

NORTHERN FOODS GROCERY GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS

53 WEEKS ENDED 2 AUGUST 2014

REGISTERED NO. 313761

THURSDAY



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NORTHERN FOODS GROCERY GROUP LIMITED

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NORTHERN FOODS GROCERY GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

Directors

S Amin
R S Boparan
T J Curle (resigned: 26 September 2014)
J A Dunsford (appointed: 26 September 2014)
L J Feeley (appointed: 31 October 2014)
S Henderson (resigned: 1 August 2014)
S P Leadbeater (appointed: 20 June 2014)
D S Morgan
V Patel (resigned: 1 August 2014)
C D Smith (appointed: 1 August 2014)
C Walker (appointed: 2 December 2013, resigned: 31 October 2014)
SJP Wookey

Registered office

Trinity Park House
Fox Way
Wakefield
WF2 8EE

Bankers

Barclays Bank plc
1 Park Row
Leeds
LS1 5WU

BNP Paribas UK Ltd
10 Harewood Avenue
London
NW1 6AA

Goldman Sachs Bank USA
200 West Street
New York
NY 10282-2198

HSBC Bank plc
8 Canada Square
London
E14 5HQ

JPMorgan Chase Bank, N.A.
25 Bank Street
London
E14 5JP

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

Independent auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
One City Square, Park Row
Leeds
LS1 2AL

NORTHERN FOODS GROCERY GROUP LIMITED

STRATEGIC REPORT

The directors present their annual report and audited financial statements for the 53 week period ended 2 August 2014.

Business overview and principal activities

The Company is a wholly owned subsidiary of the group headed by Boparan Holdings Limited ("the Group" or "the Boparan Holdings Group"). The principal activities of the Company during the period were the manufacture and sale of bakery products. There have not been any significant changes in the Company's principal activities in the period under review or post year end.

The results are shown in the profit and loss account on page 7. The Company has made a profit for the period of £9,043,000 (2013: £11,464,000). The current period result includes exceptional Group recharges of £2,921,000 (2013: £17,112,000) of which £1,132,000 (2013: £1,116,000) relates to redundancy and associated integration costs, and £1,789,000 (2013: £15,996,000) in respect of the Company's share of special pension contributions paid into the Northern Foods Limited defined benefit pension scheme.

The Company continues to invest in research and development. Research and development expenditure in the period was £2,005,000 (2013: £3,631,000).

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 2 August 2014 £'000 | 52 weeks ended 27 July 2013 £'000 |
|---|---|--|
| Total turnover | 201,300 | 210,890 |
| Gross profit margin | 22.9% | 20.9% |
| Pre-exceptional operating profit | 19,483 | 20,956 |
| Pre-exceptional operating profit margin | 9.7% | 9.9% |
| Profit before taxation | 9,742 | 11,949 |

Reported turnover for the period was £201,300,000 compared with the prior period of £210,890,000, a decrease of 4.5%. The biscuits market remains very competitive with high levels of promotions. The decrease in turnover in the period was driven by withdrawal from less profitable product lines as the business focused on margin improvement. Gross profit margin improved from 20.9% to 22.9% as a result of these changes

Operating margin (pre-exceptional items) reduced to 9.7% (2013: 9.9%) as a result of increased investment in the business.

The Company had net assets of £68,559,000 as at 2 August 2014 (2013: £59,516,000). The directors are satisfied with the healthy net asset position at the period end.

Further information on the Group's KPIs is disclosed in the Group's annual report which does not form part of this report.

Dividends

No interim dividend was paid in the period (2013: £nil). The directors do not recommend the payment of a final dividend (2013: £nil).

Future prospects

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

NORTHERN FOODS GROCERY GROUP LIMITED

STRATEGIC REPORT (continued)

Principal risks and uncertainties

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'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 inter group loans from its parent company and so does not have any exposure to external financing.

Further risks, such as those relating to changes in consumer trends, food safety and exposure to price and supply fluctuations for raw materials and services, are managed on a group wide basis and as such are discussed in the Boparan Holdings Group annual report for the 53 weeks ended 2 August 2014.

Going concern

The Company is in a net assets position and does not have any exposure to external financing as working capital and short term cash flow requirements are managed through a combination of retained earnings and financial support from the ultimate parent company. The parent company, Boparan Holdings Limited, has confirmed its intention to 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. The going concern of the Company is therefore dependent on the going concern of the Group.

Long term funding for the Group is provided primarily through Senior Loan Notes. In July 2014 the Group refinanced its existing Senior Loan Notes raising new sterling notes totalling £580m with 5 and 7 year maturities and a euro note of €300m with a 7 year maturity replacing the existing £400m and €340m Senior Loan Notes respectively. In addition, the Group also replaced its existing £40m Revolving Credit Facility with a £60m 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 due 2019 and 2021, 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 Boparan Holdings Group's £60m Revolving Credit Facility. The total bond value as at 2 August 2014 per the Boparan Holdings Group accounts was £809.4m net of fees (2013: £676.7m) however the individually guaranteed amount is not readily available.

In forming their opinion on the going concern of the Company, the directors have considered the Group forecasts and the future uncertainties facing the Group. Group forecasts indicate that there will be no breach of financial covenants for a period of at least 12 months from the date of approval of these financial statements and the Group is able to continue to operate within its existing facility.

The directors have considered the future activities of the Company, its expected future cash flows and the availability of financial support from the ultimate parent company and have concluded that the Company is a going concern.

By order of the Board



S P Leadbeater

Director

18 December 2014

NORTHERN FOODS GROCERY GROUP LIMITED

DIRECTORS' REPORT

Directors

The directors who served during the period ended 2 August 2014 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 report.

Environment

The Company and the Boparan Holdings Group 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 Group's activities.

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, disablement, marital status or religion.

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 their company.

Auditor

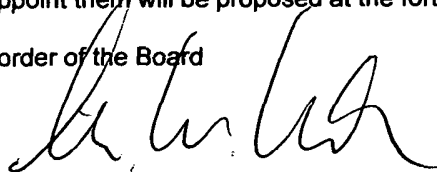
In the case of each of the persons who are directors of the Company at the date when this report was approved:

- 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.

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.

By order of the Board



S P Leadbeater
Director
18 December 2014

NORTHERN FOODS GROCERY GROUP 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 year. 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). 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHERN FOODS GROCERY GROUP LIMITED

We have audited the financial statements of Northern Foods Grocery Group Limited for the 53 week period ended 2 August 2014 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 August 2014 and of its profit for the 53 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.



Matthew Hughes BSc (Hons) ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
18 December 2014

NORTHERN FOODS GROCERY GROUP LIMITED

PROFIT AND LOSS ACCOUNT for the 53 weeks ended 2 August 2014

| | Notes | 53 weeks ended 2 August 2014 £'000 | 53 weeks ended 2 August 2014 £'000 | 52 weeks ended 27 July 2013 £'000 | 52 weeks ended 27 July 2013 £'000 |
|--|--------|--|--|---|---|
| Turnover | 2 | | 201,300 | | 210,890 |
| Cost of sales | | | (155,161) | | (166,897) |
| Gross profit | | | 46,139 | | 43,993 |
| Distribution costs | | | (11,063) | | (11,494) |
| Administrative expenses: | | | | | |
| - before exceptional items | | (15,593) | | (11,543) | |
| - exceptional items | 3 | (2,921) | | (17,112) | |
| | | | (18,514) | | (28,655) |
| Operating profit: | | | | | |
| - before exceptional items | | 19,483 | | 20,956 | |
| - exceptional items | 3 | (2,921) | | (17,112) | |
| Operating profit | 4 | | 16,562 | | 3,844 |
| Interest receivable and similar income | 7 | | - | | 8,105 |
| Interest payable and similar charges | 8 | | (7,090) | | - |
| Profit on ordinary activities before taxation | | | 9,472 | | 11,949 |
| Taxation on profit on ordinary activities | 9 | | (429) | | (485) |
| Profit for the financial period | 17, 18 | | 9,043 | | 11,464 |

All of the above results derive from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains or losses in either period other than the profit for that period. Accordingly no statement of total recognised gains and losses has been presented.

NORTHERN FOODS GROCERY GROUP LIMITED

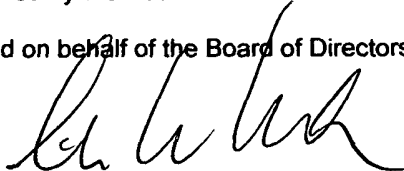
BALANCE SHEET
as at 2 August 2014

| | Notes | 2 August 2014 £'000 | 27 July 2013 £'000 |
|--|-------|---------------------------|--------------------------|
| Fixed assets | | | |
| Tangible fixed assets | 10 | 42,195 | 38,037 |
| Current assets | | | |
| Stocks | 12 | 27,273 | 29,506 |
| Debtors: amounts falling due within one year | 13 | 121,240 | 112,660 |
| Cash at bank and in hand | | 14 | - |
| Deferred tax asset | 15 | 1,247 | 754 |
| | | 149,774 | 142,920 |
| Creditors: amounts falling due within one year | 14 | (62,146) | (60,372) |
| Net current assets | | 87,628 | 82,548 |
| Total assets less current liabilities | | 129,823 | 120,585 |
| Creditors: amounts falling due after more than one year | 14 | (61,264) | (61,069) |
| Net assets | | 68,559 | 59,516 |
| Capital and reserves | | | |
| Called up share capital | 16 | 620 | 620 |
| Profit and loss account | 17 | 67,939 | 58,896 |
| Shareholders' funds | 18 | 68,559 | 59,516 |

The accompanying notes are an integral part of this balance sheet.

These financial statements of Northern Foods Grocery Group Limited (registered no: 313761) were approved by the Board of Directors and authorised for issue on 18 December 2014.

Signed on behalf of the Board of Directors



S P Leadbeater
Director

NOTES TO THE FINANCIAL STATEMENTS
53 weeks ended 2 August 2014

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable UK law and accounting standards.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Going concern

The Company is in a net assets position and does not have any exposure to external financing as working capital and short term cash flow requirements are managed through a combination of retained earnings and financial support from the ultimate parent company. The parent company, Boparan Holdings Limited, has confirmed its intention to 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. The going concern of the Company is therefore dependent on the going concern of the Group.

Long term funding for the Group is provided primarily through Senior Loan Notes. In July 2014 the Group refinanced its existing Senior Loan Notes raising new sterling notes totalling £580m with 5 and 7 year maturities and a euro note of €300m with a 7 year maturity replacing the existing £400m and €340m Senior Loan Notes respectively. In addition, the Group also replaced its existing £40m Revolving Credit Facility with a £60m 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 due 2019 and 2021, 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 Boparan Holdings Group's £60m Revolving Credit Facility. The total bond value as at 2 August 2014 per the Boparan Holdings Group accounts was £809.4m net of fees (2013: £676.7m) however the individually guaranteed amount is not readily available.

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 report, the directors have a reasonable expectation that the Company have 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 2 August 2014 have been prepared on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS
53 weeks ended 2 August 2014

1. ACCOUNTING POLICIES (continued)

Group accounts

The Company has taken advantage of the exemption from preparing consolidated accounts afforded by Sections 400(2) and 401(2) of the Companies Act 2006 because it is a wholly owned subsidiary of Boparan Holdings Limited which is the smallest group of undertakings which prepare publicly available consolidated accounts that incorporate the results of the Company. Therefore these accounts present information about the Company as an individual undertaking and not about its group.

Cash flow statement

The Company is exempt from the requirement of FRS 1 to present a cash flow statement since it is a wholly owned subsidiary undertaking of Boparan Holdings Limited, in whose financial statements a cash flow statement is presented.

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. Turnover is recognised on delivery of goods and services.

Stocks

Stocks are valued 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 stocks 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 stock where appropriate.

Investments

Investments are stated at cost less any provision to reduce the carrying values to their recoverable amounts.

Fixed assets

Fixed assets are valued at cost less accumulated depreciation and any impairment.

No depreciation is provided on freehold land. On other assets it is provided evenly on the cost of the tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The expected useful lives for other assets are:

| | |
|---------------------|------------|
| Plant and equipment | 5-15 years |
| Motor vehicles | 4-10 years |

Borrowing costs

Borrowing costs directly attributable to the acquisitions, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of the assets, until such time as the assets are substantially ready for their intended use.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
53 weeks ended 2 August 2014

1. ACCOUNTING POLICIES (continued)

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.

Pensions

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

The Company is unable to identify its share of the assets and liabilities of the Northern Foods Pension Scheme and Northern Foods Pension Builder, which are administered by the Company's parent undertaking Northern Foods Limited, on a consistent and reasonable basis. The schemes have therefore been accounted for by the Company as defined contribution schemes, in accordance with FRS17 "Retirement Benefits". The amount charged to the profit and loss account in respect of ordinary pension costs and other post-retirement benefits is the contribution payable in the period. Further information can be found in the financial statements of Northern Foods Limited and note 19. The Company also participated in the Northern Foods defined contribution scheme. For defined contribution schemes the amount charged to the profit and loss account 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.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by 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. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore 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 recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

NORTHERN FOODS GROCERY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS 53 weeks ended 2 August 2014

2. TURNOVER

Turnover consists of sales to third parties net of trade discounts and excluding VAT and sales related taxes. All turnover arises wholly within the UK.

3. EXCEPTIONAL ITEMS

The current period exceptional expense of £2,921,000 represents £1,132,000 of exceptional Group recharges in respect of the Company's share of the Group's integration project, and £1,789,000 of Group recharges in respect of the Company's share of the special pension contributions paid into the Northern Foods defined benefit pension schemes.

The prior period expense of £17,112,000 comprises exceptional Group recharges of £15,996,000 in respect of the Company's share of the special pension contributions paid into the Northern Foods defined benefit pension schemes and a further £1,116,000 which primarily relates to redundancy and associated costs in respect of the centralisation of the commercial teams.

The current period tax effect of the exceptional items reported below operating profit is a corporation tax credit of £253,000 (2013: £210,000).

4. OPERATING PROFIT

Operating profit is stated after charging:

| | 53 weeks ended 2 August 2014 £'000 | 52 weeks ended 27 July 2013 £'000 |
|---|---|--|
| Depreciation of owned tangible fixed assets (note 10) | 6,452 | 6,655 |
| Impairment of tangible fixed assets | - | 56 |
| Research and development costs | 2,005 | 3,631 |
| Audit fees - fees payable to the Company's auditor for the audit of the Company's annual accounts | 16 | 16 |
| Operating lease rentals - plant and machinery | 839 | 616 |

5. EMOLUMENTS OF DIRECTORS

None of the directors received any emoluments from the Company during the period (2013: £nil). The directors are remunerated by other group companies. The directors received combined emoluments of £2,512,571 (2013: £2,223,078). It is not practicable to ascertain what proportion of these emoluments relates to the Company. The highest paid director received total emoluments of £627,679 (2013: £645,018).

6. STAFF COSTS

| | 53 week ended 2 August 2014 £'000 | 52 weeks ended 27 July 2013 £'000 |
|-----------------------|--|--|
| Wages and salaries | 52,625 | 48,533 |
| Social security costs | 4,146 | 4,055 |
| Other pension costs | 667 | 1,186 |
| | 57,438 | 53,774 |

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

| | 2014 No. | 2013 No. |
|----------------|---------------------|---------------------|
| Production | 2,119 | 1,596 |
| Distribution | 206 | 139 |
| Administration | 150 | 152 |
| | 2,475 | 1,887 |

NORTHERN FOODS GROCERY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
53 weeks ended 2 August 2014

7. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 53 weeks ended 2 August 2014 £'000 | 52 weeks ended 27 July 2013 £'000 |
|---------------------------|---|--|
| Group interest receivable | - | 8,105 |
| | - | 8,105 |

8. INTEREST PAYABLE AND SIMILAR CHARGES

| | 53 weeks ended 2 August 2014 £'000 | 52 weeks ended 27 July 2013 £'000 |
|------------------------|---|--|
| Group interest payable | 7,090 | - |
| | 7,090 | - |

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

| | 53 weeks ended 2 August 2014 £'000 | 52 weeks ended 27 July 2013 £'000 |
|--|---|--|
| Corporation tax at 22.33% (2013: 23.67%) | 1,908 | 4,175 |
| Adjustment in respect of prior periods | (986) | (3,076) |
| | 922 | 1,099 |
| Deferred taxation | | |
| Net origination of timing differences | (1,220) | (1,199) |
| Adjustment due to rate change | - | 116 |
| Adjustment in respect of prior periods | 727 | 469 |
| Total deferred taxation | (493) | (614) |
| Taxation on profit on ordinary activities | 429 | 485 |

The Finance Act which provides for a reduction in the main rate of corporation tax to 20% effective from 1 April 2015 was substantively enacted on 17 July 2013. This change in legislation has been reflected in the deferred tax balances at 2 August 2014 and 27 July 2013.

NORTHERN FOODS GROCERY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 2 August 2014

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

The corporation tax charge is different than the standard UK corporation tax rate of 22.33% (2013: 23.67%). The differences are explained below:

| | 53 weeks ended 2 August 2014 £'000 | 52 weeks ended 27 July 2013 £'000 |
|--|--|---|
| Profit on ordinary activities before taxation | 9,472 | 11,949 |
| Taxation on profit on ordinary activities at the standard UK Corporation tax rate of 22.33% (2012: 23.67%) | 2,115 | 2,827 |
| Factors affecting the charge: | | |
| Adjustment in respect of prior periods | (986) | (3,076) |
| Other timing differences | (45) | (382) |
| Income not chargeable for tax purposes | (1,569) | - |
| Expenses not deductible for tax purposes | - | 117 |
| Depreciation in excess of capital allowances | 1,407 | 1,613 |
| Corporation tax charge for the period | 922 | 1,099 |

10. TANGIBLE FIXED ASSETS

| | Plant, equipment and vehicles £'000 |
|-------------------------|--|
| Cost: | |
| At start of period | 194,511 |
| Additions | 10,610 |
| At end of period | 205,121 |
| Depreciation: | |
| At start of period | 156,474 |
| Charge for the period | 6,452 |
| At end of period | 162,926 |
| Net book amount: | |
| At end of period | 42,195 |
| At start of period | 38,037 |

NORTHERN FOODS GROCERY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS 53 weeks ended 2 August 2014

11. FIXED ASSET INVESTMENTS

£'000

Investments in subsidiaries at cost and net book value:
At start and end of period

–

Details of the investments in subsidiary undertakings, all of which are dormant, are as follows:

| <i>Name of company</i> | <i>Holding</i> | <i>Proportion of shares held</i> | <i>Country of registration</i> | <i>Status</i> |
|-------------------------|--|--|--------------------------------|---------------|
| Montgomery Bell Limited | Ordinary shares Preference shares | 100% | Northern Ireland | Dormant |
| Fox's Biscuits Limited | Ordinary shares | 50% | England and Wales | Dormant |

12. STOCKS

| | 2014 £'000 | 2013 £'000 |
|-------------------------------------|-----------------------------|-----------------------------|
| Raw materials and consumables | 3,742 | 3,953 |
| Work in progress | 550 | 591 |
| Finished goods and goods for resale | 22,981 | 24,962 |
| | 27,273 | 29,506 |

The replacement cost of the above stocks would not be significantly different from the values stated.

13. DEBTORS

| | 2014 £'000 | 2013 £'000 |
|---|-----------------------------|-----------------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 22,272 | 18,899 |
| Amounts due from group undertakings | 98,441 | 93,192 |
| Prepayments and accrued income | 527 | 569 |
| | 121,240 | 112,660 |

14. CREDITORS

| | 2014 £'000 | 2013 £'000 |
|--|-----------------------------|-----------------------------|
| Amounts falling due within one year: | | |
| Trade creditors | 37,177 | 35,747 |
| Amounts due to group undertakings | 155 | 37 |
| Corporation tax | 5,898 | 4,178 |
| Other creditors | 1,615 | 1,659 |
| Other taxation and social security | 771 | 673 |
| Accruals and deferred income | 16,530 | 18,078 |
| | 62,146 | 60,372 |
| Amounts falling due after more than one year: | | |
| Accruals and deferred income | 1,170 | 1,616 |
| Amounts due to group undertaking | 60,094 | 59,453 |
| | 61,264 | 61,069 |

NORTHERN FOODS GROCERY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
53 weeks ended 2 August 2014

15. DEFERRED TAXATION

| | 2014 | 2013 |
|--|--------------|--------------|
| | £'000 | £'000 |
| At start of period – deferred tax asset | 754 | 137 |
| Current period credit to profit and loss account | 1,220 | 1,199 |
| Adjustment due to rate change | - | (116) |
| Adjustments in respect of prior periods | (727) | (469) |
| Other movements | - | 3 |
| At end of period – deferred tax asset | 1,247 | 754 |

Deferred tax assets are analysed as follows:

| | 2014 | 2013 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Accelerated capital allowances and timing differences | 1,247 | 754 |

As at 2 August 2014 the Company had an unrecognised deferred tax asset of £214,032 (2013: £214,032) in relation to capital losses.

16. CALLED UP SHARE CAPITAL

| | 2014 | 2013 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Allotted, called up and fully paid: | | |
| 2,480,000 ordinary shares of 25p each | 620 | 620 |

17. PROFIT AND LOSS ACCOUNT

| | £'000 |
|---------------------------------|---------------|
| At start of period | 58,896 |
| Profit for the financial period | 9,043 |
| At end of period | 67,939 |

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2014 | 2013 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Profit for the financial period | 9,043 | 11,464 |
| Opening shareholders' funds | 59,516 | 48,052 |
| Closing shareholders' funds | 68,559 | 59,516 |

NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 2 August 2014

19. PENSIONS

Defined benefit scheme

The Company participates in the Northern Foods Pension Scheme ("the Scheme"), which is a defined benefit scheme providing members with benefits based on pay and service. The assets of the Scheme are held in Trustee administered funds separate from the finances of the Company and group.

In March 2005, the Company announced the closure of the Northern Foods Pension Scheme and removed all remaining company funded early retirement provisions. The Northern Foods Pension Builder ("Pension Builder") was introduced for new employees, and is a defined benefit scheme based on a career average principle. The Northern Foods Pension Builder was closed to new members during the 2011/12 financial year. The Scheme and Pension Builder are both funded schemes.

During 2008/09 Northern Foods reviewed the future cost of delivering benefits against a challenging background of social and economic changes in order to maintain competitiveness and long term success. This resulted in approximately 300 of the senior management population moving from the Scheme and Pension Builder to a defined contribution scheme from 29 March 2009. The defined contribution scheme is now available to all members.

The Company is unable to identify its share of the underlying assets and liabilities of the schemes and accordingly, as permitted by FRS 17 "Retirement benefits", has accounted for them as if they were defined contribution schemes. Northern Foods Limited has recharged the Company £1,789,000 (2013: £15,996,000) relating to the Company's share of special contributions paid into the schemes in respect of the current and prior period. This has been disclosed as an exceptional item in note 3.

Contributions paid by Northern Foods Limited of £9.1m (2013: £29.1m) include £6.7m (2013: £25.5m) special pension contributions, £2.1m (2013: £2.1m) PPF levy and £0.3m (2013: £1.5m) in respect of future administrative expense.

The most recent valuation of the Scheme and Pension Builder was carried out at the period end for the purpose of the Boparan Holdings Limited Group financial statements by an independent, qualified actuary, KPMG, using revised assumptions that are consistent with the requirements of FRS17. Investments have been valued, for this purpose, at fair value.

For the purposes of determining the Schemes' liabilities under FRS 17 the most significant assumptions adopted were as follows:

| | 2 August 2014 % | 27 July 2013 % |
|--|--------------------------------|-------------------------------|
| Rate of increase in salaries | N/A | N/A |
| Rate of increase to pensions in payment (LPI 5%) | 2.9 | 3.0 |
| Discount rate | 4.1 | 4.5 |
| Inflation assumption | 3.1 | 3.2 |

NOTES TO THE FINANCIAL STATEMENTS
53 weeks ended 2 August 2014

19. PENSIONS (continued)

The fair value of the assets in the Scheme and Pension Builder, the present value of the liabilities and the expected rate of return at each balance sheet date were as follows:

| | 2014 <i>Long term expected rate of return %</i> | 2 August 2014 £m | 2013 <i>Long term expected rate of return %</i> | 27 July 2013 £m |
|-------------------------------------|---|---------------------------------|---|--------------------------------|
| Equities | 6.8 | 264.7 | 7.0 | 278.1 |
| Bonds | 4.1 | 238.7 | 4.5 | 222.4 |
| Other | 0.5 | (3.3) | 0.5 | (0.2) |
| Swap contracts / collateral pool | 3.5 | 347.6 | 3.7 | 347.0 |
| Total fair value of assets | | 847.7 | | 847.7 |
| Present value of scheme liabilities | | (1,071.6) | | (1,008.6) |
| Deficit in scheme | | (223.9) | | (160.9) |
| Related deferred tax asset | | 46.9 | | 34.3 |
| Net pension deficit | | (177.0) | | (126.6) |

The mortality assumptions used are based on mortality experience of the Scheme and Pension Builder and anticipated mortality experience. The life expectancy in years for a member aged 65 is as follows:

| | 2 August 2014 Years | 27 July 2013 Years |
|--------------------------|------------------------------------|-----------------------------------|
| Current pensioner - male | 20.8 | 20.7 |
| - female | 22.5 | 22.4 |
| Future pensioner - male | 21.1 | 21.0 |
| - female | 23.4 | 23.3 |

Further information can be found in the Annual report of Northern Foods Limited.

Defined contribution scheme

The Company participates in the Group's defined contribution scheme for qualifying employees, the Northern Foods SIPP, which was set up on 1 April 2009. The assets of the Scheme are held in administered funds separate from the finances of the Group.

The total cost charged to income of £667,000 (2013: £1,186,000) represents contributions payable to the scheme by the Group at rates specified in the rules of the plan.

NORTHERN FOODS GROCERY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

53 weeks ended 2 August 2014

20. FINANCIAL COMMITMENTS

Authorised capital expenditure to which the Company was contracted amounted to £3,018,000 (2013: £594,000).

The annual commitment under non-cancellable operating leases was as follows:

| | 2014 Plant and Machinery £'000 | 2013 Plant and Machinery £'000 |
|--------------------------------|---|---|
| Operating leases which expire: | | |
| Within one year | 92 | 222 |
| Within two to five years | 845 | 354 |
| Over five years | 137 | - |
| | 1,074 | 576 |

21. CONTINGENT LIABILITIES

Long term funding for the Group is provided primarily through two tranches of Senior Loan Notes; £580m with 5 and 7 year maturities and a euro note of €300m with a 7 year maturity. 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 as at 2 August 2014 per the Boparan Holdings Group accounts was £809.4m net of fees (2013: £676.7m) however the individually guaranteed amount is not readily available.

22. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under FRS 8, 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 donated £32,593 during the period (2013: £7,700) to the Boparan Charitable Trust, a related party by virtue of common ownership.

23. ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary of Northern Foods 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. 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 at 2 August 2014 Boparan Holdco Limited was also the Company's ultimate parent undertaking. RS Boparan and BK Boparan are the ultimate controlling parties.