

Northumbrian Fine Foods Limited

Directors' report and financial statements

30 June 2015



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COMPANIES HOUSE

Northumbrian Fine Foods Limited

Officers and professional advisers

Directors	M S Bugler (resigned 30 March 2015) J W Hazeldean S A Housecroft D J Llewellyn P Macielinski S McLelland (appointed 12 February 2015) J Wood (appointed 19 October 2015)
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	Santander Corporate and Commercial Banking Bootle Merseyside L30 4GB
Solicitors	Muckle LLP Time Central 32 Gallowgate Newcastle upon Tyne NE1 4BF

Northumbrian Fine Foods Limited

Contents

	Page
Strategic report	1
Directors' report	2
Directors' responsibilities statement	3
Independent auditor's report to the members of Northumbrian Fine Foods Limited	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 16

Northumbrian Fine Foods Limited

Strategic report

Year ended 30 June 2015

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 major 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 recorded healthy growth in both sales value and volume, improved internal efficiencies and raised gross margin.

In the year to June 2015 a shareholder investment of £513,890 took place in NFF Ventures Limited which was in turn invested directly in the subsidiary 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 healthy profitability in the coming year, due to volume gains which have already been achieved and further business gains which are expected to materialise in the very near future.

Important financial Key Performance Indicators which are monitored are sales volume growth, gross margin and EBITDA profit, all of which have recorded excellent progress during the year to June 2015. Key outcomes for workplace safety are the accident ratio and number of accident free days.

This report was approved by the board on 30 October 2015 and signed on its behalf by:

S A Housecroft
Director



Northumbrian Fine Foods Limited

Directors' report Year ended 30 June 2015

The directors present their report and the financial statements for the year ended 30 June 2015.

Results

The loss for the year, after taxation, amounted to £256,021 (2014 - loss £548,761).

Directors

The directors who served during the year were:

M S Bugler (resigned 30 March 2015)
J W Hazeldean
S A Housecroft
D J Llewellyn
P Macielinski
S McLelland (appointed 12 February 2015)

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 30 October 2015 and signed on its behalf by:



S A Housecroft
Director

Northumbrian Fine Foods Limited

Directors' responsibilities statement **Year ended 30 June 2015**

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 2015, 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 2015 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

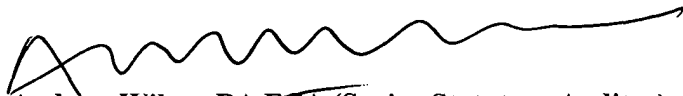
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

30 October 2015

Northumbrian Fine Foods Limited

Profit and loss account Year ended 30 June 2015

	Note	2015 £	2014 £
Turnover	2	13,918,518	12,751,462
Cost of sales		<u>(9,471,805)</u>	<u>(8,979,327)</u>
Gross profit		4,446,713	3,772,135
Distribution costs		<u>(653,457)</u>	<u>(555,133)</u>
Administrative expenses		<u>(3,981,657)</u>	<u>(3,709,670)</u>
Operating loss		(188,401)	(492,668)
Interest payable and similar charges	6	<u>(67,620)</u>	<u>(56,093)</u>
Loss on ordinary activities before taxation		(256,021)	(548,761)
Tax on loss on ordinary activities	7	<u>-</u>	<u>-</u>
Loss for the financial year	14	<u>(256,021)</u>	<u>(548,761)</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 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 2015

	Note	£	2015 £	£	2014 £
Fixed assets					
Tangible assets	8		898,431		927,379
Current assets					
Stocks	9	1,073,757		1,184,536	
Debtors	10	2,768,110		2,767,775	
Cash at bank and in hand		57,561		65,099	
		<u>3,899,428</u>		<u>4,017,410</u>	
Creditors: amounts falling due within one year	11	<u>(3,883,793)</u>		<u>(4,215,259)</u>	
Net current assets/(liabilities)			<u>15,635</u>		<u>(197,849)</u>
Total assets less current liabilities			<u>914,066</u>		<u>729,530</u>
Creditors: amounts falling due after more than one year	12		<u>(30,556)</u>		<u>(103,889)</u>
Net assets			<u><u>883,510</u></u>		<u><u>625,641</u></u>
Capital and reserves					
Called up share capital	13		2,384,616		1,870,726
Profit and loss account	14		<u>(1,501,106)</u>		<u>(1,245,085)</u>
Shareholders' funds	15		<u><u>883,510</u></u>		<u><u>625,641</u></u>

The financial statements were approved by the board of directors on 30 October 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 2015

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.

Under FRS 1 'Cash Flow Statements (Revised 1996)' the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of NFF Ventures Limited, the company has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

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 NFF Ventures Limited amounting to £513,890 in the year to June 2015, which was in turn invested directly in the subsidiary Northumbrian Fine Foods Limited. 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 are boosting 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 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 2015

1. Accounting policies (continued)

1.4 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

1.5 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.

1.6 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.

1.7 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.

1.8 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.

1.9 Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2015

2. Turnover

	2015 £	2014 £
United Kingdom	<u>13,918,518</u>	<u>12,751,462</u>

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

3. Notes to the profit and loss account

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

	2015 £	2014 £
Depreciation of tangible fixed assets:		
-owned by the company	114,708	119,788
Operating lease rentals:		
- land & buildings	399,565	397,822
Net loss on foreign currency translation	<u>23,332</u>	<u>4,014</u>

Auditors' remuneration

Audit of these financial statements	11,600	11,600
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Amounts receivable by the auditors and their associates in respect of:

Other services relating to taxation	<u>4,655</u>	<u>4,655</u>
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Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2015

4. Staff costs

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

	2015 £	2014 £
Wages and salaries	3,806,782	3,835,794
Other pension costs	43,500	20,000
	<u>3,850,282</u>	<u>3,855,794</u>

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

	2015 No.	2014 No.
Production	132	144
Administrative	29	19
Management	6	6
	<u>167</u>	<u>169</u>

5. Directors' remuneration

	2015 £	2014 £
Remuneration	<u>292,887</u>	<u>365,739</u>
Company pension contributions to defined contribution pension schemes	<u>43,500</u>	<u>20,000</u>

During the year retirement benefits were accruing to 2 directors (2014 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £150,411 (2014 - £163,939).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £41,000 (2014 - £NIL).

Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2015

6. Interest payable

	2015 £	2014 £
On bank loans and overdrafts	63,381	52,690
On other loans	4,239	3,403
	<u>67,620</u>	<u>56,093</u>

7. Taxation

	2015 £	2014 £
Analysis of tax charge in the year		
UK corporation tax charge on loss for the year	-	-
Deferred tax		
Accelerated capital allowances	113,869	-
STTD's - trading	(581)	-
Losses	(113,288)	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 - higher than) the standard rate of corporation tax in the UK of 20.75% (2014 - 22.5%). The differences are explained below:

	2015 £	2014 £
Loss on ordinary activities before tax	<u>(256,021)</u>	<u>(548,761)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.75% (2014 - 22.5%)	(53,126)	(123,479)
Effects of:		
Expenses not deductible for tax purposes	1,401	2,251
Capital allowances for year in excess of depreciation	(3,952)	3,979
Utilisation of tax losses	60,546	117,249
Short term timing difference leading to an increase (decrease) in taxation	(4,869)	-
Current tax charge for the year (see note above)	<u>-</u>	<u>-</u>

Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2015

7. Taxation (continued)

Factors that may affect future tax charges

The company has approximately £3,900,000 of trading losses carried forward as at 30 June 2015 (2014: £3,600,000), 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.

8. Tangible fixed assets

	L/hold property improvements £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 July 2014	51,920	1,995,581	112,346	68,447	2,228,294
Additions	14,910	66,010	-	4,840	85,760
At 30 June 2015	66,830	2,061,591	112,346	73,287	2,314,054
Depreciation					
At 1 July 2014	4,741	1,145,412	88,590	62,172	1,300,915
Charge for the year	2,183	99,480	8,579	4,466	114,708
At 30 June 2015	6,924	1,244,892	97,169	66,638	1,415,623
Net book value					
At 30 June 2015	59,906	816,699	15,177	6,649	898,431
At 30 June 2014	47,179	850,169	23,756	6,275	927,379

9. Stocks

	2015 £	2014 £
Raw materials	524,111	746,456
Finished goods and goods for resale	549,646	438,080
	1,073,757	1,184,536

Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2015

10. Debtors

	2015 £	2014 £
Trade debtors	2,386,311	2,369,508
Other debtors	-	350
Prepayments and accrued income	381,799	397,917
	<u>2,768,110</u>	<u>2,767,775</u>

11. Creditors: Amounts falling due within one year

	2015 £	2014 £
Bank loans and overdrafts	73,333	73,333
Trade creditors	1,182,413	1,670,756
Other taxation and social security	167,102	180,350
Invoice discounting creditor	1,713,869	1,567,670
Other creditors	108,299	134,865
Accruals and deferred income	638,777	588,285
	<u>3,883,793</u>	<u>4,215,259</u>

Interest rates on the above debt facilities vary between 2% and 4.5% (2014: 2% and 4.5%) and are also driven by LIBOR. The invoice discounting creditor is secured against trade debtors.

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

	2015 £	2014 £
Bank loans	<u>30,556</u>	<u>103,889</u>

Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2015

13. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
2,384,614 (2014 - 1,870,724) Ordinary shares of £1 each	2,384,614	1,870,724
400 Ordinary shares of £0.005 each	2	2
	<u>2,384,616</u>	<u>1,870,726</u>

During 2015 a further 513,890 £1 Ordinary shares were issued. As at the year-end, all amounts were paid up in full.

14. Reserves

	Profit and loss account £
At 1 July 2014	(1,245,085)
Loss for the financial year	(256,021)
	<u>(1,501,106)</u>
At 30 June 2015	

15. Reconciliation of movement in shareholders' funds

	2015 £	2014 £
Opening shareholders' funds	625,641	710,382
Loss for the financial year	(256,021)	(548,761)
Shares issued during the year	513,890	464,020
	<u>883,510</u>	<u>625,641</u>
Closing shareholders' funds		

Northumbrian Fine Foods Limited

Notes to the financial statements Year ended 30 June 2015

16. Operating lease commitments

At 30 June 2015 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2015	2014	2015	2014
	£	£	£	£
Expiry date:				
Within 1 year	387,313	387,313	24,180	24,180
Between 2 and 5 years	-	-	2,239	2,239
Total	387,313	387,313	26,419	26,419

17. Ultimate parent undertaking and controlling party

The immediate parent and controlling company is NFF Ventures Limited. NFF Ventures Limited own 100% of the share capital of the company. In the opinion of the directors, the ultimate controlling party is Criseren Capital Limited.