

COMPANY REGISTRATION NUMBER: 01568776

South Lincs Foodservice Limited
(Previously known as MGS Management Services Limited)
Financial Statements
For the year ended
30 June 2020

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South Lincs Foodservice Limited

Financial Statements

Year ended 30 June 2020

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	5
Independent auditor's report to the members	7
Statement of income and retained earnings	11
Statement of financial position	12
Notes to the financial statements	14

South Lincs Foodservice Limited

Officers and Professional Advisers

The board of directors

S D Bender
A M Selley
A Brogan

Company secretary

T Hamandi

Registered office

814 Leigh Road
Slough
England
SL1 4BD

Auditor

Streets Audit LLP
Chartered accountants & statutory auditor
Enterprise House
38 Tyndall Court
Commerce Road
Lynch Wood
Peterborough
Cambridgeshire
PE2 6LR

Bankers

National Westminster Bank plc
10 Market Place
Boston
Lincolnshire
PE21 6EJ

South Lincs Foodservice Limited

Strategic Report

Year ended 30 June 2020

The directors present the strategic report for the year ended 30 June 2020.

Principal activities

The principal activities of the Company are the sale and distribution of food and non-food products to the catering trade.

Business Review

In line with many other businesses operating in the sale and distribution of food and non-food products to the catering trade, the COVID-19 outbreak and the subsequent lockdown enacted by the UK governments on 23 March 2020 led to a downturn in the Company's result. In response, the Company commenced a restructuring programme to protect its reserves and preserve its core business and as such, exceptional costs for the year of £484k were recognised. This leaves the Company in a lean and agile position to win new business and support growing customers when the impact of the pandemic reduces.

The directors are satisfied with the company's results for the year, taking into account the impact of Covid-19 on the business.

Future Developments

The Company traded closer to pre-Covid levels in July and August 2020 thanks to reduced Government restrictions and the 'Eat out to help out' scheme. However the Government has subsequently introduced national and local lockdowns, creating further uncertainty for many of our customers.

Key Performance Indicators

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being gross margin percentage, current ratio and net operating margin percentage detailed as follows:

- Revenue has reduced from £24.7m to £18.9m.
- Gross margin has remained consistent with the previous year at 28%
- Operating profit % has decreased from 4.69% to 2.94%
- Net Assets has decreased from £5,359k to £4,160k

Principal risks and uncertainties

The principal risk and uncertainty at present is the remaining effect of Covid-19 with government restrictions still affecting the recovery of the hospitality sector.

Otherwise, the company's activities expose it to a variety of financial risks: market risk and credit risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The business is exposed to a market that has an inherently high credit risk. The company seeks to manage its credit risk by dealing with established customers or otherwise checking the credit-worthiness of new customers, establishing clear contractual relationships with those customers and by identifying and addressing any credit issues arising in a timely manner.

South Lincs Foodservice Limited

Strategic Report *(continued)*

Year ended 30 June 2020

The company has implemented the following measures to mitigate the risks related to Brexit;

- The economy - the uncertainty has no doubt damaged the British economy. We have undertaken measures to increase the flexibility of our cost structure to enable the company to weather a downturn.
- Labour shortages - the business employs EU citizens, many of whom have put down roots in the UK. We do not see this as an immediate problem but one that will need to be managed over time.
- Supply chain shortages - we have analysed our supply chain and identified suppliers that have effective routes for delivery from the EU to the UK avoiding hot spots. Cost prices may increase, so we have allowed for price renegotiation on all major customer contracts.

Financial instruments

The company's principal financial instruments comprise a bank overdraft facility, trade debtors and creditors, loans to and from group undertakings.

Due to the nature of the financial instruments used by the company, there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

Liquidity risk is managed by the directors' monitoring of rolling forecasts, maintaining a balance between available cash reserves and its undrawn bank overdraft facility at a floating rate of interest.

In respect of loans, these comprise loans from financial institutions and loans to and from group undertakings.

The interest rate on bank loans is variable but the capital monthly repayments are fixed. The company manages the liquidity risk by ensuring there are sufficient funds to meet the payments. Loans to and from group undertakings are unsecured, interest free and repayable on demand.

Trade debtors are managed in respect of credit and cash flow risk by the implementation of policies that require appropriate credit checks on potential customers before any sales are made. The company has no significant concentration of credit risk.

Trade creditors risk is managed by ensuring that there are sufficient funds available to meet amounts as they fall due. Trade creditors at 30 June 2020 represented 24 days (2019:44 days). It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms wherever practicable.

South Lincs Foodservice Limited

Strategic Report *(continued)*

Year ended 30 June 2020

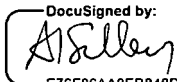
Going Concern

In determining whether the Company's financial statements can be prepared on a going concern basis, the Directors considered the Company's business activities together with factors likely to affect its future development, performance and financial position including cash flows, liquidity and borrowing facilities and the principal risks and uncertainties relating to its business activities, including those outlined above. Given the current uncertain economic climate, realistic assumptions for working capital performance have been used to determine the level of financial resources available to the Company and to assess liquidity risk.

COVID-19 has had a negative impact on 30 June 2020 results and this is likely to continue into part of 2021 but the Directors believe that the impact will be temporary as the industry recovers.

The Company has robust cashflow forecasting reporting in place, this is regularly updated to keep the Directors informed of any funding requirements and as such the Company is in a position to react to a protracted downturn. Based on latest forecasts of the Company's cash position the Directors are confident that the company is a going concern.

This report was approved by the board of directors on 17 December 2020 and signed on behalf of the board by:

DocuSigned by:

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A M Selley
Director

South Lincs Foodservice Limited

Directors' Report

Year ended 30 June 2020

The directors present their report and the financial statements of the company for the year ended 30 June 2020.

On 17 September 2020 the company changed its name from M G S Management Services Limited to South Lincs Foodservice Limited.

Directors

The directors who served the company during the year were as follows:

S D Bender

A M Selley

A Brogan

(Appointed 12 June 2020)

Dividends

Particulars of recommended dividends are detailed in note 14 to the financial statements.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 27 to the financial statements.

Disclosure of information in the strategic report

The company has chosen to set out in the strategic report information about the future developments of the company and the financial instruments.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

South Lincs Foodservice Limited

Directors' Report *(continued)*

Year ended 30 June 2020

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

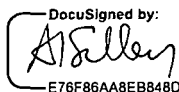
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

Auditor

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

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 17 December 2020 and signed on behalf of the board by:

DocuSigned by:

E76F86AA8EB848D...
A M Selley
Director

South Lincs Foodservice Limited

Independent Auditor's Report to the Members of South Lincs Foodservice Limited

Year ended 30 June 2020

Opinion

We have audited the financial statements of M G S Management Services Limited (the 'company') for the year ended 30 June 2020 which comprise the statement of income and retained earnings, statement of financial position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

" give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its loss for the year then ended;

" have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

" have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

South Lincs Foodservice Limited

Independent Auditor's Report to the Members of South Lincs Foodservice Limited *(continued)*

Year ended 30 June 2020

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. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

South Lincs Foodservice Limited

Independent Auditor's Report to the Members of South Lincs Foodservice Limited *(continued)*

Year ended 30 June 2020

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.

South Lincs Foodservice Limited

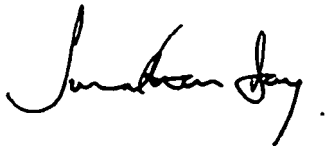
Independent Auditor's Report to the Members of South Lincs Foodservice Limited *(continued)*

Year ended 30 June 2020

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.

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.



Jonathan Day (Senior Statutory Auditor)

For and on behalf of
Streets Audit LLP
Chartered accountants & statutory auditor
Enterprise House
38 Tyndall Court
Commerce Road
Lynch Wood
Peterborough
Cambridgeshire
PE2 6LR

18 December 2020

South Lincs Foodservice Limited
Statement of Income and Retained Earnings
Year ended 30 June 2020

	Note	2020 £000	2019 £000
Revenue	5	18,930	24,716
Cost of sales		<u>(13,480)</u>	<u>(17,727)</u>
Gross profit		5,450	6,989
Distribution costs		(4,572)	(4,434)
Administrative expenses		(1,482)	(1,396)
Other operating income	6	532	—
Exceptional costs		<u>(485)</u>	<u>—</u>
Operating (loss) / profit after exceptional items	7	(557)	1,159
Finance income	11	5	8
Finance expenses	12	<u>(2)</u>	<u>(4)</u>
(Loss)/profit before taxation		(554)	1,163
Tax on (loss)/profit	13	<u>105</u>	<u>(229)</u>
(Loss)/profit for the financial year and total comprehensive income		<u>(449)</u>	<u>934</u>
Dividends paid and payable	14	(750)	(1,200)
Retained earnings at the start of the year		<u>5,208</u>	<u>5,474</u>
Retained earnings at the end of the year		<u>4,009</u>	<u>5,208</u>

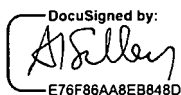
All the activities of the company are from continuing operations.

The notes on pages 13 to 29 form part of these financial statements.

South Lincs Foodservice Limited**Statement of Financial Position****30 June 2020**

	Note	2020 £000	2019 £000
Non-current assets			
Intangible assets	15	17	–
Property, plant and equipment	16	2,692	2,386
		<u>2,709</u>	<u>2,386</u>
Current assets			
Stocks	18	753	1,263
Trade and other receivables	19	1,433	3,454
Cash at bank and in hand		974	1,070
Total current assets		<u>3,160</u>	<u>5,787</u>
Total assets		<u><u>5,870</u></u>	<u><u>8,173</u></u>
Current liabilities			
Borrowings	20	–	(60)
Trade and other payables	21	(1,196)	(2,734)
Deferred tax liabilities	23	(29)	(20)
Provisions	22	(485)	–
Total current liabilities		<u>(1,710)</u>	<u>(2,814)</u>
Total liabilities		<u><u>(1,710)</u></u>	<u><u>(2,814)</u></u>
Net assets		<u><u>4,160</u></u>	<u><u>5,359</u></u>
Capital and reserves			
Called up share capital	25	1	1
Share premium account	26	150	150
Profit and loss account	26	4,009	5,208
Shareholders funds		<u><u>4,160</u></u>	<u><u>5,359</u></u>

These financial statements were approved by the board of directors and authorised for issue on 17 December 2020 and are signed on behalf of the board by:

DocuSigned by:

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A M Selley

Director

Company registration number: 01568776

The notes on pages 13 to 29 form part of these financial statements.

South Lincs Foodservice Limited

Notes to the Financial Statements

Year ended 30 June 2020

1. General information

On 17 September 2020 the company changed its name from M G S Management Services Limited to South Lincs Food Service Limited. The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 814 Leigh Road, Slough, SL1 4BD, England. The principal place of business is Sutterton Enterprise Park, Endeavour Way, Sutterton, Boston, Lincolnshire, PE20 2JA.

The principal activity of the company during the year was the supplier of wholesale frozen, chilled and ambient food products together with cleaning and packaging materials.

2. Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

This is the first year of application of FRS101. An explanation of how the transition to adopted FRS101 has affected the reported financial position and financial performance of the company is provided in note 31.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Bid Corporation Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- IFRS 2 Share Based Payments in respect of group settled share-based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible
- The disclosures required by IFRS 7 Financial Instrument Disclosures.

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

2. Statement of compliance *(continued)*

The Company's ultimate parent undertaking, Bid Corporation Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Bid Corporation Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Group's website (www.bidcorgroup.com).

3. Accounting policies

Measurement convention

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the company.

These are the company's first financial statements prepared in accordance with FRS101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2020, the comparative information presented in these financial statements for the year ended 30 June 2019 and in the preparation of an opening IFRS balance sheet as at 1 July 2018 (the company's date of transition).

In preparing its opening FRS101 balance sheet, the company has adjusted amounts previously reported in the financial statements prepared in accordance with its old basis of accounts (UK GAAP namely FRS102). An explanation of how the transition from UK GAAP to FRS101 has affected the company's financial position, financial performance (is set out in the following tables and notes that accompany the tables/ is set out in the notes below).

Reconciliation of equity

- No adjustments have been made in respect of the balance sheet for the period ended 30 June 2019.

Reconciliation of profit

- No adjustments have been made in respect of profit for the period ended 30 June 2019

New accounting standards

The Company has applied the following standards for the first time for their annual reporting period commencing 1 July 2019:

IFRS16 Leases

- This adoption did not have any material impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

3. Accounting policies *(continued)*

Going concern

On 23 March 2020 the UK was put into lockdown by the government in an unprecedented step to attempt to limit the spread of COVID-19. This led to many of the company's customers closing their businesses reducing demand on our services. COVID-19 has had a negative impact on 30 June 2020 results but the Directors believe that the impact will be temporary as the industry recovers.

The Company has robust cashflow forecasting reporting in place, this is regularly updated to keep the Directors informed of any funding requirements. In addition the directors are utilising the ongoing financial support packages being offered by the Government.

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have received written confirmation that an intermediate parent company, BFS Group Limited, will provide support should it be required. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 402 of the Companies Act 2006 on the basis that its subsidiaries are excluded from consolidation on the grounds that their inclusion is not material for the purpose of giving a true and fair view.

Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional. The company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables are grouped, based on shared credit risk characteristics and the days past due.

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

3. Accounting policies *(continued)*

Revenue recognition

Revenue, which excludes value added tax, represents the amounts invoiced to customers for goods sold and services supplied during the year in respect of the sale and distribution of food and non-food products to the catering trade, less credits for returns. Full consideration has been given to IFRS 15, and revenue is recognised when the significant risks and rewards have been transferred to the buyer, recovery of the consideration is probable and the amount of revenue can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

Cash at bank and in hand

Cash and cash equivalents comprise cash balances and call deposits.

Exceptional items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the income statement to give a full understanding of the Company's financial performance. Transactions which may give rise to exceptional items include the restructuring of business activities.

Trade and other creditors

Trade and other creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade creditors are recognised at fair value, and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

3. Accounting policies *(continued)*

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Rebates

Customer and supplier rebates are based on a mixture of sales/purchase volumes and values, as agreed with the respective customers and suppliers. The rebates can be estimated with a reasonable level of certainty and involve a minimal level of judgement. Arising rebate income/expense streams are recognised in a prudent manner in the income statement, and are regularly reviewed for completeness and accuracy.

Share capital and reserves

Ordinary shares are classified as equity.

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment.

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

3. Accounting policies *(continued)*

Intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the income statement within distribution and administrative expenses, on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software - 20% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement within distribution and administrative expenses, on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold building	- Over the properties useful life to its estimated residual value
Plant, machinery and vehicles	- 5%, 6.66%, 10% or 20% straight line
Motor vehicles	- 11% or 20% straight line

Land is not depreciated

Assets under construction are recorded at cost. No depreciation is provided on these assets until the assets are completed, and have been brought into use, at which point, they are transferred into one of the above categories, and depreciation commences.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment

The carrying amounts of the Company's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Stocks

Stocks are stated at the lower of cost and net realisable value and are net of supplier rebates receivable. Cost includes expenditure incurred in acquiring the stocks and bringing them to their existing location and condition.

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

3. Accounting policies *(continued)*

Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument. Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Defined pension contribution plans

The company contributes to a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

4. Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes an estimate of the recoverable value of assets held on the Balance Sheet, including Property, plant and equipment, Intangible assets, Investments, Stocks, Trade and other receivables and Provisions.

When assessing impairment of Property, plant and equipment and Intangible assets other than Goodwill management consider factors including the nature of the assets and their purpose within the business to assess whether they are carried at more than their recoverable amount, which is the higher of their value in use and their fair value less costs to sell.

See note 16 for the carrying value of property plant and equipment and any associated impairment. See note 15 for the carrying value of intangible assets and any associated impairment provisions.

When assessing impairment of investments and goodwill, management considers factors including the current results of the Company for the year and the net asset position.

See note 15 for the carrying amount of goodwill and the associated impairment provision. See note 17 for the carrying amount of investments. No impairment provision has been recognised.

The stock balance is stated at the lower of cost and net realisable value. Management review stock for obsolescence and to write it down to net realisable value where required.

See note 18 for the carrying amount of stock and details of the amounts written down to net realisable value.

The Company makes an estimate of the recoverable value of trade and other debtors using the Expected Credit Loss model in accordance with IFRS 9. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

5. Revenue

Revenue arises from:

	2020	2019
	£000	£000
Sale of goods	18,740	24,423
Rendering of services	190	293
	<u>18,930</u>	<u>24,716</u>

The whole of the revenue is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

6. Other operating income

	2020	2019
	£000	£000
Management charges receivable	204	—
Other operating income	328	—
	<u>532</u>	<u>—</u>

During the year the company received CJRS aid from the government totalling £328,000 to cover the salary, national insurance and pension costs of those staff furloughed as a result of the UK lockdown. The management re-charges are for the secondment of staff to other group companies.

7. Operating profit

Operating profit or loss is stated after charging/crediting:

	2020	2019
	£000	£000
Amortisation of intangible assets	2	—
Stock expensed to profit and loss	13,481	17,730
Depreciation of property, plant and equipment	278	340
Loss/(gains) on disposal of property, plant and equipment	1	(7)
	<u>13,762</u>	<u>18,063</u>

8. Auditor's remuneration

	2020	2019
	£000	£000
Fees payable for the audit of the financial statements	12	12
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	7	5
	<u>19</u>	<u>17</u>

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

9. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2020	2019
	No.	No.
Sales staff	33	31
Distribution staff	82	77
Administrative staff	20	20
	<u>135</u>	<u>128</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2020	2019
	£000	£000
Wages and salaries	3,268	3,138
Social security costs	358	320
Pension costs	98	79
	<u>3,724</u>	<u>3,537</u>

10. Exceptional items

	2020	2019
	£000	£000
Exceptional restructuring costs incurred	485	—

The exceptional costs have arisen because of the Covid19 Pandemic and resulting UK lockdown and it is redundancy provisions.

11. Finance income

	2020	2019
	£000	£000
Interest on loans and receivables	5	8

12. Finance expenses

	2020	2019
	£000	£000
Interest on banks loans and overdrafts	2	4

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

13. Tax on (loss)/profit

Major components of tax (income)/expense

	2020 £000	2019 £000
Current tax:		
UK current tax (income)/expense	(114)	232
Deferred tax:		
Origination and reversal of timing differences	9	(3)
Tax on (loss)/profit	<u>(105)</u>	<u>229</u>

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Company's future current tax charge accordingly. The deferred tax liability at 31 March 2020 has been calculated at 19% (2019: 17%).

Reconciliation of tax (income)/expense

The tax assessed on the (loss)/profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £000	2019 £000
(Loss)/profit on ordinary activities before taxation	(554)	1,163
(Loss)/profit on ordinary activities by rate of tax	(105)	221
Effect of capital allowances and depreciation	—	8
Tax on (loss)/profit	<u>(105)</u>	<u>229</u>

14. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2020 £000	2019 £000
Interim dividends on ordinary shares	<u>750</u>	<u>1,200</u>

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

15. Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
At 1 July 2019	318	–	318
Additions	<u>–</u>	<u>19</u>	<u>19</u>
At 30 June 2020	<u>318</u>	<u>19</u>	<u>337</u>
Amortisation			
At 1 July 2019	318	–	318
Charge for the year	<u>–</u>	<u>2</u>	<u>2</u>
At 30 June 2020	<u>318</u>	<u>2</u>	<u>320</u>
Carrying amount			
At 30 June 2020	<u>–</u>	<u>17</u>	<u>17</u>
At 30 June 2019	<u>–</u>	<u>–</u>	<u>–</u>

Amortisation expense is included in administrative expenses.

16. Property, plant and equipment

	Freehold property £000	Plant £000	Motor vehicles £000	Total £000
Cost				
At 1 July 2019	1,384	1,449	1,899	4,732
Additions	–	169	429	598
Disposals	<u>–</u>	<u>(36)</u>	<u>(192)</u>	<u>(228)</u>
At 30 June 2020	<u>1,384</u>	<u>1,582</u>	<u>2,136</u>	<u>5,102</u>
Depreciation				
At 1 July 2019	367	1,093	886	2,346
Charge for the year	–	86	192	278
Disposals	<u>–</u>	<u>(30)</u>	<u>(184)</u>	<u>(214)</u>
At 30 June 2020	<u>367</u>	<u>1,149</u>	<u>894</u>	<u>2,410</u>
Carrying amount				
At 30 June 2020	<u>1,017</u>	<u>433</u>	<u>1,242</u>	<u>2,692</u>
At 30 June 2019	<u>1,017</u>	<u>356</u>	<u>1,013</u>	<u>2,386</u>

Freehold Property includes £173,000 (2019 - £173,000) for land which is non-depreciable.

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

17. Investments

	Shares in group undertakings £000	Other investments other than loans £000	Total £000
Cost			
At 1 July 2019 and 30 June 2020	<u>103</u>	<u>60</u>	<u>163</u>
Impairment			
At 1 July 2019 and 30 June 2020	<u>103</u>	<u>60</u>	<u>163</u>
Carrying amount			
At 30 June 2020	<u>—</u>	<u>—</u>	<u>—</u>
At 30 June 2019	<u>—</u>	<u>—</u>	<u>—</u>

The company owns 100% of the issued share capital of South Lincs Food Service Limited, Chef's Trolley Limited, Boston Coffee Company Limited and Churchill's Fine Foods Limited. All four companies are dormant and there has been no movement on reserves in these companies during the current year.

The company is also a partner in Spotlight Productions (3) LLP, registered office 115 Eastbourne Mews, London, W2 6LQ. This investment was previously impaired to a £nil carrying value. The directors are of the opinion that this carrying value is still appropriate.

18. Stocks

	2020 £000	2019 £000
Goods for resale	<u>753</u>	<u>1,263</u>

19. Debtors

	2020 £000	2019 £000
Trade and other receivables	847	1,947
Amounts owed by group undertakings	235	709
Prepayments and accrued income	20	538
Corporation tax repayable	114	—
Other debtors	<u>217</u>	<u>260</u>
	<u>1,433</u>	<u>3,454</u>

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

19. Debtors *(continued)*

The debtors above include the following amounts falling due after more than one year:

	2020	2019
	£000	£000
Other debtors	<u>9</u>	<u>121</u>

All amounts due from group companies are interest free, unsecured and have no fixed terms of repayment.

20. Borrowings

	2020	2019
	£000	£000
Bank loans and overdrafts	<u>–</u>	<u>60</u>
	<u>–</u>	<u>2,794</u>

Bank loans was secured by way of:

- a debenture in favour of National Westminster Bank plc over all assets of the company dated 31 January 2010; and
- a legal charge in favour of National Westminster Bank plc over the freehold land and buildings dated 12 March 2010.

21. Trade and other payables

	2020	2019
	£000	£000
Trade creditors	867	2,136
Accruals and deferred income	241	298
Corporation tax	–	232
Social security and other taxes	88	68
	<u>1,196</u>	<u>2,794</u>

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

22. Provisions

	Restructur- ing £000	Total £000
At 1 July 2019	—	—
Additions	485	485
Charge against provision	—	—
At 30 June 2020	485	485

The restructuring provision relates to redundancy costs. A formal announcement has occurred and employees affected are aware they are at risk. Management's best estimates have been used in forming these provisions based on past experience, known facts and most likely outcomes.

23. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2020 £000	2019 £000
Included in provisions (note 22)	29	20

The deferred tax account consists of the tax effect of timing differences in respect of:

	2020 £000	2019 £000
Accelerated capital allowances	32	21
Pension plan obligations	(3)	(1)
	29	20

24. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £98,000 (2019: £78,000).

South Lincs Foodservice Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2020

25. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	£000	No.	£000
Ordinary A shares of £1 each	260	–	260	–
Ordinary B shares of £1 each	990	1	990	1
	<u>1,250</u>	<u>1</u>	<u>1,250</u>	<u>1</u>

The Ordinary B shares rank *pari passu* with the Ordinary A shares in all respects.

26. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

27. Events after the end of the reporting period

On 1 July 2020, 100% of the Company's share capital was purchased by Caterfood Holdings Limited, a subsidiary of BFS Group Limited. There is no effect on the ultimate controlling party disclosed in note 29.

28. Controlling party

The company was under the control of the Bid Corporation Limited throughout the current and previous year. The company is a wholly owned subsidiary of BFS Group Limited. The ultimate parent undertaking is Bid Corporation Limited, a company incorporated in South Africa which is also the largest group in which the results of the company are consolidated.

Copies of the financial statements of the Bid Corporation Limited are available upon application to the company at the following address; Postnet Suite 136, Private Bag X9976, Johannesburg, 2146 South Africa.