

## Notes to the Company's Financial Statements

(Forming part of the Financial Statements)

### 32. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements.

#### Basis of Preparation

The financial year was the 52 weeks ended 26 June 2021 (prior financial year 52 weeks ended 27 June 2020). These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next Financial Statements. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit or loss for the year is set out in the Statement of Changes in Equity.

The following exemptions from the requirements of IFRS have been applied in the preparation of these Financial Statements, in accordance with FRS 101:

- 101p8(a) and paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- 101p8(d) and IFRS 7, 'Financial instruments: Disclosures'.
- 101p8(e) and paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- 101p8(f) and paragraph 38 of IAS 1, 'Presentation of Financial Statements' – comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - (iii) paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- 101p8(g) and the following paragraphs of IAS 1, 'Presentation of Financial Statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B–D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134–136 (capital management disclosures).
- 101p8(h) and IAS 7, 'Statement of cash flows'.
- 101p8(i) and paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- 101p8(j) and paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- 101p8(k) and the requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

#### The Principal Accounting Policies of the Company are as Follows:

##### Investments

Investments are stated at cost less provision for any permanent impairment. Any impairment is charged to the profit and loss as it arises. Impairment to investments is tested by considering the carrying value of net assets of the investments and via impairment testing performed over goodwill, as discussed in Note 1 of the Group Significant Accounting Policies.

##### Intangibles

All intangible assets recognised are considered to have a finite life and are amortised over their useful economic lives as soon as the asset is in use. The assets recognised are assets under construction and will not be amortised until the asset is brought into use.

##### Foreign Currency

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end date, are retranslated to Sterling at the foreign exchange rate ruling at that date.

Any exchange differences arising on the settlement of monetary items, or on translating monetary items at rates different from those at which they were initially recorded are recognised in the Consolidated Statement of Comprehensive Income in the period in which they arise.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Sterling, at foreign exchange rates ruling at the period end date. The revenues and expenses of foreign operations are translated at an average rate for the year, where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. This revaluation is recognised through Other Comprehensive Income.

## Notes to the Company's Financial Statements/Continued

(Forming part of the Financial Statements)

### 32. Accounting Policies/Continued

#### Derivative Financial Instruments

The Company has derivative financial instruments in respect of interest rate swaps and foreign exchange hedges. The Company does not hold derivative financial instruments for trading purposes. The existing interest rate swaps and foreign exchange hedges used by the Company while they function as hedges, do not meet the criteria for hedge accounting set out by IFRS 9, and have thus been treated as financial assets and liabilities which are carried at their fair value in the Company Balance Sheet. Fair value is deemed to be market value, which is provided by the counterparty at the year end date.

Changes in the market value of interest rate swaps have been recognised through the Consolidated Statement of Comprehensive Income as finance income or cost. Changes in the market value of foreign exchange hedges have been recognised through the Consolidated Statement of Comprehensive Income within administrative costs.

#### Non-Derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Unless otherwise indicated, the carrying amounts of the Group's financial assets and liabilities are a reasonable approximation of their fair values.

#### Trade and Other Payables

The value of trade and other payables is the value that would be payable to settle the liability at the period end date.

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management, are included as a component of cash and cash equivalents.

#### Interest-Bearing Borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method.

#### Share-Based Payment Transactions

The value, as at the grant date, of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

#### Taxation

The credit for taxation is based on the loss for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all temporary differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date.

#### Going Concern

The Covid-19 pandemic has impacted the full financial period with varying degrees of lockdown impacting demand throughout. Post Covid-19 consumer spending behaviour and lifestyle choices are an unknown. The Company's priorities continue to be to protect employees, safeguard supply, respond to new patterns of consumer demand and to preserve cash. The performance of the Company has been robust and resilient with strong trading driven by improving volume performance and the benefits of the Group's Operating Brilliance Programme. We have continued our close working relationship with our banking partners and have full support with a reset of debt:EBITDA covenant tests at 26 December 2020 and 26 June 2021. Net bank debt levels had decreased over the year by £13.4 million to £13.1 million with a net bank debt to adjusted EBITDA measure of 0.5x down from 1.1x at 27 June 2020.

With knowledge and experience since the start of the pandemic a bottom-up full year 2022 budget and strategic forecast to June 2024 has been compiled. Our supply chain and manufacturing have been robust when faced with unprecedented fluctuation in demand. Revenue trends and operational performance have improved. The Group has a debt facility to February 2023 of £55.0 million with scope for the facility to be increased by up to a further £35.0 million, providing increased capacity for the Group to explore future growth opportunities and support its long-term investment strategy. The Group has a relatively conservative level of debt to earnings.

Having due consideration of the financial projections, the level of debt and available facilities, it is the opinion of the Directors that the Group has adequate resources to continue in operation for the foreseeable future and, therefore, consider it appropriate to prepare the Financial Statements on the going concern basis. Further details are set out in the basis of preparation.

#### Shares held by Employee Share Trusts

Shares held to satisfy options are accounted for in accordance with IAS 32 'Financial Instruments'. All differences between the purchase price of the shares held to satisfy options granted and the proceeds received for the shares, whether on exercise or lapse, are charged to reserves.

### 33. Remuneration of Directors

Details of Directors' remuneration are set out in Note 6 of the Group's Financial Statements.

## Notes to the Company's Financial Statements/Continued

(Forming part of the Financial Statements)

## 34. Staff Numbers and Costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Directors and administrative staff	103	97

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	9,172	7,971
Social security costs	1,008	978
Other pension costs	512	460
	10,692	9,409

## 35. Share-Based Payments

Details of Directors share options are set out in Note 6 of the Group's Financial Statements and details of all share options issued are set out in Note 26 of the Group's Financial Statements. During the year 1,200,346 (2020: 3,537,222) of the total 2,283,813 (2020: 4,896,544) share options granted were issued to employees of the Company. The remaining options were granted to employees of the subsidiary companies with corresponding charges to the relevant profit and loss accounts. The total charge in the financial year to the Company for all share options relating to current and prior years was £499,000 (2020: £145,000). Credits relating to options exercised, cancelled or lapsed after vesting have also been passed to the subsidiaries during the year. The charge totalled £111,000 (2020: charge £105,000) and has resulted in an increase (2020: decrease) in the total cost of investments in the Company balance sheet. Details of Directors' share options are set out in Note 6 of the Group's Financial Statements.

## 36. Finance Income and Cost

Recognised in the Company Statement of Comprehensive Income

	2021 £000	2020 £000
<b>Finance income</b>		
Inter-group recharge	351	-
Change in fair value of interest rate swaps	89	-
Income from interest rate swap agreements	-	44
Bank interest receivable	-	17
Total finance income	440	61
<b>Finance cost</b>		
Bank interest payable	(545)	(946)
Interest on interest rate swaps	(119)	-
Unwinding of discount on deferred consideration	(105)	(14)
Interest on deferred consideration	(36)	-
Change in fair value of interest rate swaps	-	(386)
Inter-group recharge	(547)	(127)
Total finance cost	(1,352)	(1,473)
Net finance cost	(912)	(1,412)

## 37. Dividends

Given the uncertainty at the outset of the pandemic the Board took the decision to withdraw the interim dividend and also decided not to propose a final dividend in the context of the continued uncertainty surrounding the pandemic and Brexit. The Board is recommending a full year dividend of 2.4 pence per share for the financial year ending 26 June 2021.

## Notes to the Company's Financial Statements/Continued

(Forming part of the Financial Statements)

## 38. Investment in Subsidiaries

Set out below are all undertakings of the Company whose results are included in the Consolidated Financial Statements for the period ended 26 June 2021.

Subsidiary	Registered address	Direct/ indirect ownership	Country of incorporation	Class of shares held	2021	2020
Anthony Alan Foods Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary £1	<b>100%</b>	100%
California Cake Company Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	<b>100%</b>	100%
California Cake Company (Holdings) Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Direct	Scotland	Ordinary £1	<b>100%</b>	100%
Campbells Cake Company Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	<b>100%</b>	100%
Campbells Cake (Holdings) Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Direct	Scotland	Ordinary £1	<b>100%</b>	100%
Fennel Acquisition Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary £1	<b>100%</b>	100%
Fletchers Bakeries Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary £1	<b>100%</b>	100%
Fletchers Bakeries Investment Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary £1	<b>100%</b>	100%
Goswell Enterprises Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary £1	<b>100%</b>	100%
Goswell Marketing Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary £1	<b>100%</b>	100%
Johnstones' Food Service Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	<b>100%</b>	100%
Lifestyle Healthcare Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary £1	<b>50%</b>	50%
Lifestyle Healthcare Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary £1	<b>50%</b>	50%
Lightbody Celebration Cakes Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	<b>100%</b>	100%
Lightbody Group Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Direct	Scotland	Ordinary £1	<b>100%</b>	100%
Lightbody Holdings Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	<b>100%</b>	100%
Lightbody of Hamilton Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	<b>100%</b>	100%
Lightbody-Stretz Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	<b>50%</b>	50%
Lightbody Europe SAS	14 Allée Coysevox, CS 56939, 35069 Rennes Cedex France	Indirect	France	Ordinary £1	<b>50%</b>	50%
Memory Lane Cakes Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary 1p	<b>100%</b>	100%
Nicholas and Harris Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary £1	<b>100%</b>	100%
Storesurvey Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary £1	<b>100%</b>	100%
Ultraparm Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary £1	<b>100%</b>	100%
Ultraeuropa SP. z o.o.	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	Poland	Ordinary £1	<b>100%</b>	100%

## Notes to the Company's Financial Statements/Continued

(Forming part of the Financial Statements)

## 39. Investments

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**Cost**

At beginning of financial year	112,002
Additions	51
At end of financial year	112,053

**Net book value**

<b>At 26 June 2021</b>	<b>112,053</b>
At 27 June 2020	112,002

The additions relate to a share option charge of €51,000 (2020: €26,000 income) passed down to individual subsidiaries.

## 40. Intangibles

The intangible asset relates to costs for assets under construction for Group-wide projects. Once the projects are complete the cost of the asset will be transferred to the relevant legal entity.

## 41. Deferred Tax

**Recognised Deferred Tax Assets and Liabilities**

	Assets		Liabilities	
	2021 €000	2020 €000	2021 €000	2020 €000
Employee share scheme charges	669	390	-	-
Interest rate swaps	23	40	-	-
Discounting of deferred consideration	-	-	(11)	(31)
Forward foreign exchange contracts	-	-	(8)	-
Short-term temporary differences	9	8	-	-
Tax assets/(liabilities)	701	438	(19)	(31)
Net tax assets	682	407	-	-

The deferred tax asset at 26 June 2021 has been calculated based on the rate of 19% substantively enacted at the balance sheet date. Employee share scheme charges relate to share options which will be allowed when exercised, short-term temporary differences relate to general provisions which will be allowed when utilised.

**Movement in Deferred Tax during the Year**

	28 June 2020 €000	Recognised in income €000	Recognised in equity €000	26 June 2021 €000
Employee share scheme	390	190	89	669
Interest rate swaps	40	(17)	-	23
Discounting of deferred consideration	(31)	20	-	(11)
Forward foreign exchange contracts	-	(8)	-	(8)
Short-term timing differences	8	1	-	9
	407	186	89	682

**Movement in Deferred Tax during the Prior Year**

	30 June 2019 €000	Recognised in income €000	Recognised in equity €000	27 June 2020 €000
Employee share scheme	574	(2)	(182)	390
Interest rate swaps	(30)	70	-	40
Discounting of deferred consideration	(30)	(1)	-	(31)
Foreign exchange contracts	5	3	-	8
	519	70	(182)	407

## Notes to the Company's Financial Statements/Continued

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## 42. Debtors

	2021 €000	2020 €000
Amounts owed by Group undertakings	54,113	52,277
Other taxation	175	101
Prepayments and accrued income	228	378
	<b>54,516</b>	<b>52,756</b>

Amounts due from Group undertakings are classified as current as they are repayable on demand. Balances from Group undertakings are interest bearing at a rate of 2.4% (2020: 2.2%).

## 43. Forward Foreign Exchange Contracts at Fair Value

At the year ended 26 June 2021 the Company had entered into a number of forward foreign exchange contracts to minimise the impact of fluctuations in exchange rates. An income of €42,000 (2020: nil) is included in administrative expenses for the period reflecting changes in their fair value.

## 44. Creditors: Amounts Falling Due Within One Year

	2021 €000	2020 €000
Trade creditors	393	78
Amounts due to Group undertakings	519	20
Corporation tax	62	62
Other taxes and social security	232	196
Accruals and deferred income	7,795	5,064
Deferred consideration*	976	481
Provisions closure of Grain D'Or site	204	450
	<b>10,181</b>	<b>6,351</b>

\* Deferred consideration is the consideration payable for the Ultrapharm acquisition, payable in quarterly instalments to 1 October 2022.

Amounts due to Group undertakings are classified as current as they are repayable on demand. Provision for closure of Grain D'Or site has been passed to the Company from a Group undertaking to ensure that it is managed centrally.

## Other Financial Liabilities – Fair Value Interest Rate Swaps

The Company has two interest rate swaps. A five-year swap from 3 July 2017 with a coverage of €20.0 million fixed at a rate of 0.455% and a three-year swap from 28 March 2019 with a coverage of €5.0 million fixed at a rate of 1.002%. There was 111% coverage at year end (2020: 94%).

An income of €89,000 (2020: €386,000 charge) is shown in finance income (2020: expense) for the year reflecting changes in the fair values of interest rate swaps. The fair values are liabilities as a result of the current low levels of base and LIBOR interest rates.

## Notes to the Company's Financial Statements/Continued

(Forming part of the Financial Statements)

## 45. Interest-Bearing Loans and Borrowings

This Note provides information about the contractual terms and repayment schedule of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate risk, see Note 24.

2021	Currency	Margin	Frequency of repayments	Year of maturity	Facility £000	Total £000	Current £000	Non-current £000
Revolving credit	GBP	1.5%/LIBOR	Varies	2023	£55,000	22,431	-	22,431
Unamortised transaction costs						(107)	-	(107)
						22,324	-	22,324
Leases*	GBP	2.2%	Quarterly	Varies		699	345	354
Total debt including leases						23,023	345	22,678

  

2020	Currency	Margin	Frequency of repayments	Year of maturity	Facility £000	Total £000	Current £000	Non-current £000
Revolving credit	GBP	1.5%/LIBOR	Varies	2023	£55,000	36,184	-	36,184
Unamortised transaction costs						(175)	-	(175)
						36,009	-	36,009
Leases*	GBP	2.2%	Quarterly	Varies		2,248	1,099	1,149
Total debt including leases						38,257	1,099	37,158

\* Leases include all leases recognised as lease liabilities under IFRS 16 (see Note 11).

HSBC Bank Plc, HSBC Asset Finance (UK) Ltd, HSBC Equipment Finance (UK) Ltd and HSBC Corporate Trustee Company (UK) Limited have debentures incorporating fixed and floating charges over the undertaking and all property and assets including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.

## 46. Creditors: Amounts Falling Due After More Than One Year

	2021 £000	2020 £000
Deferred consideration	466	1,357
Provisions closure of Grain D'Or site	-	392
Fair value derivatives	121	210
Deferred tax liability	19	30
	<b>606</b>	<b>1,989</b>

Deferred consideration is the consideration payable for the Ultrapharm acquisition payable in quarterly instalments to 1 October 2022.

## 47. Called Up Share Capital

Note 26 in the Group Financial Statements gives details of called up share capital.

## 48. Capital and Reserves

The reconciliation of the movement in capital and reserves is shown as a primary statement in the Company's Financial Statements: Company Statement of Changes in Equity on page 100 with definition details in Note 25 to the consolidated Financial Statements.

## 49. Contingent Liabilities

The Company has guaranteed the overdrafts of its subsidiaries; there was a net cash position at the year end of £9,523,000 (2020: £10,173,000).

## 50. Related Party Disclosures

Note 30 in the Group's Financial Statements gives details of related party transactions.

## 51. Financial Risk Management

The Company's policies on the management of liquidity, credit, foreign currency and interest rate risks are managed at a Group level and are set out in Note 24 in the Group's Financial Statements and also referred to in the Strategic Report.