

**Bakkavor Desserts Leicester Limited**  
**Financial statements**  
**for the period ended 28 December 2019**

Registered number: 11830443



# **Bakkavor Desserts Leicester Limited**

## **Financial statements 2019**

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# **Bakkavor Desserts Leicester Limited**

## **Financial statements 2019**

### **Officers and professional advisers**

#### **Directors**

A Gudmundsson  
B Waldron

#### **Secretary**

A Tagoe-Bannerman

#### **Registered Office**

Fitzroy Place  
5<sup>th</sup> Floor  
8 Mortimer Street  
London  
W1T 3JJ

#### **Bankers**

Barclays Bank PLC  
Multinational Corporates  
One Churchill Place  
London  
E14 5HP

#### **Independent Auditors**

PricewaterhouseCoopers LLP  
One Chamberlain Square  
Birmingham  
B3 3AX

# **Bakkavor Desserts Leicester Limited**

## **Directors' report for the period from 15 February 2019 to 28 December 2019**

The Directors present their report and the audited financial statements for Bakkavor Desserts Leicester Limited (the "Company") for the short period of account from 15 February 2019 to 28 December 2019. This is the first period of financial statements for the Company since its incorporation on 15 February 2019. The Company is a 100% owned subsidiary of Bakkavor Limited and operates within the Bakkavor Group plc group (the "Group"). The period of financial statements was changed to 28 December 2019 in order for it to be aligned to the Group's financial year end. The Company was originally incorporated as Agoco 1823 Limited but changed its name to Clover Newco Limited on 26 March 2019 and then to Bakkavor Desserts Leicester Limited on 17 June 2019.

### **Principal activities**

The principal activity of the Company is the production and manufacture of dessert products. A fair review of the business as well as details on future development, dividends, principal risks and uncertainties, research and development, employment and equality are shown in the Strategic Report. The company ceased trading on 22 November 2020.

### **Going concern**

The Company ceased trading and its trade and assets were hived up to Bakkavor Foods Limited at book value on 22 November 2020. There are no plans to liquidate the Company so the Director has prepared the financial statements under the going concern basis.

### **Directors of the Company**

The Directors who held office during the period and up to the date of signing were as follows:

A Gudmundsson (appointed 12 June 2019)

B Waldron (appointed 27 December 2020)

E P Gates (resigned 27 December 2020)

S C Bailey (appointed 26 March 2019 and resigned 12 June 2019)

R Hart (appointed 15 February 2019 and resigned 26 March 2019)

F A Healy (appointed 26 March 2019 and resigned 12 June 2019)

A G Secretarial Limited (appointed 15 February 2019 and resigned 26 March 2019)

Inhoco Formations Limited (appointed 15 February 2019 and resigned 26 March 2019)

### **Directors' indemnities**

The Company has made qualifying third party indemnity provisions for the Directors which have been in force throughout the financial period and remain in force as at the date of this report.

# **Bakkavor Desserts Leicester Limited**

## **Directors' report for the period from 15 February 2019 to 28 December 2019**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

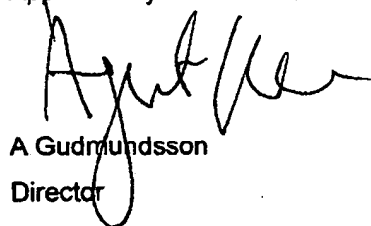
The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

### **Disclosure of information to the auditors**

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board on 27.01.2021 and signed on its behalf by:



A Gudmundsson  
Director

# **Bakkavor Desserts Leicester Limited**

## **Strategic report for the period from 15 February 2019 to 28 December 2019**

The Directors present their strategic report for the period from 15 February 2019 to 28 December 2019.

### **Review of the business**

On 10 June 2019, the trade and assets of Blueberry Foods were hived across from Samworth Brothers prior to the acquisition of the Company by the Bakkavor Group. Blueberry Foods is a desserts business that operates from a custom-built facility in Leicestershire. As shown in the Company's profit and loss account, sales for the period ended 28 December 2019 amounted to £30,996,000. Adjusted EBITDA (Earnings before interest, tax, depreciation, amortisation, restructuring costs, asset impairments and exceptional items) was £21,000. The loss for the period, after tax, amounted to £443,000. The Directors do not recommend the payment of a final dividend.

The balance sheet shows net liabilities amounting to £443,000.

The Company ceased trading and its trade and assets were hived up to Bakkavor Foods Limited at book value on 22 November 2020. There are no plans to liquidate the Company so the Director has prepared the financial statements under the going concern basis.

The Directors consider the factors discussed in the fair review of the business to be the Company's key performance indicators.

### **Principal risks and uncertainties**

The Company is exposed to a number of risks and uncertainties across a range of strategic, operational and financial areas. The Company continually reviews its internal control and risk management processes and is fully aligned with the policies and objectives set by the Board of Directors of Bakkavor Group. The Company has formally identified key risks, of which, the successful management and mitigation is paramount to the day to day running of our business and the achievement of our long-term vision. These risks are set out below:

#### **Coronavirus pandemic**

We are continually reviewing the potential impact on the Company's operations and the ways in which we can safeguard our people and minimise business disruption.

Our standards of hygiene are well established and aligned with best practice and we are increasing our focus to ensure that these procedures are well understood and rigorously complied with. We have also put in place a visitor management protocol.

As part of our contingency planning process, we continue to work closely with our customers to anticipate challenges and help ensure our products remain available to consumers. We remain confident in our ability to meet current customer demand.

#### **Brexit disruption**

It is possible that the way in which the UK leaves the European Union at the end of 2020 will result in disruption at the UK ports leading to increasing costs and availability problems, especially with short life raw materials, which ultimately might impact sales volumes.

To mitigate the risk, the Group has obtained AEO status which should help the Group streamline and simplify its import processes. Customs clearance staff have been recruited and trained to use new systems linked to the Customs Authorities. Longer-life packaging and raw material stocks will be increased by subsidiaries as necessary.

## **Bakkavor Desserts Leicester Limited**

### **Strategic report for the period from 15 February 2019 to 28 December 2019 (continued)**

#### **Food safety and integrity**

Thousands of people eat our products every day. We have a duty to make food that is safe and is clearly and correctly labelled. Consumer safety and confidence are vital to our business; any issue that breaches that trust could result in loss or reduction of customer business and also impact our credibility and reputation.

As mitigating controls, we have stringent food safety policies in place throughout the organisation and use of Hazard Analysis Critical Control Point principles to identify and control food safety risks. Our employees are trained against documented procedures. Food safety controls are regularly audited by internal and external parties. Emerging risks are monitored by working with industry and regulatory bodies. Food safety audits conducted for new suppliers with regular audits of existing suppliers. There is regular reporting of food safety performance to the Board and immediate reporting of significant issues.

#### **Health and safety ('H&S')**

We understand our duty of care to secure and protect the H&S of our employees and to reduce the environmental impact of our operations. Failure to maintain the H&S of employees could have a significant reputational impact and also have serious legal consequences.

As mitigating controls, H&S and environmental impacts are managed by our teams of in-house experts who embed and monitor practices. Stringent processes are implemented for identifying and managing H&S and environmental risks. There is regular reporting of H&S Key Performance Indicators to the Group Board and immediate reporting of significant issues. We have a culture of employee engagement around accident prevention.

#### **Recruitment and retention of key employees**

We have a highly experienced management team who are passionate about our business and who are integral to our continued growth and success as a market leader. The loss of any of these personnel or the Company's inability to recruit new personnel would have an adverse impact on the Company. We risk being unable to achieve our strategic growth objectives without the recruitment, development and retention of talented and committed people who understand and respect our values. We use our company values to recruit, appraise, reward and develop employees. There is ongoing succession planning, commitment to training and bonus schemes in place to retain key personnel and manage staff turnover.

#### **Manpower scarcity and costs**

Manpower scarcity and higher labour costs could affect the Company's business and future profitability. The Company competes with other manufacturers for goods and reliable employees. The supply of such employees is limited and competition to hire and retain them may result in higher labour costs. Additionally, Brexit presents a risk as historically the Company has employed a material number of citizens from elsewhere in the European Union.

As mitigating controls, we have specific campaigns and focus groups in place targeting recruitment of future employees and building attractiveness of careers in the food industry. Initiatives are in place to enhance and upgrade factory site facilities to help attract and retain employees. We have central staff dedicated to recruitment and management of staff costs. Initiatives are in place to support employees with Brexit-related concerns.

#### **Market risks**

##### **Customer relationships**

Customer care is one of our five values. We invest in significant resource to manage and develop deep and long-lasting relationships with our customers, ensuring that our customers have access to dedicated employees at all levels of the decision-making process.

## **Bakkavor Desserts Leicester Limited**

### **Strategic report for the period from 15 February 2019 to 28 December 2019 (continued)**

#### **Consumer behaviour and demand**

Changes in consumer demand due to a serious change in the UK economy or other consumption factors could impact our plans. We therefore work closely with our customers to adapt to changing consumer trends.

#### **Raw material and input cost inflation**

The Company's cost base and margin are vulnerable to fluctuations in the price and availability of raw materials, packaging materials and freight. Ability to pass on any increases in these costs to customers within a reasonable timeframe is a challenge and failure to do so could impact the Company's profitability and hence its ability to continue to invest in the business.

As mitigating controls, our central procurement team focused on achieving a balance between price, quality, availability and service levels. Forward purchasing agreed and price variations passed on where possible. Agreements in place with some customers on recovery of raw material cost impacts. Continued focus on cost reduction and productivity enhancements.

#### **Financial risk management**

##### **Foreign currency risk**

Foreign currency risk occurs at a transactional level on purchases in foreign currencies. The Company does not directly enter into any forward foreign exchange contracts. The Bakkavor Group does, however, enter into forward foreign exchange contracts and foreign exchange options to cover specific foreign currency payments and receipts. The Bakkavor Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions to minimise the exposure generated.

##### **Credit risk**

Credit risk refers to the risk of financial loss to the Company if a counterparty defaults on its contractual obligations of the loans and receivables at amortised cost held in the Balance sheet. The Company's credit risk is attributable to its trade and other receivables. An allowance for expected credit loss is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

##### **Liquidity risk**

Liquidity risk refers to the risk that the Company may not be able to fund the day to day running of the business. Liquidity risk is reviewed by the Board of Directors on a monthly basis. The Company manages liquidity risk by monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

#### **Employment of disabled persons**

The Company gives full and fair consideration to employment applications made by people with disabilities. We offer equal opportunity to all disabled candidates and employees who have a disability or who become disabled during the course of their employment. A full assessment of the individual's needs is undertaken and reasonable adjustments are made to the work environment and/or practices in order to assist those with disabilities.

#### **Equal opportunities**

The Company is an equal opportunities employer. Equal opportunities are offered to all regardless of race, colour, nationality, ethnic origin, gender (including gender reassignment), marital or civil partnership status, disability, religion, belief, sexual orientation, pregnancy and maternity, age or trade union membership. All candidates and employees are treated equally in respect of recruitment, promotion, training, pay and other employment policies and conditions. All decisions are based on relevant merit and abilities.



## **Bakkavor Desserts Leicester Limited**

### **Strategic report for the period from 15 February 2019 to 28 December 2019 (continued)**

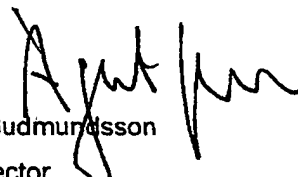
#### **Employee involvement**

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the intranet and quarterly briefings by the Company's management team. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

#### **Research and development**

The main focus of the Company's research and development expenditure is product innovation. The Company's on-going research and product development programme is supported by dedicated personnel and facilities and successfully introduces new products into its range each period. The amount of the Company's expenditure on research and development during the period is disclosed in Note 5.

Approved by the Board on 27.01.2021.. and signed on its behalf by:

  
A Gudmundsson  
Director

## ***Independent auditors' report to the members of Bakkavor Desserts Leicester Limited***

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Bakkavor Desserts Leicester Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 28 December 2019 and of its loss for the 45 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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We have audited the financial statements, included within the Financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 28 December 2019; the Profit and loss account, the Statement of changes in equity for the 45 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' report for the period from 15 February 2019 to 28 December 2019, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

***Independent auditors' report to the members of Bakkavor Desserts Leicester Limited (continued)***

*Strategic Report and Directors' report for the period from 15 February 2019 to 28 December 2019*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the period from 15 February 2019 to 28 December 2019 for the period ended 28 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report for the period from 15 February 2019 to 28 December 2019.

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**Responsibilities for the financial statements and the audit**

*Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

*Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

*Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Bakkavor Desserts Leicester Limited**

### ***Independent auditors' report to the members of Bakkavor Desserts Leicester Limited (continued)***

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#### **Other required reporting**

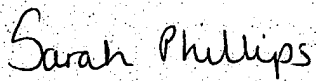
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##### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Sarah Phillips (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

28 January 2021

# Bakkavor Desserts Leicester Limited

## Profit and loss account For the period ended 28 December 2019

	Note	Period from 15 February 2019 to 28 December 2019 £'000
Turnover	4	30,996
Cost of sales		(23,035)
<b>Gross profit</b>		<b>7,961</b>
Distribution costs		(1,648)
Other administrative costs		(6,846)
<b>Operating loss</b>	5	<b>(533)</b>
Interest payable and similar expenses		(113)
<b>Loss before tax</b>		<b>(646)</b>
Tax	8	203
<b>Loss for the period</b>		<b>(443)</b>

The Company has no other comprehensive income other than the loss above and therefore no separate statement of other comprehensive income is presented. The above results were derived from continuing operations.

## Statement of changes in equity For the period ended 28 December 2019

	Share capital £'000	Profit and loss account £'000	Total shareholders' deficit £'000
Balance at 15 February 2019	-	-	-
Loss for the period	-	(443)	(443)
Balance at 28 December 2019	-	(443)	(443)

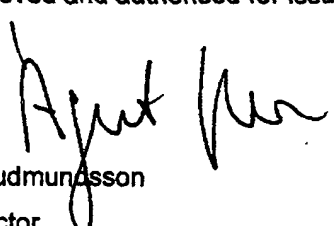
The accompanying notes are an integral part of these financial statements.

# Bakkavor Desserts Leicester Limited

## Balance Sheet As at 28 December 2019

	Note	28 December 2019 £'000
<b>Fixed assets</b>		
Property, plant and equipment	9	18,484
Deferred tax asset	12	<u>23</u>
		18,507
<b>Current assets</b>		
Stock	10	1,637
Debtors: Amounts falling due within one year	11	10,845
Cash at bank and in hand		<u>1,629</u>
		14,111
<b>Total assets</b>		<u>32,618</u>
<b>Creditors: Amounts falling due within one year</b>	13	<u>(27,193)</u>
<b>Net current liabilities</b>		<u>(13,082)</u>
<b>Total assets less current liabilities</b>		5,425
Creditors: Amounts falling due after more than one year	15	<u>(5,868)</u>
<b>Net liabilities</b>		<u>(443)</u>
<b>Capital and reserves</b>		
Called up share capital	17	-
Profit and loss account	17	<u>(443)</u>
<b>Total shareholders' deficit</b>		<u>(443)</u>

The financial statements of Bakkavor Desserts Leicester Limited, company number 11830443, were approved and authorised for issue by the Director on 27.01.2021.

  
A Gudmundsson  
Director

The accompanying notes are an integral part of these financial statements.

# **Bakkavor Desserts Leicester Limited**

## **Notes to the financial statements** **Period ended 28 December 2019**

### **1. General information**

Bakkavor Desserts Leicester Limited is a private company limited by share capital incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of the registered office is given on page 1. This is the first period of financial statements for the Company since its incorporation on 15 February 2019. In order to align with the Bakkavor Group's financial year end, the Company has changed its statutory year end to 28 December 2019. These financial statements are therefore for a short period of account from 15 February 2019 to 28 December 2019. The Company was originally incorporated as Agoco 1823 Limited but changed its name to Clover Newco Limited on 26 March 2019 and then to Bakkavor Desserts Leicester Limited on 17 June 2019. The principal activity of the Company is the production and manufacture of dessert products.

### **2. Significant accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

#### **Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act as applicable to companies using FRS 101. As permitted under section 390 (3) of the Companies Act 2006, the Company has taken the option to end its financial period on the Saturday nearest to 31 December, as this is not more than 7 days after or before the end of the period dated 31 December.

The financial statements have been prepared on the historical cost basis and are presented in the currency of the economic environment in which the Company operates. For the purpose of the financial statements, the results and financial position are expressed in Pounds Sterling, which is the functional currency of the Company.

#### **Statement of disclosure exemptions**

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash-flow statement, impairment of assets and related party transactions. Where relevant the equivalent disclosures have been given in the Group financial statements of Bakkavor Group plc. The group financial statements of Bakkavor Group plc are available to the public and can be obtained as set out in the parent and ultimate parent undertaking note.

#### **Going concern**

The Directors have reviewed the historical trading performance of the Company and the forecasts through to January 2022, to assess the level of finance required by the Company. The going concern basis has been adopted in preparing these financial statements. Reference should be made to the Directors' report for the Directors' consideration of going concern. The Company ceased trading and its trade and assets were hived up to Bakkavor Foods Limited at book value on 22 November 2020. There are no plans to liquidate the Company so the Director has prepared the financial statements under the going concern basis.

# **Bakkavor Desserts Leicester Limited**

## **Notes to the financial statements (continued)**

**Period ended 28 December 2019**

### **2. Significant accounting policies (continued)**

#### **Revenue recognition**

The Company sells fresh prepared desserts, and revenue is recognised as the performance obligation to deliver goods to customers is satisfied and is recorded based on the amount of consideration expected to be received in exchange for satisfying the performance obligation. Revenue on the sale of goods is recognised when control of the goods has passed to the buyer upon delivery to the customer and represents the value of sales to customers net of customer deductions and discounts, VAT and other sales-related taxes. The Company recognises revenue net of customer deductions and discounts in the period in which the arrangement applies only when it is highly probable a significant reversal in the cumulative amount of revenue will not occur. When the Company has satisfied its performance obligations, the customer will make payment in line with agreed payment terms. The Company does not expect to have any contracts where the period between transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction price for the time value of money. For goods returned, the Company will recognise an obligation and reduce revenue accordingly at the time of notification.

#### **Customer Deductions**

Consistent with standard industry practice, the Company has arrangements with its customers providing volume-related rebates, marketing and promotional funding contributions, discounts or lump sum incentives. These costs are recognised as a reduction to revenue as they are considered to be an adjustment to the selling price for the Company's products. Sometimes, the payment of this support is subject to the Company's customers performing specified actions or satisfying certain performance conditions associated with the purchase of products from the Company. These include achieving agreed purchase volume targets and providing promotional marketing materials/activities. Whilst there is no standard definition, these amounts payable to customers are generally termed "customer deductions". The Company recognises these costs as a deduction from revenue based upon the terms of the relevant arrangement in place. Amounts payable relating to customer deduction arrangements are recognised within accruals except in cases where the Company has a legal right of set-off and intends to offset against amounts due from that customer.

#### **Research and development**

Research and development costs comprise all directly attributable costs necessary to create and produce new products which may be either new in design or modifications of existing products. Expenditure on research and development is recognised as an expense in the period in which it is incurred, except where development expenditure meets the criteria to be capitalised.

#### **Tax**

The tax credit for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that an amount attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax credit is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the country where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.



# **Bakkavor Desserts Leicester Limited**

## **Notes to the financial statements (continued)** **Period ended 28 December 2019**

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Where the Company transfers tax losses to another member of the group, the entity obtains an amount of compensation from the respective group member ('group relief payments'). Such payments are treated as if they were income taxes to the extent that the intragroup payment is for an amount of that would otherwise have been paid by the paying company. If the compensation amount differs, the difference is treated as distribution or capital contribution (as applicable).

### **Property, plant and equipment**

Property, plant and equipment is stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Land and buildings – Up to 50 years

Plant and machinery – 1 to 20 years

Fixtures and equipment – 3 to 5 years

Reviews of the estimated remaining useful lives of and residual values of individual productive assets are performed annually, taking account of commercial and technological obsolescence as well as normal wear and tear.

### **Cash at bank and in hand**

Cash at bank and in hand comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

### **Stock**

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### **Financial assets**

#### **Classification**

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- Those to be measured at amortised cost.

For assets measured at fair value, gains and losses are recorded either in profit or loss or in OCI.

#### **Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Subsequent measurement depends on the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

# **Bakkavor Desserts Leicester Limited**

## **Notes to the financial statements (continued)**

**Period ended 28 December 2019**

### **2. Significant accounting policies (continued)**

#### **Financial assets (continued)**

**Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Impairment losses are presented as a separate line item in the profit and loss account.

**FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cashflows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the profit and loss account.

**FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Any fair value movement is recognised in the profit and loss account and presented net within other gains and (losses) in the period in which it arises.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The Company classifies its trade receivable balances dependent on its objectives with respect to the collection of contractual cash flows. The Company operates non-recourse debtor factoring arrangements with four of its significant customers. Receivables generated from goods sold to these customers are subsequently measured at fair value through the profit and loss account, as the objective of management is to sell the receivables (Held to sell business model). All other trade receivables are held with the objective of collecting the contractual cash flows, and so these are measured subsequently at amortised cost using the effective interest method (Held to collect business model).

#### **Impairment of financial assets**

The Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the payment profiles of sales before 28 December 2019 or 29 December 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables and contract assets are presented in other administrative costs within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

#### **Financial liabilities**

Financial liabilities held by the Company are classified as other financial liabilities at amortised cost and derivatives at FVTPL.

# **Bakkavor Desserts Leicester Limited**

## **Notes to the financial statements (continued)**

**Period ended 28 December 2019**

### **2. Significant accounting policies (continued)**

#### **Loans and receivables**

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### **Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

#### **Effective interest method**

Finance costs are recognised on an effective interest basis for debt instruments other than those financial liabilities designated as at FVTPL. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating finance costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### **Derecognition of financial assets and financial liabilities**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled or expire.

#### **Provisions**

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

Provisions are measured at the Director's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

#### **Leases**

From the start of this period, the Company has adopted IFRS 16 *Leases* and the impact of this new standard, and the transition policy the Company has adopted, is explained in Note 2.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 30 December 2018.

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet. Applying IFRS 16, for all leases (except as noted below), the Company will:

## **Bakkavor Desserts Leicester Limited**

### **Notes to the financial statements (continued)** **Period ended 28 December 2019**

- Recognise right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of future lease payments. Future lease payments are discounted at the Company's weighted average incremental borrowing rate;

#### **2. Significant accounting policies (continued)**

##### **Leases (continued)**

- Use the lease term specified in the contract. Where there are termination options in the contract it is assumed that these will not be exercised and when there are extension options the Group assumes that these will be exercised;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the profit and loss account;

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities, whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 'Impairment of Assets' and any impairment is provided for by writing down the asset value.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company has opted to recognise a lease expense on a straight-line basis over the lease term as permitted by IFRS 16 paragraph 6. This expense is presented within other expenses in the profit and loss account.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

##### **Defined contribution pension obligations**

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and the Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as an employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

##### **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or the amount of the obligation cannot be measured reliably. A contingent liability is not recognised but it is disclosed in the notes to the financial statements. When an outflow becomes probable, it is recognised as a provision.

# Bakkavor Desserts Leicester Limited

## Notes to the financial statements (continued) Period ended 28 December 2019

### 3. Critical accounting judgements and key sources of estimation uncertainty

The following are areas of particular significance to the Company's financial statements and include the application of judgement, which is fundamental to the compilation of the financial statements:

#### Critical judgements in applying the Company's accounting policies

There are no critical accounting judgements applied in the compilation of these financial statements.

#### Key source of estimation uncertainty

There are not considered to be any significant sources of estimation uncertainty to be disclosed.

### 4. Turnover

All turnover is from the sale of goods to United Kingdom customers.

### 5. Operating loss

Loss for the period has been arrived at after charging:

	Period ended 28 December 2019 £'000
Depreciation of owned property, plant and equipment	692
Depreciation of leased assets	247
Research and development costs	149
Cost of stock	14,819
Write down of stock	205
Staff costs (see note 7)	6,696

Fees of £5,000 payable to the Company's auditors in respect of the statutory audit of the Company's financial statements for the period ended 28 December 2019 have been borne by Bakkavor Foods Limited.

No non-audit fees were charged to the Company for the period ended 28 December 2019.

## **Bakkavor Desserts Leicester Limited**

### **Notes to the financial statements (continued)**

**Period ended 28 December 2019**

**6. Staff costs**

The average monthly number of employees during the period was as follows:

	<b>Period ended 28 December 2019 No.</b>
Production	420
Management and administration	25
Sales	10
	<hr/>
	455
	<hr/>

Their aggregate remuneration comprised:

	<b>Period ended 28 December 2019 £'000</b>
Wages and salaries	5,961
Social security costs	505
Other pension costs (see note 19)	230
	<hr/>
	6,696
	<hr/>

**7. Directors' remuneration**

The Directors have received no emoluments for their services to the Company in the financial period presented and were paid through Bakkavor Foods Limited. The Directors are considered to be the key management personnel of the Company.

# Bakkavor Desserts Leicester Limited

## Notes to the financial statements (continued) Period ended 28 December 2019

### 8. Tax

	Period ended 28 December 2019 £'000
Corporation tax credit – current period	(10)
Group loss relief credit – current period	(170)
Total current tax	(180)
Deferred tax credit – current period	(23)
Total tax credit	(203)

Corporation tax is calculated at 19% of the estimated assessable loss for the period. The credit for the period can be reconciled to the loss per the Profit and loss account as follows:

	Period ended 28 December 2019 £'000
Loss before tax	(646)
Tax at the UK corporation tax rate	(123)
Effect of expenses not deductible in determining taxable profit/loss	8
Deferred tax credit relating to changes in tax rates and laws	(7)
Deferred tax asset arising on acquisition of trade – recognised in income	(81)
Tax credit and effective tax rate for the period	(203)

The Finance Act 2016 provided for the UK corporation tax to be reduced from 19% to 17% with effect from April 2020. However, legislation has now been introduced to maintain the rate at 19%.

Deferred tax has been calculated at 17% which is the tax rate applicable for the period in which the temporary differences are expected to reverse.

# Bakkavor Desserts Leicester Limited

## Notes to the financial statements (continued) Period ended 28 December 2019

### 9. Property, plant and equipment

	Land & Buildings £'000	Plant and machinery £'000	Fixtures and equipment £'000	Total £'000
<b>Cost</b>				
At 15 February 2019	-	-	-	-
Acquisitions	10,292	7,282	35	17,609
Additions	134	1,674	6	1,814
At 28 December 2019	10,426	8,956	41	19,423
<b>Accumulated depreciation</b>				
At 15 February 2019	-	-	-	-
Charge for the period	(311)	(618)	(10)	(939)
At 28 December 2019	(311)	(618)	(10)	(939)
<b>Carrying amount</b>				
At 28 December 2019	10,115	8,338	31	18,484
At 15 February 2019	-	-	-	-

At 28 December 2019, the Company had not entered into any contractual commitments for the acquisition of property, plant and equipment.

### 10. Stock

	28 December 2019 £'000
Raw materials and packaging	1,372
Work-in-progress	73
Finished goods	192
	1,637



# Bakkavor Desserts Leicester Limited

## Notes to the financial statements (continued) Period ended 28 December 2019

### 11. Debtors: Amounts falling due within one year

	28 December 2019 £'000
Trade debtors	10,177
Expected credit loss	(58)
Net amounts receivable from trade customers	10,119
Corporation tax debtor	10
Group loss relief	170
Other debtors	471
Prepayments	75
	<u>10,845</u>

The amounts disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

### 12. Deferred tax asset

The following are the major deferred tax provisions recognised by the Company and movements thereon during the current period.

	Accelerated tax depreciation £'000
At 15 February 2019	-
Credit to income	23
At 28 December 2019	<u>23</u>

The deferred tax asset is considered recoverable as the Company's tax losses will be surrendered as group relief to other UK Group Companies.

### 13. Creditors: Amounts falling due within one year

	28 December 2019 £'000
Trade creditors	7,666
Amounts owed to other group companies	15,251
Lease liabilities (see note 14)	341
Accruals	3,935
	<u>27,193</u>

Amounts due to related parties are unsecured, interest free and are repayable on demand, although, due to the letter of support issued by Bakkavor Limited £14,061,000 of the balance will not need to be repaid prior to January 2022.

# Bakkavor Desserts Leicester Limited

## Notes to the financial statements (continued) Period ended 28 December 2019

### 14. Leases

The Company leases assets including land and buildings and plant and machinery that are held within property, plant and equipment. Information about leases for which the Company is a lessee is presented below.

#### Analysis of property, plant and equipment relating to leases

	28 December 2019 £'000
Net book value of leased property, plant and equipment excluding right-of-use	-
Net book value of right-of-use assets	6,232
	<u>6,232</u>

#### Net book value of right-of-use assets

	Land & Buildings £'000	Plant and machinery £'000	Total £'000
Balance as at 15 February 2019	5,988	333	6,321
Additions	-	158	158
Depreciation charge	(175)	(72)	(247)
At 28 December 2019	5,813	419	6,232

#### Lease liabilities

	Minimum lease payments £'000	Interest £'000	Present value £'000
As at 28 December 2019			
Within one year	528	187	341
In two to five years	1,913	648	1,265
In over five years	5,700	1,097	4,603
	<u>8,141</u>	<u>1,932</u>	<u>6,209</u>

The present values of future lease payments are analysed as follows:

# **Bakkavor Desserts Leicester Limited**

## **Notes to the financial statements (continued)** **Period ended 28 December 2019**

### **14. Leases (continued)**

	<b>28 December 2019 £'000</b>
Current liabilities	341
Non-current liabilities	5,868
	<hr/> 6,209 <hr/>

The weighted average lease term outstanding is 18.4 years. For 2019, the weighted average incremental borrowing rate was 3.1%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

### **Amounts recognised in the profit and loss account**

	<b>Period ended 28 December 2019 £'000</b>
Interest on lease liabilities	113
Expenses relating to low-value leases	-
Expenses relating to short-term leases	-
	<hr/> 113 <hr/>

### **15. Creditors: Amounts falling due after more than one year**

	<b>28 December 2019 £'000</b>
Lease liabilities (see note 14)	5,868
	<hr/>

# Bakkavor Desserts Leicester Limited

## Notes to the financial statements (continued) Period ended 28 December 2019

### 16. Acquisitions

#### Blueberry Foods

On 10 June 2019, the trade and assets of Blueberry Foods were hived across from Samworth Brothers Limited prior to the acquisition of the Company by the Bakkavor Group. Blueberry Foods is a desserts business that operates from a custom-built factory in Leicestershire.

The net identifiable assets acquired were as follows:

	10 June 2019 £'000
Property, plant and equipment	17,609
Inventories	998
Trade and other receivables	6,491
Cash	(15)
Trade and other payables	(4,703)
Lease liabilities	(6,319)
Loan balance with Samworths	(14,061)

### 17. Share capital and reserves

	28 December 2019 £
<b>Allotted, called up and fully paid shares</b>	
Ordinary shares of £1 each	1

#### **Profit and loss account**

The Profit and loss account represents the accumulated distributable reserves / (deficit) of the Company.

### 18. Contingent liabilities

The Company may from time to time, and in the normal course of business, be subject to claims from customers and counterparties. The Company reviews any claims to determine if there is any potential financial loss to the Company. As at 28 December 2019, there were no legal claims or potential claims against the Company and therefore no provision is considered necessary in the financial statements.

### 19. Retirement benefit schemes

#### **Defined contribution scheme**

The Company participates in the Bakkavor Group's defined contribution scheme. The assets of the pension scheme are held separately from those of the Company. The total cost charged to income of £230,000 represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. The Company has paid this by way of a recharge from another group company. At 28 December 2019, no amounts were outstanding for the defined contribution scheme.

## **Bakkavor Desserts Leicester Limited**

### **Notes to the financial statements (continued)** **Period ended 28 December 2019**

#### **20. Events after the balance sheet date**

On 18 March 2020 the Group completed a refinancing of its core debt facilities amounting to £410 million through a new term loan and revolving credit facility totalling £455 million. The new facilities are due to mature in March 2024, with an option to extend the tenure by a further two years subject to lender approval.

The Company ceased trading and its trade and assets were hived up to Bakkavor Foods Limited at book value on 22 November 2020.

The Impact of the Coronavirus outbreak for the business is considered to be a non-adjusting post balance sheet event.

#### **21. Parent and ultimate parent undertaking**

The immediate parent of the Company is Bakkavor Limited.

The Company's ultimate parent company and ultimate controlling party is Bakkavor Group plc, a company registered in the United Kingdom.

The parent undertaking of the largest and smallest group, which includes the Company and for which group financial statements are prepared, is Bakkavor Group plc. These financial statements are available upon request from Bakkavor Group plc's registered office, Fitzroy Place 5th Floor, 8 Mortimer Street, London, W1T 3JJ, United Kingdom.