

Farmhouse Biscuits Limited
Financial Statements
For the Year Ended
31 December 2019

BEEVER AND STRUTHERS
Chartered accountants & statutory auditor
Central Buildings
Richmond Terrace
Blackburn
BB1 7AP



Farmhouse Biscuits Limited

Financial Statements

Year Ended 31 December 2019

Contents	Pages
Officers and Professional Advisers	1
Strategic Report	2 to 3
Directors' Report	4 to 5
Independent Auditor's Report to the Members	6 to 9
Statement of Income and Retained Earnings	10
Statement of Financial Position	11
Statement of Cash Flows	12 to 13
Notes to the Financial Statements	14 to 26

Farmhouse Biscuits Limited

Officers and Professional Advisers

The Board of Directors

R P McIvor
D M McIvor
G McIvor
W McIvor
P Acheson-Gray (Appointed 1 March 2019)
A J Birbeck (Appointed 1 March 2019)
D Livesey (Appointed 1 March 2019)

Company Secretary

D M McIvor

Registered Office

Brook Street Mill
Brook Street
Nelson
Lancashire
BB7 9PX

Auditor

Beever and Struthers
Chartered accountants & statutory auditor
Central Buildings
Richmond Terrace
Blackburn
BB1 7AP

Farmhouse Biscuits Limited

Strategic Report

Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

The company prides itself in producing traditional style biscuits using the finest ingredients. Our products are supplied domestically and internationally under both our own and private label branding.

Covid-19

In March 2020 the UK government introduced lockdown measures in response to the spread of the Covid-19 virus. As a result, the company's operations were adversely affected. Some of the staff were put on furlough, with a phased return as activity levels picked up.

The full effect of Covid-19 on the company and its impact on future trading volumes is not clear, but current trading provides the Directors with confidence. Forecasts have been prepared that demonstrate that the company has adequate financial resources to continue operation on a going concern basis for the foreseeable future. The company has successfully applied for a government-backed CBIL loan to assist with working capital requirements.

Review of business

During the year the company has continued to work closely with customers to develop new products and packaging designs.

Our key objective is to deliver profitable and sustainable growth. We aim to achieve this by maintaining a competitive edge within the market place by providing a professional and bespoke service to customers both large and small. This has been achieved during the year and we continue to work with various major retailers in expanding markets.

We have seen a 1.91% increase in turnover during the year with an increase in gross profit margin of 1%.

The board reviews key performance indicators in relation to the detailed make up of gross profit margins and net assets on a monthly basis, but for commercial reasons they are not shown here. A summary of the overall key performance indicators is shown below:-

Year Ended	31.12.19	31.12.18	31.12.17	31.12.16
Increase in Turnover	1.91%	0.5%	2.7%	6.2%
Gross Profit Percentage	27.4%	26.4%	18.8%	19.1%
Net Profit Percentage	2.20%	0.76%	1.7%	0.0%
Current Ratio	3.2	2.3	1.9	2.1

Principle risks and uncertainties

As seen during the year, gross profit margin has improved. This is down to the increase in sales, despite the COVID pandemic. Prices of ingredients continue to adversely affect the company however in order to mitigate this risk the company continues to enter into forward pricing agreements for key ingredients.

The board has identified rising employee costs as a future concern. Specifically, in relation to auto enrolment liabilities and the introduction of the national living wage, there is uncertainty regarding whether these extra costs can be passed onto customers via price increases.

Other principal risks and uncertainties include uncertainty over the UK's economic recovery, the effects of Britain's withdrawal from the European Union, the risk of competitors gaining market share, and high levels of stock holding for major customers.

These issues are regularly reviewed, and by maintaining good working relationships with existing

Farmhouse Biscuits Limited

Strategic Report *(continued)*

Year Ended 31 December 2019

customers as well as continually actively seeking to gain new customers, we believe any negative impacts of these risks are minimised.

This report was approved by the board of directors on 5 November 2020 and signed on behalf of the board by:

A handwritten signature in black ink, appearing to read 'G McIvor', written over a horizontal line.

G McIvor
Director

Farmhouse Biscuits Limited

Directors' Report

Year Ended 31 December 2019

The directors present their report and the financial statements of the company for the year ended 31 December 2019.

Principal Activities

The principal activity of the company during the year was the manufacture of biscuits.

Directors

The directors who served the company during the year were as follows:

R P McIvor	
D M McIvor	
G McIvor	
W McIvor	
P Acheson-Gray	(Appointed 1 March 2019)
A J Birbeck	(Appointed 1 March 2019)
D Livesey	(Appointed 1 March 2019)

Dividends

Particulars of recommended dividends are detailed in note 13 to the financial statements.

Directors' Responsibilities Statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Farmhouse Biscuits Limited

Directors' Report *(continued)*


Year Ended 31 December 2019

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 5 November 2020 and signed on behalf of the board by:



G McIvor
Director

Farmhouse Biscuits Limited

Independent Auditor's Report to the Members of Farmhouse Biscuits Limited

Year Ended 31 December 2019

Opinion

We have audited the financial statements of Farmhouse Biscuits Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Farmhouse Biscuits Limited

Independent Auditor's Report to the Members of Farmhouse Biscuits Limited *(continued)*

Year Ended 31 December 2019

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on Which We are Required to Report by Exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Farmhouse Biscuits Limited

Independent Auditor's Report to the Members of Farmhouse Biscuits Limited (continued)

Year Ended 31 December 2019

Responsibilities of Directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Farmhouse Biscuits Limited

Independent Auditor's Report to the Members of Farmhouse Biscuits Limited *(continued)*

Year Ended 31 December 2019

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of Our Report

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 auditor's 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.

Beever and Struthers

Iain Round BSc FCA (Senior Statutory Auditor)

For and on behalf of
Beever and Struthers
Chartered accountants & statutory auditor
Central Buildings
Richmond Terrace
Blackburn
BB1 7AP

5 November 2020

Farmhouse Biscuits Limited
Statement of Income and Retained Earnings
Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	14,573,729	14,300,403
Cost of sales		(10,579,218)	(10,520,149)
Gross profit		3,994,511	3,780,254
Administrative expenses		(3,620,835)	(3,604,256)
Other operating income	5	1,524	602
Operating profit	6	375,200	176,600
Other interest receivable and similar income	10	2,221	1,646
Interest payable and similar expenses	11	(56,495)	(69,924)
Profit before taxation		320,926	108,322
Tax on profit	12	74,255	7,239
Profit for the financial year and total comprehensive income		395,181	115,561
Dividends paid and payable	13	(289,000)	—
Retained earnings at the start of the year		6,142,353	6,026,792
Retained earnings at the end of the year		6,248,534	6,142,353

All the activities of the company are from continuing operations.

The notes on pages 14 to 26 form part of these financial statements.

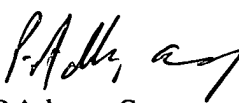
Farmhouse Biscuits Limited

Statement of Financial Position

31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	14	4,515,963	4,911,989
Current assets			
Stocks	15	1,604,142	1,391,787
Debtors	16	2,065,992	2,959,958
Investments	17	2,032	2,032
Cash at bank and in hand		782,907	497,482
		<u>4,455,073</u>	<u>4,851,259</u>
Creditors: amounts falling due within one year	19	<u>(1,378,930)</u>	<u>(2,063,272)</u>
Net current assets		<u>3,076,143</u>	<u>2,787,987</u>
Total assets less current liabilities		<u>7,592,106</u>	<u>7,699,976</u>
Creditors: amounts falling due after more than one year	20	<u>(806,281)</u>	<u>(1,006,018)</u>
Provisions	21	<u>(188,547)</u>	<u>(202,861)</u>
Net assets		<u><u>6,597,278</u></u>	<u><u>6,491,097</u></u>
Capital and reserves			
Called up share capital	25	11,644	11,644
Share premium account	26	337,100	337,100
Profit and loss account	26	6,248,534	6,142,353
Shareholders funds		<u><u>6,597,278</u></u>	<u><u>6,491,097</u></u>

These financial statements were approved by the board of directors and authorised for issue on 5 November 2020, and are signed on behalf of the board by:


P Acheson-Gray
Director

Company registration number: 01145352

The notes on pages 14 to 26 form part of these financial statements.

Farmhouse Biscuits Limited

Statement of Cash Flows

Year Ended 31 December 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Profit for the financial year		395,181	115,561
<i>Adjustments for:</i>			
Depreciation of tangible assets		397,791	375,000
Government grant income		(602)	(602)
Other interest receivable and similar income		(2,221)	(1,646)
Interest payable and similar expenses		56,495	69,924
Loss on disposal of tangible assets		143,201	38,921
Tax on profit		(74,255)	(7,239)
Accrued expenses		-	131,887
<i>Changes in:</i>			
Stocks		(212,355)	430,518
Trade and other debtors		832,506	600,311
Trade and other creditors		(250,106)	(688,685)
Cash generated from operations		1,285,635	1,063,950
Interest paid		(56,495)	(69,924)
Interest received		2,221	1,646
Tax received/(paid)		135,787	(27,071)
Net cash from operating activities		1,367,148	968,601
Cash flows from investing activities			
Purchase of tangible assets		(197,465)	(897,984)
Proceeds from sale of tangible assets		52,500	13,500
Cash receipts from the repayment of advances and loans		76,150	-
Net cash used in investing activities		(68,815)	(884,484)
Cash flows from financing activities			
Proceeds from borrowings		-	911,300
Repayments of borrowings		(193,549)	(444,647)
Proceeds from loans from participating interests		17,100	-
Government grant income		-	602
Dividends paid		(289,000)	-
Net cash (used in)/from financing activities		(465,449)	467,255

The statement of cash flows
continues on the following page.

The notes on pages 14 to 26 form part of these financial statements.

Farmhouse Biscuits Limited

Statement of Cash Flows *(continued)*

Year Ended 31 December 2019

	Note	2019 £	2018 £
Net increase in cash and cash equivalents		832,884	551,372
Cash and cash equivalents at beginning of year		(236,161)	(787,533)
Cash and cash equivalents at end of year	18	<u>596,723</u>	<u>(236,161)</u>

The notes on pages 14 to 26 form part of these financial statements.

Farmhouse Biscuits Limited

Notes to the Financial Statements

Year Ended 31 December 2019

1. General Information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Brook Street Mill, Brook Street, Nelson, Lancashire, BB7 9PX. The principal activity of the company during the year was the manufacture of biscuits.

2. Statement of Compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting Policies

Basis of Preparation

The financial statements have been prepared on the historical cost basis as modified by the revaluation of certain financial assets and liabilities at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Farmhouse Biscuits Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2019

3. Accounting Policies *(continued)*

Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Determination of whether there are indicators of impairment of the company's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Determination of whether leases entered into by the company as lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Determination of recoverability of stock. A specific provision is made against certain stock where in the opinion of the directors the stock will be recovered at less than cost.

Revenue Recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts and of Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Farmhouse Biscuits Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2019

3. Accounting Policies *(continued)*

Income Tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign Currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Operating Leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible Assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	2% straight line
Plant and machinery	-	10% straight line
Fixtures and fittings	-	20% straight line
Motor vehicles	-	20% reducing balance

Farmhouse Biscuits Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2019

3. Accounting Policies *(continued)*

Impairment of Fixed Assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Work in progress and raw materials are valued on the basis of direct costs plus attributable overheads based on normal levels of activity.

Government Grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Farmhouse Biscuits Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2019

3. Accounting Policies *(continued)*

Financial Instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

4. Turnover

Turnover arises from:

	2019 £	2018 £
Sale of goods	14,573,729	14,300,403

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2019 £	2018 £
United Kingdom	12,480,248	12,601,514
Overseas	2,093,481	1,698,889
	14,573,729	14,300,403

Farmhouse Biscuits Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2019

5. Other Operating Income

	2019	2018
	£	£
Government grant income	602	602
Other operating income	922	—
	<u>1,524</u>	<u>602</u>

6. Operating Profit

Operating profit or loss is stated after charging/crediting:

	2019	2018
	£	£
Depreciation of tangible assets	397,791	375,000
Loss on disposal of tangible assets	143,201	38,921
Impairment of trade debtors	—	3,546
Operating lease rentals	84,140	85,758
Foreign exchange differences	8,310	(20,248)
Director's remuneration	<u>397,532</u>	<u>419,505</u>

7. Auditor's Remuneration

	2019	2018
	£	£
Fees payable for the audit of the financial statements	<u>13,500</u>	<u>13,500</u>
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	<u>38,534</u>	<u>20,605</u>

8. Staff Costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2019	2018
	No.	No.
Production staff	154	163
Management staff	39	41
	<u>193</u>	<u>204</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019	2018
	£	£
Wages and salaries	4,918,377	5,003,967
Social security costs	300,184	336,136
Other pension costs	113,683	124,814
	<u>5,332,244</u>	<u>5,464,917</u>

Farmhouse Biscuits Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2019

9. Directors' Remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2019	2018
	£	£
Remuneration	348,124	382,597
Company contributions to defined contribution pension plans	49,408	36,908
	<u>397,532</u>	<u>419,505</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2019	2018
	No.	No.
Defined contribution plans	<u>2</u>	<u>2</u>

Remuneration of the highest paid director in respect of qualifying services:

	2019	2018
	£	£
Aggregate remuneration	<u>81,744</u>	<u>110,740</u>

The directors to whom retirement benefits were accruing were R P and D M McIvor.

10. Other Interest Receivable and Similar Income

	2019	2018
	£	£
Interest on cash and cash equivalents	<u>2,221</u>	<u>1,646</u>

11. Interest Payable and Similar Expenses

	2019	2018
	£	£
Interest on banks loans and overdrafts	<u>56,495</u>	<u>69,924</u>

12. Tax on Profit

Major components of tax income

	2019	2018
	£	£
Current tax:		
UK current tax expense	94,418	18,561
Adjustments in respect of prior periods	(154,359)	(27,708)
Total current tax	<u>(59,941)</u>	<u>(9,147)</u>

Farmhouse Biscuits Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2019

12. Tax on Profit *(continued)*

	2019 £	2018 £
Deferred tax:		
Origination and reversal of timing differences	(14,314)	1,908
Tax on profit	<u>(74,255)</u>	<u>(7,239)</u>

Reconciliation of tax income

The tax assessed on the profit on ordinary activities for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Profit on ordinary activities before taxation	320,926	108,322
Profit on ordinary activities by rate of tax	64,025	20,581
Adjustment to tax charge in respect of prior periods	(154,359)	(27,708)
Effect of capital allowances and depreciation	14,227	–
Effect of revenue exempt from tax	(114)	(112)
Utilisation of tax losses	(838)	–
Adjustment to S455 tax	2,804	–
Tax on profit	<u>(74,255)</u>	<u>(7,239)</u>

13. Dividends

	2019 £	2018 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>289,000</u>	<u>–</u>

Farmhouse Biscuits Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2019

14. Tangible Assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2019	3,743,721	5,191,793	757,123	358,177	10,050,814
Additions	–	122,316	75,149	–	197,465
Disposals	–	(388,669)	(413,499)	(169,394)	(971,562)
Transfers	–	(317,618)	–	–	(317,618)
At 31 December 2019	3,743,721	4,607,822	418,773	188,783	8,959,099
Depreciation					
At 1 January 2019	1,033,798	3,326,072	524,452	254,503	5,138,825
Charge for the year	74,880	281,580	31,304	10,027	397,791
Disposals	–	(297,202)	(370,225)	(108,435)	(775,862)
Transfers	–	(317,618)	–	–	(317,618)
At 31 December 2019	1,108,678	2,992,832	185,531	156,095	4,443,136
Carrying amount					
At 31 December 2019	2,635,043	1,614,990	233,242	32,688	4,515,963
At 31 December 2018	2,709,923	1,865,721	232,671	103,674	4,911,989

Capital commitments

	2019 £	2018 £
Contracted for but not provided for in the financial statements	35,000	–

15. Stocks

	2019 £	2018 £
Raw materials and consumables	1,289,836	1,035,216
Finished goods and goods for resale	314,306	356,571
	1,604,142	1,391,787

Farmhouse Biscuits Limited

Notes to the Financial Statements (continued)

Year Ended 31 December 2019

16. Debtors

	2019 £	2018 £
Trade debtors	1,671,224	2,534,420
Prepayments and accrued income	65,724	63,619
Directors loan account	168,550	244,700
s455 tax recoverable	75,975	61,285
Other debtors	84,519	55,934
	<u>2,065,992</u>	<u>2,959,958</u>

The debtors above include the following amounts falling due after more than one year:

	2019 £	2018 £
Other debtors	<u>32,028</u>	<u>12,198</u>

17. Investments

	2019 £	2018 £
Other investments	<u>2,032</u>	<u>2,032</u>

The fair value of listed investments, which are all traded in active markets, was determined with reference to the quoted market price at the reporting date.

18. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	2019 £	2018 £
Cash at bank and in hand	782,907	497,482
Bank overdrafts	(186,184)	(733,643)
	<u>596,723</u>	<u>(236,161)</u>

19. Creditors: amounts falling due within one year

	2019 £	2018 £
Bank loans and overdrafts	394,278	936,150
Trade creditors	344,195	504,932
Accruals and deferred income	389,974	422,705
Corporation tax	109,108	18,572
Social security and other taxes	124,275	180,913
Director loan accounts	17,100	—
	<u>1,378,930</u>	<u>2,063,272</u>

Farmhouse Biscuits Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2019

19. Creditors: amounts falling due within one year *(continued)*

The bank loans are secured by charges over the land and buildings and certain plant and machinery.

20. Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Bank loans and overdrafts	779,793	978,928
Accruals and deferred income	26,488	27,090
	<u>806,281</u>	<u>1,006,018</u>

The bank loans are secured by charges over the land and buildings and certain plant and machinery.

21. Provisions

	Deferred tax (note 22) £
At 1 January 2019	202,861
Additions	(14,314)
At 31 December 2019	<u>188,547</u>

22. Deferred Tax

The deferred tax included in the statement of financial position is as follows:

	2019	2018
	£	£
Included in provisions (note 21)	<u>188,547</u>	<u>202,861</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019	2018
	£	£
Accelerated capital allowances	<u>188,547</u>	<u>202,861</u>

23. Employee Benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £113,683 (2018: £124,814).

The amount outstanding at year end relating to defined contribution plans was £20,462 (2018: £5,707).

Farmhouse Biscuits Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2019

24. Government Grants

The amounts recognised in the financial statements for government grants are as follows:

	2019 £	2018 £
Recognised in creditors:		
Deferred government grants due within one year	602	602
Deferred government grants due after more than one year	26,488	27,090
	<u>27,090</u>	<u>27,692</u>
Recognised in other operating income:		
Government grants released to profit or loss	<u>602</u>	<u>602</u>

25. Called Up Share Capital

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>11,644</u>	<u>11,644</u>	<u>11,644</u>	<u>11,644</u>

26. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

27. Analysis of Changes in Net Debt

	At 1 Jan 2019	Cash flows	At 31 Dec 2019
	£	£	£
Cash at bank and in hand	497,482	285,425	782,907
Bank overdrafts	(733,643)	547,459	(186,184)
Debt due within one year	(202,507)	(22,687)	(225,194)
Debt due after one year	(978,928)	199,135	(779,793)
Current asset investments	2,032	—	2,032
	<u>(1,415,564)</u>	<u>1,009,332</u>	<u>(406,232)</u>

Farmhouse Biscuits Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2019

	2019 £	2018 £
28. Operating Leases		
The total future minimum lease payments under non-cancellable operating leases are as follows:		
	2019 £	2018 £
Not later than 1 year	89,387	89,387
Later than 1 year and not later than 5 years	159,364	228,164
Later than 5 years	–	3,183
	<u>248,751</u>	<u>320,734</u>

29. Directors' Advances, Credits and Guarantees

As at 31 December 2019, the company was owed £168,550 (2018: £244,700) from the directors. This amount is repayable on demand, no interest is charged in respect of this balance.

There was also £17,100 due from the company to one of the directors (2018: £nil).

During the year the company sold a motor vehicle to a director for £40,000. This is included in the balance outstanding listed above.

30. Related Party Transactions

During the year rent of £55,059 (2018: £53,909) was paid into a pension scheme for the benefit of certain directors.

31. Controlling Party

There is no ultimate controlling party but R P McIvor and D M McIvor acting in concert, control the company by virtue of their majority shareholding.