

THE TANFIELD FOOD COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

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THE TANFIELD FOOD COMPANY LIMITED

COMPANY INFORMATION

DIRECTORS

RAN McKechnie (resigned 28 February 2011)
KF Gill
MS Andrews
A Dhanrajgir
SJ Gray (appointed 1 September 2010)
DG Allison (appointed 20 December 2010)
E Sieber (resigned 24 April 2010)

COMPANY SECRETARY

Muckle Secretary Ltd

COMPANY NUMBER

05040327

REGISTERED OFFICE

Time Central
32 Gallowgate
Newcastle upon Tyne
NE1 4BF

AUDITORS

Ryecroft Glenton
Chartered Accountants & Statutory Auditors
32 Portland Terrace
Newcastle upon Tyne
NE2 1QP

BANKERS

Barclays Bank plc
PO Box 1LG
Barclays House
Newcastle upon Tyne
NE99 1LG

SOLICITORS

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

THE TANFIELD FOOD COMPANY LIMITED

CONTENTS

	Page
Directors' Report	1 - 3
Independent Auditors' Report	4 - 5
Profit and Loss Account	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Financial Statements	9 - 20

THE TANFIELD FOOD COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

The directors present their report and the financial statements for the year ended 31 March 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Tanfield Food Company is a manufacturer of specialist high quality ambient ready meals, soups and sauces. Its brand new top class facilities enable the business to manufacture to the highest quality standards.

The company continues to develop the "Look what we found!" brand whose main messages are great tasting food using 100% natural ingredients from small regional British producers.

It also continues to develop strong relationships and growth in the home delivered diet market.

The dedicated allergen free production area enables the company to supply most of the UK retailers with their own label "free from" ranges in ready meals, soups and sauces.

Additionally a rapidly growing business in the travel sector is being developed where the operational benefits of good quality ambient food in this sector are bearing fruit.

There remains a strong belief in the business and the potential. A new CEO was appointed in January 2011 to move the business forward. There is now greater alignment and focus in delivery and a new business plan has been discussed with and approved by the investors with additional funding and further funding for the "Look what we found!" brand to drive accelerated growth. With additional funding now in place and with the further significant support for the brand, we believe that the business is well positioned to deliver its plans over the next few years. Efficiencies have been found and implemented, the effect of which will become apparent in the next trading year, through streamlining production processes, changing supply chain strategies and rationalising overheads.

The principal performance indicators commonly considered by the company are:

- **Turnover** Turnover has increased month on month in line with expectation to £8.7 million from £6.8 million in the previous year.
- **Gross margins** Gross margins have remained constant at 39% of sales.
- **Production labour costs** Production labour costs have remained constant at 12% of sales.

Principal risks and uncertainties

The principal risks and uncertainties faced by the business include:

- **Regulatory Risks** These are associated with the manufacture of food for human consumption. Batch controls are strictly adhered to and the company has the very highest standard of hygiene and compliance of appropriate standards so that it passes all assessments which are constantly undertaken by any one of several agencies and key customers.
- **Financial Risks** These including liquidity and credit risks. Despite the losses incurred, the company continues to be supported financially by shareholders. Credit risks are managed by effective credit control using the facilities of an asset finance provider.
- **Market Risks** These including the cost and availability of raw product, and pricing pressures on sales. The company seeks to maintain margins by passing on raw material price increases. It also seeks to maintain the highest possible standards on quality by sourcing alternative suppliers where necessary.

Future developments

The strategic plan agreed with shareholders has been successfully implemented. The directors intend to continue the growth achieved in the past year and expect the company to be profitable within the next two years. This will be achieved by further extensive marketing of the company's existing products and sourcing new products and markets. The recently completed ambient-food production facility at a cost of £2 million will generate internal efficiencies and drive down the unit costs through economies of scale on increased production volume.

THE TANFIELD FOOD COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

EVENTS SINCE THE END OF THE YEAR

Since 31 March 2011 the company has negotiated further financing in the sum of €950,000 from key shareholders. This is to assist the cash flow requirements in the implementation of the strategic plan. Furthermore, other loans scheduled for repayment and shown in the balance sheet as repayable within one year have been rescheduled for repayment in September 2012.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £1,639,944 (2010 - loss £1,012,977)

The directors do not recommend payment of a dividend

RESEARCH AND DEVELOPMENT ACTIVITIES

The company continues to research and develop its "Free From" and other dietary brands, together with packaging and labeling innovations associated with ambient food products. The costs associated with this research are charged to profit and loss account as it is incurred. Initial deferred costs associated with the launch of the retort processes are being amortised over five years.

DIRECTORS

The directors who served during the year were

RAN McKechnie (resigned 28 February 2011)

KF Gill

MS Andrews

A Dhanrajgir

SJ Gray (appointed 1 September 2010)

DG Allison (appointed 20 December 2010)

E Sieber (resigned 24 April 2010)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 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 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.

THE TANFIELD FOOD COMPANY LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2011**

PROVISION 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 information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

AUDITORS

Under section 487 of the Companies Act 2006, Ryecroft Glenton will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board on 26 August 2011 and signed on its behalf



DG Allison
Director

THE TANFIELD FOOD COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE TANFIELD FOOD COMPANY LIMITED

We have audited the financial statements of The Tanfield Food Company Limited for the year ended 31 March 2011, set out on pages 6 to 20. 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 Statement of Directors' Responsibilities, 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.

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 31 March 2011 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

THE TANFIELD FOOD COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE TANFIELD FOOD COMPANY 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

Nigel Wyrley-Birch (Senior statutory auditor)
for and on behalf of

Ryecroft Glenton
Chartered Accountants
Statutory Auditors
32 Portland Terrace
Newcastle upon Tyne
NE2 1QP

21 September 2011

THE TANFIELD FOOD COMPANY LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 £	2010 £
TURNOVER	1,2	8,740,057	6,815,297
Cost of sales		(5,365,867)	(4,171,196)
GROSS PROFIT		3,374,190	2,644,101
Distribution costs		(2,112,360)	(1,236,039)
Administrative expenses		(2,984,115)	(2,186,628)
Other operating income	3	49,321	44,667
OPERATING LOSS	4	(1,672,964)	(733,899)
Interest receivable and similar income		236	-
Interest payable and similar charges	7	(181,731)	(279,078)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,854,459)	(1,012,977)
Tax on loss on ordinary activities	8	214,515	-
LOSS FOR THE FINANCIAL YEAR	17	(1,639,944)	(1,012,977)

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and Loss Account

The notes on pages 9 to 20 form part of these financial statements

THE TANFIELD FOOD COMPANY LIMITED
REGISTERED NUMBER. 05040327

BALANCE SHEET
AS AT 31 MARCH 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Intangible assets	9	224,062	219,997
Tangible assets	10	2,109,928	1,022,840
Investments	11	-	650
		<u>2,333,990</u>	<u>1,243,487</u>
CURRENT ASSETS			
Stocks	12	964,796	1,099,577
Debts factored with recourse	13		
Gross debts (after provision for charges)		1,455,643	679,711
Other debtors	13	1,003,381	654,879
Cash at bank and in hand		208,415	1,353,564
		<u>3,632,235</u>	<u>3,787,731</u>
CREDITORS , amounts falling due within one year	14	<u>(4,552,489)</u>	<u>(2,447,201)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(920,254)</u>	<u>1,340,530</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>1,413,736</u></u>	<u><u>2,584,017</u></u>
CREDITORS: amounts falling due after more than one year			
	15	748,205	278,542
CAPITAL AND RESERVES			
Called up share capital	16	3,926,697	3,926,697
Share premium account	17	4,818,234	4,818,234
Profit and loss account	17	<u>(8,079,400)</u>	<u>(6,439,456)</u>
	18	<u>665,531</u>	<u>2,305,475</u>
		<u><u>1,413,736</u></u>	<u><u>2,584,017</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 August 2011



DG Allison
Director

The notes on pages 9 to 20 form part of these financial statements

THE TANFIELD FOOD COMPANY LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 £	2010 £
Net cash flow from operating activities	19	(1,314,215)	(1,331,607)
Returns on investments and servicing of finance	20	(181,495)	(279,078)
Capital expenditure and financial investment	20	(556,097)	(515,787)
CASH OUTFLOW BEFORE FINANCING		(2,051,807)	(2,126,472)
Financing	20	303,111	3,199,558
(DECREASE)/INCREASE IN CASH IN THE YEAR		(1,748,696)	1,073,086

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 MARCH 2011**

	2011 £	2010 £
(Decrease)/Increase in cash in the year	(1,748,696)	1,073,086
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(303,111)	1,583,829
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	(2,051,807)	2,656,915
New finance lease	(786,148)	(100,000)
Other non-cash changes	-	(400,846)
MOVEMENT IN NET DEBT IN THE YEAR	(2,837,955)	2,156,069
Net funds/(debt) at 1 April 2010	267,221	(1,888,848)
NET (DEBT)/FUNDS AT 31 MARCH 2011	(2,570,734)	267,221

The notes on pages 9 to 20 form part of these financial statements

THE TANFIELD FOOD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES

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

The company is the parent undertaking of a group which consists of the company and one dormant subsidiary which the directors consider to be insignificant. As such the company is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Going concern

These financial statements have been prepared using the going concern basis of accounting.

As indicated in the directors' report on page 1 the current economic environment is challenging and the company has again reported an operating loss for the year. The directors consider that the outlook presents significant challenges in terms of sales volume and pricing as well as input costs, these circumstances create uncertainties over future trading results and cash flows. They are however mitigated through the continuing support of key shareholders.

The directors have concluded that, having made enquiries of key shareholders, and in considering the uncertainties described above and in the directors' report, they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods supplied, exclusive of Value Added Tax and trade discounts. Turnover is recognised on delivery to the customer.

1.3 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.4 Intangible fixed assets and amortisation

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project.

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the Profit and Loss Account.

Development	-	20% straight line
Trademarks	-	50% straight line

THE TANFIELD FOOD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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

Short-term Leasehold Property	-	10% straight line
Plant & Machinery	-	10 to 20% straight line
Motor Vehicles	-	20% straight line
Office Equipment	-	20% straight line
Computer Equipment	-	33 3% straight line

1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.7 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.

1.8 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 fixed and variable overheads.

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.10 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.

THE TANFIELD FOOD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

1. ACCOUNTING POLICIES (continued)**1.11 Government grants**

Government grants relating to tangible fixed assets are treated as deferred income and released to the Profit and Loss Account over the expected useful lives of the assets concerned. Other grants are credited to the Profit and Loss Account as the related expenditure is incurred.

2. TURNOVER

A geographical analysis of turnover is as follows

	2011 £	2010 £
Sales - UK	8,518,168	6,815,297
Sales - Other EU	221,889	-
	<u>8,740,057</u>	<u>6,815,297</u>

3. OTHER OPERATING INCOME

	2011 £	2010 £
Grants released	<u>49,321</u>	<u>44,667</u>

4. OPERATING LOSS

The operating loss is stated after charging

	2011 £	2010 £
Amortisation - intangible fixed assets	51,832	28,868
Depreciation of tangible fixed assets		
- owned by the company	116,245	42,750
- held under finance leases	137,480	101,529
Auditors' remuneration	8,000	10,000
Operating lease rentals		
- other operating leases	224,931	131,042
Amortisation of deferred research and development expenditure	52,848	52,848
Research and development expenditure written off	<u>75,056</u>	<u>45,718</u>

THE TANFIELD FOOD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2011 £	2010 £
Wages and salaries	<u>2,614,889</u>	<u>1,892,471</u>

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

	2011 No.	2010 No
Direct labour	67	63
Indirect labour	46	18
Sales and marketing	4	2
Senior managers	4	4
	<u>121</u>	<u>87</u>

6. DIRECTORS' REMUNERATION

	2011 £	2010 £
Emoluments	<u>236,044</u>	<u>263,544</u>

The highest paid director received remuneration of £92,250 (2010 - £70,833)

7. INTEREST PAYABLE

	2011 £	2010 £
On bank loans and overdrafts	-	51,705
On other loans	<u>181,731</u>	<u>227,373</u>
	<u>181,731</u>	<u>279,078</u>

8. TAXATION

	2011 £	2010 £
Analysis of tax (credit)/charge in the year		
UK corporation tax (credit)/charge on loss for the year	(50,000)	-
Adjustments in respect of prior periods	<u>(164,515)</u>	<u>-</u>
Tax on loss on ordinary activities	<u>(214,515)</u>	<u>-</u>

THE TANFIELD FOOD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

8. TAXATION (continued)**Factors affecting tax charge for the year**

Trading losses incurred continue to be available for relief against profits generated in future periods. Accumulated tax losses amount to £7.8 million at 31 March 2011. These have not been accounted for as a deferred tax asset as the prospect of profit against which these losses can be relieved is still considered too remote. The tax receivable shown by the profit and loss account relates to research and development tax credits available to the company.

Factors that may affect future tax charges

Under current UK tax legislation research and development tax credits will continue to be available to the company in future periods despite losses incurred and loss relief available.

9. INTANGIBLE FIXED ASSETS

	Development £	Trademarks £	Total £
Cost			
At 1 April 2010	607,233	65,750	672,983
Additions	-	108,745	108,745
At 31 March 2011	607,233	174,495	781,728
Amortisation			
At 1 April 2010	410,572	42,414	452,986
Charge for the year	52,848	51,832	104,680
At 31 March 2011	463,420	94,246	557,666
Net book value			
At 31 March 2011	143,813	80,249	224,062
At 31 March 2010	196,661	23,336	219,997

THE TANFIELD FOOD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

10. TANGIBLE FIXED ASSETS

	Short-term Leasehold Property £	Plant & Machinery £	Motor Vehicles £	Office Equipment £
Cost				
At 1 April 2010	238,490	1,557,854	1,600	4,743
Additions	499,759	795,122	23,394	9,518
At 31 March 2011	738,249	2,352,976	24,994	14,261
Depreciation				
At 1 April 2010	177,772	625,556	1,360	4,251
Charge for the year	42,154	192,078	4,289	660
At 31 March 2011	219,926	817,634	5,649	4,911
Net book value				
At 31 March 2011	518,323	1,535,342	19,345	9,350
At 31 March 2010	60,718	932,298	240	492
			Computer Equipment £	Total £
Cost				
At 1 April 2010			90,394	1,893,081
Additions			13,020	1,340,813
At 31 March 2011			103,414	3,233,894
Depreciation				
At 1 April 2010			61,302	870,241
Charge for the year			14,544	253,725
At 31 March 2011			75,846	1,123,966
Net book value				
At 31 March 2011			27,568	2,109,928
At 31 March 2010			29,092	1,022,840

THE TANFIELD FOOD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

10. TANGIBLE FIXED ASSETS (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2011 £	2010 £
Land and buildings	13,813	30,247
Plant and machinery	966,443	292,367
	<u>980,256</u>	<u>322,614</u>

11. FIXED ASSET INVESTMENTS

	Investments in Subsidiary Companies
Cost or valuation	
At 1 April 2010	650
Disposals	(650)
At 31 March 2011	-
Net book value	
At 31 March 2011	-
At 31 March 2010	<u>650</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
The Allergen-Free Food Company Limited	Ordinary shares of £1 each	65%

The aggregate of the share capital and reserves as at 31 March 2011 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

Name	Aggregate of share capital and reserves £	Profit/(loss) £
The Allergen-Free Food Company Limited	<u>1,000</u>	<u>-</u>

The company's investment in The Allergen-Free Food Company Limited has been disposed of during the year

THE TANFIELD FOOD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

12. STOCKS

	2011 £	2010 £
Raw materials	408,701	452,572
Finished goods and goods for resale	556,095	647,005
	<u>964,796</u>	<u>1,099,577</u>

13. DEBTORS

	2011 £	2010 £
Trade debtors excluding factored debts	672,438	496,035
Other debtors	289,529	119,816
Prepayments and accrued income	41,414	39,028
	<u>1,003,381</u>	<u>654,879</u>
 Gross factored debts outstanding at 31 March 2011	<u>1,455,643</u>	<u>679,711</u>

14. CREDITORS**Amounts falling due within one year**

	2011 £	2010 £
Bank loans and overdrafts	10	42,500
Other loans	678,714	155,251
Net obligations under finance leases and hire purchase contracts	263,931	67,306
Trade creditors	1,667,729	1,229,785
Amounts owed to group undertakings	-	650
Social security and other taxes	51,592	71,224
Proceeds of factored debts	1,250,957	647,420
Other creditors	195,347	102,159
Accruals and deferred income	444,209	130,906
	<u>4,552,489</u>	<u>2,447,201</u>

Bank loans and overdraft are subject to a debenture secured on assets and undertakings of the business

Factored debts are secured by a debenture secured on assets and undertakings of the business

Other loans are secured on the personal guarantees of two directors

THE TANFIELD FOOD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

**15. CREDITORS:
Amounts falling due after more than one year**

	2011	2010
	£	£
Bank loans	49,476	55,618
Other loans	46,264	48,774
Net obligations under finance leases and hire purchase contracts	489,797	69,474
Government grants received	162,668	104,676
	748,205	278,542

Included within the above are amounts falling due as follows

	2011	2010
	£	£
Between two and five years		
Bank loans	49,476	55,618
Other loans	46,264	48,774

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2011	2010
	£	£
Between one and five years	489,797	69,474

Net obligations under finance leases and hire purchase contracts are secured on the assets to which they relate. In addition two directors have provided personal guarantees for finance leases amounting to a total of £652,147. Interest is payable at rates that vary between 5% and 18% above LIBOR rates.

Other loans repayable between two and five years are unsecured. They carry interest at 10% per annum.

16. SHARE CAPITAL

	2011	2010
	£	£
Authorised		
61,000,000 Ordinary shares of £0.10 each	6,100,000	6,100,000
40,900,000 Preferred shares of £0.10 each	4,090,000	4,090,000
	10,190,000	10,190,000
Allotted, called up and fully paid		
19,637,414 (2010 - 19,637,410) Ordinary shares of £0.10 each	1,963,741	1,963,741
19,629,560 Preferred shares of £0.10 each	1,962,956	1,962,956
	3,926,697	3,926,697

THE TANFIELD FOOD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

17. RESERVES

	Share premium account £	Profit and loss account £
At 1 April 2010	4,818,234	(6,439,456)
Loss for the year	-	(1,639,944)
At 31 March 2011	<u>4,818,234</u>	<u>(8,079,400)</u>

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Opening shareholders' funds/(deficit)	2,305,475	(1,464,935)
Loss for the year	(1,639,944)	(1,012,977)
Shares issued during the year	-	2,686,100
Share premium on shares issued (net of expenses)	-	2,097,287
Closing shareholders' funds	<u>665,531</u>	<u>2,305,475</u>

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	2011 £	2010 £
Operating loss	(1,672,964)	(733,899)
Amortisation of intangible fixed assets	104,680	81,716
Depreciation of tangible fixed assets	253,725	144,279
Government grants released	(49,321)	(44,667)
Decrease/(increase) in stocks	134,781	(583,795)
Increase in debtors	(909,918)	(637,665)
Increase in creditors	824,802	442,424
Net cash outflow from operating activities	<u>(1,314,215)</u>	<u>(1,331,607)</u>

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest received	236	-
Interest paid	(181,731)	(279,078)
Net cash outflow from returns on investments and servicing of finance	<u>(181,495)</u>	<u>(279,078)</u>

THE TANFIELD FOOD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2011 £	2010 £
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(108,745)	(10,056)
Purchase of tangible fixed assets	(554,665)	(555,731)
Government grants received	107,313	50,000
Net cash outflow from capital expenditure	(556,097)	(515,787)
	2011 £	2010 £
Financing		
Issue of ordinary shares	-	4,783,387
Repayment of loans	(48,642)	(40,096)
Other new loans	678,714	-
Repayment of other loans	(157,761)	(1,386,272)
Repayment of finance leases	(169,200)	(157,461)
Net cash inflow from financing	303,111	3,199,558

21. ANALYSIS OF CHANGES IN NET DEBT

	1 April 2010 £	Cash flow £	Other non-cash changes £	31 March 2011 £
Cash at bank and in hand	1,353,564	(1,145,149)	-	208,415
Bank overdraft	-	(10)	-	(10)
Proceeds of factored debts	(647,420)	(603,537)	-	(1,250,957)
	706,144	(1,748,696)	-	(1,042,552)
Debt:				
Debts due within one year	(265,057)	(303,111)	(374,477)	(942,645)
Debts falling due after more than one year	(173,866)	-	(411,671)	(585,537)
Net funds	267,221	(2,051,807)	(786,148)	(2,570,734)

THE TANFIELD FOOD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

22. OPERATING LEASE COMMITMENTS

At 31 March 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2011	2010
	£	£
Expiry date:		
Between 2 and 5 years	140,400	97,400

23. DIRECTORS' PERSONAL GUARANTEES

Two directors, RAN McKechnie and KF Gill, have provided joint and several personal guarantees on lease and hire purchase agreements for equipment, the balances for which at 31 March 2011 amounted to £652,147. In addition, they have provided personal guarantees on other loans in the sum of £678,714.

24. RELATED PARTY TRANSACTIONS

During the year the company made loan repayments to RAN McKechnie of £31,420. At 31 March 2011, £62,240 (2010 - £93,660) was due for repayment to RAN McKechnie. This loan is unsecured, provides for interest at 10%, and is repayable on demand.

During the year the company has made sales of £106,721 (2010 - £120,657) to E-Picker Limited, a company run by family members of RAN McKechnie, outstanding balances at the year end reflected within trade debtors amounted to £13,283 (2010 - £18,024).

During the year E-Picker Limited has also charged the company for fulfillment, customer services and courier charges in the amount of £88,700 (2010 - £Nil). Outstanding balances at the year end reflected within trade creditors amounted to £15,676 (2010 - £Nil).

During the year the company made loan repayments to KF Gill of £4,824. At 31 March 2011, £3,676 (2010 - £8,500) was due for repayment to KF Gill. This loan is unsecured, provides for interest at 10%, and is repayable on demand.

25. CONTROLLING PARTY

No individual acting on his own or in concert with others has overall control of the company.