</u>
	<u>£'000</u>	<u>£'000</u>
Group's share of income and total comprehensive income	<u>98</u>	<u>39</u>

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 2015 there are no contingencies and commitments related to this joint venture.

VITACRESS LIMITED

Notes to the consolidated financial statements for the year ended 31 December 2015 - continued

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, Van Heyningen Brother 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	
			31/12/15	31/12/14
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%
Van Heyningen Brothers 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%
Hortililha – 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%
Wight Salads Limited	Wholesale of fruit and vegetables	England & Wales	-	100%
The Isle of Wight Energy Company Limited	Provision of energy and power management	England & Wales	-	100%
The Tomato Stall Limited	Sale of fruit and vegetables	England & Wales	-	100%

19. Inventories

Group	31/12/15	31/12/14
	£'000	£'000
Raw materials	3,452	4,171
Work in progress	136	155
Finished goods	139	393
Other	133	280
	<u>3,860</u>	<u>4,999</u>

The cost of inventories in the Group recognised as an expense during the year was £60,992,000 (2014: £77,726,000).

The cost of inventories recognised as an expense in the Group includes £7,584 (2014: £nil) in respect of write-downs of inventory to net realisable value.

20. Biological assets

	Group 2015	Group 2014
	£'000	£'000
Fair value at 1 January	6,706	6,686
Gain from changes in fair value less costs to sell	18,983	22,701
Increases due to purchases	23,863	31,284
Decreases from harvest	(40,324)	(53,733)
Disposal of subsidiary	(5,028)	-
Exchange differences	(183)	(232)
Fair value at 31 December	<u>4,017</u>	<u>6,706</u>

The fair value of biological assets comprise the following elements:

	Group 2015	Group 2014
	£'000	£'000
Tomatoes	676	3,389
Watercress	466	686
Herbs	961	842
Other leaf	1,914	1,789
Total	<u>4,017</u>	<u>6,706</u>

The areas under cultivation in hectares were as follows:

	Group 2015	Group 2014
Tomatoes	12.09	34.77
Watercress	36.70	44.32
Herbs	28.60	30.69
Other leaf	175.40	178.10
	<u>252.79</u>	<u>287.88</u>

21. Trade and other receivables

Group	31/12/15	31/12/14
	£'000	£'000
Trade receivables, gross	7,858	10,919
Allowance for doubtful debts	(415)	(842)
Trade receivables	7,443	10,077
Social security and other taxes	1,387	2,662
Current tax assets	174	-
Other debtors	707	1,697
Amounts owed by group companies – trade	726	945
Amounts owed by group companies – loan	258	-
Prepayments	1,192	1,915
Trade and other receivables	<u>11,887</u>	<u>17,296</u>
Company	31/12/15	31/12/14
	£'000	£'000
Trade Debtors	84	-
Other debtors	22	5
Amounts owed by group companies – trade	4,317	7,412
Amounts owed by group companies – loans	12,918	18,719
Prepayments	242	296
Trade and other receivables	<u>17,583</u>	<u>26,432</u>

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 impaired during the period and an allowance for doubtful debts of £232,000 (2014: £133,000) has been recorded within other operating expenses.

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	31/12/15	31/12/14
	£'000	£'000
0-90 days	1,468	2,561
91-180 days	136	10
>180 days	183	1,027
Total	<u>1,787</u>	<u>3,598</u>

21.2 Movement in the allowance for doubtful debts

	Group 2015	Group 2014
	£'000	£'000
Balance at beginning of the year	842	784
Impairment losses recognised on receivables	232	133
Amounts written off during the year as uncollectible	(517)	(43)
Amounts recovered during the year	(65)	-
Disposal of subsidiary	(53)	-
Foreign exchange translation gains and losses	(24)	(32)
Balance at end of the year	<u>415</u>	<u>842</u>

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 2014: £ 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	31/12/15	31/12/14
	£'000	£'000
Cash and bank balances	1,241	2,449
Bank overdrafts	(316)	(4,087)
	<u>925</u>	<u>(1,638)</u>
Company	31/12/15	31/12/14
	£'000	£'000
Cash and bank balances	400	1,557
Bank overdrafts	-	(3,506)
	<u>400</u>	<u>(1,949)</u>

23. Non-current assets held for sale

	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 2015	-	-	-	-
Transfers	148	295	36	479
Balance at 31 December 2015	<u>148</u>	<u>295</u>	<u>36</u>	<u>479</u>
<i>Accumulated depreciation</i>				
Balance at 1 January 2015	-	-	-	-
Transfers	-	121	26	147
Balance at 31 December 2015	<u>-</u>	<u>121</u>	<u>26</u>	<u>147</u>
Carrying amount 31 December 2015	<u>148</u>	<u>174</u>	<u>10</u>	<u>332</u>

At the end of the year 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	31/12/15	31/12/14
	<u>£'000</u>	<u>£'000</u>
Share capital of £1 each	<u>59,942</u>	<u>59,942</u>
	<u>59,942</u>	<u>59,942</u>
<i>Issued share capital comprises:</i>		
59,941,593 (2014 : 59,941,593) fully paid ordinary shares	<u>59,942</u>	<u>59,942</u>
	<u>59,942</u>	<u>59,942</u>

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 2015 had not been proposed prior to the approval of these financial statements and there is no intention to declare such a dividend (2014 : £nil).

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

Group	31/12/15	31/12/14
Financial assets	£'000	£'000
Loans and receivables		
Current:		
Trade receivables	7,443	10,077
Amounts owed by group undertakings – trading	726	945
Amounts owed by group undertakings – loan	258	-
Cash and cash equivalents	1,241	2,449
	<u>9,668</u>	<u>13,471</u>
Derivatives designated as cash flow hedging instruments (carried at fair value)		
Derivative financial instruments	118	-
	<u>9,786</u>	<u>13,471</u>
Disclosed as:		
Current	<u>9,786</u>	<u>13,471</u>
	31/12/15	31/12/14
Financial liabilities	£'000	£'000
Financial liabilities held for trading (carried at fair value through profit or loss)		
Derivative financial instruments	-	23
Financial liabilities measured at amortised cost		
Non-current:		
Borrowings (see note 27.3)	18,514	6,563
Finance lease obligations	37	63
Current:		
Borrowings (see note 27.3)	2,504	7,053
Finance lease obligations	22	24
Trade payables	12,966	14,607
Trading amounts owed to group undertakings	252	24,416
	<u>34,295</u>	<u>52,726</u>
Derivatives designated as cash flow hedging instruments (carried at fair value)		
Derivative financial instruments	-	158
	<u>34,295</u>	<u>52,907</u>
Disclosed as:		
Current	15,744	46,281
Non-current	<u>18,551</u>	<u>6,626</u>
	<u>34,295</u>	<u>52,907</u>

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

Company	31/12/15	31/12/14
Financial assets	£'000	£'000
<i>Loans and receivables</i>		
Trade receivables	84	-
Loans to related parties	12,918	18,719
Trading amounts owed by group undertakings	4,317	7,412
Cash and cash equivalents	400	1,557
	<u>17,719</u>	<u>27,688</u>

Disclosed as:

Current	<u>17,719</u>	<u>27,688</u>
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Financial liabilities	31/12/15	31/12/14
	£'000	£'000

Financial liabilities measured at amortised cost

Non-current:

Borrowings (see note 27.3)	5,000	-
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Current:

Borrowings (see note 27.3)	3,669	38,845
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Trade payables	391	360
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Trading amounts owed to group undertakings	5,469	8,964
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	<u>14,529</u>	<u>48,169</u>
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Derivatives designated as cash flow hedging instruments (carried at fair value)

Derivative financial instruments	-	2
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	<u>14,529</u>	<u>48,171</u>
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Disclosed as:

Current	9,529	48,171
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Non-current	5,000	-
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	<u>14,529</u>	<u>48,171</u>
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27.3 Borrowings

Borrowings include the following liabilities:

Group	31/12/15	31/12/14
	£'000	£'000
<i>Financial liabilities measured at amortised cost</i>		
Bank overdrafts	316	4,087
Bank loans (i)	6,563	9,529
Other loans (ii)	14,139	-
	<u>21,018</u>	<u>13,616</u>

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

Disclosed as:	31/12/15	31/12/14
	£'000	£'000
Current	2,504	7,053
Non-current	18,514	6,563
	21,018	13,616
Company	31/12/15	31/12/14
	£'000	£'000
Financial liabilities measured at amortised cost		
Bank overdrafts	-	3,506
Other loans (ii)	5,000	-
Amounts owed to group undertakings (iii)	3,669	35,339
	8,669	38,845
Disclosed as:		
Current	3,669	-
Non-current	5,000	38,845
	8,669	38,845

- (i) Floating rate loans with banks are unsecured with remaining maturity periods not exceeding 1 year (2014: 1 year). Interest rates are variable.
- (ii) Other loans comprise contracts with banks for commercial paper programmes with a maturity of 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.
- (iii) Loans within the RAR Group are unsecured and attract interest at a fixed rate of 2.75% (2014 : 4.25%) above the 3 months LIBOR ruling in the month preceding the month in which the loan was made. The loans are considered by the directors to be short-term and are repayable on demand.

All borrowings are unsecured.

27.4 Derivative financial instruments

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

Group	31/12/15	31/12/14
Fair value	£'000	£'000
Forward foreign exchange contracts – cash flow hedge	118	(158)
Interest rate swap contract – held-for-trading	-	(23)
Net fair value of derivative financial liabilities	118	(181)
Company	31/12/15	31/12/14
Fair value	£'000	£'000
Forward foreign exchange contracts – cash flow hedge	-	(2)
Net fair value of derivative financial liabilities	-	(2)

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 fair value of the interest rate swap contract is also provided by the counterparty and is calculated as the present value of the estimated future cash flows based on observable yield curves.

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 2014 or 2015.

28. Trade and other payables

Group	31/12/15	31/12/14
	£'000	£'000
Trade payables	12,966	14,607
Social security and other taxes	669	1,111
Other creditors	797	1,195
Amounts owed to group undertakings	252	24,416
Other current liabilities	4,076	6,548
Current tax liability	-	158
Deferred governments grants	210	258
	<u>18,970</u>	<u>48,293</u>
Company	31/12/15	31/12/14
	£'000	£'000
Trade payables	391	360
Social security and other taxes	571	201
Other creditors	35	41
Amounts owed to group undertakings	5,469	8,964
Other current liabilities	876	646
	<u>7,342</u>	<u>10,212</u>

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	31/12/15	31/12/14
	£'000	£'000
Current	210	258
Non-current	<u>1,500</u>	<u>1,741</u>
	<u>1,710</u>	<u>1,999</u>

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	31/12/15	31/12/14
	£'000	£'000
Deferred tax assets	424	481
Deferred tax liabilities	<u>(2,488)</u>	<u>(3,842)</u>
	<u>(2,064)</u>	<u>(3,361)</u>
	31/12/15	31/12/14
	£'000	£'000
Company		
Deferred tax assets	<u>18</u>	<u>11</u>
	<u>18</u>	<u>11</u>

29.2 Deferred tax movement

Group	Opening balance	Disposal of subsidiary	Discontinued operations	Recognised in profit or loss	Recognised directly in equity	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000
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	<u>403</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>(23)</u>	<u>391</u>
	<u>(3,361)</u>	<u>153</u>	<u>1,244</u>	<u>(160)</u>	<u>60</u>	<u>(2,064)</u>
2014 - Restated						
Deferred tax (liabilities)/assets in relation to:						
Cash flow hedge	43	-	-	-	(5)	38
Derivative financial instruments	49	-	-	(9)	-	40
Property, plant & equipment	(611)	-	116	(202)	-	(697)
Revaluations	(3,701)	-	2	314	240	(3,145)
Other short term timing differences	<u>3</u>	<u>-</u>	<u>-</u>	<u>414</u>	<u>(14)</u>	<u>403</u>
	<u>(4,217)</u>	<u>-</u>	<u>118</u>	<u>517</u>	<u>221</u>	<u>(3,361)</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
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>
	Opening balance	Recognised in profit or loss	Recognised directly in equity	Closing balance
	£'000	£'000	£'000	£'000
2014				
<i>Deferred tax assets in relation to:</i>				
Property, plant & equipment	3	7	-	10
Other short term timing differences	-	1	-	1
	<u>3</u>	<u>8</u>	<u>-</u>	<u>11</u>

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

The Group has leased land, buildings, manufacturing equipment and vehicles under finance leases. The average lease term is 4 years (2014: 5 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	2015	2014
	£'000	£'000
Expiring in one year or less	24	27
Expiring between one and five years	39	68
Less: future finance charges	(4)	(8)
Present value of minimum lease payments	<u>59</u>	<u>87</u>
Disclosed as:		
Current	22	24
Non-current	37	63
	<u>59</u>	<u>87</u>

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

Group	2015	2014
	<u>£'000</u>	<u>£'000</u>
Manufacturing equipment	37	53
Vehicles	<u>22</u>	<u>34</u>
	<u>59</u>	<u>87</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 of £697,000 (2014: £694,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2015, contributions of £92,000 (2014: £129,000) 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 2014.

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	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Euro	2,513	4,238	16,031	16,610
US Dollar	5	170	38	160

Company	Assets		Liabilities	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Euro	1,524	484	1	3,512
US Dollar	5	139	-	-

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	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Profit or loss (i)	242	514	2	-
Equity (ii)	(307)	(464)	-	(35)

Company	Euro impact		US Dollar impact	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Profit or loss (i)	(73)	144	-	(7)
Equity (ii)	(2)	(8)	-	-

(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)	
	2015	2014	2015	2014	2015	2014	2015	2014
			FC'000	FC'000	£'000	£'000	£'000	£'000
Cash flow hedges								
Buy Euro								
Less than 3 months	0.728	0.790	7,978	14,170	5,811	11,202	65	(162)
3 to 6 months	0.718	0.783	2,759	7,769	1,980	6,087	53	(25)
Buy US Dollar								
Less than 3 months	-	0.619	-	1,407	-	871	-	31
							118	(156)
Company	Average exchange rate		Foreign currency		Notional value		Fair value assets (liabilities)	
	2015	2014	2015	2014	2015	2014	2015	2014
			FC'000	FC'000	£'000	£'000	£'000	£'000
Cash flow hedges								
Buy Euro								
Less than 3 months	0.739	0.785	328	290	242	228	-	(2)
3 to 6 months	0.717	-	14	-	10	-	-	-
							-	(2)

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 2015, 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 £276,000 (2014: 42,000 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 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% (2014: +/- 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%	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Income statement	97	147	(97)	(147) (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 decreased during the current year as the absolute value of the interest bearing liabilities has fallen 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 2015 and 2014 are disclosed in note 21.

32. Financial instruments - continued**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.

Group	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1-5 years £'000	5+ years £'000	Total £'000
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 undertakings	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
31 December 2014						
<i>Non-derivative financial liabilities</i>						
Bank loans	9,529	9,885	3,136	6,749	-	9,885
Other loans	-	-	-	-	-	-
Bank overdrafts	4,087	4,087	4,087	-	-	4,087
Amounts owed to group undertakings	24,416	24,416	24,416	-	-	24,416
Finance lease obligations	87	97	-	97	-	97
Trade payables	14,607	14,607	14,607	-	-	14,607
	52,726	53,092	46,246	6,846	-	53,092

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

Company	Carrying amount	Contractual cash flows	1 year or less	1-5 years	5+ years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
31 December 2015						
<i>Non-derivative financial liabilities</i>						
Bank loans	5,000	5,286	125	5,161	-	5,286
Amounts owed to group undertakings	9,138	9,138	9,138	-	-	9,138
Trade payables	391	391	391	-	-	391
	<u>14,529</u>	<u>14,815</u>	<u>9,654</u>	<u>5,161</u>	<u>-</u>	<u>14,815</u>
31 December 2014						
<i>Non-derivative financial liabilities</i>						
Bank overdrafts	3,506	3,506	3,506	-	-	3,506
Amounts owed to group undertakings	44,303	44,303	44,303	-	-	44,303
Trade payables	360	360	360	-	-	360
	<u>48,169</u>	<u>48,169</u>	<u>48,169</u>	<u>-</u>	<u>-</u>	<u>48,169</u>

33. Related party transactions

The Group's immediate parent company is RAR – Sociedade de Controlo (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 Controlo (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 Controlo (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. Related party transactions – continued**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	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Joint venture	320	200	5	-
	<u>320</u>	<u>200</u>	<u>5</u>	<u>-</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	
	31/12/15	31/12/14	31/12/15	31/12/14
	£'000	£'000	£'000	£'000
Fellow subsidiary	-	800	14	293
Joint venture	62	50	8	-
Immediate Parent company	-	-	150	1
Ultimate Parent company	664	-	80	-
	<u>726</u>	<u>850</u>	<u>252</u>	<u>294</u>
Company	Amounts owed by related parties		Amounts owed to related parties	
	31/12/15	31/12/14	31/12/15	31/12/14
	£'000	£'000	£'000	£'000
Subsidiary company	4,323	7,412	5,469	8,553
Joint venture	(6)	-	-	-
Parent company	-	-	-	411
	<u>4,317</u>	<u>7,412</u>	<u>5,469</u>	<u>8,964</u>

Purchases of goods and services were made at market price. 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	31/12/15	31/12/14
	£'000	£'000
Joint venture	89	94
Immediate Parent company	169	-
	<u>258</u>	<u>94</u>
Company	31/12/15	31/12/14
	£'000	£'000
Subsidiary	12,829	18,625
Joint venture	89	94
	<u>12,918</u>	<u>18,719</u>

33.3 Loans from related parties

Group	31/12/15	31/12/14
	£'000	£'000
Parent company	-	24,055
Company	31/12/15	31/12/14
	£'000	£'000
Subsidiary	3,669	18,549
Parent	-	16,790
	<u>3,669</u>	<u>35,339</u>

Loans within the RAR Group are unsecured and attract interest at a fixed rate of 2.75% (2014: 4.25%) 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.

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 8.

33.5 Other related party transactions

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

	Group 2015	Group 2014	Company 2015	Company 2014
	£'000	£'000	£'000	£'000
Tax losses surrendered	-	-	133	183
Management fee charged to subsidiaries for certain administrative services	-	-	8,216	6,268
Management fee charged to joint venture company for certain administrative services	128	99	128	99
Service charge from fellow subsidiaries for certain administrative services	(106)	-	-	-
Management charge from RAR for certain administrative services	(892)	(914)	(892)	(914)
Interest received on loans to group companies	2	-	464	972
Interest received on loans to joint ventures	5	7	5	7
Interest paid on loans from group companies	(539)	(1,109)	(963)	(1,853)
	<u>1,402</u>	<u>(1,917)</u>	<u>7,091</u>	<u>4,762</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 2015	Group 2014	Company 2015	Company 2014
	£'000	£'000	£'000	£'000
<i>34.1.2 Payments recognised as an expense</i>				
Minimum lease payments	2,525	3,100	137	118
<i>34.1.3 Non-cancellable operating lease commitments</i>				
	Group 2015	Group 2014	Company 2015	Company 2014
	£'000	£'000	£'000	£'000
Not later than 1 year	2,074	2,651	45	53
Later than 1 year and not later than 5 years	3,003	4,587	51	88
Later than 5 years	975	644	-	-
	<u>6,052</u>	<u>7,882</u>	<u>96</u>	<u>141</u>

34.2 The Group as lessor*34.2.1 Leasing arrangements*

Operating leases relate to the investment property owned by the Group. 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 6 and 15 respectively.

34.2.2 Non-cancellable operating lease receivables

Group	2015	2014
	£'000	£'000
Not later than 1 year	201	52
Later than 1 year and not longer than 5 years	775	208
Later than 5 years	-	43
	<u>976</u>	<u>303</u>

35. Commitments for expenditure

As at 31 December 2015 the Company had committed to purchase 301,750 therms of gas in 2015 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 2015	Group 2014	Company 2015	Company 2014
	£'000	£'000	£'000	£'000
For the acquisition of property, plant and equipment	<u>1,209</u>	<u>3,936</u>	<u>-</u>	<u>-</u>

36. Contingent assets and contingent liabilities

The Group has no contingent assets or liabilities (2014: £nil).

37. Events after the reporting period

From the 1 April 2016 Van Heyningen Brothers Limited, a trading subsidiary of Vitacress Limited will trade as Vitacress Herbs Limited. The Certificate of Incorporation on change of name was issued on 25 February 2016.