

Appendix

Wingate Foods Ltd

Directors' report

The directors submit their report and the audited financial statements for year five.

Principal activity

The principal activity of the company continues to be the production and sale of confectionery and biscuits.

Results for the year

Sales increased by 21.1 per cent from £8.6m in year four to £10.4m in year five. Profit before tax increased by 8.1 per cent from £583,000 in year four to £630,000 in year five.

The directors propose the payment of a final dividend of 18.0p per share for year five (year four: 15.4p).

Business review

The company is in a healthy financial position, having net assets of £2.8m, with profit before tax having increased every year for the last five years. The company intends to continue its growth by introducing new products to its existing UK customers and by commencing exports to new customers in France, Germany and Scandinavia.

The principal risk to the company is the price pressure resulting from the power of the company's major customers. This is expected to continue

and the company will continue to improve production efficiency to maintain margins. There is also a risk that the international expansion strategy will not be successful.

Directors and their interests

The directors at 31 December, year five, and throughout the year ended on that date and their interests in the shares of the company were as follows:

	Fully paid Ordinary Shares	
	Year 5	Year 4
Director A	65,000	65,000
Director B	45,000	45,000
Director C	12,000	12,000
Director D	—	—
Director E	—	—

Employees

The company employs disabled persons whenever possible and is committed to provide them with opportunities for training and career advancement. It is also part of the company’s policy, wherever possible, to continue to employ staff who become disabled during their employment.

The company keeps employees informed about the company and its development and encourages their suggestions and views. Staff meetings are held on a regular basis.

Statement of directors’ responsibilities

The directors are responsible for preparing the Directors’ Report and the accounts of the company in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts of the company for each financial year. Under that law the directors have elected to prepare the accounts of the company 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 accounts of the company 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 accounts of the company, 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 accounts of the company 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 accounts of the company 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.

Auditors

ABC Accountants will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the Board

ANO Secretary

Secretary

31 March, year six

Independent auditors' report to the members of Wingate Foods Ltd

We have audited the financial statements of Wingate Foods Limited for the year ended 31 December, year five, set out on pages 244–52. 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 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 December, year five and of its profit 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 matters 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.

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.

ANO auditor (Senior statutory auditor)

for and on behalf of

ABC Accountants, Statutory Auditor

31 March, year six

WINGATE FOODS LTD
Profit and loss account for year five

		£'000	£'000
	Notes	Year 5	Year 4
Turnover	2	10,437	8,619
Cost of sales		(8,078)	(6,628)
Gross profit		2,359	1,991
Distribution expenses		(981)	(802)
Administration expenses		(449)	(362)
Operating profit	3	929	827
Interest payable	5	(299)	(244)
Profit before tax		630	583
Taxation	6	(202)	(193)
Profit after tax		428	390
Extraordinary items	7	(6)	–
Profit for the year		422	390
Dividends	8	(154)	(131)
Retained profit for the year		268	259
Earnings per share		42.2p	39.0p

There were no recognised gains or losses other than the profit for the year.

All of the activities of the group are classed as continuing.

WINGATE FOODS LTD			
Balance sheet at 31 December, year five			
	Notes	£'000 Year 5	£'000 Year 4
Fixed assets			
Tangible assets	9	5,326	4,445
Current assets			
Stock	10	1,241	953
Debtors	11	1,561	1,191
Cash		15	20
Total current assets		2,817	2,164
Current liabilities	12	2,372	1,856
Long-term liabilities	13	3,000	2,250
Net assets		2,771	2,503
Shareholders' equity			
Share capital	16	50	50
Share premium		275	275
Retained profit		2,446	2,178
Total shareholders' equity		2,771	2,503

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 March, year six

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Director A

WINGATE FOODS LTD
Cash flow statement for year five

	£'000 Year 5	£'000 Year 4
Operating activities		
Operating profit	929	827
Depreciation	495	402
Profit on sale of fixed assets	(8)	–
Increase in stock	(288)	(172)
Increase in debtors	(370)	(241)
Increase in creditors	204	75
Extraordinary items	(6)	–
Cash flow from operating activities	956	891
Capital expenditure		
Purchase of fixed assets	(1,391)	(1,204)
Proceeds on sale of fixed assets	23	–
Total capital expenditure	(1,368)	(1,204)
Returns on investments and servicing of finance		
Interest paid	(299)	(244)
Total	(299)	(244)
Taxation		
Corporation tax paid	(193)	(190)
Total taxation	(193)	(190)
Equity dividends paid		
Dividends on ordinary shares	(154)	(131)
Total equity dividends paid	(154)	(131)
Financing		
Loans obtained	750	750
Total financing	750	750
Increase/(Decrease) in cash	(308)	(128)

	£'000 Year 5	£'000 Year 4
Reconciliation of net cash flow to movement in net debt		
Increase/(Decrease) in cash	(308)	(128)
Loans (obtained)/repaid	(750)	(750)
(Increase)/decrease in net debt	(1,058)	(878)
Net debt at start of year	(2,974)	(2,096)
Net debt at end of year	(4,032)	(2,974)

Analysis of changes in net debt			
	Balance at start of Year 5 £'000	Cash flows £'000	Balance at end of Year 5 £'000
Cash	20	(5)	15
Bank overdraft	(744)	(303)	(1,047)
Net cash/(overdraft)	(724)	(308)	(1,032)
Bank loans	(2,250)	(750)	(3,000)
Total	(2,974)	(1,058)	(4,032)

WINGATE FOODS LTD

Notes to the accounts for year five

1 ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared under the historical cost convention.

The directors are of the opinion that the company has access to sufficient funds to meet its day-to-day working capital requirements for a period of at least 12 months from the approval of these accounts. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

(b) Turnover

Turnover represents the invoiced value of goods sold net of value added tax. Turnover is recognised as income in the profit and loss account on the date the goods are delivered or otherwise made available to the company's customers.

(c) Tangible fixed assets

Depreciation is provided at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Freehold buildings	2 per cent straight line basis
Plant and equipment	10 per cent or 20 per cent straight line basis
Motor vehicles	25 per cent straight line basis
Land is not depreciated.	

(d) Stocks

Manufactured goods include the costs of production. Stock and work in progress are valued at the lower of cost and net realisable value. Bought in goods are valued at purchase cost on a first in first out basis.

(e) Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

(f) Pension arrangements

Membership of the Wingate Foods Personal Pension Plan is available to employees of the company. The scheme is a defined contribution scheme, whose assets are entirely separate from those of the company. Pension costs are charged to the profit and loss account as incurred.

2 TURNOVER AND PROFIT

Turnover is stated net of value added tax. Turnover and profit before taxation are attributable to the one principal activity.

	£'000 Year 5	£'000 Year 4
3 OPERATING PROFIT		
Operating profit is stated after crediting/ (charging):		
Depreciation of tangible fixed assets	(495)	(402)
Auditors' remuneration	(22)	(19)
Profit on sale of fixed assets	8	–
Hire of plant and machinery	(17)	(12)
Total	(526)	(433)

4 EMPLOYEES

The average number of employees during the year was as follows:

Office and management	34	28
Manufacturing	47	41
Total	81	69

Staff costs during the year amounted to:

Wages and salaries	1,211	983
Social security	110	72
Pension costs	32	28
Total	1,353	1,083

Directors' remuneration

Emoluments – all directors (excluding pension contributions)	199	174
Pension contributions – all directors	22	20
Emoluments of highest paid director (excluding pension contributions)	65	59
Highest paid director – pension contributions	7	6

5 INTEREST PAYABLE

Overdraft and loans	299	244
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6 TAXATION

The tax charge on the profit on ordinary activities for the year was as follows:

Corporation tax on the results for the year	202	193
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	£'000 Year 5	£'000 Year 4
7 EXTRAORDINARY ITEMS		
Unrecovered portion of ransom payment made on kidnap of employee	6	–

8 DIVIDENDS

Dividends paid during the year in respect of the previous financial year	154	131
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The directors propose a dividend of £180,000 (18.0p per share) in respect of Year 5 (Year 4 : £154k). This dividend is subject to the approval of the shareholders and has not, therefore, been included in the Company's balance sheet as a liability at 31 December, Year 5.

9 TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Plant and Equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At start of Year 5	3,401	2,503	588	6,492
Additions	570	656	165	1,391
Disposals	–	(35)	–	(35)
At end of Year 5	3,971	3,124	753	7,848
Depreciation				
At start of Year 5	269	1,430	348	2,047
On disposals	–	(20)	–	(20)
Charge for the year	46	345	104	495
At end of Year 5	315	1,755	452	2,522
Net book value				
At start of Year 5	3,132	1,073	240	4,445
At end of Year 5	3,656	1,369	301	5,326

	£'000 Year 5	£'000 Year 4
10 STOCKS AND WORK IN PROGRESS		
Raw materials	362	287
Work in progress	17	12
Finished goods	862	654
Total	1,241	953

	£'000 Year 5	£'000 Year 4		
11 DEBTORS				
Trade debtors less provision for doubtful debts	1,437	1,087		
Prepayments	88	76		
Other debtors	36	28		
Total	1,561	1,191		
12 CURRENT LIABILITIES				
Trade creditors	850	701		
Social security and other taxes	140	115		
Accruals	113	93		
Cash in advance	20	10		
Sub-total	1,123	919		
Bank overdraft	1,047	744		
Taxation	202	193		
Total	2,372	1,856		
13 LONG-TERM LIABILITIES				
Bank loans	3,000	2,250		
The loans are secured by a charge over the company's assets				
14 RESERVES				
£'000	Share capital	Share premium	Retained profit	Total
As at 1 January, Year 5	50	275	2,178	2,503
Profit for the year	-	-	422	422
Dividends paid	-	-	(154)	(154)
As at 31 December, Year 5	50	275	2,446	2,771
	£'000 Year 5	£'000 Year 4		
15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY				
Shareholders' equity at 1 January, Year 5	2,503	2,244		
Profit for the year	422	390		
Dividends paid	(154)	(131)		
Shareholders' equity at 31 December, Year 5	2,771	2,503		

	£'000 Year 5	£'000 Year 4
16 CALLED UP SHARE CAPITAL		
Authorised		
1,500,000 ordinary shares of 5p each	75	75
Issued and fully paid		
1,000,000 ordinary shares of 5p each	50	50
17 FINANCIAL COMMITMENTS		
At 31 December, Year 5, the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December, Year 6:		
	Plant and machinery	
	Year 5	Year 4
	£'000	£'000
Operating leases which expire:		
Between two and five years	19	21
At 31 December, Year 5, the company was committed to the future purchase of plant and equipment at a total cost of £126,300 (Year 4: £287,800).		