

## Notes to the Company's Financial Statements

(forming part of the Financial Statements)

### 33. 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 53 weeks ended 2 July 2022 (prior financial year 52 weeks ended 26 June 2021). 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 UK-adopted 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 Financial Statements have been prepared on a historic cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment – measured at fair value or revalued amount;
- Assets held for sale – measured at the lower of carrying amount and fair value less costs to sell; and
- Defined Benefit Pension plans – plan assets measured at fair value.

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.

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

### 33. Accounting Policies/Continued

#### 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.

#### 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 Group has delivered a resilient trading performance and achieved record revenues against a continued challenging backdrop in an unprecedented period of inflation, political instability, a contracting UK economy and Ukraine conflict adversely impacting labour availability and input prices and supply. Forecasts have been built on a bottom-up basis and stress tested to prepare a forecast to be used as a basis for reviewing going concern, forecast assumptions have been critically assessed and financial forecasts have been compared against historical performance to understand the movements. The Board, having reviewed the Group's short and medium-term plans and new financing arrangements from June 2022 to June 2027, has reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has stayed comfortably within its banking facilities during the period, meeting covenant requirements and has the full support of our banking partners with a renewed facility and increase in headroom on the debt: EBITDA covenant test.

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.

### 34. 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

### 35. Staff Numbers and Costs

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

	Number of employees	
	2022	2021
Directors and administrative staff	122	103

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	11,583	9,172
Social security costs	1,316	1,008
Other pension costs	689	512
	<b>13,588</b>	10,692

### 36. 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 1,316,671 (2021: 1,200,346) of the total 1,636,005 (2021: 2,283,813) 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 £1,266,000 (2021: £499,000). Charges have been passed to the subsidiaries during the year, the charge totalled £258,000 (2021: charge £111,000) and has resulted in an increase (2021: increase) 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.

### 37. Finance Income and Cost

Recognised in the Company Statement of Comprehensive Income.

	2022	2021
	£000	£000
<b>Finance income</b>		
Inter-Group recharge	120	351
Change in fair value of interest rate swaps	-	89
Total finance income	<b>120</b>	440
<b>Finance cost</b>		
Bank interest payable	(487)	(545)
Interest on interest rate swaps	(43)	(119)
Unwinding of discount on deferred consideration	(54)	(105)
Interest on deferred consideration	(18)	(36)
Change in fair value of interest rate swaps	(18)	-
Inter-Group recharge	(339)	(547)
Total finance cost	<b>(959)</b>	(1,352)
Net finance cost	<b>(839)</b>	(912)

### 38. Dividends

The dividend was reinstated during the year. For the full year to 26 June 2021 a dividend of 2.40p per share was paid on 21 December 2021 to shareholders on the register at the close of business on 26 November 2021.

An interim dividend for the year ending 2 July 2022 of 0.83p per share (2021: nil). The interim dividend was paid on 21 April 2022 to shareholders on the register at the close of business on 25 March 2022.

The Board of Directors is recommending a final dividend for the year ending 2 July 2022 of 1.67p per share, taking the full year dividend to 2.50p per share (2021: 2.40p). The final dividend will be paid on 21 December 2022 to shareholders on the register at the close of business on 25 November 2022. The election deadline for participants in the Company's Dividend Re-Investment Plan will be 30 November 2022.

The Company paid a £1,084,000 dividend to the non-controlling interest in Lightbody-Stretz Limited and a pre-sale dividend of £1,441,426 was paid immediately prior to the acquisition of a further 35% shareholding from Phaste S.a.r.l, taking the shareholding up from 50% to 85%.

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

## 39. 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 2 July 2022.

Subsidiary	Registered address	Direct/ indirect ownership	Country of incorporation	Class of shares held	2022	2021
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%
Finsbury ABC Partnership LP	73 Bothwell Rd, Hamilton ML3 0DW	Indirect	Scotland	Ordinary	£1 <b>100%</b>	-
Finsbury General Partner Limited	73 Bothwell Rd, Hamilton ML3 0DW	Direct	Scotland	Ordinary	£1 <b>100%</b>	-
Finsbury Trustee Company Limited	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	£1 <b>100%</b>	-
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%
Johnstone's 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 Limited	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1 <b>85%</b>	50%
Lightbody Europe SAS	14 Allée Coysevox, CS 56939, 35069 Rennes Cedex France	Indirect	France	Ordinary	£1 <b>85%</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 Limited	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%
Christopher Street SAS	1 Rue Bourgault Ducoudray, 35000 Rennes Cedex France	Indirect	France	Ordinary	£1 <b>17%</b>	-

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

## 40. Investments

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**Cost**

At beginning of financial year	112,053
Additions	6,716
At end of financial year	118,769

**Net book value**

<b>At 2 July 2022</b>	<b>118,769</b>
At 26 June 2021	112,053

The additions relate to an increase of 35% shareholding of Lightbody-Stretz Limited of €6,083,000, acquisition costs of €375,000 and a share option charge of €258,000 (2021: €51,000 charge) passed down to individual subsidiaries.

## 41. 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.

## 42. Deferred Tax

**Recognised Deferred Tax Assets and Liabilities**

	Assets		Liabilities	
	2022 €000	2021 €000	2022 €000	2021 €000
Employee Share Scheme	1,019	669	-	-
Interest rate swaps	33	23	-	-
Discounting of deferred consideration	-	-	(1)	(11)
Forward foreign exchange contracts	-	-	(4)	(8)
Short-term temporary differences	22	9	-	-
Tax assets/(liabilities)	1,074	701	(5)	(19)
Net tax assets	1,069	682	-	-

The deferred tax asset at 2 July 2022 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**

	27 June 2021 €000	Recognised in income €000	Recognised in equity €000	2 July 2022 €000
Employee Share Scheme	669	350	-	1,019
Interest rate swaps	23	10	-	33
Discounting of deferred consideration	(11)	10	-	(1)
Forward foreign exchange contracts	(8)	4	-	(4)
Short-term timing differences	9	13	-	22
	682	387	-	1,069

**Movement in Deferred Tax during the Prior 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

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

## 43. Debtors

	2022 €000	2021 €000
Amounts owed by Group undertakings	54,647	54,113
Other taxation	103	175
Prepayments and accrued income	542	228
	<b>55,292</b>	<b>54,516</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 2.3% (2021: 2.4%).

## 44. Forward Foreign Exchange Contracts at Fair Value

At the year ended 2 July 2022 the Company had entered into a number of forward foreign exchange contracts to minimise the impact of fluctuations in exchange rates. A charge of €22,000 (2021: income €42,000) is included in administrative expenses for the period reflecting changes in their fair value.

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

	2022 €000	2021 €000
Trade creditors	240	393
Amounts due to Group undertakings	517	519
Corporation Tax	62	62
Other taxes and social security	269	232
Accruals and deferred income	7,435	7,795
Deferred consideration*	496	976
Financial liability – fair value swaps	139	-
Provisions closure of Grain D'Or site	-	204
	<b>9,158</b>	<b>10,181</b>

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

## Other Financial Liabilities – Fair Value Interest Rate Swaps

The Company has a five-year swap from 3 July 2017 with a coverage of €20.0 million fixed at a rate of 0.455% expiring at the year end date and during the year the Company held a three-year swap from 28 March 2019 with a coverage of €5.0 million fixed at a rate of 1.002%. There was 72% coverage at year end (2021: 111%). A forward-dated (3 July 2022) swap amounting to €10.0 million was taken out to limit the risk associated with the variable rate liabilities. The interest rates for the forward-dated swap is fixed at 2.589% for €10.0 million.

A charge of €18,000 (2021: €89,000 income) is shown in finance income (2021: income) for the year reflecting changes in the fair values of interest rate swaps.

## 46. Other 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.

2022	Currency	Margin	Frequency of repayments	Year of maturity	Facility €000	Total €000	Current €000	Non-current €000
Revolving credit	GBP	1.95%/SONIA	Varies	2027	60,000	27,875	-	27,875
Unamortised transaction costs						(799)	-	(799)
						27,076	-	27,076
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

\*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.

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

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

	2022 £000	2021 £000
Financial liability	<b>16,000</b>	-
Deferred consideration	-	466
Provisions closure of Grain D'Or site	-	-
Fair value derivatives	-	121
Deferred tax liability	<b>5</b>	19
	<b>16,005</b>	606

The financial liability relates to the Asset Backed Contribution arrangement for the Memory Lane Cakes Pension Scheme, within the Financial Statement there is a financial asset of £16,000,000, the net impact on the net assets of the Company is nil.

## 48. Called Up Share Capital

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

## 49. 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 106 with definition details in Note 25 to the Consolidated Financial Statements.

## 50. Contingent Liabilities

The Company has guaranteed the overdrafts of its subsidiaries; there was a net cash position at the year end of £15,534,000 (2021 £9,523,000).

## 51. Related Party Disclosures

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

## 52. 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.