

Company Registration No. 03298641 (England and Wales)

**MONTANA BAKERY LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED**  
**31 DECEMBER 2016**

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# MONTANA BAKERY LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	J P Mellows Finflex BVBA Dirk Consulting BVBA
<b>Company number</b>	03298641
<b>Registered office</b>	The Bakery Blackthorne Road Colnbrook Slough Berkshire SL3 0AP
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants Davidson House Forbury Square Reading Berkshire RG1 3EU
<b>Business address</b>	The Bakery Blackthorne Road Colnbrook Slough Berkshire SL3 0AP

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# MONTANA BAKERY LIMITED

## STRATEGIC REPORT

### FOR THE PERIOD ENDED 31 DECEMBER 2016

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The directors present the Strategic Report of the Montana Bakery Limited group ("the group") for the period ended 31 December 2016.

Montana Bakery Limited is an independently owned artisan bakery, renowned for its expertise in delivering high quality and innovative product offerings. Les Artisans Boulangers Limited is a wholly owned subsidiary of Montana Bakery Limited, whose principal activity is that of the production and supply of frozen and ambient morning products to food manufacturers and food service businesses. I.M. Logistics Ltd is also a wholly owned subsidiary of Montana Bakery Limited, whose principal activity is that of the distribution of frozen and ambient morning products to food manufacturers and food service businesses. However, as discussed further below, I.M. Logistics Ltd was hived up into Montana Bakery Limited as at 27 March 2016 and is no longer trading.

#### Review of business

The directors are satisfied with the performance of the group during the trading period and at the period end, which shows an underlying increase in turnover and profitability as well as net assets. These results represent the first set of financial statements following the shortening of the accounting period from March to December to bring the year end of the individual companies in line with the wider Diversi Foods Group, following their acquisition in the previous accounting period.

The increased consolidated turnover and profit, on a pro-rata basis, seen in the period is in part due to the hive-up of the company's logistic arm, I.M. Logistics Ltd into Montana Bakery Limited from 27 March 2016. The directors took the strategic decision to merge this entity into Montana Bakery Limited in order to streamline the production and order fulfilment process within the group. This merger is also expected to result in cost savings and increased synergies across the wider group going forward.

The directors are pleased with the performance of Les Artisans Boulangers Limited during the period, following the success of a new contract won in the period which increased turnover in the period by approximately £500k.

During the period extensive capital improvement and renovation work commenced within the previous storage facility occupied by I.M. Logistics Ltd. This capital project will result in further production facilities for the group which will allow for further expansion of our product offering. The total cost incurred in the current period is approximately £1.3m and a further £0.7m is expected to be incurred in the next financial year. The work is expected to be completed during the spring of 2017 and will enable us to continue research and development of new products to take to market as well as underlining our current offerings to our key customers. The forthcoming year is expected to see a number of new product launches to our current and new client base.

Our strategy will be to continue to diversify our customer portfolio through innovative and high quality product offerings to provide our customers with a unique selling point. We will continue to invest and upgrade our plant and equipment and develop the skill base of our employees whilst driving forward growth and profitability in the group.

#### Key performance indicators

The directors consider the key performance indicators of the group to be growth in turnover, gross profit margin and profit before taxation. The results for the period show an underlying growth in turnover which is consistent with the overall strategy and direction of the group. Due to the way in which turnover is earned, the directors do not consider it an accurate reflection to extrapolate turnover to provide a comparison for the current period against the prior year. However, the directors are comfortable that turnover has increased in line with overall projections. Similarly the gross profit margin has declined by 0.3% to 47.6% in the period to 31 December 2016. This is mainly due to increasing costs of raw materials and the cost of temporary labour brought in to meet demand. However, profit before taxation in the period has increased by 10.1% to £2.3m. The directors are pleased with the overall performance of the group and expect the full year results for the year ending 31 December 2017 to show further improvement.

## **MONTANA BAKERY LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE PERIOD ENDED 31 DECEMBER 2016**

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#### **Principal risks and uncertainties**

We will continue to actively manage the risks faced by the business both internally and externally. Our principal risks are competition from existing providers and new entrants to the market and the increasing cost of raw materials. The risk of competition from existing providers and new entrants to the market are mitigated by providing a diverse product offering to our customers and our continued investment into research and development to develop a wider and innovative range of products to take to market. We also maintain strong relationships with our customers to ensure our needs are aligned. We mitigate the increasing cost of raw materials by managing our relationships with suppliers and ensuring we source quality raw materials at effective prices. We will prioritise risks identified in order of importance and continue to invest in our key assets, being our bakery facilities and staff, providing them with the necessary skills and knowledge, in order to negate the impact of risks on our business.

On behalf of the board



J P Mellows

Director

*28<sup>th</sup> February 2017*

# **MONTANA BAKERY LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE PERIOD ENDED 31 DECEMBER 2016**

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The directors present their annual report and financial statements for the period ended 31 December 2016.

#### **Directors**

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

J P Mellows  
Finflex BVBA  
Dirk Consulting BVBA

#### **Results and dividends**

The results for the period are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

#### **Financial risk management objectives and policies**

The group makes little use of financial instruments other than an operational bank account, finance leases and, on occasion, short term funding from the parent company, and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not considered by the directors to be material for the assessment of the assets, liabilities, financial position and profit or loss of the group.

#### **Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **Employee involvement**

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests:

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

#### **Future developments**

As outlined further in the Strategic Report, we will continue to gain efficiencies from the capital investment introduced in previous years which provides increased production capacity and allows for new product development.

## **MONTANA BAKERY LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

**FOR THE PERIOD ENDED 31 DECEMBER 2016**

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#### **Auditor**

In accordance with the company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor of the group will be put at a General Meeting.

#### **Statement of disclosure to auditor**

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



J P Mellows

Director

*28 January 2017*

## **MONTANA BAKERY LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2016**

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The directors are responsible for preparing the Strategic Report and the 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 group and company, and of the profit or loss of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONTANA BAKERY LIMITED

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### Opinion on financial statements

We have audited the group and parent company financial statements (the "financial statements") on pages 7 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, 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 group and the parent 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 where 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 parent company 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.

### Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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.

*RSM UK Audit LLP*

Mayulee Pinkerton CA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Davidson House  
Forbury Square  
Reading  
Berkshire, RG1 3EU  
21/3/2017



# MONTANA BAKERY LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2016

		Period ended 31 December 2016 £	Year ended 26 March 2016 £
	Notes		
Turnover	3	20,422,128	23,698,489
Cost of sales		(10,693,503)	(12,355,825)
<b>Gross profit</b>		<u>9,728,625</u>	<u>11,342,664</u>
Distribution costs		(2,032,073)	(1,998,660)
Administrative expenses		(5,381,564)	(7,197,816)
<b>Operating profit</b>	4	<u>2,314,988</u>	<u>2,146,188</u>
Interest payable and similar expenses	8	(11,918)	(54,126)
<b>Profit on ordinary activities before taxation</b>		<u>2,303,070</u>	<u>2,092,062</u>
Taxation	9	(442,957)	(393,556)
<b>Profit for the financial period</b>	24	<u><u>1,860,113</u></u>	<u><u>1,698,506</u></u>

Total comprehensive income for the period is all attributable to the owners of the parent company.

**MONTANA BAKERY LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2016**

	Notes	Period ended 31 December 2016		Year ended 26 March 2016	
		£	£	£	£
<b>Fixed assets</b>					
Goodwill	10		37,669		45,039
Tangible assets	11		7,009,159		5,627,871
			<u>7,046,828</u>		<u>5,672,910</u>
<b>Current assets</b>					
Stocks	15	908,144		714,307	
Debtors	14	3,774,044		3,481,809	
Cash at bank and in hand		1,993,684		1,016,910	
		<u>6,675,872</u>		<u>5,213,026</u>	
<b>Creditors: amounts falling due within one year</b>	16	(5,380,419)		(4,215,082)	
<b>Net current assets</b>			<u>1,295,453</u>		<u>997,944</u>
<b>Total assets less current liabilities</b>			<u>8,342,281</u>		<u>6,670,854</u>
<b>Creditors: amounts falling due after more than one year</b>	17		(296,743)		(434,941)
<b>Provisions for liabilities</b>	20		(343,627)		(394,115)
<b>Net assets</b>			<u><u>7,701,911</u></u>		<u><u>5,841,798</u></u>
<b>Capital and reserves</b>					
Called up share capital	22		3,500,000		3,500,000
Profit and loss reserves	24		4,201,911		2,341,798
<b>Equity attributable to owners of the parent company</b>			<u><u>7,701,911</u></u>		<u><u>5,841,798</u></u>

The financial statements were approved by the board of directors and authorised for issue on .....  
and are signed on its behalf by:



J P Mellows  
Director

28<sup>th</sup> February 2017

**MONTANA BAKERY LIMITED****COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

		Period ended 31 December 2016		Year ended 26 March 2016	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Goodwill	10		5,365		-
Tangible assets	11		6,556,178		5,006,502
Investments	12		50,000		50,000
			<u>6,611,543</u>		<u>5,056,502</u>
<b>Current assets</b>					
Stocks	15	888,897		697,409	
Debtors	14	3,609,191		3,554,141	
Cash at bank and in hand		1,934,168		912,992	
		<u>6,432,256</u>		<u>5,164,542</u>	
<b>Creditors: amounts falling due within one year</b>	16	(5,088,660)		(3,817,028)	
<b>Net current assets</b>			<u>1,343,596</u>		<u>1,347,514</u>
<b>Total assets less current liabilities</b>			<u>7,955,139</u>		<u>6,404,016</u>
<b>Creditors: amounts falling due after more than one year</b>	17		(180,684)		(245,211)
<b>Provisions for liabilities</b>	20		(281,845)		(312,830)
<b>Net assets</b>			<u><u>7,492,610</u></u>		<u><u>5,845,975</u></u>
<b>Capital and reserves</b>					
Called up share capital	22		3,500,000		3,500,000
Profit and loss reserves	24		3,992,610		2,345,975
<b>Total equity</b>			<u><u>7,492,610</u></u>		<u><u>5,845,975</u></u>

The financial statements were approved by the board of directors and authorised for issue on 28<sup>th</sup> February 2017 and are signed on its behalf by:



J P Mellows  
Director

# MONTANA BAKERY LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016

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	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 29 March 2015</b>	3,500,000	643,292	4,143,292
<b>Period ended 26 March 2016:</b>			
Profit and total comprehensive income for the period	-	1,698,506	1,698,506
<b>Balance at 26 March 2016</b>	3,500,000	2,341,798	5,841,798
<b>Period ended 31 December 2016:</b>			
Profit and total comprehensive income for the period	-	1,860,113	1,860,113
<b>Balance at 31 December 2016</b>	3,500,000	4,201,911	7,701,911

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## MONTANA BAKERY LIMITED

### COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016

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	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 29 March 2015</b>	3,500,000	643,292	4,143,292
<b>Period ended 26 March 2016:</b>			
Profit and total comprehensive income for the period	-	1,702,683	1,702,683
<b>Balance at 26 March 2016</b>	3,500,000	2,345,975	5,845,975
<b>Period ended 31 December 2016:</b>			
Profit and total comprehensive income for the period	-	1,646,635	1,646,635
<b>Balance at 31 December 2016</b>	3,500,000	3,992,610	7,492,610

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# MONTANA BAKERY LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2016

		Period ended 31 December 2016		Year ended 26 March 2016	
	Notes	£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	30		3,822,552		4,200,717
Interest paid			(11,918)		(54,126)
Income taxes paid			(528,581)		(47,340)
<b>Net cash inflow from operating activities</b>			<b>3,282,053</b>		<b>4,099,251</b>
<b>Investing activities</b>					
Net cash acquired on acquisition of subsidiaries		-		23,944	
Purchase of tangible fixed assets		(2,282,866)		(332,657)	
Proceeds on disposal of tangible fixed assets		115,785		73,676	
<b>Net cash used in investing activities</b>			<b>(2,167,081)</b>		<b>(235,037)</b>
<b>Financing activities</b>					
Repayment of borrowings		-		(3,375,000)	
Payment of finance leases obligations		(138,198)		102,427	
<b>Net cash used in financing activities</b>			<b>(138,198)</b>		<b>(3,272,573)</b>
<b>Net increase in cash and cash equivalents</b>			<b>976,774</b>		<b>591,641</b>
Cash and cash equivalents at beginning of period			1,016,910		425,269
<b>Cash and cash equivalents at end of period</b>			<b>1,993,684</b>		<b>1,016,910</b>

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

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### 1 Accounting policies

#### Company information

Montana Bakery Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Bakery, Blackthorne Road, Colnbrook, Slough, Berkshire, SL3 0AP.

The group consists of Montana Bakery Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Strategic Report.

#### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### Reduced disclosures

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flows and related notes and disclosures;
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' - Key management personnel compensation

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the period was £1,646,635 (Year ended 26 March 2016: £1,702,683 profit).

#### Period of account

The company has prepared these financial statements for a period shorter than one year so as to align its reporting date with the rest of the group. The current period is for the 9 months ended 31 December 2016. The comparative period was from 29 March 2015 to 26 March 2016 and due to this figures reported at 26 March 2016 are not entirely comparable.

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

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### 1 Accounting policies (Continued)

#### **Basis of consolidation**

The consolidated financial statements incorporate those of Montana Bakery Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2016.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

#### **Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Intangible fixed assets - goodwill**

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

#### **Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.



# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE PERIOD ENDED 31 DECEMBER 2016

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#### 1 Accounting policies (Continued)

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the lease term
Plant and equipment	15% reducing balance
Computer equipment	25% reducing balance and 25% straight line
Motor vehicles	25% reducing balance and 20% straight line
Bakery equipment	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### Fixed asset investments

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

#### Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

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### 1 Accounting policies (Continued)

#### **Financial instruments**

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

#### **Classification of financial liabilities**

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 group after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors and loans from fellow group are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

#### **Equity instruments**

Equity instruments issued by the group are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

#### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

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

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

# **MONTANA BAKERY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE PERIOD ENDED 31 DECEMBER 2016**

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### **1 Accounting policies (Continued)**

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

#### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

#### **Retirement benefits**

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged as an expense on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

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### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

#### ***Useful economic lives of tangible and intangible assets***

The annual depreciation charge is sensitive to any changes in the estimated useful life and residual values of tangible assets. The useful economic lives and residual value is assessed on an annual basis and are amended only when evidence shows a change in the estimated economic lives or residual life. Criteria used to assess the economic life and residual value includes technological advancement, economic utilisation, physical condition of the asset and future investments.

#### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

#### ***Debtors recoverability***

Estimates are made relating to the recoverability of receivable balances to reflect unrecoverable amounts due to known defaults, and defaults incurred but not reported at the year end, which from experience are known to exist.

#### ***Customer rebates***

In calculating the expected rebates to be provided for, management make judgements based on the expected obligation of the company using historic data and experience.

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	Period ended 31 December 2016 £	Year ended 26 March 2016 £
<b>Turnover analysed by class of business</b>		
Sale of goods	20,422,128	23,532,487
Provision of services	-	166,002
	<u>20,422,128</u>	<u>23,698,489</u>

#### Turnover analysed by geographical market

	Period ended 31 December 2016 £	Year ended 26 March 2016 £
United Kingdom	19,793,143	22,864,401
European Union	628,985	834,088
	<u>20,422,128</u>	<u>23,698,489</u>

### 4 Operating profit

	Period ended 31 December 2016 £	Year ended 26 March 2016 £
Operating profit for the period is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	731,530	950,177
Depreciation of tangible fixed assets held under finance leases	97,098	152,238
Profit on disposal of tangible fixed assets	(42,835)	(638)
Amortisation of intangible assets	7,370	4,095
Impairment of intangible assets	-	4,217
Cost of stocks recognised as an expense	5,795,643	6,805,514
Operating lease charges	<u>596,125</u>	<u>926,971</u>

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 5 Auditor's remuneration

	Period ended 31 December 2016 £	Year ended 26 March 2016 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	24,500	24,000
Audit of the company's subsidiaries	13,000	24,000
	<u>37,500</u>	<u>48,000</u>

### 6 Employees

The average monthly number of persons (including directors) employed during the period was:

	Group Period ended 31 December 2016 Number	Year ended 26 March 2016 Number	Company Period ended 31 December 2016 Number	Year ended 26 March 2016 Number
Production & Distribution	273	294	241	258
Office & Admin	21	20	21	20
Sales	5	5	5	5
Engineers	11	11	11	11
Hygiene	22	23	22	23
Technical	5	4	5	4
Quality control	6	6	6	6
Stores & Purchasing	5	6	5	6
	<u>348</u>	<u>369</u>	<u>316</u>	<u>333</u>

Their aggregate remuneration comprised:

	Group Period ended 31 December 2016 £	Year ended 26 March 2016 £	Company Period ended 31 December 2016 £	Year ended 26 March 2016 £
Wages and salaries	6,542,476	7,611,809	6,026,265	7,415,078
Social security costs	508,068	421,905	478,430	421,905
Pension costs	46,746	66,976	46,746	66,976
	<u>7,097,290</u>	<u>8,100,690</u>	<u>6,551,441</u>	<u>7,903,959</u>

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 7 Directors' remuneration

	Period ended 31 December 2016 £	Year ended 26 March 2016 £
Remuneration for qualifying services	131,227	125,000

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (26 March 2016: 1).

### 8 Interest payable and similar expenses

	Period ended 31 December 2016 £	Year ended 26 March 2016 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	124	7,375
<b>Other finance costs:</b>		
Interest on finance leases and hire purchase contracts	11,794	46,751
Total finance costs	11,918	54,126

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 9 Taxation

	Period ended 31 December 2016 £	Year ended 26 March 2016 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	471,936	418,349
Adjustments in respect of prior periods	1,807	-
Total current tax	<u>473,743</u>	<u>418,349</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>(30,786)</u>	<u>(24,793)</u>
Total tax charge	<u>442,957</u>	<u>393,556</u>

The charge for the period can be reconciled to the profit per the statement of comprehensive income as follows:

	Period ended 31 December 2016 £	Year ended 26 March 2016 £
Profit before taxation	<u>2,303,070</u>	<u>2,092,062</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (Year ended 26 March 2016: 20.00%)	460,614	418,412
Adjustments in respect of prior years	1,807	-
Permanent capital allowances in excess of depreciation	189	-
Other non-reversing timing differences	(22,073)	-
Other permanent differences	19,788	14,903
Deferred tax adjustments in respect of prior years	(1,624)	-
Adjust deferred tax to closing rate	(17,029)	(41,422)
Goodwill amortisation not taxable	1,285	1,663
Tax expense for the period	<u>442,957</u>	<u>393,556</u>



# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 10 Intangible fixed assets

<b>Group</b>	<b>Goodwill £</b>
<b>Cost</b>	
At 27 March 2016 and 31 December 2016	53,351
<b>Amortisation and impairment</b>	
At 27 March 2016	8,312
Amortisation charged for the period	7,370
At 31 December 2016	15,682
<b>Carrying amount</b>	
At 31 December 2016	37,669
At 26 March 2016	45,039
<b>Company</b>	<b>Goodwill £</b>
<b>Cost</b>	
At 27 March 2016	-
Additions - business combinations	6,312
At 31 December 2016	6,312
<b>Amortisation and impairment</b>	
At 27 March 2016	-
Amortisation charged for the period	947
At 31 December 2016	947
<b>Carrying amount</b>	
At 31 December 2016	5,365
At 26 March 2016	-

Amortisation and impairment losses are included in administrative expenses.

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 11 Tangible fixed assets

Group	Leasehold improvements £	Assets under construction £	Plant and equipment £	Computer equipment £	Motor vehicles £	Bakery equipment £	Total £
<b>Cost</b>							
At 27 March 2016	2,360,359	-	14,279,104	602,720	389,467	2,800,961	20,432,611
Additions	1,841	1,320,987	399,380	5,060	26,943	528,655	2,282,866
Disposals	-	-	(15,069)	-	(103,863)	-	(118,932)
At 31 December 2016	2,362,200	1,320,987	14,663,415	607,780	312,547	3,329,616	22,596,545
<b>Depreciation and impairment</b>							
At 27 March 2016	1,255,707	-	10,828,299	567,996	334,167	1,820,412	14,806,581
Depreciation charged in the period	155,096	-	423,961	13,479	21,312	214,780	828,628
Eliminated in respect of disposals	-	-	(2,659)	-	(45,164)	-	(47,823)
At 31 December 2016	1,410,803	-	11,249,601	581,475	310,315	2,035,192	15,587,386
<b>Carrying amount</b>							
At 31 December 2016	951,397	1,320,987	3,413,814	26,305	2,232	1,294,424	7,009,159
At 26 March 2016	1,106,493	-	3,450,805	34,724	55,300	980,549	5,627,871

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 11 Tangible fixed assets (Continued)

Company	Leasehold improvements £	Assets under construction £	Plant and equipment £	Computer equipment £	Motor vehicles £	Bakery equipment £	Total £
<b>Cost</b>							
At 27 March 2016	2,205,411	-	13,712,258	585,932	62,851	2,662,342	19,228,794
Additions	1,841	1,320,987	414,449	5,060	78,688	528,655	2,349,680
Disposals	-	-	(15,069)	-	(103,863)	-	(118,932)
At 31 December 2016	2,207,252	1,320,987	14,111,638	590,992	37,676	3,190,997	21,459,542
<b>Depreciation and impairment</b>							
At 27 March 2016	1,184,051	-	10,648,958	556,873	59,296	1,773,114	14,222,292
Depreciation charged in the period	129,309	-	368,926	10,331	21,312	199,017	728,895
Eliminated in respect of disposals	-	-	(2,659)	-	(45,164)	-	(47,823)
At 31 December 2016	1,313,360	-	11,015,225	567,204	35,444	1,972,131	14,903,364
<b>Carrying amount</b>							
At 31 December 2016	893,892	1,320,987	3,096,413	23,788	2,232	1,218,866	6,556,178
At 26 March 2016	1,021,360	-	3,063,300	29,059	3,555	889,228	5,006,502

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 11 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	Group Period ended 31 December 2016 £	Year ended 26 March 2016 £	Company Period ended 31 December 2016 £	Year ended 26 March 2016 £
Plant and equipment	495,375	573,181	263,422	318,378
Fixtures and fittings	6,195	7,487	-	-
	<u>501,570</u>	<u>580,668</u>	<u>263,422</u>	<u>318,378</u>

### 12 Fixed asset investments

	Notes	Group Period ended 31 December 2016 £	Year ended 26 March 2016 £	Company Period ended 31 December 2016 £	Year ended 26 March 2016 £
Investments in subsidiaries	13	-	-	50,000	50,000

#### Movements in fixed asset investments

Company	Shares £
<b>Cost or valuation</b>	
At 27 March 2016 & 31 December 2016	<u>50,100</u>
<b>Impairment</b>	
At 27 March 2016 & 31 December 2016	<u>100</u>
<b>Carrying amount</b>	
At 31 December 2016	<u>50,000</u>
At 26 March 2016	<u>50,000</u>

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 13 Subsidiaries

Details of the company's subsidiaries at 31 December 2016 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Les Artisans Boulangers Ltd	a)	Bakery	Ordinary	100.00	
I. M. Logistics Ltd	a)	Dormant	Ordinary	100.00	

a) The Bakery, Blackthorne Road, Colnbrook, Slough Berkshire, SL3 0AP.

During the period the company acquired the trade and assets of I.M. Logistics Ltd, see note 23 for details.

### 14 Debtors

	Group Period ended 31 December 2016 £	Year ended 26 March 2016 £	Company Period ended 31 December 2016 £	Year ended 26 March 2016 £
<b>Amounts falling due within one year:</b>				
Trade debtors	3,251,042	2,818,419	2,889,691	2,557,212
Amounts due from subsidiary undertakings	-	-	239,128	504,359
Other debtors	348,218	256,697	327,431	243,804
Prepayments and accrued income	174,784	386,991	152,941	248,766
	<u>3,774,044</u>	<u>3,462,107</u>	<u>3,609,191</u>	<u>3,554,141</u>
Deferred tax asset (note 20)	-	19,702	-	-
	<u>3,774,044</u>	<u>3,481,809</u>	<u>3,609,191</u>	<u>3,554,141</u>

### 15 Stocks

	Group Period ended 31 December 2016 £	Year ended 26 March 2016 £	Company Period ended 31 December 2016 £	Year ended 26 March 2016 £
Raw materials and consumables	356,134	236,200	342,546	228,154
Finished goods and goods for resale	552,010	478,107	546,351	469,255
	<u>908,144</u>	<u>714,307</u>	<u>888,897</u>	<u>697,409</u>

Total stock is shown after a provision of £108,891 (Year ended 31 December 2016: £82,633).

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 16 Creditors: amounts falling due within one year

		Group	Year ended	Company	Year ended
		Period ended	26 March	Period ended	26 March
		31 December	2016	31 December	2016
	Notes	2016	2016	2016	2016
		£	£	£	£
Obligations under finance leases	19	164,992	164,992	77,424	77,424
Trade creditors		2,681,397	1,293,074	2,656,782	1,112,836
Amounts due to group undertakings		127,534	200,000	156,526	210,809
Corporation tax payable		363,511	418,349	291,367	403,162
Other taxation and social security		162,702	158,251	151,968	129,102
Other creditors		41,609	27,551	-	-
Accruals and deferred income		1,838,674	1,952,865	1,754,593	1,883,695
		<u>5,380,419</u>	<u>4,215,082</u>	<u>5,088,660</u>	<u>3,817,028</u>

### 17 Creditors: amounts falling due after more than one year

		Group	Year ended	Company	Year ended
		Period ended	26 March	Period ended	26 March
		31 December	2016	31 December	2016
	Notes	2016	2016	2016	2016
		£	£	£	£
Obligations under finance leases	19	296,743	434,941	180,684	245,211
		<u>296,743</u>	<u>434,941</u>	<u>180,684</u>	<u>245,211</u>

### 18 Financial instruments

	Group	Year ended
	Period ended	26 March
	31 December	2016
	2016	2016
	£	£
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	3,312,201	2,954,615
	<u>3,312,201</u>	<u>2,954,615</u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	4,689,214	3,473,490
	<u>4,689,214</u>	<u>3,473,490</u>

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 19 Finance lease obligations

	Group Period ended 31 December 2016 £	Year ended 26 March 2016 £	Company Period ended 31 December 2016 £	Year ended 26 March 2016 £
Future minimum lease payments due under finance leases:				
Less than one year	180,086	180,086	85,737	85,737
Between one and five years	325,851	475,922	200,052	271,499
	<u>505,937</u>	<u>656,008</u>	<u>285,789</u>	<u>357,236</u>
Less: future finance charges	(44,202)	(56,075)	(27,681)	(34,601)
	<u>461,735</u>	<u>599,933</u>	<u>258,108</u>	<u>322,635</u>

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Finance lease liabilities are secured on the assets to which they relate.

### 20 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities Period ended 31 December 2016 £	Liabilities Year ended 26 March 2016 £	Assets Period ended 31 December 2016 £	Assets Year ended 26 March 2016 £
Accelerated/decelerated capital allowances	<u>343,627</u>	<u>394,115</u>	-	<u>19,702</u>

  

Company	Liabilities Period ended 31 December 2016 £	Liabilities Year ended 26 March 2016 £	Assets Period ended 31 December 2016 £	Assets Year ended 26 March 2016 £
Accelerated/decelerated capital allowances	<u>281,845</u>	<u>312,830</u>	-	-

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 20 Deferred taxation (Continued)

	Group Period ended 31 December 2016 £	Company Period ended 31 December 2016 £
<b>Movements in the period:</b>		
Liability at 27 March 2016	374,413	312,830
Credit to profit and loss	(30,786)	(30,985)
Liability at 31 December 2016	<u>343,627</u>	<u>281,845</u>

The deferred tax asset and liability set out above are expected to reverse within 12 months and relates to decelerated and accelerated capital allowances that are expected to mature within the same period.

### 21 Retirement benefit schemes

	Group Period ended 31 December 2016 £	Group Year ended 26 March 2016 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>46,746</u>	<u>66,976</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

There were no contributions outstanding at the period end (26 March 2016: £nil).

### 22 Share capital

	Group and company Period ended 31 December 2016 £	Year ended 26 March 2016 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
3,500,000 Ordinary shares of £1 each	<u>3,500,000</u>	<u>3,500,000</u>

The company has one class of Ordinary share which are not redeemable but hold full rights in respect of voting, and entitle the holder to full participation in respect of equity, dividends and in the event of a winding up of the company.



## MONTANA BAKERY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

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#### 23 Acquisitions

On 27 March 2016 the company acquired 100% of the trade and assets of I.M. Logistics Ltd, for total cash consideration of £1.

The book and fair values of assets and liabilities acquired were as follows:

	Book Value £	Fair Value £
Property, plant and equipment	68,655	68,655
Inventories	2,949	2,949
Trade and other receivables	130,616	130,616
Cash and cash equivalents	79,136	79,136
Trade and other payables	(287,667)	(287,667)
		(6,311)
Goodwill		6,312
Total consideration		<u>1</u>
The consideration was satisfied by:		£
Cash		<u>1</u>

The goodwill arising on the acquisition of the trade and assets of the company is attributable to the anticipated profitability and future operating synergies from the combination.

#### 24 Reserves

##### Profit and loss reserves

Represents cumulative profit or loss, net of distributions to owners.

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 25 Operating lease commitments

#### Lessee

Operating lease payments represent rentals payable by the company for certain of its properties and equipment.

At the reporting end date the group and company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group Period ended 31 December 2016 £	Year ended 26 March 2016 £	Company Period ended 31 December 2016 £	Year ended 26 March 2016 £
Within one year	1,696,000	848,000	848,000	615,000
Between two and five years	6,656,500	3,392,000	3,328,250	2,460,000
In over five years	21,745,500	11,445,000	10,872,750	7,950,000
	<u>30,098,000</u>	<u>15,685,000</u>	<u>15,049,000</u>	<u>11,025,000</u>

### 26 Capital commitments

At 31 December 2016 the group and company had capital commitments as follows:

	Group Period ended 31 December 2016 £	Year ended 26 March 2016 £	Company Period ended 31 December 2016 £	Year ended 26 March 2016 £
Contracted for but not provided in the financial statements:				
Acquisition of property, plant and equipment	<u>474,887</u>	<u>82,371</u>	<u>474,887</u>	<u>82,371</u>

### 27 Financial commitments, guarantees and contingent liabilities

By way of a cross guarantee dated 26 February 2016, the company and its subsidiaries have a fixed and floating charge over its assets in respect of a loan taken out by Bake & Co NV, a parent undertaking. In the opinion of the directors, no liability is expected to arise as a result of this guarantee.

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 28 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel of the group, who are also directors, is as follows.

	Period ended 31 December 2016 £	Year ended 26 March 2016 £
Aggregate compensation	147,078	140,851

#### Transactions with related parties

During the comparative period the group and company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	Period ended 31 December 2016 £	Year ended 26 March 2016 £	Period ended 31 December 2016 £	Year ended 26 March 2016 £
<b>Group</b>				
Other related parties	-	1,598,700	-	158,736
<b>Company</b>				
Entities over which the company has control, joint control or significant influence	-	353,434	-	27,330
Other related parties	-	581,976	-	524,170
	-	935,410	-	551,500

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties		Amounts owed to related parties	
	Period ended 31 December 2016 £	Year ended 26 March 2016 £	Period ended 31 December 2016 £	Year ended 26 March 2016 £
<b>Group</b>				
Other related parties	-	318,044	-	68,400
<b>Company</b>				
Other related parties	-	92,733	-	-

# MONTANA BAKERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

### 28 Related party transactions (Continued)

Other related parties consists of three entities that were under common control in the comparative period. There are no terms and conditions attached to these trading balances.

### 29 Controlling party

The immediate parent company is Diversi Foods NV, whose registered address is Industrieweg 29, 9420 Erpe, Belgium.

The ultimate parent company is Waterland Private Equity Fund V C.V., whose registered address is Nieuwe 's-Gravelandseweg 17, 1405 HK Bussum, The Netherlands. This is both the smallest and largest group of undertakings for which group accounts including Montana Bakery Limited are prepared.

The directors do not consider there to be one ultimate controlling party.

### 30 Cash generated from group operations

	Period ended 31 December 2016 £	Year ended 26 March 2016 £
Profit for the year after tax	1,860,113	1,698,506
Adjustments for:		
Taxation charged	442,957	393,556
Finance costs	11,918	54,126
Gain on disposal of tangible fixed assets	(42,835)	(638)
Amortisation and impairment of intangible assets	7,370	8,312
Depreciation and impairment of tangible fixed assets	828,628	1,102,415
Movements in working capital:		
(Increase)/decrease in stocks	(193,837)	38,771
(Increase)/decrease in debtors	(311,937)	270,042
Increase in creditors	1,220,175	635,627
<b>Cash generated from operations</b>	<b>3,822,552</b>	<b>4,200,717</b>