

F.W. Farnsworth Limited

Annual report and financial statements

For the 52 weeks ended 29 July 2017

Company registration no. 00255912

TUESDAY



A74JN14Y

A10

24/04/2018

#115

COMPANIES HOUSE

F.W. Farnsworth Limited

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report	7
Statement of income and retained earnings	10
Balance sheet	11
Notes to the financial statements	12

F.W Farnsworth Limited

Officers and professional advisers

Directors

R S Boparan
G W Davies (resigned 31 August 2017)
S P Leadbeater (resigned 28 July 2017)
K R Packer
S J P Wookey
C D Smith (resigned 7 July 2017)
R N Pike (appointed 22 August 2017)
M P Fletcher (appointed 27 July 2017)
R P Simpson (appointed 27 July 2017)

Registered office

Trinity Park House
Fox Way
Wakefield
West Yorkshire
WF2 8EE

Bankers

Barclays Bank plc
1 The Headrow
Leeds
LS1 1JS

BNP Paribas UK Ltd
10 Harewood Avenue
London
NW1 6AA

Goldman Sachs Bank USA
200 West Street
New York
NY 10282

HSBC Bank plc
8 Canada Square
London
E14 5HQ

JPMorgan Chase Bank
25 Bank Street
London
E14 5JP

The Royal Bank of Scotland plc
2 Whitehall Quay
Leeds
LS1 4HR

Independent auditor

Deloitte LLP
Statutory Auditor
1 City Square, Park Row
Leeds
LS1 2AL

F.W Farnsworth Limited

Strategic report

The directors present their Strategic Report for the 52 weeks ended 29 July 2017.

Business overview and principal activities

F.W. Farnsworth Limited ("the Company"), is a wholly owned indirect subsidiary of the group headed by Boparan Holdings Limited ("the Group"). The principal activity of the Company is the manufacture of chilled and frozen savoury products.

There have not been any significant changes in the Company's principal activities in the period under review or post period end.

The results are shown in the statement of comprehensive income on page 10. The Company has made a loss for the period of £7,408,000 (2016: loss of £2,248,000).

Trading performance and key performance indicators

The Group monitors all key performance indicators (KPIs) on a divisional basis. Selected Group KPIs relevant for the Company have been calculated as follows:

	52 weeks ended 29 July 2017 £'000	52 weeks ended 30 July 2016 £'000
Total turnover	82,368	102,258
Gross profit margin	21.2%	24.8%
Operating profit before restructuring	1,915	7,816
Loss before taxation	(8,462)	(2,391)

Turnover for the period amounted to £82,368,000 (2016: £102,258,000), a decrease of 19.5%. This is largely driven by the loss of a fresh pizza contract with a major retailer during the period. Gross margin has deteriorated by 3.6%, reflecting changes in the Company's sales mix coupled with the adverse impact of commodity inflation on several key ingredients.

Pre-restructuring operating profit has decreased to £1,915,000 from £7,816,000. The loss before taxation has deteriorated by £6,071,000 to £8,462,000. The deterioration has been caused by the decline in gross margin performance.

The Company had net liabilities of £68,270,000 as at 29 July 2017 (2016: £60,862,000). The increase in the net liability position is a result of the loss after taxation for the period.

Further information on the Group's KPIs is disclosed in the Group's annual report which does not form part of this annual report. These are included in the strategic report on page 2 of the Boparan Holdings Limited annual report and financial statements for the 52 weeks ended 29th July 2017 ("the Group annual report"). These are publically available as detailed in note 21.

F.W Farnsworth Limited

Strategic report (continued)

Principal risks & uncertainties and financial risk management

The Company's main customers are the UK's leading supermarkets, and the strength of these customers, combined with competitive pressure in the industry, represent continuing risks which could result in lost sales to key competitors and future uncertainties on the Company's revenues and profits. The Company seeks to manage the risks presented by its consolidated customer base, and the highly competitive environment that characterises the industry, through its strategy of pursuing a competitive high service and quality / low cost model targeted across a portfolio of categories where it has good market positions.

The Company is exposed to the effects of commodity inflation, whereby the fluctuations in price of the significant components used cannot be passed to the end customer within a reasonable timeframe affecting profitability. To mitigate this risk, the Company has a strong procurement team to focus on purchase prices and invests in productivity enhancements across the sites. The Company also maintains strong relationships with their key customers in order to facilitate discussions to share the impacts of changes in commodity prices.

The Company's principal financial instruments comprise trading intercompany balances, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The Company's customers have favourable credit ratings and the credit risk on trade debtors is managed through regular monitoring of overdue amounts and review of customer credit limits. The Company is financed by intergroup loans from its parent company and so does not have any exposure to external financing.

Further risks, such as those relating to food safety and health and safety, are managed on a group wide basis and as such are discussed on page 5 of the Group annual report, which is publically available as detailed in note 21.

Going concern

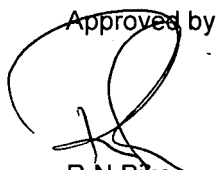
The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1.

Future prospects

The directors consider the future prospects of the Company to be satisfactory.

Approved by the board and signed on its behalf by:



R N Pike
Director

6 April 2018

F.W Farnsworth Limited

Directors' report

The directors present their annual report and audited financial statements for the 52 weeks ended 29 July 2017.

Directors

The directors of the Company who served during the period ended 29 July 2017 and up to the date of signing the financial statements are those listed on page 1.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of the directors which remain in force at the date of this annual report.

Dividends

No interim dividend was paid in the period (2016: £nil). The directors do not recommend the payment of a final dividend (2016: £nil).

Going concern

Details of the going concern basis of preparation of the Group can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

Donations

The Company made £3,000 (2016: £3,000) of charitable donations during the period.

Financial risk management

The financial risks faced by the Company and the way these are managed are addressed within the Strategic Report on pages 2 and 3.

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damages that might be caused by the Company's activities. The Company operates in accordance with Group policies, which are described in the Group's annual report which is publically available as detailed in note 21.

Employees

Details of the number of employees and related costs can be found in note 6.

The Company is committed to equality of opportunity amongst its employees. Recruitment, pay and conditions, training and career development policies are based solely on ability, without regard to gender, race, age, disability, marital status or religion. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged.

The Company uses a variety of methods to enable all its employees to understand the performance of the Group and of their own operating company. These include briefing groups, meetings with employee representatives and company newspapers. Employees are consulted on a wide range of issues affecting their current and future interests, and particularly on changes affecting the Company.

Future prospects

Details of the future prospects of the Company can be found in the strategic report and form part of this report by cross reference.

F.W Farnsworth Limited

Directors' report (continued)

Research and development

Throughout the period the Company invested in food hygiene and product research in the development of new and enhanced products. The costs incurred comprise all directly attributable costs necessary to create and produce products which are either brand new in design or those which are being modified.

Disclosure of information to auditor

In the case of each of the persons who are directors of the Company at the date when this annual report was approved:

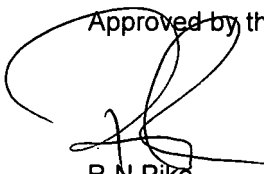
- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have expressed their willingness to continue in office as the auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the board and signed on its behalf on its behalf by:



R N Pike
Director

6 April 2018

F.W. Farnsworth Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

F.W. Farnsworth Limited

Independent auditor's report to the members of F.W. Farnsworth Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 July 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of F.W. Farnsworth Limited (the 'company') which comprise:

- the statement of income and retained earnings;
- the balance sheet;
- the statement of accounting policies ; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

F.W. Farnsworth Limited

Independent auditor's report to the members of F.W. Farnsworth Limited

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

F.W. Farnsworth Limited

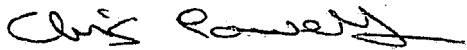
Independent auditor's report to the members of F.W. Farnsworth Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



Christopher Powell (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds

12 April 2018

F.W. Farnsworth Limited

Statement of income and retained earnings

For the 52 weeks ended 29 July 2017

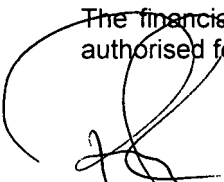
		52 weeks ended 29 July 2017	52 weeks ended 29 July 2017	52 weeks ended 30 July 2016	52 weeks ended 30 July 2016
	Note	£'000	£'000	£'000	£'000
Turnover	3		82,368		102,258
Cost of sales			(64,902)		(76,892)
Gross profit			17,466		25,366
Distribution costs			(8,804)		(10,565)
Administrative expenses:					
- before restructuring and share of pension funding		(6,747)		(6,985)	
- restructuring	7	(55)		(412)	
- share of pension funding	7	(5,287)		(4,802)	
			(12,089)		(12,199)
Operating profit:					
- before restructuring and share of pension funding		1,915		7,816	
- restructuring	7	(55)		(412)	
- share of pension funding	7	(5,287)		(4,802)	
Operating (Loss)/ Profit			(3,427)		2,602
Net finance charge	8		(5,035)		(4,993)
Loss before taxation	4		(8,462)		(2,391)
Taxation credit	9		1,054		143
Total comprehensive loss for the financial period			(7,408)		(2,248)
Retained earnings at the start of the period			(82,321)		(80,073)
Retained earnings at the end of the period			(89,729)		(82,321)

F.W. Farnsworth Limited

Balance sheet At 29 July 2017

	Note	29 July 2017 £'000	30 July 2016 £'000
Fixed assets			
Tangible fixed assets	10	9,697	10,951
		<u>9,697</u>	<u>10,951</u>
Current assets			
Inventories	11	4,063	4,010
Debtors due within one year	12	45,843	46,836
Deferred tax asset due after more than one year	13	1,547	1,662
Cash at bank and in hand		73	84
		<u>51,526</u>	<u>52,592</u>
Creditors: amounts falling due within one year	14	(129,493)	(124,405)
		<u>(77,967)</u>	<u>(71,813)</u>
Net current liabilities		(77,967)	(71,813)
Total assets less current liabilities		(68,270)	(60,862)
Net liabilities		(68,270)	(60,862)
Capital and reserves			
Called up share capital	16	21,425	21,425
Share premium account	16	34	34
Profit and loss account		(89,729)	(82,321)
		<u>(68,270)</u>	<u>(60,862)</u>
Shareholders' deficit		(68,270)	(60,862)

The financial statements of F.W. Farnsworth Limited were approved by the board of directors and authorised for issue on 6 April 2018. They were signed on its behalf by:


R N Pike
Director
Company number 00255912

F.W. Farnsworth Limited

Notes to the financial statements For the 52 weeks ended 29 July 2017

1. Accounting policies

Basis of accounting

F.W. Farnsworth Limited is a company incorporated in the United Kingdom and prepares its financial statements under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling, because that is the currency of the primary economic environment in which the Company operates. These financial statements are also presented in pounds sterling.

Financial Reporting Standard 102 – reduced disclosure exemptions

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions available to it in FRS102 Paragraph 1.12. In preparing these financial statements, exemptions have been taken in respect of:

- The requirements of Section 3; Financial Statement Presentation paragraph 3.17(d), and Section 7, Statement of Cashflows;
- The requirements of Section 11; Basic Financial Instruments paragraphs 11.41(b) - (c), 11.41 (e) - (f), 11.42, 11.44 - 45, 11.47, 11.48(iii) – (iv), 11.48(b) – (c);
- The requirements of Section 12; Other Financial Instruments Issues paragraph 12.26 -27, 12.29(a) – (b) and 12.29A; and
- The requirements of Section 33; Related Party Disclosures paragraph 33.7.

The Company is consolidated in the financial statements of its ultimate parent, Boparan Holdco Limited, which may be obtained from the Company's registered office.

The company has also presented a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity in accordance with FRS102 paragraph 6.4.

Notes to the financial statements (continued)
For the 52 weeks ended 29 July 2017

1. Accounting policies (continued)

Going concern

The Company is in a net liabilities position and was loss making in both the current and prior period, however, it does not have any exposure to external financing as its day to day working capital requirements are managed through its own cash flow and borrowings from its parent company where required.

The intermediate parent company, Boparan Holdings Limited, has confirmed it will provide sufficient financial support, should it be required, to enable the Company to meet its liabilities as they fall due for a period of not less than 12 months from the date of approval of the financial statements, as long as the Company remains within the Group. The going concern of the Company is therefore dependent on the going concern of the Group.

In determining whether the Company's financial statements can be prepared on a going concern basis, the directors considered the Company's and Group's business activities, together with the factors likely to affect its future development, performance and position. The review included the financial position of the Group, its cash flows, liquidity position, borrowing facilities and covenants. The key factors considered by the directors were as follows:

- consideration of detailed forecasts prepared for the 12 month period from the date of approval of the financial statements and the application of sensitivities to those forecasts;
- the implications of the challenging economic environment and future uncertainties on the Group's revenues and profits and its ability to meet financial covenants;
- the impact of the competitive environment within which the Group's businesses operate;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected;
- the Group has access to undrawn overdraft facilities and a committed bank facility to meet working capital requirements.

As at the date of this annual report, the directors have a reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future being a period of not less than 12 months from the date of approval of these financial statements. Accordingly, the financial statements for the 52 weeks ended 29 July 2017 have been prepared on the going concern basis.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, Value Added Tax (VAT) and other sales related taxes.

The Company provides trade discounts, primarily in the form of rebate arrangements or other incentive arrangements, to its customers. The arrangements can take the form of volume related rebates, marketing fund contributions, promotional fund contributions or lump sum incentives. The Company recognises revenue net of such discounts over the period to which the arrangement applies.

Sales of goods are recognised when goods are dispatched and title has passed, and to the extent that sales are invoiced in advance of delivery, income is deferred.

Notes to the financial statements (continued)
For the 52 weeks ended 29 July 2017

1. Accounting policies (continued)

Supplier rebates

The Company enters into rebate arrangements with its suppliers. The arrangements are primarily volume related. The supplier rebates received are recognised as a deduction from cost of sales (or administration or distribution costs if more appropriate), based on the entitlement that has been earned up to the balance sheet date, for each relevant supplier arrangement.

Research and development

Research and development costs comprise all directly attributable costs necessary to create and produce new products which are both brand new in design and those being modified. Costs classified as research and development include raw materials, labour costs, artwork origination and market research directly attributable to developing the products.

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Company is expected to benefit. Provision is made for any impairment.

Net financing charges

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Finance costs of financial liabilities are recognised in the statement of comprehensive income over the term of such instruments at the effective interest rate applicable on the carrying amount.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into to hedge certain foreign currency risks; and
- Exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

Notes to the financial statements (continued)
For the 52 weeks ended 29 July 2017

1. Accounting policies (continued)

Taxation

Current tax, both UK and overseas, is recognised for the amounts payable (or receivable) in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if:

- (a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority which the Company intend settle on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the financial statements (continued)
For the 52 weeks ended 29 July 2017**1. Accounting policies (continued)****Tangible fixed assets and depreciation**

Tangible fixed assets are stated at historical cost, less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The principal annual rates used are:

Plant and machinery	6.66%-20%
Motor vehicles	10%-25%

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Impairment of tangible fixed assets

Assets are reviewed for impairment at each balance sheet date to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Leased assets

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

Assets held under finance leases and other similar contracts are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of the future lease obligations are recorded as liabilities, while the interest elements are charged to the statement of comprehensive income to produce a constant rate on the capital balance outstanding.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term. Reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Where the Company has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

Financial instruments

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Notes to the financial statements (continued)
For the 52 weeks ended 29 July 2017

1. Accounting policies (continued)

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

1. Accounting policies (continued)

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received, net of direct issue costs.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective inventory where appropriate.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at their present value and at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Pensions

Defined contribution scheme

The Company operates a defined contribution pension scheme. The amount charged to the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Defined benefit scheme

The Company is associated with two legacy defined benefit schemes, the Northern Foods Pension Scheme ("the Scheme") and Northern Foods Pension Builder ("the Pension Builder"), which are defined benefit schemes providing members with benefits based on pay and service. The assets of the Scheme and the Pension Builder are held in Trustee administered funds separate from the finances of the Company and Group.

Northern Foods Limited, which is the sponsoring employer of the schemes, recognises the whole of the Scheme and Pension Builder assets and liabilities in its financial statements. The amount charged to the statement of comprehensive income is the Company's share of funding contributions in the period. Further information can be found in the financial statements of Northern Foods Limited, which are available at the Company's registered address as detailed on page 1, and note 17.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Inventories

The Company reviews the market value of and demand for its inventories on a periodic basis to ensure that recorded inventory is stated at the lower of cost and net realisable value. In assessing the ultimate realisable value of inventories, the Company is required to make judgements as to future demand requirements and to compare these with current inventory levels. Factors that could impact estimated demand and selling prices include the timing and success of product ranges. Further details on the value of the Company's inventory at each period end are shown in note 11.

Key source of estimation uncertainty

Fixed asset impairment

When determining whether assets are impaired, the recoverable amount of assets are determined based on the higher of net realisable value and value-in-use calculations. The value-in-use calculation requires an estimate of the future cash flows expected to arise from each cash-generating unit, along with a suitable discount rate in order to calculate present value. The Company has considered the impact of the assumptions used on these calculations and has conducted sensitivity analysis to ensure these carrying values are appropriate. Further details on the value of the Company's tangible fixed assets at each period end are shown in note 10.

Customer rebates

The Company provides rebate arrangements or other incentive arrangements, to its customers. In assessing provisions required for these arrangements, the Company carefully monitors the sales levels and ensures that provisions are in line with all agreements in place with each customer.

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 52 weeks ended 29 July 2017

3. Turnover

Turnover consists of sales to third parties net of trade discounts and excluding VAT and sales related taxes. All turnover relates to the manufacture of chilled and frozen savoury products.

All turnover relates to the manufacture of chilled and frozen savoury foods.

An analysis of the Company's turnover by geographical market is set out below.

	52 weeks ended 29 July 2017 £'000	52 weeks ended 30 July 2016 £'000
United Kingdom	81,980	101,116
Rest of Europe	388	1,142
	82,368	102,258

4. Loss before taxation

Loss before taxation is arrived at after charging:

	52 weeks ended 29 July 2017 £'000	52 weeks ended 30 July 2016 £'000
Cost of inventory recognised as an expense	28,566	34,058
Depreciation of owned tangible fixed assets (note 10)	2,279	2,405
Research and development costs	477	644
Restructuring (note 7)	55	5,214
Audit fees - fees payable to the Company's auditor for the audit of the Company's annual financial statements	29	28
Operating lease rentals - plant and machinery	406	430

5. Emoluments of directors

None of the directors received any emoluments from the Company during the period (2016: £nil). The directors are remunerated by other group companies. The directors received combined emoluments of £2,542,000 (2016: £4,042,000). It is not practicable to ascertain what proportion of these emoluments relates to the Company. The highest paid director received total emoluments of £711,000 (2016: £1,161,000).

No pension contributions were made on behalf of the highest paid director during the period (2016: £nil).

The Group made contributions of £22,000 (2016: £85,000) in respect of money purchase benefits for two directors (2016: six directors) during the period.

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 52 weeks ended 29 July 2017

6. Staff numbers and costs

	52 weeks ended 29 July 2017 £'000	52 weeks ended 30 July 2016 £'000
Wages and salaries	20,009	22,528
Social security costs	1,711	1,958
Defined contribution pension costs (note 17)	341	426
	22,061	24,912

The monthly average number of employees during the period was as follows:

	52 weeks ended 29 July 2017 (Number)	52 weeks ended 30 July 2016 (Number)
Production	731	882
Distribution	122	144
Administration	27	34
	880	1,060

7. Restructuring and share of pension funding

	52 weeks ended 29 July 2017 £'000	52 weeks ended 30 July 2016 £'000
Disruption costs	55	412
Share of pension funding	5,287	4,802
	5,342	5,214

The tax effect of these costs was a corporation tax credit of £1,051,000 (2016: £1,043,000).

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 52 weeks ended 29 July 2017

8. Net finance charge

	52 weeks ended 29 July 2017 £'000	52 weeks ended 30 July 2016 £'000
Interest payable on Group loans	5,035	4,993

9. Taxation on loss

	52 weeks ended 29 July 2017 £'000	52 weeks ended 30 July 2016 £'000
UK corporation tax		
Current tax on income for the period	861	(530)
Adjustments in respect of previous periods	308	(200)
Total current tax credit/ (charge)	1,169	(730)
Deferred taxation (note 13)		
Origination and reversal of timing differences	201	482
Adjustments in respect of prior periods	(287)	576
Adjustments due to rate change	(29)	(185)
Total deferred tax (charge)/ credit	(115)	873
Total taxation credit	1,054	143

Finance Act No.2 2015 was substantively enacted on 26 October 2015 with provisions to reduce the corporation tax to 19% with effect from 1 April 2017. Following that, Finance Bill 2016 was substantively enacted on 6 September 2016, further reducing the corporation tax rate to 17% with effect from 1 April 2020.

Accordingly these rates have been applied when calculating deferred tax assets and liabilities as at 29 July 2017.

There is no expiry date on timing differences, unused tax losses or tax credits.

Notes to the financial statements (continued)
For the 52 weeks ended 29 July 2017

9. Taxation on loss (continued)

The corporation tax credit / (charge) is different to the standard UK corporation tax rate of 19.67% (2016: 20.00%). The differences are analysed below:

	52 weeks ended 29 July 2017 £'000	52 weeks ended 30 July 2016 £'000
Loss before taxation	(8,462)	(2,391)
Taxation on loss at the standard UK corporation tax rate of 19.67% (2016: 20.00%)	1,664	478
Factors affecting the charge:		
Adjustments in respect of prior periods	21	376
Effect of decrease in tax rate	(83)	(185)
Disallowable expenses	(548)	(526)
Total taxation credit for the period	1,054	143

10. Tangible fixed assets

	Plant, fixtures and motor vehicles £'000
Cost:	
At 30 July 2016	50,049
Additions	1,036
Disposals	(11)
At 29 July 2017	51,074
Depreciation:	
At 30 July 2016	39,098
Charge for the period	2,279
Disposals	-
At 29 July 2017	41,377
Net book value:	
At 29 July 2017	9,697
At 30 July 2016	10,951

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 52 weeks ended 29 July 2017

11. Inventories

	29 July 2017 £'000	30 July 2016 £'000
Raw materials and consumables	1,647	2,128
Work in progress	303	524
Finished goods and goods for resale	2,113	1,358
	4,063	4,010

In the opinion of the directors the carrying value of inventory is not materially different to the replacement cost.

12. Debtors: amounts falling due within one year

	29 July 2017 £'000	30 July 2016 £'000
Trade debtors	3,173	3,851
Amounts due from Group undertakings	41,718	42,156
Corporation tax	185	-
Other debtors	501	588
Prepayments and accrued income	266	241
	45,843	46,836

All amounts due from Group undertakings are repayable on demand and held at amortised cost.

Notes to the financial statements (continued)
For the 52 weeks ended 29 July 2017

13. Deferred taxation

	29 July 2017 £'000	30 July 2016 £'000
Asset at the start of the period	1,662	789
Current period credit to statement of comprehensive income	172	297
Adjustments in respect of prior periods	(287)	576
Asset at the end of the period	1,547	1,662

Deferred tax assets recognised at 17% (2016: 18%) are analysed as follows:

	29 July 2017 £'000	30 July 2016 £'000
Accelerated capital allowances	1,283	1,257
Short term timing differences	264	405
Total deferred tax asset	1,547	1,662

During the period commencing 30 July 2017, the net reversal of deferred tax assets is expected to decrease the corporation tax charge for the period by £393,000. This is primarily due to the reversal of short term timing differences, and capital allowances being higher than depreciation.

The Company has an unrecognised deferred tax asset of £4,019,000 (2016: £4,256,000) in respect of capital losses carried forward as at 29 July 2017. No deferred tax has been recognised on capital losses totalling £23,644,000 at 29 July 2017 (2016: £23,644,000) as it is uncertain whether these losses will be utilised against future taxable gains.

14. Creditors: amounts falling due within one year

	29 July 2017 £'000	30 July 2016 £'000
Trade creditors	11,312	15,394
Amounts owed to group undertakings	115,622	104,482
Other creditors	326	505
Corporation tax	-	992
Other taxation and social security	179	449
Accruals	2,054	2,583
	129,493	124,405

All amounts due to Group undertakings are repayable on demand and held at amortised cost.

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 52 weeks ended 29 July 2017

15. Provisions for liabilities

	Restructuring £'000
At 30 July 2016	-
Current period charge to statement of comprehensive income (note 7)	55
Utilised in the period	(55)
At 29 July 2017	-

The provision was in relation to restructuring costs, these were incurred as a result of refining the Company's cost base. The provision was fully utilised in the period.

16. Called up share capital

	29 July 2017 £'000	30 July 2016 £'000
Authorised:		
215,000,000 ordinary shares of 10p each	21,500	21,500
Allotted, called up and fully paid:		
214,246,448 ordinary shares of 10p each	21,425	21,425

The Company has one class of ordinary shares which carry no right to fixed income.

The Company also has a share premium reserve of £34,000 (2016: £34,000) which represents amounts received in excess of the nominal value of shares, on issue of new shares.

Notes to the financial statements (continued)
For the 52 weeks ended 29 July 2017

17. Pensions

Defined contribution scheme

The Company participates in the Group's defined contribution scheme for qualifying employees. The total cost charged to the statement of comprehensive income in the period of £341,000 (2016: £426,000) represents contributions payable to the scheme by the Company at rates specified in the rules of the plan. As of 29 July 2017, £16,000 of contributions due in respect of the current reporting period had not been paid over to the scheme (2016: £35,000).

Defined benefit scheme

The Company is associated with two legacy defined benefit schemes, the Northern Foods Pension Scheme ("the Scheme") and Northern Foods Pension Builder ("the Pension Builder"), which are defined benefit schemes providing members with benefits based on pay and service. The assets of the Scheme and the Pension Builder are held in Trustee administered funds separate from the finances of the Company and Group.

The Scheme and the Pension Builder are both closed to future accrual.

The parent company, which is the sponsoring employer of the schemes, recognises the whole of the Scheme and Pension Builder assets and liabilities in its financial statements. The Company recognises a cost equal to its share of funding contributions paid into the schemes for the period, which in the period ended 29 July 2017 was £5,287,000 (2016: £4,802,000).

Under a cross-guarantee the Company, with a number of other Group companies including Northern Foods Limited, jointly and severally guarantee the performance of each other's obligations to the Schemes.

Further details of the defined benefit schemes are disclosed in the notes to the financial statements of Northern Foods Limited.

18. Financial commitments

Capital commitments

There were capital commitments of £nil (2016: £nil) provided for at the period end.

The Company also had capital commitments of £nil (2016: £nil) which were contracted for but not provided for at the period end.

Operating lease commitments

The Company had future minimum lease payments under non-cancellable operating leases as set out below:

	29 July 2017 £'000	30 July 2016 £'000
<i>Plant and machinery:</i>		
Within one year	271	361
Between one and five years	298	543
After five years	-	-
	569	904

Notes to the financial statements (continued)
For the 52 weeks ended 29 July 2017

19. Related party transactions

The Company has taken advantage of the exemption under FRS102 Section 33; Related Party Disclosures paragraph 33.7, as a wholly owned subsidiary of Boparan Holdings Limited, not to disclose related party transactions with other wholly owned members of the Group.

During the period, the Company incurred rental charges of £nil (2016: £12,000) from the subsidiaries of Amber REI Holdings Limited, a related party by virtue of common ownership.

The Company made donations to Boparan Events Limited, a related party by virtue of common ownership, of £3,000 (2016: £3,000).

20. Contingent liabilities

Long term funding for the Company and Group is provided primarily through two tranches of Senior Loan Notes; £250m due in 2019 and £330m due 2021, and a euro note of €300m due 2021. In addition, the Group also has a £60m Revolving Credit Facility which remained undrawn during the period and at the period end.

The Company and other Group subsidiary companies are guarantors in respect of the Senior Loan Notes, whereby they absolutely and unconditionally guarantee the principal and interest on the Senior Loan Notes. The same companies are cross guarantors in respect of the £60m Revolving Credit Facility.

The total bond value including accrued interest as at 29 July 2017 was £861,097,000 net of fees (2016: £843,679,000), where the main driver of the increase period-on-period is the impact of foreign exchange rate movement on the euro-denominated bonds.

21. Ultimate parent undertaking

The Company is a wholly owned subsidiary of Beverley House (9000) Limited, a company registered in England and Wales. The parent company of the smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Boparan Holdings Limited, registered in England and Wales. The parent company of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Boparan Holdco Limited, registered in England and Wales.

Copies of the consolidated financial statements can be obtained from the Company's registered office as detailed on page 1. As at 29 July 2017 Boparan Holdco Limited was also the Company's ultimate parent undertaking.

R S Boparan and B K Boparan are the ultimate controlling parties.