

BRAEHEAD FOODS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

Company Registration No. SC193995 (Scotland)

BRAEHEAD FOODS LIMITED

COMPANY INFORMATION

Directors	Mrs Aileen Dick	
	Mr Anthony Reynolds	(Appointed 26 September 2023)
	Mr Andrew Austin	(Appointed 26 September 2023)
	Ms Gillian Rae	(Appointed 28 July 2023)
Company number	SC193995	
Registered office	Unit 7 Moorfield North Industrial Park Kilmarnock Ayrshire KA2 0FE	
Auditor	William Duncan + Co (Audit) Ltd Ellersley House 30 Miller Road Ayr Ayrshire KA7 2AY	
Business address	Unit 7 Moorfield North Industrial Park Kilmarnock Ayrshire KA2 0FE	
Bankers	Royal Bank of Scotland 96 John Finnie Street Kilmarnock Ayrshire KA1 1NY	
Solicitors	McCluskey Browne 7 Portland Road Kilmarnock Ayrshire KA1 2BT	

BRAEHEAD FOODS LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12 - 25

BRAEHEAD FOODS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report for the year ended 31 March 2023.

Fair review of the business

The directors aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at year end. The review is consistent with the size and non-complex nature of the business and is written in the context of the risks and uncertainties faced.

The key financial performance indicators are those that communicate the financial performance and strength of the company, being turnover and margin. Sales grew by 25.8% to £16,152,655 (2022 - £12,835,267), reflecting the ongoing recovery from Covid-19 impact and restrictions.

The overall gross profit has risen by 17.0% to £4,625,047 (2022 - £3,953,858). The Gross Profit margin remained steady at 28.6% (2022 – 30.8%). Margins continue to be impacted by volatility in supply chain costs.

The business' key aim in the year was to continue recovery from the Covid 19 impact, grow sales volumes and broaden the range of own made product being sold.

Sales of in-house produced products rose by 51.4% to £5,054,654 (2022 - £3,336,562), the continued growth in this product area confirms to the directors the importance of large national group customers to support future business growth.

Principal risks and uncertainties

The company takes all necessary measures to identify and manage risks to the business. The principal risk in the financial year to 31 March 2023 was price inflation and the impact cost of living pressures have on Braehead Foods Ltd customers.

The directors identify competition from other suppliers in the food production and food service industry as a risk as businesses in the industry compete for market share. The company strives to ensure that its products are of consistently high quality and competitively priced, and the directors consider that this, coupled with excellent customer care, keeps the company at the forefront of the market.

The business has grown rapidly in the two years since the end of Covid restrictions and availability of suitably experienced and trained staff is a risk. The business has a comprehensive range of recruitment methods and sources to ensure new talent is secured as well as a comprehensive benefits package to help with staff retention.

Standards are maintained through investment in technology, new product development and the retention of talented experienced food industry professionals in the production area of the business and investment in the technical team to ensure food standards and safety are at the forefront of the production process.

In terms of operational risk, the company is susceptible to fluctuations in the price of raw materials and all possible steps are taken to minimise exposure to these risks by building good relationships with suppliers negotiating prices and carefully monitoring costs.

Stock management and control remains a focus within the business. Working capital pressures remain a challenge for the company. The Directors continue to manage credit terms received and given to ensure cash resources are maximised.

BRAEHEAD FOODS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Development and performance

The directors were disappointed with the poor trading results for the year ended 31st March 2023. The key aim for the year had been to continue improving the business profitability.

The aim for the current financial year is to return to profitability. The hospitality industry has its own challenges including this posed by cost of living pressures and the aim is to maintain, support and grow the customer base of the business.

As detailed further in the Financial Statements and Notes, Reynolds Catering Supplies Ltd acquired an 80% stake in Braehead Foods Ltd in September 2023. Reynolds and Braehead identified an opportunity for a partnership between the businesses which will take advantage of the complimentary nature of the product ranges and customer bases. The Boards of the respective companies see considerable opportunity to grow sales, reduce costs and improve operational efficiency for all parties following the combination of the businesses. Moving forward Reynolds will be actively selling the Braehead range to its existing customers whilst also developing new products with those customers to add to the Braehead business. Braehead will have access to the national distribution network that Reynolds have developed, which will enable them to reduce costs significantly whilst having a broader reach across the whole of the UK.

On behalf of the board

Ms Gillian Rae
Director

22 December 2023

BRAEHEAD FOODS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities

The principal activities of the company continued to be those of food processing and distribution.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr Craig Stevenson	(Resigned 26 September 2023)
Mrs Bridget Stevenson	(Resigned 26 September 2023)
Mr Andrew Clark	(Resigned 28 July 2023)
Mr Stuart Campbell	(Resigned 28 April 2023)
Mr John Harkins	(Resigned 17 January 2023)
Mrs Aileen Dick	
Mr Anthony Reynolds	(Appointed 26 September 2023)
Mr Andrew Austin	(Appointed 26 September 2023)
Ms Gillian Rae	(Appointed 28 July 2023)

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £86,161. The directors do not recommend payment of a final dividend.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Ms Gillian Rae

Director

22 December 2023

BRAEHEAD FOODS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

The directors are responsible for preparing the annual 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 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.

BRAEHEAD FOODS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BRAEHEAD FOODS LIMITED

Opinion

We have audited the financial statements of Braehead Foods Limited (the 'company') for the year ended 31 March 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 March 2023 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.

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.

Material uncertainty relating to going concern

We draw your attention to the going concern accounting policy at note 1.2 in the financial statements, which details that Braehead Foods Limited incurred a net loss after taxation of £1,225,955 during the year ended 31 March 2023 and as of that date the company has net current liabilities of £1,534,843 (2022: net current assets of £242,683) and net liabilities of £953,426 (2022: net assets of £358,690). The company has made a loss before taxation of £234,802 in the post year end period to 31 October 2023. The marketplace is challenging and they are having to deal with inflationary price pressures on staffing costs and goods which has had an impact on the overall profitability of the company, which means the company continues to be in a net liability position at 31 October 2023.

These events or conditions, along with other matters as set forth in the going concern accounting policy at note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

However these financial statements have been prepared on a going concern basis based on the following:

- The continuation of Braehead Foods Limited company's operation is dependent upon its continued financial support from the new ultimate parent company Reynolds Catering Supplies Limited. Reynolds Catering Supplies Limited has indicated that it will continue to provide the necessary financial support to Braehead Foods Limited for a period of at least 12 months from the date these financial statements are approved, to enable it to continue operations and meet its liabilities as they fall due.

Our opinion is not modified in respect of this matter.

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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

BRAEHEAD FOODS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BRAEHEAD FOODS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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.

BRAEHEAD FOODS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BRAEHEAD FOODS LIMITED

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- Enquiry of management, those charged with governance and the entity's solicitors around actual and potential litigation and claims.
- Enquiry of entity staff in compliance functions to identify any instances of non-compliance with laws and regulations.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

Mr David Young CA
Senior Statutory Auditor
For and on behalf of William Duncan + Co (Audit) Ltd

22 December 2023

Chartered Accountants
Statutory Auditor

Ellersley House
30 Miller Road
Ayr
Ayrshire
KA7 2AY

BRAEHEAD FOODS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Turnover	3	16,152,655	12,835,267
Cost of sales		(11,527,608)	(8,881,409)
Gross profit		4,625,047	3,953,858
Administrative expenses		(5,870,156)	(4,505,930)
Other operating income		29,091	897,680
Operating (loss)/profit	4	(1,216,018)	345,608
Interest payable and similar expenses	7	(127,490)	(87,398)
(Loss)/profit before taxation		(1,343,508)	258,210
Tax on (loss)/profit	8	117,553	(68,948)
(Loss)/profit for the financial year		(1,225,955)	189,262

The profit and loss account has been prepared on the basis that all operations are continuing operations.

BRAEHEAD FOODS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2023

		2023	2022
	Notes	£	£
Fixed assets			
Tangible assets	10	2,400,536	2,390,691
Current assets			
Stocks	11	799,575	990,130
Debtors	12	2,136,563	1,701,963
Cash at bank and in hand		36,370	88,838
		<u>2,972,508</u>	<u>2,780,931</u>
Creditors: amounts falling due within one year	13	<u>(4,507,351)</u>	<u>(2,538,248)</u>
Net current (liabilities)/assets		<u>(1,534,843)</u>	<u>242,683</u>
Total assets less current liabilities		<u>865,693</u>	<u>2,633,374</u>
Creditors: amounts falling due after more than one year	14	(1,819,119)	(2,157,131)
Provisions for liabilities			
Deferred tax liability	17	-	117,553
		<u>-</u>	<u>(117,553)</u>
Net (liabilities)/assets		<u>(953,426)</u>	<u>358,690</u>
Capital and reserves			
Called up share capital	20	10,000	10,000
Profit and loss reserves		<u>(963,426)</u>	<u>348,690</u>
Total equity		<u>(953,426)</u>	<u>358,690</u>

The financial statements were approved by the board of directors and authorised for issue on 22 December 2023 and are signed on its behalf by:

Ms Gillian Rae
Director

Company registration number SC193995 (Scotland)

BRAEHEAD FOODS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 April 2021		10,000	209,428	219,428
Year ended 31 March 2022:				
Profit and total comprehensive income		-	189,262	189,262
Dividends	9	-	(50,000)	(50,000)
Balance at 31 March 2022		10,000	348,690	358,690
Year ended 31 March 2023:				
Loss and total comprehensive income		-	(1,225,955)	(1,225,955)
Dividends	9	-	(86,161)	(86,161)
Balance at 31 March 2023		10,000	(963,426)	(953,426)

BRAEHEAD FOODS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	£	2022 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	26		(378,871)		204,672
Interest paid			(127,490)		(87,398)
Net cash (outflow)/inflow from operating activities			(506,361)		117,274
Investing activities					
Purchase of tangible fixed assets		(250,394)		(153,838)	
Proceeds on disposal of tangible fixed assets		34,387		14,873	
Repayment of other investments and loans		(1,799)		1,544	
Net cash used in investing activities			(217,806)		(137,421)
Financing activities					
Repayment of bank loans		(377,038)		(148,783)	
Proceeds from finance lease obligations		77,906		(11,563)	
Dividends paid		(86,161)		(50,000)	
Net cash used in financing activities			(385,293)		(210,346)
Net decrease in cash and cash equivalents			(1,109,460)		(230,493)
Cash and cash equivalents at beginning of year			(197,614)		32,880
Cash and cash equivalents at end of year			(1,307,074)		(197,614)
Relating to:					
Cash at bank and in hand			36,370		88,838
Bank overdrafts included in creditors payable within one year			(1,343,444)		(286,452)

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Braehead Foods Limited is a private company limited by shares incorporated in Scotland. The registered office is Unit 7 Moorfield North Industrial Park, Kilmarnock, Ayrshire, KA2 0FE.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The company has incurred a net loss after taxation of £1,225,955 during the year ended 31 March 2023. At 31 March 2023 the company has net current liabilities of £1,534,843 (2022: net current assets of £242,683) and net liabilities of £953,426 (2022: net assets of £358,690).

On 26 September 2023, the company's majority shareholding was bought over by Reynolds Catering Supplies Limited, which meant it became the new ultimate parent company. With this capital injection, the company repaid bank loans which were outstanding. Reynolds Catering Supplies Limited has indicated that it will continue to provide financial support to Braehead Foods Limited for a period of at least 12 months from the date these financial statements are approved. The ongoing financial support from Reynolds Catering Supplies Limited is required to allow Braehead Foods Limited to meet its liabilities as they fall due and continue operations.

The performance of Braehead Foods Limited post 31 March 2023 has been difficult with the challenging marketplace and having to deal with inflationary price pressures on staffing costs and goods which has had an impact on the overall profitability of the company. Braehead Foods Limited has made a loss before taxation of £234,802 for the 7 month period to 31 October 2023, which means the company continues to be in a net liability position at 31 October 2023. The directors monitor cash flows and profitability on an ongoing basis, so as they are aware of any ongoing funding requirements that are needed to ensure the company can meet its liabilities as they fall due. The directors have prepared forecasts for the period to 31 March 2025 and these show a gradual expected return to monthly profitability during the 31 March 2024 year end and beyond. The achievability of these forecasts is dependent on there being the expected forecast demand for their products and the company being able to implement the proposed cost saving measures to improve the margin that they make on their sales.

The directors are confident that the forecasts that they have prepared are achievable, so the financial statements have been prepared on a going concern basis. However the company is still in net liabilities at 31 October 2023 and there is uncertainty regarding future results being in line with forecast to allow them to generate the required cash flows to fund the business. The company also requires the continued support of its new ultimate parent company, Reynolds Catering Supplies Limited, to allow it to meet its creditors as they fall due. As a result of these factors it is considered appropriate to draw specific attention in the audit report to the material uncertainty related to going concern.

1.3 Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

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

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	2% on cost
Plant and machinery	10% straight line / 20% straight line / over 7 years
Fixtures, fittings & equipment	10% straight line / 20% straight line / 4% straight line
Computer equipment	10% straight line / 20% straight line
Motor vehicles	5 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

3 Turnover and other revenue

	2023 £	2022 £
Turnover analysed by class of business		
Sales	16,152,655	12,835,267
	<u>16,152,655</u>	<u>12,835,267</u>
	2023 £	2022 £
Turnover analysed by geographical market		
United Kingdom	16,152,655	12,828,406
Rest of the World	-	6,861
	<u>16,152,655</u>	<u>12,835,267</u>
	2023 £	2022 £
Other revenue		
Grants received	29,091	897,680
	<u>29,091</u>	<u>897,680</u>

4 Operating (loss)/profit

	2023 £	2022 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange losses	72,715	41,189
Government grants	(29,091)	(897,680)
Fees payable to the company's auditor for the audit of the company's financial statements	12,908	10,000
Depreciation of owned tangible fixed assets	128,391	145,443
Depreciation of tangible fixed assets held under finance leases	93,651	74,634
Profit on disposal of tangible fixed assets	(15,880)	(11,972)
Operating lease charges	57,393	71,613
	<u>57,393</u>	<u>71,613</u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2023 Number	2022 Number
Administration	20	17
Production and maintenance	34	26
Warehouse and distribution	53	42
Sales	15	14
Cleaners	5	4
	<u>127</u>	<u>103</u>
Total	127	103

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

5 Employees (Continued)

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	3,275,606	2,491,209
Social security costs	321,591	270,635
Pension costs	150,232	126,006
	<u>3,747,429</u>	<u>2,887,850</u>

6 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	278,138	278,067
Company pension contributions to defined contribution schemes	54,000	59,600
	<u>332,138</u>	<u>337,667</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2023 £	2022 £
Remuneration for qualifying services	100,000	86,000
Company pension contributions to defined contribution schemes	6,000	6,000
	<u>106,000</u>	<u>92,000</u>

7 Interest payable and similar expenses

	2023 £	2022 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	105,975	69,664
Other finance costs:		
Interest on finance leases and hire purchase contracts	21,515	12,310
Other interest	-	5,424
	<u>127,490</u>	<u>87,398</u>

8 Taxation

	2023 £	2022 £
Deferred tax		
Origination and reversal of timing differences	(117,553)	68,948
	<u>(117,553)</u>	<u>68,948</u>

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

8 Taxation

(Continued)

The actual (credit)/charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2023 £	2022 £
(Loss)/profit before taxation	(1,343,508)	258,210
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	(255,267)	49,060
Tax effect of expenses that are not deductible in determining taxable profit	4,090	1,698
Unutilised tax losses carried forward	162,343	-
Depreciation on assets not qualifying for tax allowances	8,034	8,034
Other permanent differences	-	24
Effect of 130% FYA	(12,606)	(4,403)
Deferred tax rate change	(28,214)	28,214
Prior year R&D claim	-	(13,679)
Charitable donations	4,067	-
Taxation (credit)/charge for the year	(117,553)	68,948

9 Dividends

	2023 £	2022 £
Interim paid	86,161	50,000

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

10 Tangible fixed assets

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2022	2,287,143	1,440,486	393,953	160,767	712,561	4,994,910
Additions	-	36,613	-	6,755	207,026	250,394
Disposals	-	-	-	-	(57,990)	(57,990)
At 31 March 2023	2,287,143	1,477,099	393,953	167,522	861,597	5,187,314
Depreciation and impairment						
At 1 April 2022	511,290	1,198,140	300,356	98,219	496,214	2,604,219
Depreciation charged in the year	42,284	60,175	13,663	21,390	84,530	222,042
Eliminated in respect of disposals	-	-	-	-	(39,483)	(39,483)
At 31 March 2023	553,574	1,258,315	314,019	119,609	541,261	2,786,778
Carrying amount						
At 31 March 2023	1,733,569	218,784	79,934	47,913	320,336	2,400,536
At 31 March 2022	1,775,853	242,346	93,597	62,548	216,347	2,390,691

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2023 £	2022 £
Plant and machinery	89,907	80,139
Motor vehicles	294,626	204,593
	384,533	284,732

Included in cost of land and buildings is freehold land of £172,897 (2022 - £172,897) which is not depreciated.

11 Stocks

	2023 £	2022 £
Finished goods and goods for resale	799,575	990,130

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

12 Debtors

	2023	2022
	£	£
Amounts falling due within one year:		
Trade debtors	1,887,301	1,533,772
Other debtors	241,523	150,230
Prepayments and accrued income	7,739	17,961
	<u>2,136,563</u>	<u>1,701,963</u>

13 Creditors: amounts falling due within one year

	Notes	2023	2022
		£	£
Bank loans and overdrafts	15	1,761,356	704,365
Obligations under finance leases	16	103,904	94,113
Trade creditors		1,901,242	1,250,182
Taxation and social security		148,558	199,778
Government grants	18	27,795	27,796
Accruals and deferred income		564,496	262,014
		<u>4,507,351</u>	<u>2,538,248</u>

The aggregate amount of creditors falling due within one year for which security has been given amounted to £1,751,928 (2022 - £685,145).

14 Creditors: amounts falling due after more than one year

	Notes	2023	2022
		£	£
Bank loans and overdrafts	15	1,570,704	1,947,741
Obligations under finance leases	16	162,019	93,904
Government grants	18	86,396	115,486
		<u>1,819,119</u>	<u>2,157,131</u>

The aggregate amount of creditors falling due after one year for which security has been given amounted to £1,619,389 (2022 - £1,814,978).

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

15 Loans and overdrafts

	2023 £	2022 £
Bank loans	1,988,616	2,365,654
Bank overdrafts	1,343,444	286,452
	<u>3,332,060</u>	<u>2,652,106</u>
Payable within one year	1,761,356	704,365
Payable after one year	<u>1,570,704</u>	<u>1,947,741</u>

The long-term loans are secured by fixed charges over the freehold property of Braehead Foods Limited. There is also a bond and floating charges held over Braehead Foods Limited.

16 Finance lease obligations

	2023 £	2022 £
Future minimum lease payments due under finance leases:		
Within one year	103,904	94,113
In two to five years	<u>162,019</u>	<u>93,904</u>
	<u>265,923</u>	<u>188,017</u>

The HP loans are secured by fixed charges over Braehead Foods Limited.

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2023 £	Liabilities 2022 £
Balances:		
Accelerated capital allowances	<u>-</u>	<u>117,553</u>

There were no deferred tax movements in the year.

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

18 Government grants

	2023 £	2022 £
Arising from government grants	114,191	143,282
Included in the financial statements as follows:		
Current liabilities	27,795	27,796
Non-current liabilities	86,396	115,486
	114,191	143,282

19 Retirement benefit schemes

	2023 £	2022 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	150,232	126,006

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

20 Share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	10,000	10,000	10,000	10,000

21 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023 £	2022 £
Within one year	33,420	45,160
Between two and five years	36,483	69,903
	69,903	115,063

22 Ultimate controlling party

For the period to 31st March 2023, the ultimate controlling party was Mr Craig Stevenson, director, who owns 60% of the share capital.

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

23 Events after the reporting date

On 26th September 2023, Reynolds Catering Supplies Limited purchased the shares owned by the majority shareholders and subsequently became the ultimate parent company. Along with this, the property owned by the company was sold to a Reynolds Catering Supplies Limited group company and will subsequently be rented back to Braehead Foods Limited. The outstanding loans due by Braehead Foods Limited due to various lenders were repaid in full on the day of the deal.

24 Directors' transactions

Dividends totalling £78,745 (2022 - £50,000) were paid in the year in respect of shares held by the company's directors.

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2023 £	2022 £
Aggregate compensation	278,138	278,067

The key management personnel are seen as being the directors themselves.

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sales 2023 £	Sales 2022 £	Purchases 2023 £	Purchases 2022 £
The Cook School Scotland Limited	32,239	85,494	-	247,401

The following amounts were outstanding at the reporting end date:

	2023 £	2022 £
Amounts due from related parties		
The Cook School Scotland Limited	161,528	107,123
Charcuterie Scotland Limited	4,400	4,100

Charcuterie Scotland Limited

Included within Trade Debtors is an amount of nil (2022 - £4,769) due from Charcuterie Scotland Limited.

BRAEHEAD FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

26 Cash (absorbed by)/generated from operations

	2023 £	2022 £
(Loss)/profit for the year after tax	(1,225,955)	189,262
Adjustments for:		
Taxation (credited)/charged	(117,553)	68,948
Finance costs	127,490	87,398
Gain on disposal of tangible fixed assets	(15,880)	(11,972)
Depreciation and impairment of tangible fixed assets	222,042	220,077
Movements in working capital:		
Decrease/(increase) in stocks	190,555	(312,581)
Increase in debtors	(432,801)	(1,093,889)
Increase in creditors	902,322	1,071,244
Decrease in deferred income	(29,091)	(13,815)
Cash (absorbed by)/generated from operations	(378,871)	204,672

27 Analysis of changes in net debt

	1 April 2022 £	Cash flows £	31 March 2023 £
Cash at bank and in hand	88,838	(52,468)	36,370
Bank overdrafts	(286,452)	(1,056,992)	(1,343,444)
	(197,614)	(1,109,460)	(1,307,074)
Borrowings excluding overdrafts	(2,365,654)	377,038	(1,988,616)
Obligations under finance leases	(188,017)	(77,906)	(265,923)
	(2,751,285)	(810,328)	(3,561,613)

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