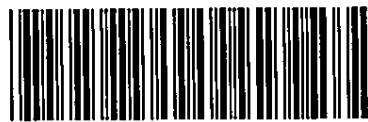


THE TANFIELD FOOD COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

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COMPANIES HOUSE

Ryecroft Glenton

Chartered Accountants

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WHITLEY BAY
189 Park View,
NE26 3RD
Tel 0191 252 1849
Fax 0191 297 1204

THE TANFIELD FOOD COMPANY LIMITED

COMPANY INFORMATION

DIRECTORS	KF Gill MS Andrews SJ Gray DG Allison A Dhanrajgir (resigned 22 February 2012) W Reichenberger (appointed 22 February 2012)
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

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THE TANFIELD FOOD COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012

The directors present their report and the financial statements for the year ended 31 March 2012

PRINCIPAL ACTIVITIES

The Tanfield Food Company Limited 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.

BUSINESS REVIEW

The company continues to develop the "Look what we found!" brand whose main messages are great-tasting, single serve ambient ready meals using 100% natural ingredients from small regional British producers. The recent TV campaign under the banner "small farmers, big taste" helped secure increased distribution, improved rates of sale and greater brand awareness. More attention is now being paid in developing the on-line market for the brand with increased ranging and targeted marketing activity.

Tanfield also continues to develop strong relationships and growth in the home delivered diet market where continued growth in this area has the potential to provide a strong and stable revenue platform dependent on supporting these customers most effectively.

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 remains a strong potential, but has yet to reach fruition.

There remains a strong belief in the business and the potential of good quality ambient food in various sectors and channels. The LWWF brand is now in a much more secure position and new products and packaging formats are about to launch in the retail area. Additional funding has been provided to bridge the gap to a self-sustaining business with some specific funding to explore the on-line capability of the business.

Much work has been successfully completed on reducing overheads to a minimum and there is now a robust cost conscious culture in place. The main focus now is to drive additional sales in the channels and sectors that already exist with some additional effort in developing the on-line areas.

The directors measure the company's performance by the following key performance indicators:

Turnover - the company's turnover has averaged £168,974 per week (2011 £168,078 per week)

Gross margin - the company averaged a gross margin of 36.4% over the course of the year (2011 38.6%)

Production labour cost to sales output - the company averaged 12.6% production labour cost to output over the course of the year (2011 12.2%)

THE TANFIELD FOOD COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012

PRINCIPAL RISKS AND UNCERTAINTIES

Cash flow risk

As the company continues to incur losses working capital requirements have been provided by principal shareholders. Liquidity risk is managed on a daily basis and funds are provided by these shareholders as necessary.

Reputational risk

The company manufactures food for human consumption, using a process that allows product to be stored without the need for refrigeration. Batch controls are strictly adhered to and the company has the highest possible compliance of appropriate hygiene standards. Key customers and other stakeholders constantly monitor these controls and the company's compliance.

Commodity price risk

The company manages constantly fluctuating commodity prices through competitive sourcing balanced against the need for consistent quality.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £2,891,313 (2011 - loss £1,639,944), after exceptional items. Exceptional items consist of marketing costs of £1,194,300 (2011 - £Nil).

The directors do not recommend payment of a dividend.

DIRECTORS

The directors who served during the year were:

KF Gill
MS Andrews
SJ Gray
DG Allison
A Dhanrajgir (resigned 22 February 2012)
W Reichenberger (appointed 22 February 2012)

EVENTS SINCE THE END OF THE YEAR

Since 31 March 2012 the company has negotiated further financing in the sum of €850,000 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 previously shown in the balance sheet as repayable with one year have been rescheduled for repayment in September 2013.

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 recent nationwide advertising campaign has been successful in opening up new markets and sales have been holding up since the campaign ceased.

THE TANFIELD FOOD COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012

RESEARCH AND DEVELOPMENT ACTIVITIES

The company continues to research and develop new products for the sectors in which it operates. Much of the activity is in extending product range and packaging for the Look what we found brand, and for innovation and renovation of products for existing customers.

DIRECTORS' RESPONSIBILITIES STATEMENT

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.

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.

This report was approved by the board on 18 July 2012 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 2012, set out on pages 6 to 21. 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 Directors' Report to identify material inconsistencies with the audited financial statements. 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 31 March 2012 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.

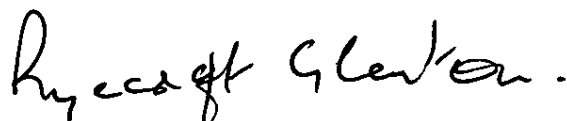
THE TANFIELD FOOD COMPANY LIMITED

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

18 July 2012

THE TANFIELD FOOD COMPANY LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

	Note	2012 £	2011 £
TURNOVER	1,2	8,786,648	8,740,057
Cost of sales		<u>(5,589,777)</u>	<u>(5,365,867)</u>
GROSS PROFIT		3,196,871	3,374,190
Distribution costs		<u>(1,925,141)</u>	<u>(2,112,360)</u>
Administrative expenses		<u>(2,785,610)</u>	<u>(3,031,843)</u>
Other operating income	3	<u>49,056</u>	<u>49,321</u>
OPERATING LOSS	4	(1,464,824)	(1,720,692)
EXCEPTIONAL ITEMS			
Other exceptional items	8	<u>(1,194,300)</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(2,659,124)	(1,720,692)
Interest receivable and similar income		10	236
Interest payable and similar charges	7	<u>(315,660)</u>	<u>(134,003)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,974,774)	(1,854,459)
Tax on loss on ordinary activities	9	<u>83,461</u>	<u>214,515</u>
LOSS FOR THE FINANCIAL YEAR	17	<u>(2,891,313)</u>	<u>(1,639,944)</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and Loss Account

The notes on pages 9 to 21 form part of these financial statements

THE TANFIELD FOOD COMPANY LIMITED
REGISTERED NUMBER: 05040327

BALANCE SHEET
AS AT 31 MARCH 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Intangible assets	10	112,833	224,061
Tangible assets	11	1,942,365	2,109,921
		<u>2,055,198</u>	<u>2,333,982</u>
CURRENT ASSETS			
Stocks	12	1,400,100	964,796
Debts factored with recourse	13		
Gross debts (after provision for charges)		1,368,882	1,455,643
Other debtors	13	539,387	1,003,381
Cash at bank and in hand		63,819	208,415
		<u>3,372,188</u>	<u>3,632,235</u>
CREDITORS amounts falling due within one year	14	(3,849,769)	(4,552,481)
NET CURRENT LIABILITIES		<u>(477,581)</u>	<u>(920,246)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,577,617</u>	<u>1,413,736</u>
CREDITORS amounts falling due after more than one year			
	15	1,848,399	748,205
CAPITAL AND RESERVES			
Called up share capital	16	4,964,594	3,926,697
Share premium account	17	5,735,337	4,818,234
Profit and loss account	17	(10,970,713)	(8,079,400)
	18	<u>(270,782)</u>	<u>665,531</u>
		<u>1,577,617</u>	<u>1,413,736</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 July 2012



DG Allison
Director

The notes on pages 9 to 21 form part of these financial statements

THE TANFIELD FOOD COMPANY LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

	Note	2012 £	2011 £
Net cash flow from operating activities	19	(2,331,339)	(1,361,940)
Returns on investments and servicing of finance	20	(315,650)	(133,767)
Taxation		297,976	-
Capital expenditure and financial investment	20	(135,206)	(556,098)
CASH OUTFLOW BEFORE FINANCING		(2,484,219)	(2,051,805)
Financing	20	2,439,810	303,111
DECREASE IN CASH IN THE YEAR		(44,409)	(1,748,694)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 MARCH 2012**

	2012 £	2011 £
Decrease in cash in the year	(44,409)	(1,748,694)
Cash inflow from increase in debt and lease financing	(484,810)	(303,111)
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	(529,219)	(2,051,805)
New finance lease	-	(786,148)
MOVEMENT IN NET DEBT IN THE YEAR	(529,219)	(2,837,953)
Net (debt)/funds at 1 April 2011	(2,570,734)	267,219
NET DEBT AT 31 MARCH 2012	(3,099,953)	(2,570,734)

The notes on pages 9 to 21 form part of these financial statements

THE TANFIELD FOOD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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

Group accounts have not been prepared as all of the company's subsidiaries are permitted to be excluded from group accounts by virtue of sections 402 and 405 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 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.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.4 Investments

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

1.5 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES (continued)

1.6 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

1.7 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.

1.8 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.

1.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks, on a first-in-first-out basis. Cost includes all direct labour and material costs and an appropriate proportion of fixed and variable overheads.

1.10 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.

THE TANFIELD FOOD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1 ACCOUNTING POLICIES (continued)

1.11 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

1.12 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

	2012 £	2011 £
Sales - UK	8,572,712	8,518,168
Sales - Other EU	213,936	221,889
	<u>8,786,648</u>	<u>8,740,057</u>

3. OTHER OPERATING INCOME

	2012 £	2011 £
Grants released	<u>49,056</u>	<u>49,321</u>

THE TANFIELD FOOD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

4. OPERATING LOSS

The operating loss is stated after charging

	2012 £	2011 £
Amortisation - intangible fixed assets	58,380	51,832
Depreciation of tangible fixed assets		
- owned by the company	154,089	116,245
- held under finance leases	148,673	137,480
Auditors' remuneration	10,500	8,000
Operating lease rentals		
- other operating leases	187,719	224,931
Amortisation of deferred research and development expenditure	52,848	52,848
Research and development expenditure written off	54,426	75,056
	<u> </u>	<u> </u>

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	2,330,119	2,339,643
Social security costs	200,007	204,427
	<u> </u>	<u> </u>
	2,530,126	2,544,070
	<u> </u>	<u> </u>

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

	2012 No.	2011 No.
Direct labour	65	67
Indirect labour	40	46
Sales and marketing	1	4
Senior managers	4	4
	<u> </u>	<u> </u>
	110	121
	<u> </u>	<u> </u>

6. DIRECTORS' REMUNERATION

	2012 £	2011 £
Emoluments	213,032	210,693
	<u> </u>	<u> </u>

The highest paid director received remuneration of £111,682 (2011 - £92,250)

THE TANFIELD FOOD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

7 INTEREST PAYABLE

	2012 £	2011 £
On other loans	<u>315,660</u>	<u>134,003</u>

8 EXCEPTIONAL ITEMS

	2012 £	2011 £
Marketing costs	<u>1,194,300</u>	<u>-</u>

9. TAXATION

	2012 £	2011 £
Analysis of tax credit in the year		
UK corporation tax charge/(credit) on loss for the year	-	(50,000)
Adjustments in respect of prior periods	<u>(83,461)</u>	<u>(164,515)</u>
Tax on loss on ordinary activities	<u>(83,461)</u>	<u>(214,515)</u>

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 £10.1 million at 31 March 2012. 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 received by the company.

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

THE TANFIELD FOOD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

10 INTANGIBLE FIXED ASSETS

	Development £	Trademarks £	Total £
Cost			
At 1 April 2011 and 31 March 2012	607,233	174,495	781,728
Amortisation			
At 1 April 2011	463,420	94,247	557,667
Charge for the year	52,848	58,380	111,228
At 31 March 2012	516,268	152,627	668,895
Net book value			
At 31 March 2012	90,965	21,868	112,833
At 31 March 2011	143,813	80,248	224,061

11 TANGIBLE FIXED ASSETS

	Short-term Leasehold Property £	Plant & Machinery £	Motor Vehicles £	Office Equipment £
Cost				
At 1 April 2011	738,250	2,352,976	24,994	14,261
Additions	64,518	65,054	-	264
At 31 March 2012	802,768	2,418,030	24,994	14,525
Depreciation				
At 1 April 2011	219,926	817,634	5,649	4,919
Charge for the year	69,431	210,637	4,679	2,019
At 31 March 2012	289,357	1,028,271	10,328	6,938
Net book value				
At 31 March 2012	513,411	1,389,759	14,666	7,587
At 31 March 2011	518,324	1,535,342	19,345	9,342

THE TANFIELD FOOD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

11 TANGIBLE FIXED ASSETS (continued)

	Computer Equipment £	Total £
Cost		
At 1 April 2011	103,414	3,233,895
Additions	5,370	135,206
At 31 March 2012	<u>108,784</u>	<u>3,369,101</u>
Depreciation		
At 1 April 2011	75,846	1,123,974
Charge for the year	15,996	302,762
At 31 March 2012	<u>91,842</u>	<u>1,426,736</u>
Net book value		
At 31 March 2012	<u>16,942</u>	<u>1,942,365</u>
At 31 March 2011	<u>27,568</u>	<u>2,109,921</u>

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

	2012 £	2011 £
Land and buildings	3,224	13,813
Plant and machinery	828,360	966,443
	<u>831,584</u>	<u>980,256</u>

12 STOCKS

	2012 £	2011 £
Raw materials	310,297	408,701
Finished goods and goods for resale	1,089,803	556,095
	<u>1,400,100</u>	<u>964,796</u>

THE TANFIELD FOOD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

13 DEBTORS

	2012	2011
	£	£
Trade debtors excluding factored debts	426,973	672,438
Other debtors	65,032	289,529
Prepayments and accrued income	47,382	41,414
	539,387	1,003,381
	1,368,882	1,455,643
Gross factored debts outstanding at 31 March 2012		

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

	2012	2011
	£	£
Bank loans and overdrafts	12,500	10
Other loans	-	678,714
Net obligations under finance leases and hire purchase contracts	265,703	263,931
Trade creditors	1,473,800	1,667,729
Social security and other taxes	59,725	51,592
Proceeds of factored debts	1,150,780	1,250,957
Other creditors	160,723	195,339
Accruals and deferred income	726,538	444,209
	3,849,769	4,552,481

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

THE TANFIELD FOOD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

15 CREDITORS
Amounts falling due after more than one year

	2012	2011
	£	£
Bank loans	-	49,476
Other loans	1,505,686	46,264
Net obligations under finance leases and hire purchase contracts	229,102	489,797
Government grants received	113,611	162,668
	<u>1,848,399</u>	<u>748,205</u>

Included within the above are amounts falling due as follows

	2012	2011
	£	£
Between one and two years		
Other loans	<u>1,505,686</u>	-
Between two and five years		
Bank loans	-	49,476
Other loans	-	46,264

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

	2012	2011
	£	£
Between one and five years	<u>229,102</u>	<u>489,797</u>

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 £454,360 (2011 - £652,147). Interest is payable at rates that vary between 5% and 18% above LIBOR rates.

The other loan of £1,505,686 is secured by a debenture dated 30 June 2011 being a fixed and floating charge over the assets of the company.

THE TANFIELD FOOD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

16. SHARE CAPITAL

	2012 £	2011 £
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
	<u>10,190,000</u>	<u>10,190,000</u>
Allotted, called up and fully paid		
19,637,414 (2011 - 19,637,410) Ordinary shares of £0 10 each	1,963,741	1,963,741
30,008,532 (2011 - 19,629,560) Preferred shares of £0 10 each	3,000,853	1,962,956
	<u>4,964,594</u>	<u>3,926,697</u>

During the year 10,378,972 Preferred shares of 10p each were issued, raising further finance to assist with the working capital requirements of the company. The total consideration received for these shares amounted to €2,300,000. The premium arising on this issue has been credited to share premium account.

The cost incurred on the issue of these Preferred shares of £140,099, including the commission paid, has been applied against the share premium arising on allotment of the shares.

The Preferred shares of 10p each enjoy preferential rights over the Ordinary shares of 10p each by way of cumulative dividend of 12% and rank before ordinary shares on a winding up, share sale or listing (to include any accumulated unpaid dividend). They carry no voting rights over the Ordinary shares. No premium is payable on redemption.

17. RESERVES

	Share premium account £	Profit and loss account £
At 1 April 2011	4,818,234	(8,079,400)
Loss for the year		(2,891,313)
Premium on shares issued during the year (net of expenses)	917,103	
At 31 March 2012	<u>5,735,337</u>	<u>(10,970,713)</u>

THE TANFIELD FOOD COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012	2011
	£	£
Opening shareholders' funds	665,531	2,305,475
Loss for the year	(2,891,313)	(1,639,944)
Shares issued during the year	1,037,897	-
Share premium on shares issued (net of expenses)	917,103	-
	<hr/>	<hr/>
Closing shareholders' (deficit)/funds	(270,782)	665,531
	<hr/>	<hr/>

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	2012	2011
	£	£
Operating loss	(1,464,824)	(1,720,692)
Exceptional items	(1,194,300)	-
Amortisation of intangible fixed assets	111,228	104,680
Depreciation of tangible fixed assets	302,762	253,725
Government grants	(49,056)	(49,321)
(Increase)/decrease in stocks	(435,304)	134,781
Decrease/(increase) in debtors	336,240	(909,918)
Increase in creditors	61,915	824,805
	<hr/>	<hr/>
Net cash outflow from operating activities	(2,331,339)	(1,361,940)
	<hr/>	<hr/>

THE TANFIELD FOOD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

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

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest received	10	236
Interest paid	(315,660)	(134,003)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	(315,650)	(133,767)
	<hr/>	<hr/>
	2012 £	2011 £
Capital expenditure and financial investment		
Purchase of intangible fixed assets	-	(108,745)
Purchase of tangible fixed assets	(135,206)	(554,666)
Government grants received	-	107,313
	<hr/>	<hr/>
Net cash outflow from capital expenditure	(135,206)	(556,098)
	<hr/>	<hr/>
	2012 £	2011 £
Financing		
Issue of preferred shares	1,955,000	-
Repayment of loans	(36,976)	(48,642)
Other new loans	780,708	678,714
Repayment of other loans	-	(157,761)
Repayment of finance leases	(258,922)	(169,200)
	<hr/>	<hr/>
Net cash inflow from financing	2,439,810	303,111
	<hr/>	<hr/>

THE TANFIELD FOOD COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

21. ANALYSIS OF CHANGES IN NET DEBT

	1 April 2011 £	Cash flow £	Other non-cash changes £	31 March 2012 £
Cash at bank and in hand	208,415	(144,596)	-	63,819
Bank overdraft	(10)	10	-	-
Proceeds of factored debts	(1,250,957)	100,177	-	(1,150,780)
	<u>(1,042,552)</u>	<u>(44,409)</u>	<u>-</u>	<u>(1,086,961)</u>
Debt:				
Debts due within one year	(942,645)	(484,810)	1,149,251	(278,204)
Debts falling due after more than one year	(585,537)	-	(1,149,251)	(1,734,788)
	<u>(2,570,734)</u>	<u>(529,219)</u>	<u>-</u>	<u>(3,099,953)</u>
Net debt				

22. OPERATING LEASE COMMITMENTS

At 31 March 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2012 £	2011 £
Expiry date		
Between 2 and 5 years	<u>140,400</u>	<u>140,400</u>

23. DIRECTORS' PERSONAL GUARANTEES

Director KF Gill and former director RAN McKechnie, have provided joint and several personal guarantees on lease and hire purchase agreements for equipment, the balances for which at 31 March 2012 amounted to £454,360

KF Gill and RAN McKechnie have also provided joint and several personal guarantees on other loans, the balance of which at 31 March 2012 amounted to €800,000

24. MAJORITY SHAREHOLDER

The majority shareholder is W Health L P, registered in the Bahamas