

F.W. Farnsworth Limited

Annual report and financial statements

For the 53 weeks ended 1 August 2020

Company registration no. 00255912



F.W. Farnsworth Limited

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F.W. Farnsworth Limited

Officers and professional advisers

Directors

R S Boparan
R K O Kers
K R Packer
R P Simpson (resigned 23 October 2020)
C A Tomkinson

Registered office

Trinity Park House
Fox Way
Wakefield
West Yorkshire
WF2 8EE

Bankers

Barclays Bank plc
1 The Headrow
Leeds
LS1 1JS

Goldman Sachs Bank USA
200 West Street
New York
NY 10282

HSBC
1 Centenary Square
Birmingham
B1 1HQ

F.W. Farnsworth Limited

Strategic report

The directors present their Strategic Report for the 53 weeks ended 1 August 2020.

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 income and retained earnings on page 9. The Company has made a loss for the period of £3,751,000 (2019: loss of £6,687,000).

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:

	53 weeks ended 1 August 2020 £'000	52 weeks ended 27 July 2019 £'000
Turnover	88,449	76,258
Gross profit margin	23.4%	20.8%
Operating profit before share of pension funding	6,953	5,536
(Loss) before taxation	(5,171)	(6,417)

Turnover for the period amounted to £88,449,000 (2019: £76,258,000), an increase of 16.0% due to a of change in sales mix and an additional week of trading in the current period.

The price increase and the new contracts have positively affected the gross profit margin increasing from 20.8% to 23.4% and the loss before taxation, which has reduced by £1,246,000

The Company had net liabilities of £85,077,000 as at 1 August 2020 (2019: £81,326,000). The decrease in the net liability position is due to the result for the year.

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 53 weeks ended 1 August 2020 ("the Group annual report"). These are available as detailed in note 20.

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 publicly available as detailed in note 20.

Although the Brexit agreement of 31 December 2020 has reduced the level of uncertainty for all food processors the Company continues to take steps to ensure the business is fit for the future.

The COVID-19 pandemic continues to bring volatility and uncertainty to the business. The main uncertainty is disruption to labour supply through self-isolation, and potential for changing consumer behaviour resulting from future lockdowns.

The Board is regularly updated on the evolving risks of COVID-19 and monitors developments closely. Whilst absences, social distancing and materials shortages have been challenging operationally, it continues to prioritise the safety of our products and the wellbeing of employees

Our stakeholders

Section 172(1) statement

The stakeholders of the company are managed across the Group by the board.

As a Board, we understand our long-term growth and success are dependent on engagement with stakeholders. We continually explore how to make our decision making process more inclusive in order to involve our key stakeholders.

The leadership teams of the Group and each business unit make decisions with a long term view in mind and with the highest standards in line with the Group's policy. In order to fulfil their duties the Directors and decision makers in each business of the Group take care to have regard for each of the different stakeholders and the likely consequence of their decisions on these stakeholders for both the short term and long term.

Our decision making process through the current pandemic is one of many examples where we consider all stakeholders. The impact of COVID-19 has been widespread and we have consulted with all our stakeholders as we continue to produce and supply food.

F.W. Farnsworth Limited

Strategic report (continued) Principal risks and uncertainties

Sustainability is a key priority for us. We aim to minimise our impact on the environment and respect the livelihoods of those working in our supply chains. It is our ambition to be the employer of choice within the Food Manufacturing Industry and to be welcomed and seen as a key part of the local community in which we operate.

Engagement with our main stakeholder groups is summarised below.

Why we engage	How we engage	What matters most to our stakeholders	How we respond	COVID – 19 specific considerations
<i>Our people</i>				
It is our colleagues that drive the business. We want our colleagues to feel valued, so it is important to understand what matters to them	Internal communication of developments Staff engagement surveys and "temperature" checks Intranet Appraisals process Colleague magazine	Employee health & safety Employee wellbeing Career and personal development opportunities Employee engagement Fair pay	Employee engagement score improvement Annual appraisals including review of development plans	Welfare fund Working from home (where possible) Socially distancing Additional PPE Education and guidance Group COVID management committee daily meetings
<i>Our customers</i>				
We need to understand customer and consumer demands in order to create innovative products and respond to new trends By engaging and sharing ideas with customers we can identify new ways of working together	Key teams engage with customers in all areas to ensure effective communication	Consumer trends highlight that health conscious choices and convenience foods Sustainability is an important consideration as our consumers focus on the overall impact of their food choices on the environment	We continue to focus on new product development to meet emerging consumer trends	Working closely with retail customers to meet surges in demand
<i>Our suppliers</i>				
We work closely with suppliers who share our values and beliefs in food safety, provenance and quality	Audits and visits Supplier policies	We need to ensure raw materials, ingredients and packaging are supplied at the right time to the right place and that the supply chain is transparent and sustainable	We continue to undertake supplier audits to ensure the safety, traceability, quality and provenance of the raw materials that we use	Remote audits Ethical requirements
<i>Trade bodies, industry and government groups</i>				
We work with many trade bodies including, British Poultry Council (BPC), Chilled Food Association (CFA), Red Tractor. We also actively engage in key industry groups such as Food Industry Intelligence Network (FIIN), Food Industry Initiatives on Antimicrobials (FIIA) and Food Network, Ethical Trade(FNET), and DEFRA and Public Health England (PHE) engaged through the Food Resilience Industry Forum	Our Directors and management sit on steering committees, groups & boards including co- chairing some prominent industry groups such as FIIN and the IGD Sustainable diets forum.	BPC sets policies for the poultry industry; Red Tractor provides assurance that products are safe, traceable and farmed with care, and the RSPCA certifies higher welfare farming systems. FIIN shares industry Intelligence on Food integrity. FIIA supports farming practices for reduction and responsible use of antibiotics. FNET supports ethical trade and human rights especially in our supply chains.	We continue to provide input, resources and leadership into these groups for the benefit of our business, the sectors we operate in and the food industry as a whole.	Remote support Representative on government groups Share of intelligence and best practice across the sector

F.W. Farnsworth Limited

Why we engage	How we engage	What matters most to our stakeholders	How we respond	COVID – 19 specific considerations
<i>Our communities</i>				
We produce from 24 facilities across the UK covering multiple towns and cities. We want to be part of these communities and give back where we can	Foodbank donations Working with local schools and universities Charity fundraising We provide employment	Local communities have a justifiable expectation that businesses operate safely and sustainably. We need to reduce edible food waste and increase the amount of food that can be shared in the community	We support a wide range of projects within our local communities.	Additional food donations PPE donations to local hospitals
<i>Our financial creditors and shareholders</i>				
The Company is part of a Group that is funded through the public markets in conjunction with a supportive banking group. Along with the shareholders and pension trustees, these external stakeholders rely on timely, accurate and insightful reporting from the Group to manage their risks	Annual Financial Accounts Quarterly updates to lenders including trading updates, financial statement and outlook Regular announcements and press releases Website including Investor Relations section	The commercial success and financial health of the Group is paramount to our lenders as they assess their appetite to support the Group going forward	We provide regular press releases and results announcements to ensure our external stakeholders have the latest information on our performance. Further dialogue is had through our Investor Relations team who respond to any further queries	Regular dialogue on the impact of temporary site closures Update on financial impacts of COVID-19 on the Group Liquidity management

Going concern

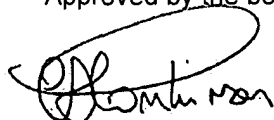
The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

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:



C A Tomkinson
Director
6 July 2021

F.W. Farnsworth Limited

Directors' report

The directors present their annual report and financial statements for the 53 weeks ended 1 August 2020.

Directors

The directors of the Company who served during the period ended 1 August 2020 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 (2019: £nil). The directors do not recommend the payment of a final dividend (2019: £nil).

Going concern

Details of the going concern basis of preparation of the Group can be found in the Strategic Report on page 5 and form part of this report by cross-reference.

Donations

The Company made £nil (2019: £1,000) 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 page 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 publicly available as detailed in note 20.

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.

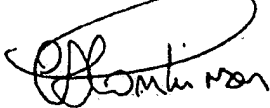
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Directors' report (continued)

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.

Approved by the board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'C A Tomkinson', is written over a large, loopy circular flourish.

C A Tomkinson
Director
6 July 2021

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.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

F.W. Farnsworth Limited

Statement of income and retained earnings

For the 53 weeks ended 1 August 2020

		53 weeks ended 1 August 2020	53 weeks ended 1 August 2020	52 weeks ended 27 July 2019	52 weeks ended 27 July 2019
	Note	£'000	£'000	£'000	£'000
Turnover	3		88,449		76,258
Cost of sales			(67,717)		(60,417)
Gross profit			20,732		15,841
Distribution costs			(8,851)		(7,849)
Administrative expenses:					
- before share of pension funding		(4,928)		(2,456)	
- share of pension funding	7	(6,257)		(6,257)	
			(11,185)		(8,713)
Operating profit:					
- before share of pension funding		6,953		5,536	
- share of pension funding	7	(6,257)		(6,257)	
Operating profit/ (loss)			696		(721)
Net finance (charge)	8		(5,867)		(5,696)
(Loss) before taxation	4		(5,171)		(6,417)
Taxation credit / (charge)	9		1,420		(270)
Total comprehensive (loss) for the financial period			(3,751)		(6,687)
Retained earnings at the start of the period			(102,785)		(96,098)
Retained earnings at the end of the period			(106,536)		(102,785)

F.W. Farnsworth Limited

Balance sheet At 1 August 2020

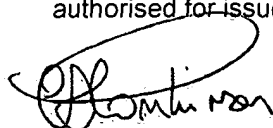
	Note	1 August 2020 £'000	27 July 2019 £'000
Fixed assets			
Tangible fixed assets	10	5,518	6,621
		<u>5,518</u>	<u>6,621</u>
Current assets			
Inventories	11	2,842	3,139
Debtors due within one year	12	45,296	44,586
Deferred tax asset due after more than one year	13	1,651	1,049
Cash at bank and in hand		51	74
		<u>49,840</u>	<u>48,848</u>
Creditors: amounts falling due within one year	14	(140,435)	(136,795)
		<u>(90,595)</u>	<u>(87,947)</u>
Net current liabilities		(90,595)	(87,947)
Total assets less current liabilities		(85,077)	(81,326)
Net liabilities		(85,077)	(81,326)
Capital and reserves			
Called up share capital	15	21,425	21,425
Share premium account	15	34	34
Profit and loss account		<u>(106,536)</u>	<u>(102,785)</u>
Shareholders' deficit		(85,077)	(81,326)

For the 53 weeks ended 1 August 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

No members have required the Company to obtain an audit of its accounts for the 53 weeks ended 1 August 2020 in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of the accounts.

The financial statements of F.W. Farnsworth Limited were approved by the board of directors and authorised for issue on 6th July 2020. They were signed on its behalf by:



C A Tomkinson
Director
Company number 00255912

F.W. Farnsworth Limited

Notes to the financial statements For the 53 weeks ended 1 August 2020

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 - 11.45, 11.47, 11.48(a)(iii) – (a)(iv), 11.48(b) – (c);
- The requirements of Section 12; Other Financial Instruments Issues paragraph 12.26 -12.27, 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, copies of which may be obtained from the Company's registered office at Colmore Court, 9 Colmore Row, Birmingham, B3 2BJ.

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.

F.W. Farnsworth Limited

Notes to the financial statements (continued)

For the 53 weeks ended 1 August 2020

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, 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.

In determining whether the company's report can be prepared on a going concern basis, the directors considered the company and wider 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 company and Group, its cash flows, liquidity position, borrowing facilities and covenants.

The BHL Board is regularly updated on the evolving risks of the ongoing COVID 19 situation and continues to monitor developments closely. Whilst managing absence, social distancing and materials shortages have been challenging operationally and demand has been volatile in some parts of our business, we are fortunate in that we have had, and continue to have, sufficient demand in all of our businesses to remain operational. A further significant extension to lock down restrictions, though currently deemed unlikely due to the rollout of vaccines and the recent announcement of the plan to release lockdown measures could result in a further period of working capital outflow and operational challenges.

The key factors considered by the directors of the Group are 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 directors have considered a sensitivity reflecting a 30% reduction in EBITDA as a reasonable worst case scenario. Under this scenario, no breach is identified in respect of either cash or covenant headroom, with significant headroom remaining in this sensitized scenario;
- 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 a committed bank facility and invoice discounting facility to meet day to day working capital requirements; and;
- the impact of COVID-19 on the business and its prospects

Since the balance sheet date, on 27 November 2020 a full capital structure refinance was undertaken resulting in the issuance of a new £475m senior secured bond, maturing on 30 November 2025.

In addition, a new £90m (£80m plus a £10m accordion) super senior secured RCF was agreed with the Group's existing banks, maturing in May 2025. The going concern assessment has been made by reviewing the financial position of the group including the availability of these new facilities and the future operating forecasts.

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 53 weeks ended 1 August 2020 have been prepared on the going concern basis.

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 53 weeks ended 1 August 2020

1. Accounting policies (continued)

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.

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 are expensed in the period to which they relate. 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 product.

Net financing charges

Interest income is accrued 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 profit and loss account over the term of such instruments at the effective interest rate applicable on the carrying amount.

The net impact of the unwinding of the discount rate on the net pension scheme liability is charged to interest payable in the profit and loss account.

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.

1. Accounting policies (continued)

Foreign currencies (continued)

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.

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 on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets 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.

F.W. Farnsworth Limited

Notes to the financial statements (continued)

For the 53 weeks ended 1 August 2020

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, fixtures and motor vehicles	6.66%-25%
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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 income and retained earnings.

Leased assets

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives.

The capital elements of the future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease, are similarly spread on a straight-line basis over the lease term.

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.

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 inventories where appropriate.

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 income and retained earnings 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 income and retained earnings 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.

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.

Recognition of deferred tax assets

The Company recognised a deferred tax asset of £1,651,000 (2019: £1,049,000) at the period end. The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Of the total deferred tax asset, £1,639,000 (2019: £1,043,000) relates to timing differences on capital allowances.

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 53 weeks ended 1 August 2020

3. Turnover

Turnover consists of sales to third parties net of discounts and Value Added Tax (VAT) and other sales related taxes. All turnover relates to the manufacture of chilled and frozen savoury products.

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

	53 weeks ended 1 August 2020 £'000	52 weeks ended 27 July 2019 £'000
United Kingdom	88,433	76,187
Rest of Europe	16	71
	88,449	76,258

4. Loss before taxation

Loss before taxation is arrived at after charging:

	53 weeks ended 1 August 2020 £'000	52 weeks ended 27 July 2019 £'000
Depreciation of owned tangible fixed assets (note 10)	1,951	2,200
Research and development costs	440	451
Operating lease rentals - plant and machinery	207	341
Defined contribution pension costs	484	453

5. Emoluments of directors

None of the directors received any emoluments from the Company during the period (2019: £nil). The directors are remunerated by other group companies. The directors received combined emoluments of £4,303,000 (2019: £5,286,000). It is not practicable to ascertain what proportion of these emoluments relates to the Company. The highest paid director received total emoluments of £2,053,000 (2019: £3,179,000).

No pension contributions were made on behalf of the highest paid director during the period (2019: £nil).

The Group made contributions of £5,000 (2019: £36,000) in respect of money purchase benefits for one director (2019: two directors) during the period.

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 53 weeks ended 1 August 2020

6. Staff numbers and costs

Staff costs (including directors), consists of:

	53 weeks ended 1 August 2020 £000's	52 weeks ended 27 July 2019 £000's
Wages and salaries	17,106	15,789
Social security costs	1,537	1,330
Defined contribution pension costs (note 16)	484	453
	19,127	17,572

The monthly average number of employees (including directors) during the period was as follows:

	53 weeks ended 1 August 2020 (Number)	52 weeks ended 27 July 2019 (Number)
Production	641	635
Distribution	88	82
Administration	24	24
	753	741

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 53 weeks ended 1 August 2020

7. Share of pension funding

	53 weeks ended 1 August 2020 £'000	52 weeks ended 27 July 2019 £'000
Share of pension funding	6,257	6,257
	6,257	6,257

The tax effect of these costs was a corporation tax credit of £1,189,000 (2019: credit of £1,189,000).

8. Net finance charge

	53 weeks ended 1 August 2020 £'000	52 weeks ended 27 July 2019 £'000
Interest payable on Group loans	5,867	5,696

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 53 weeks ended 1 August 2020

9. Taxation on loss

	53 weeks ended 1 August 2020 £'000	52 weeks ended 27 July 2019 £'000
United Kingdom corporation tax		
Current tax on income for the period	152	(206)
Adjustments in respect of previous periods	666	(4)
Total current tax credit / (charge)	818	(210)
Deferred taxation (note 13)		
Net origination of timing differences	604	(78)
Adjustments in respect of prior periods	(2)	18
Total deferred tax credit / (charge)	602	(60)
Total taxation credit / (charge)	1,420	(270)

The standard rate of corporation tax applied to reported profit is 19% (2019: 19%).

Finance Act 2016 outlined a reduction to the rate of corporation tax to 17% from 1 April 2020. However, the Finance Bill 2020 reversed this move to maintain the corporation tax rate at 19%. This was substantively enacted on 17 March 2020. Accordingly, these rates have been taken into account when calculating deferred tax assets as at 1 August 2020.

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

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 53 weeks ended 1 August 2020

9. Taxation on loss (continued)

The effective corporation tax rate is different to the standard UK corporation tax rate of 19.00% (2019: 19.00%). The differences are analysed below:

	53 weeks ended 1 August 2020 £'000	52 weeks ended 27 July 2019 £'000
Loss before taxation	(5,171)	(6,417)
Taxation on loss at the standard UK corporation tax rate of 19.00% (2019: 19.00%)	982	1,219
Effects of:		
Adjustments in respect of prior periods	663	14
Tax rate differences	122	(39)
Expenses not deductible for tax purposes	(8)	(45)
Amounts relating to intra-group transactions	(461)	(1,132)
De-recognition of deferred tax asset	122	(287)
Total taxation credit / (charge) for the period	1,420	(270)

10. Tangible fixed assets

	Plant, fixtures and motor vehicles £'000
Cost:	
At 27 July 2019	52,389
Additions	848
At 1 August 2020	53,237
Depreciation:	
At 27 July 2019	45,768
Charge for the period	1,951
At 1 August 2020	47,719
Net book value:	
At 1 August 2020	5,518
At 27 July 2019	6,621

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 53 weeks ended 1 August 2020

11. Inventories

	1 August 2020 £'000	27 July 2019 £'000
Raw materials and consumables	1,722	1,624
Work in progress	334	293
Finished goods and goods for resale	786	1,222
	<u>2,842</u>	<u>3,139</u>

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

	1 August 2020 £'000	27 July 2019 £'000
Trade debtors	2,980	2,722
Amounts owed by Group undertakings	40,872	40,837
Corporation tax receivable	640	298
Other debtors	635	448
Prepayments and accrued income	169	281
	<u>45,296</u>	<u>44,586</u>

All amounts owed by Group undertakings are repayable on demand and held at amortised cost. Interest is charged at a rate of 5.9% on these balances.

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 53 weeks ended 1 August 2020

13. Deferred taxation asset

	1 August 2020 £'000	27 July 2019 £'000
Asset at the start of the period	1,049	1,109
Credit / (charge) to profit and loss account	604	(78)
Adjustments in respect of prior periods	(2)	18
Asset at the end of the period	1,651	1,049

	1 August 2020 £'000	27 July 2019 £'000
Accelerated capital allowances	1,639	1,043
Short term timing differences	12	6
Total deferred tax asset	1,651	1,049

Deferred tax assets in respect of accelerated capital allowances are recognised at 17.00% (2019: 17.00%) and short term timing differences are recognised at 19.00% (2019: 19.00%).

During the period commencing 28 July 2019, the net reversal of deferred tax assets is expected to decrease the corporation tax charge for the period by £441,000. This is primarily due to availability of capital allowances in excess of depreciation.

The Company has an unrecognised deferred tax asset of £5,341,000 (2019: £4,887,000). This is made up of £849,000 (2019: £868,000) in relation to accelerated capital allowances and £4,492,000 (2019: £4,019,000) in relation to capital losses carried forward as at 1 August 2020. Deferred tax is not recognised on these balances as it is uncertain whether these amounts will be utilised against future taxable profits or gains.

14. Creditors: amounts falling due within one year

	1 August 2020 £'000	27 July 2019 £'000
Trade creditors	10,609	10,050
Amounts owed to Group undertakings	126,743	123,785
Other creditors	485	256
Other taxation and social security	217	155
Accruals	2,381	2,549
	140,435	136,795

All amounts due to Group undertakings are repayable on demand and held at amortised cost. Interest is charged at a rate of 5.9% on these balances.

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 53 weeks ended 1 August 2020

15. Share capital and share premium account.

	1 August 2020	27 July 2019
	£'000	£'000
Authorised:		
215,000,000 ordinary shares of 10p each	<u>21,500</u>	<u>21,500</u>
Allotted, called up and fully paid:		
214,246,448 ordinary shares of 10p each	<u>21,425</u>	<u>21,425</u>

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 (2019: £34,000) which represents amounts received in excess of the nominal value of shares, on issue of new shares.

16. 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 income and retained earnings in the period of £484,000 (2019: £453,000) represents contributions payable to the scheme by the Company at rates specified in the rules of the plan. As of 1 August 2020, £63,000 of contributions due in respect of the current reporting period had not been paid over to the scheme (2019: £44,000).

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 1 August 2020 was £6,257,000 (2019: £6,257,000).

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.

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 53 weeks ended 1 August 2020

17. Financial commitments

Capital commitments

There were capital commitments of £nil (2019: £296,000) provided for at the period end.

The Company had capital commitments of £61,000 (2019: £68,000) which were contracted for but not provided for at the period end.

Operating lease commitments

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

	1 August 2020 £'000	27 July 2019 £'000
<i>Plant and machinery leases expiring:</i>		
Within one year	285	305
Between one and five years	812	164
After five years	14	-
	1,111	469

18. 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.

The Company had no recharges from 1 Stop Halal Limited during the period (2019: £nil); a related party by virtue of common ownership.

The Company made donations to the Boparan Charitable Trust in the current period of £nil (2019: £1,000), a related party by virtue of common ownership. There was no outstanding creditor at the period end (2019: £nil).

F.W. Farnsworth Limited

Notes to the financial statements (continued) For the 53 weeks ended 1 August 2020

19. Contingent liabilities

Long term funding for the Company and Group is provided primarily through two tranches of Senior Loan Notes; £330m due 2021, and a euro note of €300m due 2021. In addition, the Group has an £80m Revolving Credit Facility maturing in March 2021. During the year the Group obtained a term loan for £35m repayable June 2021. The loan is secured on Group assets.

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 Revolving Credit Facility.

The total bond value including accrued interest as at 1 August 2020 was £611.8m net of fees (2019: £609.8m).

Since the balance sheet date, the Group has agreed new financing arrangements. Details of this can be found in note 21.

20. 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 1 August 2020 Boparan Holdco Limited was also the Company's ultimate parent undertaking.

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

21. Post balance sheet event

Since the balance sheet date, on 27 November 2020 all principal and accrued interest has been repaid against the Group's €300m and £300m senior bonds and existing £80m RCF.

A new £475m senior secured bond was issued with a maturity of November 2025 with a coupon of 7.625%, interest paid semi-annually.

In addition, a new £90m (£80m plus a £10m accordion) super senior secured RCF was agreed with the Group's existing banks, maturing in May 2025.