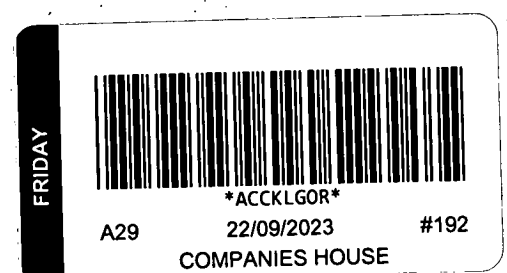


Baker & Baker Products UK Limited

Annual report and financial statements

for the year ended 31 December 2022

Registered number 01478292



Baker & Baker Products UK Limited

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Baker & Baker Products UK Limited

Directors and advisors

Directors

M Acheson
P Jones
D Martin

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Auditor

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Baker & Baker Products UK Limited

Strategic report

The directors present their Strategic report, Directors' Report and the audited financial statements of the Company for the year ended 31 December 2022.

Principal activities

The Company is engaged principally in the manufacture, distribution and sale of bakery products.

Review of business

Baker & Baker remains one of the leading bakery products manufacturers in the UK. The Company has retained its market share and its key customer base across its core channels.

A focus on bakery segments such as American Sweet Bakery has allowed the Company to continue to maximise growth opportunities. Baker & Baker's strategic licensing agreements also continue to drive strong growth across key markets.

Management continue to manage the performance of the business by monitoring results and KPIs on an ongoing basis.

In 2022 the Company experienced a sustained increase in input costs relating to both raw materials and energy, largely driven by macroeconomic developments related to the war in Ukraine. This inflationary impact was partially mitigated through pass-through price increases to customers.

Operating loss in the year was £4.33m (2021: profit of £3.48m).

The business continues to implement targeted capital investments in order to improve operating efficiencies and costs, and continues to invest in capacity and capabilities to further strengthen its position in the market, based on market research and customer requirements.

Financial review

The Board monitors the progress of the Company strategy and the individual strategic elements by reference to certain financial and non-financial key performance indicators ('KPIs'). The KPIs used by the Board are:

	2022	2021	% change
Volume (metric tonnes)	69,905	76,453	(8.6%)
Revenue (£'000)	223,035	205,883	8.3%
Gross profit (£'000)	29,472	31,167	(5.4%)
Operating (loss)/profit (£'000)	(4,332)	3,479	(224.5%)
Adjusted EBITDA* (£'000)	14,815	15,947	(7.1%)
Net assets (£'000)	20,236	29,342	(31.0%)

* see reconciliation below

In order to understand the business performance, adjusted measures for the Company are presented which exclude the impact of significant non-recurring items to present adjusted EBITDA. In the opinion of the Board this adjusted measure allows shareholders to gain a clearer understanding of the trading performance of the Company.

The analysis below shows the movement from adjusted to statutory measures for the years ended 31 December 2021 and 2022.

Baker & Baker Products UK Limited

Strategic report (continued)

	2022 £'000	2021 £'000
Operating (loss)/profit	(4,332)	3,479
Group management fees	6,096	3,599
Depreciation and amortisation	8,919	7,189
EBITDA	10,683	14,267
Significant non-recurring items (see Note 7)	4,132	1,680
Adjusted EBITDA	14,815	15,947

Brexit

The United Kingdom withdrew from the European Union on 31 January 2020, with new customs and regulatory procedures being implemented in the course of 2020, 2021 and 2022. The Company put detailed mitigation plans in place in advance of Brexit. Some changes to customs and regulatory processes were incurred, but as a result of the Company's extensive preparations for these changes, Baker & Baker did not experience any significant disruption or ongoing challenges as a result of Brexit-related changes to its operating environment.

Covid-19

Beginning in December 2019 and into 2020 and 2021, the novel coronavirus ("Covid-19") emerged and gradually spread across the globe and was declared as a pandemic by the World Health Organization. The Company experienced adverse business conditions due to Covid-19, especially in 2020, which primarily manifested in reduced turnover due to changes in customer demand. The Company took steps to mitigate the financial impacts of the pandemic. Given the evolution of the pandemic, the Covid recovery experienced in 2021 continued into 2022, with volumes largely returning to pre-pandemic levels.

Ukraine

The ongoing conflict in Ukraine has impacted the Company's operations. In 2022 the conflict adversely affected the availability and price of some of the Company's commodity inputs, including raw materials and energy. Our procurement process proactively reviews availability and pricing of commodities, to provide security of supply and cost visibility for our major commodity groups.

Management continue to monitor increases to our cost base and to work with our customers to ensure that increased costs are recovered, whilst maintaining best value for the customers on the products we supply.

Outlook

The directors expect the general level of activity to increase in the forthcoming year. This is as a result of increased demand in the market.

In addition, the Company expects that input costs remain volatile going forwards, albeit with some stabilization as global markets and supply chains adjust to the post-war situation. Baker & Baker will continue to actively mitigate any inflationary effects through pass-through price increases in order to maintain operating margins.

Section 172 statement

The directors of Baker & Baker Products UK Limited consider, both individually and together, that they have acted in a way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172(1) (a-f) of the Companies Act 2006.

Baker & Baker Products UK Limited

Strategic report (continued)

The directors consider that the company's employees, shareholders, customers, suppliers, funders and the local communities in which we are located are stakeholders for the purposes of section 172 of the Companies Act 2006.

The sections below provide further details on how the directors of the company have acted in the way they have considered, in good faith, to most likely promote the success of the company for the benefit of its members as a whole, and in doing so regarded, amongst other matters:

(a) the likely consequences of any decision in the long-term

During the year, the directors held board meetings; received and considered information on a range of matters concerning the business activities of the Company and its employees, to support the directors in exercising their discretion when considering the matters set out in section 172(1).

The directors consider the likely consequences of any decision in the long term in all key areas including supplier management and outsourcing, customer interactions, human resources, legal and compliance, quality and regulatory, and health and safety.

We aspire to thrive by creating shared value for customers, colleagues, funders, the communities and the environment in which we work and live. To achieve this goal, we are integrating principles of responsible operation into every part of our business.

(b) The interests of the company's employees

We seek to create a transparent and collaborative culture in which colleagues are empowered to succeed and are treated with equal respect and dignity. Safe working environments and health and wellbeing benefits for our employees are also at the centre of our commitment to our people.

Regular communication, dialogue and consultation with employees is supported via "town hall" briefings, ongoing union relations and consultations, monthly update calls, employee forums, employee engagement surveys, and participation of employee representatives on both local and European works councils. In addition, all new employees attend workshops to understand the Company's values and to foster a culture of open dialogue between employees, managers and directors.

As a result of this employee engagement, the directors continue to have regard for employees' interests in key policies and management decisions. Employee safety is regarded as a critical focus area for factory management, and via wellness and occupational health services we support the physical and mental health of employees. All employees have an annual performance review, and the Company invests in training and development for employees.

(c) The need to foster the company's business relationships with suppliers, customers and others

The Company continues to develop and maintain strong relationships with key customers and suppliers, this includes dedicated sales managers for key customers and internal buyers for key supplier contacts for main raw material product lines. The business operates in multiple sales channels including the Retail, Foodservice, Artisan and Industry sectors, with dedicated sales and procurement teams supporting constructive dialogue with our commercial stakeholders.

We are passionate about creating products that delight our customers and consumers. Our quality assurance measures include responsible sourcing, production and distribution, as well as transparency regarding origins and composition of our products.

We have a supplier code of conduct which holds suppliers to the same standards of integrity to which we hold ourselves and our colleagues. To ensure we are consistently monitoring our relationship with suppliers, we are committed to our procurement framework that adheres to our customer's and the international food industry ethical sourcing requirements.

Baker & Baker Products UK Limited

Strategic report (continued)

(d) The impact of the company's operations on the community and the environment

We work with our suppliers, customers and colleagues to enhance the communities in which we work and live, such as supporting various local charities and initiatives to help those in need.

Reducing our carbon footprint, efficiently managing our energy and water use and implementing waste reduction programmes are our key environmental focuses.

The business continually assesses ways to improve its key environmental focuses across all sites, including defining a carbon reduction & net zero strategy, monitoring and reducing our energy and water use and improving waste reduction performance. During the year, the company benefitted from a Group initial assessment of its carbon footprint, including scope 3 emissions. As part of the Baker & Baker Group, the company is developing governance structures and processes to manage the Group's carbon footprint and route to net zero.

The Group was a founding signatory of Waste and Resources Action Programme's water reduction roadmap, which provides a framework for businesses to monitor and report its water usage annually, and a requirement to develop a comprehensive water reduction strategy.

The Company has also taken positive steps to reduce energy usage including installing new, more efficient equipment and LED lighting, as well as increasing the proportion of renewable energy used within our manufacturing footprint.

(e) The desire of the company to maintain a reputation for high standards of business conduct

Baker & Baker Products UK Limited is part of the Baker & Baker Group which is a leading global manufacturer and distributor of bakery products. At Baker & Baker, leadership goes well beyond our day-to-day commitment to helping customers grow their businesses; it also includes embracing and acting on our collective responsibility to make a positive impact with our employees, in our communities, across our industry and around the world. In other words, to being a sustainable enterprise.

(f) The need to act fairly as between members of the company

The Company is wholly owned by Baker & Baker Group Limited, which consolidates the main operating companies within the wider Group. The Group is ultimately owned by Rhône Capital IV L.P. (Delaware). We engage with our shareholders through a number of channels, notably the annual report, quarterly trading updates, annual operating planning processes, and other ad hoc questions as and when they arise.

Financial risk management objectives and policies

In addition to the operational risks outlined above, the Company's operations expose it to a variety of financial risks, including commodity price risk, exchange rate risk, credit risk and interest rate risk. Exposures to these risks are monitored, reported and mitigated according to policies and procedures set by the ultimate parent company, Rhone Capital IV L.P.

Commodity price risk

The Company is exposed to commodity price risk as a result of its operations. This risk is mitigated by entering into forward purchase agreements with the Company's suppliers, which enables the business to manage the timely pass through of inflation to customers and maintain operating margins.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other debtors and investments.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk policies include performing appropriate credit checks on potential customers. Credit limits for customers are set

Baker & Baker Products UK Limited

Strategic report (continued)

within defined parameters. The directors consider that these policies are sufficient to manage the credit risk to which the Company is exposed.

Interest rate cash flow risk

The Company has interest-bearing intercompany assets and liabilities, which are maintained on the basis of a mixture of fixed and floating rates. Interest rate levels are reviewed regularly.

Exchange rate risk

The Company is exposed to exchange rate risk as a result of its operations. The Company does not utilise forward foreign exchange contracts but does actively monitor the exposure arising from exchange rate risk and will enter into contracts if considered necessary.

Going concern

The Company's business activities, together with an assessment of the various risks faced by the Company and the factors likely to affect the Company's future development and position, are set out in pages 2 to 4 of the Strategic report.

The Company meets its day-to-day working capital requirements through its cash reserves and participates in the Baker & Baker Group Limited centralised treasury arrangements. Cash balances are swept up to the centralised treasury function on a daily basis. Baker and Baker Group have indicated their willingness to continue supporting the Company as required. In September 2023, the Group agreed an additional £5m facility secured against the UK inventory.

The directors have reviewed the business' forecasts and budgets for a period of 12 months from the date of approval of these financial statements. These forecasts, taking account of reasonably possible changes in trading performance, arising out of current economic uncertainties, and making reasonable assumptions about exchange rate fluctuations, show that the Company should be able to operate within its existing facilities, including an intercompany cash pool facility, until at least 12 months from the date of signing the annual report and financial statements.

On the basis of their assessment of the Company's financial position, risks faced and confirmations received from the directors of Baker & Baker Group Limited in respect of ongoing support, the Company's directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future and adopt the going concern basis in preparing the annual report and accounts.

Future developments

The directors expect the Company to continue the successful growth and development of the business in the forthcoming year. Input cost increases, driven by macro-economic and geopolitical factors are expected to continue to result in increased prices for certain raw material commodities. Baker & Baker will mitigate any such effects through pass-through price increases in order to maintain operating margins.

Approved by the Board on 21 September 2023 and signed on its behalf by



P Jones
Director

Baker & Baker Products UK Limited

Directors' report

The directors present their annual report and the audited financial statements of Baker & Baker Products UK Limited for the year ended 31 December 2022.

The Directors' Report includes the principal activities, financial risk management objectives and policies, consideration of going concern and future outlook of the Company.

Results and dividends

The loss before tax for the year was £11,085k (2021: profit of £5,626k). The directors do not propose to declare a dividend for the year (2021: £nil).

Directors

The directors who served the Company during the year and up to date of this report were as follows:-

M Acheson
P Jones
D Martin

Donations

During the year the Company made donations to various local and national charities amounting to £1,597 (2021: £500). No political donations were made (2021: £nil).

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors only, which were made during the year and remain in force at the date of this report.

Employee involvement

Employees are briefed monthly by their managers on the Company's financial performance, sales, products, manufacturing issues and projects.

Research and development

Research and development costs of £2,216k (2021: £2,185k) were incurred and charged to the profit and loss account during the year.

Employment of disabled persons

Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

The company maintains its relations with employees through various means referred to in Section 172 of the strategic report (page 4-5).

Government Grants-UK Government Job Retention Scheme

As a result of the Covid-19 pandemic, the Company has benefited from £nil (2021: £790k) of government assistance programmes in the form of employee support schemes. This income is recognised in the income statement at the date at which the conditions attached to receipt of such assistance have been met, in the period it becomes receivable.

Baker & Baker Products UK Limited

Directors' report (continued)

Streamlined Energy and Carbon Regulation (SECR)

The Directors recognise the company is required to comply with the provisions of the Streamlined Energy and Carbon Regulation.

The company seeks to manage energy and water use and waste streams in order to operate as efficiently as possible and reduce our carbon footprint. To support this, we have implemented extensive reporting in order to successfully manage and continue to optimize our carbon footprint, and regard environmental impact as a key criteria for assessment of capital investment proposals. As part of its KPI performance, it reviews the usage of energy throughout the business.

GHG emissions and energy usage for the period 1 January 2022 to 31 December 2022

Emissions from combustion of gas

(Scope 1)

Purchased Gas		2022	2021
	KWh	24,862,928	25,926,009
	KgCO ₂ e	4,475,327	4,748,608

Emissions from electricity purchased for own use including for the purposes of transport

(Scope 2)

Purchased Electricity		2022	2021
	KWh	22,602,765	22,078,245
	KgCO ₂ e	4,370,923	4,687,874

Total gross emissions

Total Scope 1 and 2

	2022	2021
KWh	47,465,693	48,004,254
KgCO ₂ e	8,846,250	9,436,482

Intensity ratio per Kg of production

KgCO ₂ e	0.129	0.121
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Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines and the GHG Reporting Protocol and have used the 2022 UK Government's Conversion Factors for Company Reporting.

Gas and electricity usage data, is obtained from supplier bills for each site and consolidated to give annual UK total. The data is converted into CO₂e, using the current emissions conversion factor for each activity, available on www.gov.uk/government/collections/government-conversion-factors-for-company-reporting.

Total production in Kgs, used for the Intensity ratio, is provided by our Supply Chain Finance function.

The Company does not have consumption of fuel for the purpose of transport to report.

Intensity measurement

The ratio used is reflective of production processes being integral to the measurement of improvements in the efficiency of processes and energy. This, current year, measure is impacted by reduction in production and energy consumption due to Covid19 lockdowns.

Baker & Baker Products UK Limited

Directors' report (continued)

Measures taken to improve energy efficiency

The company switched from non-renewable to 100% renewable electricity supply from 1st May 2020.

Installation of Humidity control Gourmet freezer, reduced the number of defrosts, cleaning and then re-freezing of the unit in a production cycle, and thereby leading to improvements in energy usage.

Covid-19 has also presented difficulties, in being able to implement planned energy efficiency programmes. The intention is for more comprehensive and detailed reporting to be made once the business is free of restrictions. The business is also developing an overarching strategy and roadmap for achieving net zero, which will be shared with external audiences and customers in 2022. SECR reporting will fall under this strategy, which will also contain key reporting indicators and milestones for reducing our carbon footprint.

We have also formed a cross-functional sustainability team within the business to drive forward environmental initiatives at both a UK and European level.

Auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an annual general meeting.

Events after the balance sheet date

On 5th July 2023 Baker & Baker UK Products Limited secured a £5m asset-backed debt facility secured on the UK business inventory.

Future Developments

The future developments of the business have been disclosed within the 'Outlook' section of the Strategic Report, page 3.

Approved by the Board on 21 September 2023 and signed on its behalf by



P Jones
Director

Baker & Baker Products UK Limited

Directors' responsibilities statement

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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; and
- 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.

Baker & Baker Products UK Limited

Independent auditor's report to the members of Baker & Baker Products UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Baker & Baker Products UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

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).

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Baker & Baker Products UK Limited

Independent auditor's report to the members of Baker & Baker Products UK Limited (continued)

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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Baker & Baker Products UK Limited

Independent auditor's report to the members of Baker & Baker Products UK Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Revenue recognition fraud risk pinpointed to completeness and accuracy assertions due to rebates. In addressing the risk we have obtained an understanding of the transactions and associated processes, assessed the design and implementation of key controls and performed detailed substantive testing through sampling customer rebate agreements and reperforming the calculations and amounts recorded; review of manual posting and accruals to revenue, post year-end look back testing, consideration of side agreements and issued a sample of negative confirmation procedures for customers.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Baker & Baker Products UK Limited

Independent auditor's report to the members of Baker & Baker Products UK Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

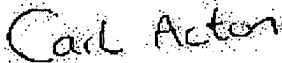
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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.



Carl Acton BA BFP FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester, United Kingdom

22 September 2023

Baker & Baker Products UK Limited

Profit and loss account

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Turnover	3	223,035	205,883
Cost of sales		<u>(193,563)</u>	<u>(174,716)</u>
Gross profit		29,472	31,167
Other operating income	4	-	790
Distribution costs		(16,932)	(14,084)
Administrative expenses		<u>(16,872)</u>	<u>(14,394)</u>
Operating (loss)/profit		(4,332)	3,479
Interest receivable and similar income	5	1,991	4,971
Interest payable and similar expenses	5	<u>(8,744)</u>	<u>(2,824)</u>
(Loss)/profit before taxation	6	(11,085)	5,626
Tax on (loss)/profit	9	<u>1,780</u>	<u>(1,352)</u>
(Loss)/profit for the financial year		<u><u>(9,305)</u></u>	<u><u>4,274</u></u>

Baker & Baker Products UK Limited

Statement of comprehensive income For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
(Loss)/profit for the financial year		<u>(9,305)</u>	<u>4,274</u>
Actuarial gain/(loss) relating to the pension scheme	21	348	(29)
Deferred taxation attributable to the actuarial gain	18	<u>(59)</u>	<u>25</u>
Other comprehensive income/(expense)		<u>289</u>	<u>(4)</u>
Total comprehensive (expense)/income attributable to equity shareholder of the Company		<u><u>(9,016)</u></u>	<u><u>4,270</u></u>

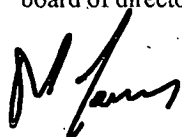
Baker & Baker Products UK Limited

Balance sheet

At 31 December 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Goodwill	10	10,784	13,199
Intangible assets	10	2,709	3,702
Tangible assets	11	40,968	41,077
Investments	12	-	-
		<u>54,461</u>	<u>57,978</u>
Current assets			
Stocks	13	29,595	25,375
Debtors	14	92,841	69,278
		<u>122,436</u>	<u>94,653</u>
Creditors: amounts falling due within one year	15	(146,049)	(112,520)
Net current liabilities		<u>(23,613)</u>	<u>(17,867)</u>
Total assets less current liabilities		30,848	40,111
Creditors: amounts falling due after more than one year	16	(3,755)	(3,589)
Provisions for liabilities	17	(6,767)	(7,180)
		<u>20,326</u>	<u>29,342</u>
Net assets			
Capital and reserves			
Called-up share capital	19	3,800	3,800
Share premium account		15,831	15,831
Profit and loss account		695	9,711
		<u>20,326</u>	<u>29,342</u>
Shareholder's funds			
		<u>20,326</u>	<u>29,342</u>

The financial statements of Baker & Baker Products UK Limited (registered number 01478292) were approved by the board of directors and authorised for issue on 21 September 2023. They were signed on its behalf by:



P Jones
Director

Baker & Baker Products UK Limited

Statement of changes in equity

At 31 December 2022

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2021	3,800	15,831	5,441	25,072
Profit for the financial year	-	-	4,274	4,274
Other comprehensive expense	-	-	(4)	(4)
Total comprehensive income	-	-	4,270	4,270
At 31 December 2021	3,800	15,831	9,711	29,342
Loss for the financial year	-	-	(9,305)	(9,305)
Other comprehensive income	-	-	289	289
Total comprehensive expense	-	-	(9,016)	(9,016)
At 31 December 2022	<u>3,800</u>	<u>15,831</u>	<u>695</u>	<u>20,326</u>

Baker & Baker Products UK Limited

Notes to the financial statements

For the year ended 31 December 2022

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a. General information and basis of accounting

Baker & Baker Products UK Limited ('the Company') is a private limited company limited by shares and incorporated and registered in the United Kingdom under the Companies Act, and registered in England and Wales. On 1 April 2021, the company changed its name from CSM (United Kingdom) Limited to Baker & Baker Products UK Limited. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 6.

The financial statements have been prepared under the historical cost convention, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Baker & Baker Group Limited, which may be obtained at Companies House. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern

The Company's business activities, together with an assessment of the various risks faced by the Company and the factors likely to affect the Company's future development and position, are set out in pages 2 to 6 of the Strategic Report.

The Company meets its day-to-day working capital requirements through its cash reserves and participates in the CSM Bakery Solutions Limited centralised treasury arrangements with its parent and fellow subsidiaries. Cash balances are swept up to the centralised treasury function on a daily basis. Baker & Baker Group Limited have indicated their willingness to continue supporting the Company as required. In September 2023, the Group agreed an additional £5m facility secured against the UK inventory.

The directors have reviewed the Company's forecasts and projections for a period of 12 months from the date of approval of these financial statements. These forecasts and projections, taking account of reasonably possible changes in trading performance, arising out of current economic uncertainties, and making reasonable assumptions about exchange rate fluctuations, show that the Company should be able to operate within its existing facilities, including an intercompany cash pool facility, until at least 12 months from the date of signing the annual report and financial statements. The directors have considered the impact of Covid-19 on trading and reviewed a range of potential scenarios regarding the progression of the pandemic.

On the basis of their assessment of the Company's financial position, risks faced, confirmations received from the directors of Baker & Baker Group Limited in respect of future funding, the Company's directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual report and financial statements.

c. Consolidation

The Company is consolidated in the financial statements of its parent, Baker & Baker Group Limited, which may be obtained at Companies House. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel. The results of the Company are included in the consolidated accounts prepared by that company.

d. Intangible assets – Goodwill & Intellectual Property

Positive goodwill represents the difference between the net assets at book value of a subsidiary undertaking and the carrying value of the investment in the subsidiary prior to the transaction. Goodwill and intangible assets, which comprises Intellectual Property i.e. customer lists, licences and, software are being amortised over a period of between 10 and 20 years, being the directors' estimate of the useful economic life.

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

Accounting policies (continued)

d. *Intangible assets – Goodwill & Intellectual Property (continued)*

Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit. The negative goodwill is being amortised over a period of 20 years, being the directors' estimate of the useful economic life.

Intangible assets acquired as part of a business combination are measured at fair value at the acquisition date.

e. *Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and assets in the course of construction and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line/reducing balance basis over its expected useful life, as follows:

Freehold buildings 40 years straight line basis.

Leasehold buildings Term of lease.

Plant and machinery, fixtures & fittings (as in note 11) 10 years straight line basis

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

f. *Financial instruments*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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.

(i) *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that comply with all of the condition of paragraph 11.9 of FRS 102 are classified as 'basic'. For debt instruments that do not meet the conditions of FRS 102.11.9, the company considers whether the debt instrument is consistent with the principle in paragraph 11.9A of FRS 102 in order to determine whether it can be classified as basic. Instruments classified as 'basic' financial instruments are measured subsequently at amortised cost using the effective interest method.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

Accounting policies (continued)

f. Financial instruments (continued)

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

g. Investments

Investments in subsidiaries are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

h. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the weighted average method. Provision is made for obsolete, slow-moving or defective items where appropriate.

i. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial assets (continued)

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal.

An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

i. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

Accounting policies (continued)

i. *Taxation (continued)*

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

j. *Turnover*

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied, recognised on despatch, net of promotional discounts when the risks and rewards of ownership are transferred.

k. *Foreign Currency*

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date have been retranslated into sterling at the rates current at that date. These transaction differences are dealt with in the profit and loss account.

l. *Leases*

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives.

The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

Accounting policies (continued)

m. Pensions

For the funded and unfunded retirement benefit schemes the amounts charged to operating profit are the current services costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Where the defined benefit scheme is funded, the assets of the scheme are held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least tri-annually and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year.

o. Transactions with related parties

The Company has taken advantage of the exemption permitted by Financial Reporting Standard 102, 'Related Party Disclosures' not to disclose any transactions with other wholly-owned group companies as it is a subsidiary which has 100 per cent or more of its voting rights controlled within the group and whose ultimate parent prepares consolidated accounts.

p. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

q. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The directors do not consider there to be any critical accounting judgements that must be applied.

Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are addressed below:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate applied in order to calculate present value. The carrying value of goodwill is £10,784k (2021: £13,199k)

Dilapidation Provision

A number of manufacturing facilities are leased by the Company, with a remaining lease term of three to fifteen years. The lease contracts require the facilities to be restored to their original states. Therefore a provision is required for anticipated site restoration costs on each leased property. The carrying amount of the Dilapidations provision as at the balance sheet date was £5,755k (2021: £5,704k). The following table depicts the increase/ (decrease) in the dilapidation provision due to an indicated change in the key assumption, cost per square foot.:

	£-per-sqft 10.0% / (10.0%) 575k / (575k)
Dilapidation provision movement	

3. Turnover

An analysis of the Company's turnover by class of business is set out below.

	2022 £'000	2021 £'000
Turnover:		
Bakery products	223,035	205,883
	<u>223,035</u>	<u>205,883</u>

An analysis of the Company's turnover by geographical market is set out below.

	2022 £'000	2021 £'000
Turnover:		
United Kingdom	216,925	200,485
Other European countries	6,110	5,398
Rest of the world	-	-
	<u>223,035</u>	<u>205,883</u>

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

4. Other Operating Income

	2022 £'000	2021 £'000
Government Grants-CJRS	-	790

As a result of the Covid-19 pandemic, the Company has benefited from £nil (2021: £790k) of government assistance programmes in the form of employee support schemes. In line with FRS102 s.24, this income is recognised in the income statement at the date at which the conditions attached to receipt of such assistance have been met, in the period it becomes receivable. The Company has not directly benefited from any other forms of government assistance

5. Finance costs (net)

	2022 £'000	2021 £'000
Interest payable and similar expense	937	365
Interest payable to group companies	2,443	1,711
Interest receivable from group companies	(1,991)	-
Foreign exchange (gains)/losses	4,648	(4,971)
Other finance costs	716	748
	<u>6,753</u>	<u>(2,147)</u>

6. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after (crediting)/charging:

	2022 £'000	2021 £'000
Depreciation of tangible fixed assets – owned	5,259	4,665
Depreciation of tangible fixed assets – leased	145	216
Amortisation of goodwill	2,415	1,983
Amortisation of other intangible assets	1,100	325
Research and development	2,216	2,185
Operating lease rentals	2,044	2,276
Foreign exchange (gains)/ losses	4,648	(4,971)

Fees payable to the Company's auditor for the audit of the Company's annual accounts:

Total audit fees	<u>124</u>	<u>93</u>
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Fees payable to the Company's auditor and its associates for other services to the Company:

Taxation compliance services	60	67
Other services	1	5
Total non audit fees	<u>61</u>	<u>72</u>

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

7. Significant non-recurring items

Since the acquisition of the Company in July 2013 by Rhône Capital, the Company has launched a series of transformational strategic initiatives to reconfigure its consolidated global workforce, reorganize business and support resources by channels, and the global rollout of a single-instance SAP solution, an enterprise resource planning software (referred to as "Global One"). The Company has experienced higher than normal general and administrative expenses as it implements its strategy to consolidate, reorganize, and streamline the business.

The following table identifies the transformational costs and other charges by cost type:

	2022 £'000	2021 £'000
Distribution costs	60	147
Administrative expenses	4,073	1,533
	<u>4,133</u>	<u>1,680</u>

The table below depicts the transformational costs and other charges included in the consolidated income statements. Not all of these charges meet the criteria of restructuring activities, as defined under FRS 102 Section 21.11C, Provisions, Contingent Liabilities and Contingent Assets.

	2022 £'000	2021 £'000
Transformation	1,932	2,232
Other	2,201	(552)
	<u>4,133</u>	<u>1,680</u>

8. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2022 Number	2021 Number
Production	1,252	1,273
Distribution	34	34
Sales	90	100
Administration	48	48
	<u>1,424</u>	<u>1,455</u>

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	43,036	43,229
Social security costs	4,432	4,392
Other pension costs (see note 21)	2,224	2,485
Other employment costs	783	756
	<u>50,475</u>	<u>50,862</u>

Baker & Baker Products UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

8. Staff numbers and costs (continued)

Aggregate directors remuneration:

	2022 £'000	2021 £'000
Aggregate emoluments	536	469
Company contributions to pension scheme	46	22
	<u>582</u>	<u>491</u>

The aggregate emoluments of the highest paid director was £291k (2021: £471k), including £21k (2021: £20k) contributions to a money purchase pension scheme.

9. Tax on profit / (loss)

(a) Analysis of tax credit in the year

The tax credit comprises:

	2022 £'000	2021 £'000
Current tax on profit / (loss)		
UK corporation tax	-	44
UK corporation tax-adjustment in respect of prior years	(212)	418
Total current tax	<u>(212)</u>	<u>462</u>
Deferred tax		
Origination and reversal of timing differences	(1,192)	1,401
Adjustment in respect of prior years	-	268
Effect of change in tax rates	(376)	(779)
Total deferred tax (see note 18)	<u>(1,568)</u>	<u>890</u>
Total tax on profit / (loss)	<u><u>(1,780)</u></u>	<u><u>1,352</u></u>

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

9. Tax on profit / (loss) (continued)

(b) Factors affecting the current tax credit for the year

The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit / (loss) before tax is as follows:

	2022 £'000	2021 £'000
Profit / (loss) before tax	(11,085)	5,626
Tax on profit / (loss) at standard UK corporation tax rate of 19% (2021: 19%)	(2,106)	1,069
Effects of:		
Expenses not deductible for tax purposes	340	376
Effect of change in tax rates	(376)	(779)
Losses	574	-
Adjustments in respect of previous periods	(212)	686
Total tax credit for year	(1,780)	1,352

The standard rate of tax applied to profit is 19% (2021: 19%). The Finance Act 2020 maintains UK corporation tax at 19% for the financial year beginning 1 April 2020 and same for the April 2021 financial year.

In the 2021 budget that was delivered on the 3 March 2021, it was announced that legislation will be introduced in the finance bill 2021 to set the main rate of corporation tax at 25% for the Financial Year 2023, which will apply to profits above £250k; and introduce a small profits rate of 19% for profit below £50k. Marginal relief provisions will be introduced so that, where a company's profits fall between the lower and upper limits, it will be able to claim an amount of marginal relief that bridges the gap between the lower and upper limits providing a gradual increase in the Corporation Tax rate. This rate had not been substantively enacted at the balance sheet date, and as the result the deferred tax balances as at 31 December 2022 continue to be measured at the hybrid/full 25% rate noted above. The estimated impact of the reversal of the corporation tax rate increase would be to reduce the deferred tax assets by £1,142k.

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

10. Intangible fixed assets

	Goodwill £'000	Intellectual property £'000	Negative goodwill £'000	Software £'000	Total £'000
Cost or valuation					
At 1 January 2022	35,782	10,879	(16,672)	-	29,989
Additions	-	-	-	107	107
At 31 December 2022	<u>35,782</u>	<u>10,879</u>	<u>(16,672)</u>	<u>107</u>	<u>30,096</u>
Amortisation					
At 1 January 2022	(22,583)	(7,177)	16,672	-	(13,088)
Charge for year	(2,415)	(1,088)	-	(12)	(3,515)
At 31 December 2022	<u>(24,998)</u>	<u>(8,265)</u>	<u>16,672</u>	<u>(12)</u>	<u>(16,603)</u>
Net book value					
At 31 December 2022	<u>10,784</u>	<u>2,614</u>	<u>-</u>	<u>95</u>	<u>13,493</u>
At 31 December 2021	<u>13,199</u>	<u>3,702</u>	<u>-</u>	<u>-</u>	<u>16,901</u>

Goodwill assets are amortised on a straight line basis over periods of 10 – 20 years, with remaining amortization periods between 1 – 10 years. These are the periods over which the directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets.

Intellectual property assets are amortised on a straight line basis over periods of 10 – 20 years.

Goodwill impairment test

The Company defines a CGU for goodwill testing based on the way that it monitors and derives economic benefit from the acquired goodwill. To determine whether the recoverable amount exceeds the carrying value, the Company performs an annual impairment test each year. The impairment test was completed as at 31 December 2022. At that date, the CGU's carrying amount was £55.7m (including £10.8 of goodwill and £2.7m of other intangibles).

The Company determined the recoverable amount of the CGUs using the Value-In-Use method employing the DCF approach. The material assumptions used to value the CGU using the DCF approach are sales growth rate; earnings before interest, taxes, depreciation, and amortization margin; the discount rate; working capital as a percentage of sales; and working capital investments required. The Company projected cash flows over a four-year period using a combination of financial budgets approved by management and long-term plans. The long-term growth rate applied for periods beyond the detailed management forecast is 1.9% for the CGU.

The discount rates applied to the cash flow projections are the WACC using an average market participant approach and are as follows:

	31 December 2022	
	Pre-tax	Post-tax
UK CGU	11.9%	9.4%

Based on the Value-In-Use analysis, the recoverable amount for the UK CGU is £102.7m this value is higher than the carrying amount at the valuation date therefore having £47.0m headroom.

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

10. Intangible fixed assets (continued)

The Company also performed sensitivity analysis as below to determine a range of possible impairment. The following table depicts the increase/ (decrease) in estimated fair value of the CGU due to an indicated change in the significant assumption:

	Terminal EBITDA Margin 0.5% / (0.5%)	Terminal growth rate 0.5% / (0.5%)	After tax WACC 1.0% / (1.0%)
UK CGU - £m	10.1 / (10.1)	5.5 / (4.8)	(12.3) / 16.1

A 50 basis-point decrease in terminal value EBITDA margin would not result in an impairment in UK CGU.

A 50 basis-point decrease in the terminal growth rate would not result in an impairment in UK CGU.

A 100 basis-point increase in the discount rate assumption would not result in an impairment in UK CGU.

11. Tangible fixed assets

	Land and Buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation					
At 1 January 2022	21,821	59,930	13,866	3,163	98,780
Additions	207	2,934	105	2,130	5,376
Disposals	-	-	-	(81)	(81)
Transfers	176	2,885	21	(3,082)	-
At 31 December 2022	22,204	65,749	13,992	2,130	104,075
Depreciation					
At 1 January 2022	6,318	45,361	6,024	-	57,703
Depreciation	1,037	3,096	1,271	-	5,404
At 31 December 2022	7,355	48,457	7,295	-	63,107
Net book value					
At 31 December 2022	14,849	17,292	6,697	2,130	40,968
At 31 December 2021	15,503	14,569	7,842	3,163	41,077

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

11. Tangible fixed assets (continued)

	2022 £'000	2021 £'000
Land and buildings is split as follows:		
Buildings	14,448	15,102
Land	401	401
	<u>14,849</u>	<u>15,503</u>

Assets held under Finance Lease

Included within the net book value of tangible fixed assets is £2,661k (2021: £2,753k) in respect of a building held under a finance lease. Depreciation for the year on the building was £145k (2021: £215k).

Dilapidation provisions

Included within the net book value of tangible fixed assets is £5,755k (2020: £5,138k) in respect of a dilapidation provisions. Depreciation for the year was £467k (2021: £467k).

12. Fixed asset investments

	2022 €	2021 €
Shares in Company undertakings and participating interests	<u>100</u>	<u>100</u>

The Company has investments in the following subsidiary undertaking at year end:

	Country of incorporation or principal business address	Principal activity	Holding	%
Baker & Baker Ireland Limited	Ireland	Sale of bakery products	Ordinary	100%

All of the holdings above represent ordinary shares directly held. All holdings have been fully provided against. The registered address of the subsidiary is The Black Church, St. Mary's Place, Dublin, Republic of Ireland.

13. Stocks

	2022 £'000	2021 £'000
Raw materials and consumables	16,645	8,944
Finished goods and goods for resale	12,950	16,431
	<u>29,595</u>	<u>25,375</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

14. Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	14,154	9,490
Amounts owed by fellow group undertakings	68,572	53,020
Other debtors	2,225	2,470
Prepayments and accrued income	3,133	1,050
Deferred tax asset (see note 18)	4,757	3,248
	<u>92,841</u>	<u>69,278</u>

Amounts owed by group undertakings is made up of intercompany debtors which are unsecured and repayable on demand. Interest is applied by Deutsche Bank to the cashpool at Euribor rate plus 25 BPS.

15. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Obligations under finance leases and hire purchase contracts	687	806
Trade creditors	33,165	28,207
Amounts owed to parent undertakings	6,704	4,109
Amounts owed to fellow group undertakings	91,941	73,858
Other taxation and social security	-	48
Other creditors	11,983	3,423
Corporation tax	44	44
Accruals and deferred income	1,525	2,025
	<u>146,049</u>	<u>112,520</u>

Amounts owed to parent and group undertakings is made up of intercompany creditors which are unsecured and repayable on demand. Interest is applied by Deutsche Bank to the cashpool at Euribor rate plus 25 BPS.

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

	2022 £'000	2021 £'000
Obligations under finance leases and hire purchase contracts	<u>3,755</u>	<u>3,589</u>
Finance leases		
The total value of future minimum lease payments is:		
	2022 £'000	2021 £'000
Less than one year	687	806
Between one and five years	2,911	3,391
After five years	844	198
	<u>4,442</u>	<u>4,395</u>

Finance lease includes the property at the Wirral site. The current lease expires in April 2041, with annual review of rent.

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

17. Provisions for liabilities

	Onerous lease provision £'000	Dilapidations provision £'000	Total £'000
At 1 January 2022	163	5,704	5,867
(Released)/Charged to profit and loss account	(163)	51	(112)
At 31 December 2022	-	5,755	5,755
Provision for net defined benefit scheme deficit (see note 21)			1,012
Total			6,767

Provisions as at 31 December 2022 include a £nil (2021: £163k) onerous lease provision, which was utilised over the period to December 2022. The lease relates to one property that the Company has vacated, but the Company remains liable under the terms of the lease. The dilapidation provision is in respect of liabilities for dilapidations on manufacturing facilities leased by the Company. The leases have a remaining lease term of three to fifteen years.

18. Deferred taxation

(a) The total deferred tax recognised in the balance sheet is as follows:

	2022 £'000	2021 £'000
At 1 January	3,248	4,138
Deferred tax charge in the profit and loss account	1,568	(647)
Deferred tax charge in comprehensive income	(59)	25
Adjustment in respect of prior years	-	(268)
At 31 December (see note 14)	4,757	3,248

(b) Deferred taxation comprises:

	2022 £'000	2021 £'000
Fixed asset timing differences	1,991	2,301
Short term timing differences - trading	754	947
Losses	2,012	-
Net deferred tax asset	4,757	3,248

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

18. Deferred taxation (continued)

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company.

There is no expiry date on timing differences, unused tax losses or tax credits. No unprovided deferred tax in the year.

19. Called-up share capital and reserves

	2022 £	2021 £
Allotted, called-up and fully-paid 3,800,101 ordinary shares of £1 each	3,800,101	3,800,101

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

20. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2022		2021	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- within one year	1,903	245	1,923	230
- between one and five years	6,882	650	5,602	108
- after five years	15,243	281	14,000	-
	24,028	1,176	21,525	338

21. Employee benefits

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the profit or loss account in the year ended 31 December 2022 was £2,224k (2021: £2,485k).

Unfunded Retirement Benefit Scheme

The Unfunded Retirement Benefit Scheme, is a defined benefit scheme funded entirely by employer contributions; there are no assets to back up the fund. The Company pays unfunded and unapproved pensions directly to ex gratia pensioners from a provision made under restructuring in 2002 and 2003. The independent actuaries, Towers Watson, have performed a valuation as at 31 December 2022; the last full actuarial valuation was in 2009. The pension scheme liability shown below includes an amount of £1,012k (2021: £1,313k) in respect of the Unfunded Retirement Benefit Scheme. The expense recognised in the profit or loss account in the year ended 31 December 2022 was £115k (2021: £19k).

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

21. Employee benefits (continued)

Unfunded Retirement Benefit Scheme (continued)

Under FRS 102, the deferred tax asset arising on the post-employment benefit scheme is now included within the deferred tax on the balance sheet.

The major financial assumptions used to calculate the liabilities of the Unfunded Retirement Benefit Scheme as at 31 December 2022 are as follows:

	2022 % per annum	2021 % per annum
Discount rate for scheme liabilities	4.75	1.50
Rate of increase to pensions in payment	3.05	3.45
Inflation	3.20	3.75

Movements in the present value of the schemes liabilities were as follows:

	2022 £'000	2021 £'000
At 1 January	1,313	1,329
Interest cost	115	19
Actuarial (gain)/loss	(348)	29
Benefits paid	(68)	(64)
At 31 December	1,012	1,313

Mortality assumptions

	Valuation at 2022 (years)	Valuation at 2021 (years)
Male currently age 74	13.2	14.8
Male currently age 59	13.9	15.7
Female currently age 74	15.6	17.4
Female currently age 59	16.7	18.5

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income since the recognition of the pension scheme is £882k (2021: £1,230k).

22. Group borrowing facility

Baker & Baker Products UK Limited, has granted to the lenders of Baker & Baker Group Limited and fellow group companies security interests in all its material assets, including capital stock or other equity interests, substantially all other assets, real estate, intercompany loans and any proceeds from the foregoing.

23. Related party transactions

Amounts owed by and owed to parent and group undertakings are reported in debtors (note 14) and creditors (note 15) these unsecured and repayable on demand. Related party transactions are conducted in line with the Group's transfer pricing policy.

Baker & Baker Products UK Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

24. Controlling party

The immediate parent Company is Baker & Baker Netherlands Holdings B.V a Company incorporated in the Netherlands, and the ultimate controlling party is Rhône Capital IV L.P, a Company incorporated in the United States.

The smallest group into which the results of Baker & Baker Products UK Limited are consolidated is Baker & Baker Group Limited, the registered address of this Company is Stadium Road, Bromborough, Wirral, United Kingdom, CH62 3NU.

The largest group into which the results of Baker & Baker Products UK Limited are consolidated is Mill Luxembourg Holdings 1 S.à.r.l, the registered address of this Company is 14, Rue Edward Streichen, L-2540 Luxembourg, R.C.S. Luxembourg: B176460.

Copies of Baker & Baker Group Limited and Mill Luxembourg Holdings 1 S.à.r.l.'s consolidated financial statements can be found from their registered addresses above.

25. Post Balance Sheet Events

On 12 September 2023, the Company issued 2 ordinary shares for a total consideration of £22.7m in favour of its parent undertaking, Baker & Baker Netherlands Holding BV. The obligation to pay the subscription price has been offset against the inter-company liability due to Baker & Baker Netherlands Holding BV. The share subscription has no impact on the Company's balance sheet as at 31 December 2022.

In September 2023 Baker & Baker UK Products Limited secured a £5m asset-backed debt facility secured on the UK business inventory.