

Northumbrian Fine Foods Limited

Directors' report and financial statements

30 June 2014

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COMPANIES HOUSE

Northumbrian Fine Foods Limited

Officers and professional advisers

Directors

M S Bugler
J W Hazeldean
S A Housecroft
D J Llewellyn
P Macielinski
D Wood (resigned 30 March 2014)

Registered number 04352824

Registered office

Dukesway
Team Valley
Gateshead
Tyne & Wear
NE11 0QP

Independent auditors

UNW LLP
Chartered Accountants
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

Bankers

Alliance & Leicester PLC
Bootle
Merseyside
L304GB

Solicitors

Muckle LLP
Time Central
32 Gallowgate
Newcastle upon Tyne
NE1 4BF

Northumbrian Fine Foods Limited

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Northumbrian Fine Foods Limited

Strategic report

Year ended 30 June 2014

Principal Activities

The group's principal activities are the manufacture and sale of biscuits and cereal bars. The company produces an extensive range of biscuits, cereal bars and gluten free products from a manufacturing site based in Gateshead in the North East of England. The company strategy is to increase market share and profitability by growth of branded, retailers own label and contract manufacturing products, supported by strong new product development and effective cost control initiatives..

Business review and key performance indicators

Northumbrian Fine Foods benefits from an ongoing healthy product development programme and from good relations with retailers and license partners. The company retains a positive growth position in its chosen sectors of Cookies and Gluten Free products, along with a reputation for excellent products with major blue chip customers.

In addition, Northumbrian Fine Foods has positioned itself as the partner of choice, securing a number of agreements to co-manufacture products for branded partners and also gaining additional presence in supplying discount retailers. Technical and quality standards have been raised significantly, improving training and capability, and allowing the company to become the pre-eminent supplier of retailer branded gluten free biscuits to the UK market. It has further strengthened a capable, established management team and is well placed to capitalise on the opportunities for significant growth and success. During the year to June 2015 the company has again returned to healthy growth in both sales value and volume.

Significant shareholder investment took place in the ultimate parent company NFF Ventures Limited amounting to £449,358 in the year to June 2014, which was in turn invested directly in the subsidiary Northumbrian Fine Foods Limited to improve technical standards and management capability as well as funding working capital requirements.

In the year to June 2015 a shareholder subscription of £500,000 has been committed to NFF Ventures Limited and subsequent investment in Northumbrian Fine Foods Limited to support business growth and also invest in technological development.

Management are confident that the company is on course to return to profitability in the near future due to volume gains which have already been achieved and further opportunities which are expected to materialise in the near future.

Important financial Key Performance Indicators which are monitored are sales volume growth, gross margin and EBITDA profit. Key outcomes for workplace safety are the accident ratio and number of accident free days.

This report was approved by the board on 26 March 2015 and signed on its behalf by:

S A Housecroft
Director



Northumbrian Fine Foods Limited

Directors' report Year ended 30 June 2014

The directors present their report and the financial statements for the year ended 30 June 2014.

Results and dividends

The loss for the year, after taxation, amounted to £548,761 (2013 - loss £184,597).

This result is after £89,036 of costs associated with the change in personnel during a management restructure.

Directors

The directors who served during the year were:

M S Bugler
J W Hazeldean
S A Housecroft
D J Llewellyn
P Macielinski
D Wood (resigned 30 March 2014)

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and UNW LLP will therefore continue in office.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the board on 26 March 2015 and signed on its behalf by:



S A Housecroft
Director

Northumbrian Fine Foods Limited

Directors' responsibilities statement Year ended 30 June 2014

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 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;
- 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 auditors' report to the members of Northumbrian Fine Foods Limited

We have audited the financial statements of Northumbrian Fine Foods Limited for the year ended 30 June 2014, set out on pages 6 to 16. 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 Auditors' 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 auditors

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 Strategic Report and the Directors' 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 30 June 2014 and of its loss for the year 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Northumbrian Fine Foods Limited

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.



Andrew Wilson BA FCA (Senior Statutory Auditor)
for and on behalf of UNW LLP, (Statutory Auditor)
Chartered Accountants
Newcastle upon Tyne

26 March 2015

Northumbrian Fine Foods Limited

Profit and loss account Year ended 30 June 2014

	Note	2014 £	2013 £
Turnover	2	12,751,462	14,305,530
Cost of sales		<u>(8,979,327)</u>	<u>(10,312,502)</u>
Gross profit		3,772,135	3,993,028
Distribution costs		<u>(555,133)</u>	<u>(521,797)</u>
Administrative expenses		<u>(3,709,670)</u>	<u>(3,563,339)</u>
Operating loss		(492,668)	(92,108)
Interest payable and similar charges	6	<u>(56,093)</u>	<u>(92,489)</u>
Loss on ordinary activities before taxation		(548,761)	(184,597)
Tax on loss on ordinary activities	7	<u>-</u>	<u>-</u>
Loss for the financial year	15	<u>(548,761)</u>	<u>(184,597)</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the profit and loss account.

The notes on pages 8 to 16 form part of these financial statements.

Northumbrian Fine Foods Limited

Balance sheet At 30 June 2014

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	9		927,379		1,015,705
Current assets					
Stocks	10	1,184,536		1,372,363	
Debtors	11	2,767,775		2,668,150	
Cash at bank and in hand		65,099		24,996	
		<u>4,017,410</u>		<u>4,065,509</u>	
Creditors: amounts falling due within one year	12	<u>(4,215,259)</u>		<u>(4,370,832)</u>	
Net current liabilities			<u>(197,849)</u>		<u>(305,323)</u>
Total assets less current liabilities			<u>729,530</u>		<u>710,382</u>
Creditors: amounts falling due after more than one year	13		<u>(103,889)</u>		<u>-</u>
Net assets			<u>625,641</u>		<u>710,382</u>
Capital and reserves					
Called up share capital	14		1,870,726		1,406,706
Profit and loss account	15		<u>(1,245,085)</u>		<u>(696,324)</u>
Shareholders' funds	16		<u>625,641</u>		<u>710,382</u>

The financial statements were approved by the board of directors on 26 March 2015 and were signed on its behalf by:



S A Housecroft
Director

Company registered number: 04352824

The notes on pages 8 to 16 form part of these financial statements.

Northumbrian Fine Foods Limited

Notes to the financial statements

Year ended 30 June 2014

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statement.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Going concern

The company prepares detailed forecasts and cash flows on a rolling 12 month basis. In addition it assesses the risks and opportunities associated with the underlying business assumptions behind the forecast, applying sensible and prudent sensitivity to establish the funding and trading requirements of the business going forward.

With the completion of the debt restructure in previous years, additional and ongoing new equity investment, the ongoing risks to the going concern status of the business are significantly reduced, and the resulting balance sheet has been strengthened significantly. Significant shareholder investment took place in the ultimate parent company NFF Ventures Ltd amounting to £449,358 in the year to June 2014, which was in turn invested directly in the subsidiary Northumbrian Fine Foods Limited. In the year to June 2015 a shareholder subscription of £500,000 has been committed to NFF Ventures Limited and subsequent investment in the subsidiary. This reflects ongoing shareholder appetite and intent to invest in the technical standards, management resource and working capital of Northumbrian Fine Foods.

Consideration has also been given to the success achieved in gaining own label contracts with major retailers, which are progressing well and is expected to boost revenue and earnings in growing sectors of the biscuit market.

Taking into account the business risks, investment and re-financing of the business, and the availability of invoice financing and asset loan facilities, when considered alongside the forecasts and prospects of the company to continue as a going concern for the foreseeable future, the directors believe that there is no significant doubt about the ability of the company to continue as a going concern for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Turnover

Turnover represents the invoiced value of sales exclusive of value added tax and overseas sales taxes. Revenue is recognised on the delivery of goods. All turnover originated in the United Kingdom. The company has only one class of business being the manufacture and sale of biscuits and snacks.

Northumbrian Fine Foods Limited

Notes to the financial statements

Year ended 30 June 2014

1. Accounting policies (continued)

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	4% straight line
Plant and machinery	-	10% reducing balance
Fixtures and fittings	-	20% reducing balance
Computer equipment	-	33% straight line

1.6 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of overheads.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2. Turnover

	2014	2013
	£	£
United Kingdom	<u>12,751,462</u>	<u>14,305,530</u>

All turnover arose within the United Kingdom from the company's principal activity.

Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2014

3. Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2014 £	2013 £
Depreciation of tangible fixed assets:		
-owned by the company	119,788	132,797
Operating lease rentals:		
- land & buildings	397,822	396,583
Profit on disposal of fixed assets	-	2,000
Costs associated with change in director	-	72,549
Net loss on foreign currency translation	<u>4,014</u>	<u>1,324</u>
Auditors' remuneration		
Audit of these financial statements	11,600	11,000
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	<u>4,655</u>	<u>4,650</u>

4. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2014 £	2013 £
Wages and salaries	3,835,794	4,165,431
Other pension costs	20,000	4,231
	<u>3,855,794</u>	<u>4,169,662</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2014 No.	2013 No.
Production	144	157
Administrative	19	13
Management	6	6
	<u>169</u>	<u>176</u>

Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2014

5. Directors' remuneration

	2014 £	2013 £
Remuneration	<u>365,739</u>	<u>387,356</u>
Company pension contributions to defined contribution pension schemes	<u>20,000</u>	<u>4,231</u>

During the year retirement benefits were accruing to 1 director (2013 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £163,939 (2013 - £103,276).

6. Interest payable

	2014 £	2013 £
On bank loans and overdrafts	52,690	89,007
On other loans	3,403	3,482
	<u>56,093</u>	<u>92,489</u>

Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2014

7. Taxation

	2014 £	2013 £
UK corporation tax charge on loss for the year	-	-

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 22.5% (2013 - 23.75%). The differences are explained below:

	2014 £	2013 £
Loss on ordinary activities before tax	(548,761)	(184,597)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.5% (2013 - 23.75%)	(123,479)	(43,842)

Effects of:

Expenses not deductible for tax purposes	2,251	-
Capital allowances for year in excess of depreciation	3,979	(8,945)
Utilisation of tax losses	117,249	52,992
Short term timing difference leading to an increase (decrease) in taxation	-	(205)

Current tax charge for the year (see note above)

-	-
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Factors that may affect future tax charges

The company has approximately £3,600,000 of trading losses carried forward as at 30 June 2014. (2013: £3,100,000), available for offset against future profits of the same trade. No deferred tax asset has been recognised in relation to these losses due to the uncertainty as to the timing of the utilisation, except in so far as there are deferred tax liabilities to offset.

Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2014

8. Intangible fixed assets

	Goodwill £
Cost	
At 1 July 2013 and 30 June 2014	100,269
Amortisation	
At 1 July 2013 and 30 June 2014	100,269
Net book value	
At 30 June 2014	-

9. Tangible fixed assets

	L/hold property improvements £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 July 2013	46,278	1,973,295	112,346	64,913	2,196,832
Additions	5,642	22,286	-	3,534	31,462
At 30 June 2014	51,920	1,995,581	112,346	68,447	2,228,294
Depreciation					
At 1 July 2013	2,777	1,039,987	78,673	59,690	1,181,127
Charge for the year	1,964	105,425	9,917	2,482	119,788
At 30 June 2014	4,741	1,145,412	88,590	62,172	1,300,915
Net book value					
At 30 June 2014	47,179	850,169	23,756	6,275	927,379
At 30 June 2013	43,501	933,308	33,673	5,223	1,015,705

10. Stocks

	2014 £	2013 £
Raw materials	746,456	803,569
Finished goods and goods for resale	438,080	568,794
	1,184,536	1,372,363

Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2014

11. Debtors

	2014 £	2013 £
Trade debtors	2,369,508	2,300,362
Amounts owed by group undertakings	-	2,826
Other debtors	350	36,660
Prepayments and accrued income	397,917	328,302
	<u>2,767,775</u>	<u>2,668,150</u>

12. Creditors: Amounts falling due within one year

	2014 £	2013 £
Bank loans and overdrafts	73,333	-
Trade creditors	1,670,756	2,091,694
Other taxation and social security	180,350	178,721
Invoice discounting creditor	1,567,670	1,731,098
Other creditors	134,865	45,057
Accruals and deferred income	588,285	324,262
	<u>4,215,259</u>	<u>4,370,832</u>

Interest rates on the above vary between 2% and 4.5% (2013: 2% and 4.5%) and are also driven by LIBOR. The invoice discounting creditor is secured against trade debtors.

13. Creditors: Amounts falling due after more than one year

	2014 £	2013 £
Bank loans	<u>103,889</u>	<u>-</u>

Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2014

14. Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
1,870,724 (2013 - 1,406,704) Ordinary shares of £1 each	1,870,724	1,406,704
400 Ordinary shares of £0.005 each	2	2
	<u>1,870,726</u>	<u>1,406,706</u>

During 2014 a further 464,020 £1 Ordinary shares were issued. As at the year-end, all amounts were paid up.

15. Reserves

	Profit and loss account £
At 1 July 2013	(696,324)
Loss for the financial year	(548,761)
	<u>(1,245,085)</u>
At 30 June 2014	<u>(1,245,085)</u>

16. Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Opening shareholders' funds	710,382	794,979
Loss for the financial year	(548,761)	(184,597)
Shares issued during the year	464,020	100,000
	<u>625,641</u>	<u>710,382</u>
Closing shareholders' funds	<u>625,641</u>	<u>710,382</u>

Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2014

17. Operating lease commitments

At 30 June 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2014	2013	2014	2013
	£	£	£	£
Expiry date:				
Within 1 year	387,313	-	24,180	-
Between 2 and 5 years	-	-	2,239	2,239
After more than 5 years	-	412,851	-	-
Total	387,313	412,851	26,419	2,239

18. Related party transactions

Throughout the year the company was a wholly owned subsidiary of NFF Ventures Limited and has taken advantage of the exemption in FRS 8 from disclosing transactions with its parent company.

19. Ultimate parent undertaking and controlling party

The ultimate parent and controlling company is NFF Ventures Limited. NFF Ventures Limited own 100% of the share capital of the company.