

Hall's of Scotland Limited

Annual report

For the year ended 31 December 2014

Registered Number SC076842

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# Hall's of Scotland Limited

## Annual report for the year ended 31 December 2014

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# **Hall's of Scotland Limited**

## **Directors and advisers for the year ended 31 December 2014**

### **Directors**

S M Godfrey  
W Godfrey  
Warren Godfrey  
D Miller  
D Sutherland  
A G Hill

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
141 Bothwell Street  
Glasgow  
G2 7EQ

### **Solicitors**

Maclay, Murray & Spens  
1 George Square  
Glasgow  
G2 1AL

### **Registered office**

UNIT 1 Greystone Avenue  
Kelloholm  
Sanquar  
Dumfriesshire  
Scotland  
DG4 6RB

### **Registered number**

SC076842

### **Bankers**

Bank of Scotland  
1 Castle Terrace  
Edinburgh  
EH1 2DP

# Hall's of Scotland Limited

## Strategic report for the year ended 31 December 2014

The directors present the strategic report of the company for the year ended 31 December 2014.

### Review of business

The directors are satisfied with the progress made in the business during the year. Turnover has increased despite the continued competitive market place. The directors are happy that further progress in turnover and profitability will be seen in the coming year.

The profit and loss account for the year is set out on page 7.

### Principal activities

The principal activities of the company are the manufacture of frozen and cooked meat products.

### Key performance indicators

The directors are of the opinion that analysis using KPI's is not necessary for external readers of the financial statements understanding of the development, performance or position of the business. The directors' focus on monthly detailed review and analysis of EBITDA performance for the company compared with budgets, as well as reporting regularly and early to its bankers on performance and covenant cover.

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are considered to relate to competition from other suppliers, employee retention, product availability and price. These are managed by a strong core team of experienced senior employees, with a Board of Directors with a heavy day to day involvement and appropriate delegation. Detailed industry knowledge allows the company to be proactive as well as reactive.

### Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The company does not use complex financial instruments. The Group monitors closely exchange rates and hedges as it considers appropriate. The Group uses and regularly monitors credit limits with its customers. The Directors regularly monitor levels of debt finance and the related finance costs.

By order of the Board



S M Godfrey

Director

9<sup>th</sup> September 2015

# Hall's of Scotland Limited

## Directors' report for the year ended 31 December 2014

The directors present their report and the audited financial statements of the company for the year ended 31 December 2014.

### Future outlook

The external commercial environment in which the company operates is expected to remain competitive in the coming year. The directors are confident that demand and performance will remain strong.

### Directors

The directors of the company at 31 December 2014 and who have held office during the year and up to the date of signing the financial statements are listed on page 1.

### Dividends

Dividends are paid from the holding company Browns Food Group Limited. There are no dividends declared for the year ended 31 December 2014 from Hall's of Scotland Limited (2013: £nil).

### Research and development

The company continues to carry out research and development activities into new product areas.

### Employment of disabled persons and employee involvement

It is the policy of the company that disabled people should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with the necessary rehabilitation and training. The Directors believe that all employees are treated fairly with respect to career development and promotion.

It continues to be the policy of the company to consult employees and employee representatives regularly to support communication and thereby:

- provide information regarding the company's performance;
- ensure that employees views are known as part of our decision making process; and
- discuss matters of concern or importance such as employment, personnel development, and welfare.

# Hall's of Scotland Limited

## Directors' report for the year ended 31 December 2014 (Continued)

### Statement of directors' responsibilities

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 prepared 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### Disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



S M Godfrey

Director

9<sup>th</sup> September 2015

# ***Independent auditors' report to the members of Hall's of Scotland Limited***

## **Report on the financial statements**

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### **Our opinion**

In our opinion, Hall's of Scotland Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.
- 

### **What we have audited**

The financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **Opinion on other matter prescribed by the Companies Act 2006**

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

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### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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## Responsibilities for the financial statements and the audit

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### Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Kenneth Wilson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow  
24 September 2015



# Hall's of Scotland Limited

## Profit and loss account for the year ended 31 December 2014

	Note	2014 £ '000	2013 £ '000
Turnover	1	28,612	21,542
Cost of sales		(22,969)	(16,647)
<b>Gross profit</b>		<b>5,643</b>	<b>4,895</b>
Selling and distribution costs		(1,304)	(125)
Administrative expenses		(4,639)	(4,619)
<b>Operating (loss)/profit</b>	4	<b>(302)</b>	<b>151</b>
Interest payable and similar charges	5	(180)	(146)
<b>(Loss)/Profit on ordinary activities before taxation</b>		<b>(482)</b>	<b>5</b>
Tax on (loss)/profit on ordinary activities	6	25	(123)
<b>Loss for the financial year</b>	16	<b>(457)</b>	<b>(118)</b>

All of the company's activities are continuing operations.

The company has no recognised gains or losses other than those dealt with in the profit and loss account.

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the years stated above, and their historical cost equivalents.

# Hall's of Scotland Limited

## Balance sheet as at 31 December 2014

	Note	2014 £ '000	2013 £ '000
<b>Fixed assets</b>			
Tangible assets	7	3,674	4,485
<b>Current assets</b>			
Stocks	8	1,922	1,660
Debtors	9	5,170	5,183
Cash at bank and in hand		1	1
		7,093	6,844
<b>Creditors: amounts falling due within one year</b>	10	(9,666)	(6,811)
<b>Net current assets</b>		(2,573)	33
<b>Total assets less current liabilities</b>		1,101	4,518
<b>Creditors: amounts falling due after more than one year</b>	11	(159)	(3,119)
<b>Net assets</b>		942	1,399
<b>Capital and reserves</b>			
Called up share capital	14	30	30
Capital redemption reserve	15	20	20
Profit and loss account	16	892	1,349
<b>Total shareholders' funds</b>	17	942	1,399

The financial statements on pages 7 to 19 were approved by the board of directors on 9<sup>th</sup> September 2015 and were signed on its behalf by:

  
S M Godfrey  
Director

Registered Number SC076842

# Hall's of Scotland Limited

## Statement of accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the financial year, are set out below.

### Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Belcher Holdings Limited and is included in the consolidated financial statements of the ultimate parent company, Browns Food Group Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996) "cash flow statements". The company is also exempt under the terms of Financial Reporting Standard 8 "related party disclosures" from disclosing related party transactions with entities that are part of Browns Food Group Limited.

### Turnover

Turnover includes discounts and excludes value added tax, representing the invoiced value of goods. Turnover is recognised when the goods are shipped to the customers.

### Tangible fixed assets

Provision is made for the depreciation of fixed assets in order to write off the cost or valuation of these assets over their expected useful lives.

The annual depreciation rates and methods are as follows:

Freehold buildings	-	5% straight line
Plant and equipment	-	20% straight line

In accordance with Financial Reporting Standard 11, Impairment of Fixed Assets and Goodwill, the company undertakes a review for impairment of fixed assets if events or changes in circumstances indicate that the carrying amount of the fixed assets may require to be reassessed. To the extent that the carrying amount exceeds the recoverable amount, i.e. the higher of net realisable value or "value in use", the fixed assets are written down, as appropriate, by charging additional depreciation. The value in use is determined from discounted estimated future net cash flows obtainable as a result of an asset's continued use.

### Taxation

Current and deferred taxation is based on the profits for the year and includes all tax liabilities accruing to the date of the financial statements. Full provision is made on a non discounted basis for deferred taxation liabilities arising from differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

# **Hall's of Scotland Limited**

## **Statement of accounting policies (continued)**

### **Grants**

Government grants in respect of capital expenditure are credited to deferred income, a proportion of which is transferred to income annually over the expected lives of the assets. Employment grants received by the company are credited against the expenses to which they relate.

### **Pension contributions**

Pension contributions are made to an external, insured fund and are charged to the profit and loss account in the year in which payment is due.

### **Research and development**

All research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

# Hall's of Scotland Limited

## Notes to the financial statements for the year ended 31 December 2014

### 1 Turnover

Turnover represents the value of sales invoiced, excluding value added tax and is derived mainly from the United Kingdom, and Turnover is recognised when the goods are shipped to customers.

	2014 £ '000	2013 £ '000
<hr/>		
<b>Geographical segment</b>		
United Kingdom	28,612	21,542

### 2 Directors' emoluments

The directors are paid through a fellow group company, Brown Brothers (Manufacturing) Limited, and no recharge is made to Halls of Scotland Limited in respect of these emoluments. No retirement benefits accrue to any director.

# Hall's of Scotland Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 3 Employee information

The average monthly number of persons employed by the company during the year was:

By activity	2014 Number	2013 Number
Office and management staff	41	16
Production staff	219	123
	260	139

Staff costs (for the above persons)	2014 £ '000	2013 £ '000
Wages and salaries	3,309	2,192
Social security costs	225	150
Other pension costs	11	1
	3,545	2,343

### 4 Operating (loss)/profit

	2014 £ '000	2013 £ '000
Operating (loss)/profit is stated after charging/(crediting):		
Depreciation charge for the year	1,550	1,631
Auditors' remuneration - audit services	11	11
Gain on disposal of fixed assets	(46)	(12)
Grant release	(60)	(60)

# Hall's of Scotland Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 5 Interest payable and similar charges

	2014 £ '000	2013 £ '000
Bank interest	180	146

### 6 Tax on (loss)/profit on ordinary activities

	2014 £ '000	2013 £ '000
<b>Current tax:</b>		
United Kingdom corporation tax on loss of the year	81	223
Adjustment in respect of prior year	(2)	(33)
Total current tax	79	190
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(105)	(115)
Changes in tax rates	7	25
Adjustment in respect of prior year	(6)	23
Total deferred tax (note 12)	(104)	(67)
<b>Tax (credit)/ charge on loss on ordinary activities</b>	<b>(25)</b>	<b>123</b>

# Hall's of Scotland Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 6 Tax on (loss)/profit on ordinary activities (continued)

The tax assessed for the year is higher (2013: higher) than the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%). The differences are explained below:

	2014 £ '000	2013 £ '000
(Loss)/Profit on ordinary activities before taxation	(482)	5
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013: 23.25%)	(104)	1
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	93	107
Income not taxable	(13)	-
Capital allowances in excess of depreciation	105	115
Adjustment to tax in respect of prior year	(2)	(33)
<b>Current tax charge for the year</b>	<b>79</b>	<b>190</b>

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. Accordingly, the company's profits for the year are charged at a rate of 21.49%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.



# Hall's of Scotland Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 7 Tangible assets

	Freehold land and buildings £ '000	Plant and equipment £ '000	Total £ '000
<b>Cost or valuation</b>			
At 1 January 2014	9,486	23,367	32,853
Additions	-	785	785
Disposals	-	(77)	(77)
<b>At 31 December 2014</b>	<b>9,486</b>	<b>24,075</b>	<b>33,561</b>
<b>Accumulated depreciation</b>			
At 1 January 2014	7,510	20,858	28,368
Charge for the year	364	1,186	1,550
Disposals	-	(31)	(31)
<b>At 31 December 2014</b>	<b>7,874</b>	<b>22,013</b>	<b>29,887</b>
<b>Net book value</b>			
<b>At 31 December 2014</b>	<b>1,612</b>	<b>2,062</b>	<b>3,674</b>
At 31 December 2013	1,976	2,509	4,485

### 8 Stocks

	2014 £ '000	2013 £ '000
Raw materials	1,209	779
Finished goods	713	881
	<b>1,922</b>	<b>1,660</b>

# Hall's of Scotland Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 9 Debtors

	2014	2013
	£ '000	£ '000
Trade debtors	3,720	3,751
Amounts owed by group undertakings	903	940
Other debtors	124	268
Prepayments and accrued income	158	63
Deferred tax asset (see note 12)	265	161
	5,170	5,183

Amounts owed by group undertakings within one year accrue no interest and are repayable on demand.

### 10 Creditors: amounts falling due within one year

	2014	2013
	£ '000	£ '000
Bank loan and overdraft	6,385	3,452
Trade creditors	1,601	1,533
Taxation and social security	76	108
Accruals and deferred income	725	770
Deferred Income (note 13)	60	60
Amounts owed to group undertakings	579	674
Corporation Tax	240	214
	9,666	6,811

The bank loan and overdraft are secured by a bond and floating charge over the assets of the company and of its ultimate parent, Browns Food Group Limited.

Amounts owed to group undertakings within one year accrue no interest and are repayable on demand.

# Hall's of Scotland Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 11 Creditors: amounts falling due after more than one year

	2014 £ '000	2013 £ '000
Bank loan	-	3,000
Deferred income (note 13)	159	119
	159	3,119
<b>Maturity of debt:</b>		
Borrowings are repayable as follows:		
Within one year	3,000	-
After one and within two years	-	3,000
	3,000	3,000

The Group agreed a new debt facility with Bank of Scotland PLC in August 2015, comprising a 3 year borrowing facility of up to £20.0 million in place until August 2018 and secured over part of the Group's trade receivables. This facility bears interest at normal commercial rates.

### 12 Deferred tax asset

<b>Deferred taxation comprises:</b>	2014 £ '000	2013 £ '000
Accelerated capital allowances	265	161
<b>Represented by:</b>		
At 1 January	161	94
Credit to the profit and loss account (note 6)	104	67
<b>At 31 December</b>	<b>265</b>	<b>161</b>

# Hall's of Scotland Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 13 Deferred income

	2014 £'000	2013 £'000
At 1 January	179	131
Grant received within the year	100	108
Released to profit and loss account in the year	(60)	(60)
At 31 December	219	179

### 14 Called up share capital

	2014 £ '000	2013 £ '000
<b>Authorised</b>		
50,000 (2013: 50,000) ordinary shares of £1 each	50	50
<b>Allotted and fully paid</b>		
29,998 (2013: 29,998) ordinary shares of £1 each	30	30

### 15 Capital redemption reserve

	2014 £ '000	2013 £ '000
Capital redemption reserve	20	20

# Hall's of Scotland Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 16 Profit and loss account

	£ '000
At 1 January 2014	1,349
Loss for the financial year	(457)
<b>At 31 December 2014</b>	<b>892</b>

### 17 Reconciliation of movements in shareholders' funds

	2014 £ '000	2013 £ '000
Opening shareholders' funds	1,399	1,517
Loss for the financial year	(457)	(118)
<b>Closing shareholders' funds</b>	<b>942</b>	<b>1,399</b>

### 18 Ultimate parent undertaking and controlling party

The immediate parent undertaking and controlling party is Belcher Holdings Limited whose parent is Brown Brothers (Manufacturing) Limited.

The ultimate parent undertaking and controlling party is Browns Food Group Limited, a company incorporated in Scotland.

Browns Food Group Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2014. The consolidated financial statements of Browns Food Group Limited are available from Browns Food Group Limited, Kelloholm Industrial Estate, Kirkconnel, Dumfriesshire, DG4 6RB.