

**Baker & Baker Products UK Limited
(formerly CSM (United Kingdom)
Limited)**

**Annual report and financial statements
for the year ended 31 December 2020**

Registered number 01478292



Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

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Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Directors and advisors

Directors

M Bok (resigned 25 May 2021)

M Kirkegaard

M Acheson

Secretary

S McSherry

Registered Office

Stadium Road

Bromborough

Wirral

CH62 3NU

United Kingdom

Auditor

Deloitte LLP

Statutory Auditor

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United Kingdom

Solicitors

Eversheds Sutherland

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70 Great Bridgewater Street

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Bankers

Deutsche Bank AG

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Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Strategic report (continued)

The directors present their Strategic report, Directors' Report and the audited financial statements of the Company for the year ended 31 December 2020.

Principal activities

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

Review of business

By the end of 2020, Baker & Baker remained one of the leading bakery products manufacturers in Europe. The Company has retained strong market share and its key customer base across retail and foodservice in its core markets in the UK, Europe and overseas.

A focus on bakery segments such as American Sweet Bakery has allowed the Company to maximise growth opportunities with new customer demographics, alongside actively promoting local specialities. 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 on an ongoing basis on a detailed segment level. Although, the company was impacted by Covid19 (see below), it was able to successfully manage costs in line with fluctuations in demand, principally caused by lockdowns driving down demand in the food service sector.

The company was not materially impacted by Brexit, as it has successfully implemented measures to mitigate primary effects. Mitigations included: creation of a legal entity in Ireland to facilitate sales, sourcing of raw materials in UK and maximising UK production for UK demand.

Operating profit in the year increased by £1.9m, largely due to successful cost management and control measures to mitigate the covid-19 impact, including income from the furlough scheme.

In addition, 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.

Covid-19

The Company's performance in 2020 was impacted by the Covid-19 pandemic, although the impact was partly mitigated by the diversification of the Company's business, as the market impact is variable across the different business channels in which the business operates. Management have closely monitored the progression of the pandemic and the impact on the business and utilised the government's furlough scheme in order to offset the cost impacts driven by fluctuations in customer demand as a consequence of lockdowns and national restrictions introduced to combat the spread of Covid-19. All manufacturing sites continued to operate through the lockdown, managing output accordingly to revised customer demand, and we note that significant sales recovery has been achieved as lockdown measures have been released, which has continued into, first half of 2021. The directors have considered the progression of Covid-19 to date and continue to review multiple forecast scenarios in their management of the business.

Key Performance Indicators

Revenue and operating profit are considered to be the primary financial KPIs of the business.

Revenue was 11.6% lower than prior year, at £218.2m (2019:£246.9m) primarily because of Covid-19 on market demand. The second quarter was the most impacted period, coinciding with the first covid-19 related lockdown. During the year, the company received £1.8m income relating to furlough grants from the government. Operating profit was at £8.52m (2019:£6.58m).

The financial position of the company is set out in the balance sheet, on page 15. Net Assets £25,072m (2019:£27,116m)

Working capital requirements remained broadly stable.

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Strategic report (continued)

Outlook

The directors expect sales, in its continuing business, to recover in the forthcoming year, due to an increase in market demand as lockdown restrictions relating to the Covid-19 pandemic are released and as the foodservice channel comes back online in the UK and across continental Europe.

The Company also put in place preparations for a key business separation, via the sale of its ingredients division in Q2 2021, and the subsequent renaming of the business to Baker & Baker. This has provided a greater focus and specialism as a bakery products manufacturer for the benefit of our customers, and has allowed the Company to capitalise on growth opportunities in key markets. Following the completion of this divestment, the group's external debt was reduced, which is anticipated to result in improved credit ratings and to allow the business to access improved payment terms from its suppliers.

Section 172 statement

The directors of Baker & Baker Products UK Limited, acting in accordance with their duties codified in law, which include their duty to act in a way in which they consider, 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(I) of the Companies Act 2006.

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.

We aspire to thrive by creating shared value for customers, colleagues, investors, 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.

Environment

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

People

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.

Products

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.

Communities

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.

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 seek to create a transparent and collaborative culture in which colleagues are empowered to succeed.

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Strategic report (continued)

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 UK representatives on the European Works Council. 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 KPI 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.

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.

Price commodity risk

The Company is exposed to commodity price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing exposure to commodity price risk would exceed any potential benefits.

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 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 & 3 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.

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

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Strategic report (continued)

facility, until at least 12 months from the date of signing the annual report and financial statements. In reaching this conclusion the directors have considered the impact of Covid-19 on trading.

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.

Approved by the Board on 30-9-2021 and signed on its behalf by



M Acheson

Director

30-9- 2021

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Directors' report

The directors present their annual report and the audited financial statements of Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited) for the year ended 31 December 2020.

On 1 April 2021, the company changed its name from CSM (United Kingdom) Limited to Baker & Baker Products UK Limited

The Strategic 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 £1,888,000 (2019: profit of £3,931,000). The directors do not propose to declare a dividend for the year (2019: £nil).

Directors

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

M Kirkegaard
M Bok (resigned 25 May 2021)
M Acheson

Donations

During the year the Company made donations to various local and national charities amounting to £684 (2019: £6,346). No political donations were made (2019: £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 £2,462,000 (2019: £2,839,000) 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 3-4).

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Directors' report (continued)

Government Grants-UK Government Job Retention Scheme

As a result of the Covid-19 pandemic, the Company has benefited from £1,806,000 of government assistance programmes in the form of employee support schemes. In line with IAS 20, 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. Additionally, the Company, postponed payment of its April 2020 PAYE and National Insurance, in June 2020. This was paid in July 2020.

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. As this is the first year of reporting, comparative information is not required.

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 2020 to 31 December 2020

Emissions from combustion of gas

(Scope 1)

Purchased Gas	KWh	24,994,811
	KgCO ₂ e	4,594,796

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

(Scope 2)

Purchased Electricity	KWh	22,663,683
Total gross emissions	KgCO ₂ e	5,283,811

Total Scope 1 and 2	KWh	47,658,494
	KgCO ₂ e	9,879,607

Intensity ratio per Kg of production	KgCO ₂ e	0.111
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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 2021 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

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.

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Directors' report (continued)

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.

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 later in 2021. 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 19th April 2021, the Baker & Baker Group concluded the announced divestment of its European Ingredients business, which included certain activities of the company. Following the receipt of funds, the group paid down the entire outstanding balance of its First Lien Term Loan and ABL facility.

On 21 June 2021 Baker & Baker Group Limited announced that it had entered into an agreement to sell its North American Bakery Business, Brill Inc. The transaction was completed in August 2021, following which it is anticipated that Second Lien Term Loan will be fully paid down.

Future Developments

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

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Directors' report (continued)

Approved by the Board on 30-9-2021 2021 and signed on its behalf by



M Acheson

Director

30-9- 2021

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) 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 (formerly CSM (United Kingdom) 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 2020 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 of:

- 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 24.

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 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 (formerly CSM (United Kingdom) 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

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

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 Act, Money Laundering Regulations, Health and Safety at Work Legislation, Employment Law, Tax Legislation and Bribery Act; 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 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 area, and our specific procedures performed to address it are described below:

- We presume a risk of material misstatement due to fraud related to revenue which we have pinpointed to rebates given customers. The rebate structures are complex and the balance is material. We have deemed the risk of material misstatement in relation to accuracy and completeness of rebates to be significant.
 - We have tested the design and implementation of the controls around the calculation on the rebates.
 - On a sample basis, we have recalculated the rebate expense based on sales information and the rebate agreement between the entity and 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; and
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations;

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) 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 have 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

Carl Acton, BA (Hons), BFP, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester, United Kingdom

30 September 2021

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Profit and loss account

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	3	218,229	246,881
Cost of sales		<u>(182,228)</u>	<u>(205,129)</u>
Gross profit		36,001	41,752
Other operating income	4	1,806	-
Distribution costs		(15,683)	(18,235)
Administrative expenses		<u>(13,600)</u>	<u>(16,940)</u>
Operating profit		8,524	6,577
Finance costs (net)	5	<u>(10,412)</u>	<u>(2,646)</u>
(Loss)/profit before taxation	6	(1,888)	3,931
Tax on (loss)/profit	8	<u>(106)</u>	<u>(1,657)</u>
(Loss)/profit for the financial year		<u><u>(1,994)</u></u>	<u><u>2,274</u></u>

All operations relate to continuing activities within the period. However, since the balance sheet date, the sale of the operations relating to the ingredients business has been completed, as disclosed in note 24.

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Statement of comprehensive income
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
(Loss)/profit for the financial year		<u>(1,994)</u>	<u>2,274</u>
Actuarial (loss)/gain relating to the pension scheme	20	(67)	102
Deferred taxation attributable to the actuarial (loss)/gain	17	<u>17</u>	<u>18</u>
Other comprehensive (loss)/profit	\	<u>(50)</u>	<u>120</u>
Total comprehensive (loss)/profit attributable to equity shareholder of the Company		<u><u>(2,044)</u></u>	<u><u>2,394</u></u>

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)
Balance sheet

At 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Goodwill	9	15,182	17,380
Negative goodwill	9	-	(629)
		<u>15,182</u>	<u>16,751</u>
Other intangible assets	9	4,027	4,734
Tangible assets	10	43,053	46,125
Investments	11	-	-
		<u>62,262</u>	<u>67,610</u>
Current assets			
Stocks	12	24,344	22,649
Debtors	13	64,579	54,834
		<u>88,923</u>	<u>77,483</u>
Creditors: amounts falling due within one year	14	<u>(117,392)</u>	<u>(108,376)</u>
Net current liabilities		<u>(28,469)</u>	<u>(30,893)</u>
Total assets less current liabilities		<u>33,793</u>	<u>36,717</u>
Creditors: amounts falling due after more than one year	15	<u>(3,523)</u>	<u>(4,269)</u>
Provisions for liabilities	16	<u>(5,198)</u>	<u>(5,332)</u>
Net assets		<u>25,072</u>	<u>27,116</u>
Capital and reserves			
Called-up share capital	18	3,800	3,800
Share premium account		15,831	15,831
Profit and loss account		5,441	7,485
Shareholder's funds		<u>25,072</u>	<u>27,116</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 30-9- 2021. They were signed on its behalf by:



M Acheson
Director

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Statement of changes in equity
At 31 December 2020

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2019	3,800	15,831	5,091	24,722
Income for the financial year	-	-	2,274	2,274
Other comprehensive income	-	-	120	120
Total comprehensive income	-	-	2,394	2,394
At 31 December 2019	3,800	15,831	7,485	27,116
Loss for the financial year	-	-	(1,994)	(1,994)
Other comprehensive loss	-	-	(50)	(50)
Total comprehensive loss	-	-	(2,044)	(2,044)
At 31 December 2020	<u>3,800</u>	<u>15,831</u>	<u>5,441</u>	<u>25,072</u>

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements

For the year ended 31 December 2020

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 4.

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, Mill Luxembourg Holdings 1 S.à.r.l., a company incorporated under the law in Luxembourg, 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 4 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.

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. The directors have also considered the impact of the proposed divestment of the Ingredients business, as outlined on page 8 ("Events After Balance Sheet Date") and in note 24 to the accounts.

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

In accordance with Section 400 of the Companies Act 2006, the Company is not required to prepare group accounts as it is a wholly-owned subsidiary of Mill Luxembourg Holdings 1 S.à.r.l., a company incorporated under the law in Luxembourg. 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 (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued) **For the year ended 31 December 2020**

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 9)	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 which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued)

For the year ended 31 December 2020

- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

1. Accounting policies (continued)

f. Financial instruments (continued)

- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions 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 recognised 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.

Financial liabilities are recognised 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.

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued) **For the year ended 31 December 2020**

1. Accounting policies (continued)

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.

i. Impairment of assets (continued)

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.

j. 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.

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.

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

k. 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.

l. 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.

m. 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.

n. 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.

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued) **For the year ended 31 December 2020**

1. Accounting policies (continued)

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.

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 £15,182,036 (2019: £17,379,857)

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 £3,529,000 (2019: £3,500,000)

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued) **For the year ended 31 December 2020**

3. Turnover

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

	2020 £'000	2019 £'000
Turnover:		
Bakery products	218,229	246,881
	<u>218,229</u>	<u>246,881</u>

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

	2020 £'000	2019 £'000
Turnover:		
United Kingdom	206,327	231,517
Other European countries	11,792	15,277
Rest of the world	110	87
	<u>218,229</u>	<u>246,881</u>

4. Other Operating Income

	2020 £'000	2019 £'000
Government Grants-CJRS	1,806	-
	<u>1,806</u>	<u>-</u>

As a result of the Covid-19 pandemic, the Company has benefited from £1,806m 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.

5. Finance costs (net)

	2020 £'000	2019 £'000
Interest payable and similar charges	326	843
Interest payable to group companies	5,427	5,732
Foreign exchange losses/(gains)	3,963	(4,165)
Other finance costs	696	236
	<u>10,412</u>	<u>2,646</u>

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued)
For the year ended 31 December 2020

6. (Loss) / Profit before taxation

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

	2020 £'000	2019 £'000
Depreciation of tangible fixed assets - owned	5,616	5,355
Depreciation of tangible fixed assets – leased	216	216
Release of negative goodwill	(629)	(820)
Amortisation of goodwill	2,198	2,198
Amortisation of other intangible assets	707	706
Research and development	2,462	2,839
Amortisation of government grants	(34)	(34)
Operating lease rentals	2,540	2,064
Foreign exchange (gains)/ losses	3,963	(4,165)
Cost of stock recognised as an expense	122,308	139,914
Fees payable to the Company's auditor for the audit of the Company's annual accounts		
Fees payable to the Company's auditor and its associates for other services to the Company		
Total audit fees	88	62
Taxation compliance services	49	20
Other taxation advisory services	35	56
Other services	4	36
Total non audit fees	88	112

7. Staff numbers and costs

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

	2020 Number	2019 Number
Production	1,225	1,201
Distribution	48	51
Sales	126	134
Administration	73	77
	1,474	1,463

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued)
For the year ended 31 December 2020

7. Staff numbers and costs (continued)

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	42,012	43,733
Social security costs	4,213	4,096
Other pension costs (see note 20)	2,802	2,768
Other employment costs	693	1,084
	<u>49,720</u>	<u>51,681</u>

The aggregate emoluments of the director was as follows:

	2020 £'000	2019 £'000
Aggregate emoluments	259	208
Company contributions to pension scheme	13	13
	<u>272</u>	<u>221</u>

Only one director was remunerated through the Company in current year.

8. Tax on profit / (loss)

(a) Analysis of tax credit in the year

The tax credit comprises:

	2020 £'000	2019 £'000
Current tax on (loss)/profit		
UK corporation tax-adjustment in respect of prior years	231	-
Total current tax	<u>231</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	410	1,546
Adjustment in respect of prior years	(62)	272
Effect of change in tax rates	(473)	(161)
Total deferred tax (see note 17)	<u>(125)</u>	<u>1,657</u>
Total tax on (loss)/profit	<u>106</u>	<u>1,657</u>

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued)
For the year ended 31 December 2020

8. 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:

	2020 £'000	2019 £'000
Profit / (loss) before tax	(1,888)	3,931
Tax on profit / (loss) at standard UK corporation tax rate of 19% (2019: 19.00 %)	(359)	747
Effects of:		
Expenses not deductible for tax purposes	248	800
Income not taxable in determining taxable profit		
Effect of change in tax rates	(473)	(161)
Adjustments in respect of previous periods	690	271
Total tax credit for year	106	1,657

The standard rate of tax applied to profit is 19% (2019: 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 £250,000; and introduce a small profits rate of 19% for profit below £50,000. 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. Management is yet to perform an assessment of the impact of the changes.

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued)
For the year ended 31 December 2020

9. Intangible fixed assets

	Goodwill £'000	Intellectual property £'000	Negative goodwill £'000	Total £'000
Cost or valuation				
At 1 January 2020	35,782	10,879	(16,672)	29,989
At 31 December 2020	35,782	10,879	(16,672)	29,989
Amortisation				
At 1 January 2020	(18,402)	(6,145)	16,043	(8,504)
Charge for year	(2,198)	(707)	629	(2,276)
At 31 December 2020	(20,600)	(6,852)	16,672	(10,780)
Net book value				
At 31 December 2020	15,182	4,027	-	19,209
At 31 December 2019	17,380	4,734	(629)	21,485

Goodwill assets are amortised on a straight lines basis over periods of 10 – 20 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.

Negative goodwill is amortised on a straight line basis over a period of 20 years.

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued)
For the year ended 31 December 2020

10. 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 2020	16,520	64,632	13,470	1,469	96,091
Additions	-	-	-	2,968	2,968
Disposals	(9)	(338)	(163)	-	(510)
Adjustments	5,441	594	710	(260)	6,485
Transfers	51	1,210	418	(1,679)	-
At 31 December 2020	22,003	66,098	14,435	2,498	105,034
Depreciation					
At 1 January 2020	4,352	41,855	3,759	-	49,966
Depreciation	1,084	3,224	1,524	-	5,832
Disposals	(4)	(258)	(40)	-	(302)
Adjustments	1,689	4,733	62	-	6,484
At 31 December 2020	7,121	49,554	5,305	-	61,980
Net book value					
At 31 December 2020	14,881	16,543	9,131	2,498	43,053
At 31 December 2019	12,168	22,777	9,711	1,469	46,125

Land and buildings is split as follows:

	2020 £'000	2019 £'000
Buildings – freehold	10,729	11,767
Land – freehold	401	401
	11,130	12,168

Assets held under Finance Lease

Included within the net book value of tangible fixed assets is £2,969,037 (2019: £3,184,967) in respect of a building held under a finance lease. Depreciation for the year on the building was £215,930 (2019: £ 215,930).

Dilapidation provisions

Included within the net book value of tangible fixed assets is £2,586,608 (2019: £2,675,801) in respect of a dilapidation provisions. Depreciation for the year was £89,193 (2019: £89,193).

Adjustments

During the year, a review of the fixed asset register was performed and an adjustment noted above to better reflect the asset categorisation. There is no impact in income statement as a result of this.

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued)

For the year ended 31 December 2020

11. Fixed asset investments

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 (formerly CSM Bakery Solutions Ireland Limited)	Ireland	Sale of bakery products	Ordinary	100%

All of the holdings above represent ordinary shares 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.

12. Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	9,437	8,818
Finished goods and goods for resale	14,907	13,831
	<u>24,344</u>	<u>22,649</u>

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

13. Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	7,227	13,212
Amounts owed by parent undertakings	256	-
Amounts owed by fellow group undertakings	47,837	33,802
Other debtors	4,088	2,731
Prepayments and accrued income	1,033	1,093
Deferred tax asset (see note 16)	4,138	3,996
	<u>64,579</u>	<u>54,834</u>

Amounts owed by parent and 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.

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued)

For the year ended 31 December 2020

14. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Obligations under finance leases and hire purchase contracts	791	50
Trade creditors	26,496	29,058
Amounts owed to parent undertakings	3,616	2,760
Amounts owed to fellow group undertakings	81,386	71,821
Other taxation and social security	362	115
Other creditors	2,731	961
Deferred Income from Grants	18	18
Accruals and deferred income	1,992	3,593
	<u>117,392</u>	<u>108,376</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.

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

	2020 £'000	2019 £'000
Obligations under finance leases and hire purchase contracts	<u>3,523</u>	<u>4,269</u>
Finance leases		
The total value of future minimum lease payments is:		
	2020 £'000	2019 £'000
Less than one year	791	775
Between one and five years	2,468	2,370
After five years	1,055	1,124
	<u>4,314</u>	<u>4,269</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 (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued)
For the year ended 31 December 2020

16. Provisions for liabilities

	Restructuring provision £'000	Onerous lease provision £'000	Dilapidations provision £'000	Total £'000
At 1 January 2020	79	453	3,500	4,032
(Released)/Charged to profit and loss account	(79)	(113)	29	(163)
Additional provision in the year				
At 31 December 2020	-	340	3,529	3,869
Provision for net defined benefit scheme deficit (see note 20)				1,329
Total				5,198

Provisions as at 31 December 2020 include a £340,000 onerous lease provision, which will be utilised over the period to December 2024. The lease relates to one property that the Company has vacated, but the Company remains liable under the terms of the lease. The restructuring provision relates to a series of projects aimed at improving efficiency through reorganisation and rationalisation of product lines. It has been fully utilised during the year. 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.

17. Deferred taxation

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

	2020 £'000	2019 £'000
At 1 January	3,996	5,635
Deferred tax charge in the profit and loss account	63	(1,385)
Deferred tax charge in comprehensive income	17	17
Adjustment in respect of prior years	62	(271)
At 31 December (see note 13)	4,138	3,996

(b) Deferred taxation comprises:

	2020 £'000	2019 £'000
Fixed asset timing differences	2,256	2,691
Short term timing differences - trading	484	367
Losses	1,398	938
Net deferred tax asset	4,138	3,996

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued)

For the year ended 31 December 2020

17. 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.

18. Called-up share capital and reserves

	2020 £	2019 £
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.

19. Financial commitments

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

	2020		2019	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- within one year	2,006	404	1,820	427
- between one and five years	6,488	311	7,185	408
- after five years	15,192	-	16,501	-
	<u>23,686</u>	<u>715</u>	<u>25,506</u>	<u>835</u>

20. 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 2020 was £2,802,000 (2019: £2,768,000).

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 2020; the last full actuarial valuation was in 2009. The pension scheme liability shown below includes an amount of £ 1,329,000(2019: £1,300,000) in respect of the Unfunded Retirement Benefit Scheme.

Baker & Baker Products UK Limited (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued) For the year ended 31 December 2020

20. 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 2020 are as follows:

	2020 % per annum	2019 % per annum
Discount rate for scheme liabilities	1.50	1.95
Rate of increase to pensions in payment	3.00	2.95
Inflation	3.15	3.05

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

	2020 £'000	2019 £'000
At 1 January	1,300	1,224
Interest cost	25	36
Actuarial loss	67	102
Benefits paid	(63)	(62)
At 31 December	<u>1,329</u>	<u>1,300</u>

Mortality assumptions

	Valuation at 2020 (years)	Valuation at 2019 (years)
Male currently age 72	14.8	14.7
Male currently age 57	15.7	15.6
Female currently age 72	17.4	17.3
Female currently age 57	<u>18.5</u>	<u>18.4</u>

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income since the recognition of the pension scheme is £1,211,000 (2019: £1,144,000).

21. 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.

22. Related party transactions

Amounts owed by and owed to parent and group undertakings are reported in debtors (note 13) and creditors (note 14) 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 (formerly CSM (United Kingdom) Limited)

Notes to the financial statements (continued).

For the year ended 31 December 2020

23. 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 and 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 Mill Luxembourg Holdings 1 S.à.r.l.'s consolidated financial statements can be obtained from its registered office above.

24. Post Balance Sheet Events

There are no adjusting post balance sheet events.

On 19th April 2021, the Baker & Baker Group concluded the announced divestment of its European Ingredients business, which included certain activities of the company. Following the receipt of funds, the group paid down the entire outstanding balance of its First Lien Term Loan and ABL facility.

On 21 June 2021 Baker & Baker Group Limited announced that it had entered into an agreement to sell its North American Bakery Business, Brill Inc. The transaction was completed in August 2021, following which it is anticipated that Second Lien Term Loan will be fully paid down.