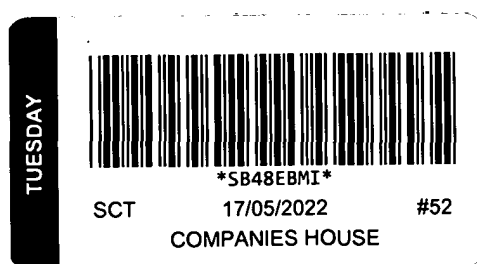


FARMFOODS LIMITED

**Annual report and consolidated
financial statements**

Registered number SC30186

1 January 2022



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Strategic Report

The directors present their strategic report for the period ended 1 January 2022.

Principal activity and business review

The principal activity of the Group is the retail sale of food and other grocery items, with a continued focus on frozen food sales.

The profit for the period after taxation amounted to £14,622,000 (2020 - £20,068,000). The profit before interest and taxation was £21,124,000 compared to £26,475,000 in 2020.

The Group continued to trade profitably throughout 2021, despite increasing cost pressure throughout the business. The Group opened new retail stores and an expanded distribution centre whilst continuing to refurbish and develop existing sites within the Group. The Group continues to work on the key areas of development identified below whilst managing the principal risks and uncertainties faced.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business include the following:

- **Competitive risk:** Trading conditions have been and are expected to remain competitive. The Group continues to focus on providing value for our customers.
- **Energy costs:** The Group consumes significant levels of electricity supplies. The Group places great importance on energy efficiencies, both through energy efficiency campaigns and through the introduction of more energy efficient technologies.
- **Fuel costs:** Diesel is a significant cost element of the Group's activities and the Group actively manages the purchasing process and carefully monitors efficient consumption.

Key areas of development and performance of the business include:

- **Sales and Marketing:** The Group continues to promote the benefits of frozen foods.
- **Health and Safety:** The Group continues to ensure that a safe and healthy environment for both employees and customers is maintained and improved.
- **Environment:** The Group continues to review and improve its environmental performances. The Group complies with environmental regulations, including the producer responsibility (packaging waste) obligations and the Energy Savings Opportunity Scheme (ESOS).

S172(1) Statement

As a family owned and managed business, the shareholding directors, together with the other directors, are central to the day to day running of the Company and because we are a private, family owned business, the long term success of the Group as a whole is always at the heart of what we do.

Following its publication in December 2018, The Wates Corporate Governance Principles for Large Private Companies ("the Wates Principles") was adopted by the Board as a corporate governance code of conduct, as it aligns closely with our existing principles and approach to management.

Our decisions are informed by our daily interactions with employees, customers and suppliers. We actively encourage feedback and communicate key developments in the business to our employees.

Throughout the year, the Group's priorities in dealing with the exceptional challenges posed by COVID-19 and related supply chain pressures were, and continue to be, to ensure the safety of our customers and colleagues, support our suppliers and maintain the availability of food and household essentials.

Whether they work in a distribution centre, a retail shop or an office, Farmfoods people are trusted to take responsibility for their work and to have control of delivering a great value, simple and friendly operation in a safe environment.

We form good relations with both long established and new suppliers who appreciate our simple, flexible and honest approach to doing business, while our customers trust us to provide the best value on the food they enjoy and on the household essentials they need.

We work hard to keep things simple and we eliminate wasted cost wherever we find it. We are mindful of the impact our operations may have on the environment and aim to reduce this impact wherever possible. Farmfoods

Strategic Report *(continued)*

continues to support the communities we serve by donating to local fundraising events, charities and sports throughout the UK.

Financial performance indicators

Turnover at £872,469,000 is £20,029,000 lower than the 2020 figure. The Group invested £11,255,000 in freehold property and assets in the course of construction during the period (2020 - £11,747,000). Net borrowings at the period end amounted to £45,462,000 (2020 - £13,031,000). Total net cash inflow relating to financing for the period was £19,192,000 with operating activities generating a net cash inflow of £6,070,000.

The average weekly number of employees during the period was 4,839.

The directors monitor closely the Group's overall financing requirements. The Group's day to day working capital needs are typically funded from the Group's own internally generated cash flows, whereas longer term financing needs are financed through a combination of internally generated cash flows, bank term loans with varying repayment dates, and finance leases. The directors consider the level of the Group's financial gearing at the period end to be satisfactory and believe the Group will be able to continue to operate within its existing facilities for the foreseeable future.

By order of the board



E F G Herd
Director

7 Greens Road
Blairlinn
Cumbernauld
G67 2TU

12 May 2022

Directors' Report

The directors submit their report and the audited financial statements of the Group for the 52 weeks ended 1 January 2022. The comparative period is for the 53 weeks ended 2 January 2021.

Dividend

The two interim dividends of £3 per ordinary share amounted to £1,050,000 (2020 - £1,050,000).

The directors recommend no final dividend for the period (2020 – nil). The total dividend in respect of the period was therefore £6 per ordinary share (2020 - £6 per ordinary share).

Directors

The directors who held office during the year and to the date of this report were as follows:

Eric F G Herd
George A Herd
David A Roberts
Gerard C Savage
Gregor J Barr
Mark D Rogers
Charles S McGregor
Rebecca J Griffiths
Susan J Crombie
Alistair Kay

In accordance with the Company's Articles of Association, the directors are not subject to retirement by rotation.

Purchase of shares

During the year the Company purchased 75,000 ordinary shares of £1 each from E F G Herd for £6,375,000, representing 10.6% of the issued share capital. These shares were subsequently cancelled.

Employees

It is the policy of the Group to develop all members of staff. The Group has a well-established policy of filling vacancies from within the workforce, and many opportunities for internal promotion are created.

The Group is committed to the principles of equal opportunities in employment and opposes all forms of discrimination on the grounds of race, age, nationality, religion, ethnic origin, gender, marital status or sexual orientation.

The Group's policy is that, where it is reasonable and practicable, all employees including disabled persons are treated in the same way in matters relating to employment, training, career development and promotion.

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

The Group provides a comprehensive vocational training programme for its retail staff, creating the opportunity for employees to maintain and improve their performance and to develop their potential, enabling them to make a positive contribution to the Group and to be suitable candidates for career opportunities as they emerge.

A description of the ways in which the directors engage with employees is provided within the Section 172(1) statement within the Strategic Report on page 1.

Directors' Report *(continued)*

Environmental Impact

In 2021 the Group has continued to install LEDs and building energy management systems (BMS), which are proven technologies within shops. Energy efficiency actions have been generated through ESOS audits and/or internal recommendations.

The below report follows the Greenhouse Gas (GHG) Reporting Protocol – Corporate Standard as the accepted methodology to meet the mandatory Streamlined Energy and Carbon Reporting (SECR) requirements. The UK Government's Greenhouse gas conversion factors have been used to calculate the carbon emissions and results are measured in tonnes of carbon dioxide equivalents (tCO₂e).

SECR Inventory	2021	2020
Energy Consumption used to calculate emissions: /kWh	<u>136,090,191</u>	<u>124,824,952</u>
Emissions – Gas & transport tCO ₂ e (Scope 1)	19,459	14,628
Emissions – Electricity (Scope 2)	13,453	17,057
Emissions – Business travel in rental vehicles (Scope 3)	<u>43</u>	<u>-</u>
Total gross tCO ₂ e	<u>32,955</u>	<u>31,685</u>
Intensity Ratio: tCO ₂ e per £1,000,000 sales	35.00	33.02

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial period have been included in the Strategic Report on pages 1 and 2.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Susan Crombie
Director

7 Greens Road
Blairlinn
Cumbemauld
G67 2TU

12 May 2022

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS
United Kingdom

Independent auditor's report to the members of Farmfoods Limited

Opinion

We have audited the financial statements of Farmfoods Limited ("the Company") for the period ended 1 January 2022 which comprise the Consolidated Profit and Loss account, the Consolidated Balance sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 1 January 2022 and of the group's profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the group's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the group's available financial resources over this period was the impact of competitive trading conditions on sales.

We also considered less predictable but realistic second order impacts, such as the erosion of customer confidence, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Independent auditor's report to the members of Farmfoods Limited (continued)

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue consists entirely of routine, non-complex transactions which are subject to systematic processing and do not require significant judgments. Revenue converts to cash quickly meaning limited opportunity to manipulate revenue recognition. We did not identify any additional fraud risks.

We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety and employment law, recognising the regulated nature of the group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report to the members of Farmfoods Limited (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Farmfoods Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

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.

L Nicolls

Lyn Nicolls (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street,
Glasgow,
G2 5AS

13 May 2022

Consolidated Profit and Loss Account and Other Comprehensive Income
for the 52 weeks ended 1 January 2022

	<i>Note</i>	2021 £000	2020 £000
Sales		941,564	959,477
Value Added Tax		(69,095)	(66,979)
Turnover	2	872,469	892,498
Cost of sales		(844,979)	(858,245)
Gross profit		27,490	34,253
Administration expenses		(6,982)	(7,649)
Operating profit		20,508	26,604
Gain/(loss) on disposal of fixed assets	3	440	(129)
Gain on acquisition of subsidiary	10	176	-
Profit before interest and taxation		21,124	26,475
Interest receivable	7	3	18
Interest payable	8	(664)	(253)
Profit before taxation		20,463	26,240
Tax on profit	9	(5,841)	(6,172)
Profit for the financial period and total comprehensive Income for the period		14,622	20,068

The group have no items of other comprehensive income other than the results for the current and prior financial periods as set out above.

All amounts relate to continuing activities.

The profit for the financial period of the parent company was £14,384,000 (2020: profit £19,981,000).


The accompanying notes on pages 14 to 28 form an integral part of these financial statements.

Balance Sheets
as at 1 January 2022

	<i>Note</i>	Group		Company	
		2021	2020	2021	2020
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11	164,041	143,023	163,895	143,023
Investments	12	-	-	-	-
		<u>164,041</u>	<u>143,023</u>	<u>163,895</u>	<u>143,023</u>
Current assets					
Stocks	14	89,591	71,998	89,308	71,845
Debtors	15	15,252	8,086	15,102	7,972
Cash at bank and in hand	16	7,264	12,524	6,756	12,120
		<u>112,107</u>	<u>92,608</u>	<u>111,166</u>	<u>91,937</u>
Creditors: amounts falling due within one year	17	<u>(88,870)</u>	<u>(83,945)</u>	<u>(88,484)</u>	<u>(83,744)</u>
Net current assets		<u>23,237</u>	<u>8,663</u>	<u>22,682</u>	<u>8,193</u>
Total assets less current liabilities		<u>187,278</u>	<u>151,686</u>	<u>186,577</u>	<u>151,216</u>
Creditors: amounts falling due after more than one year	18	<u>(45,433)</u>	<u>(21,162)</u>	<u>(45,433)</u>	<u>(21,162)</u>
Provision for liabilities and charges	19	<u>(9,491)</u>	<u>(5,367)</u>	<u>(9,545)</u>	<u>(5,414)</u>
Net assets		<u>132,354</u>	<u>125,157</u>	<u>131,599</u>	<u>124,640</u>
Capital and reserves					
Called up share capital	21	630	705	630	705
Capital redemption reserve		890	815	890	815
Profit and loss account		<u>130,834</u>	<u>123,637</u>	<u>130,079</u>	<u>123,120</u>
Equity Shareholders' funds		<u>132,354</u>	<u>125,157</u>	<u>131,599</u>	<u>124,640</u>

The accompanying notes on pages 14 to 28 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 12 May 2022 and were signed on its behalf by:



E F G Herd
Director

Company registered number: SC30186

Statements of Changes in Equity

GROUP

	Called up Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total shareholders' equity £000
Balance at 29 December 2019	780	740	110,994	112,514
Profit	-	-	20,068	20,068
Own shares acquired	(75)	75	(6,375)	(6,375)
Dividends	-	-	(1,050)	(1,050)
Balance at 2 January 2021	705	815	123,637	125,157
	Called up Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total shareholders' equity £000
Balance at 3 January 2021	705	815	123,637	125,157
Profit	-	-	14,622	14,622
Own shares acquired	(75)	75	(6,375)	(6,375)
Dividends	-	-	(1,050)	(1,050)
Balance at 1 January 2022	630	890	130,834	132,354

COMPANY

	Called up Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total shareholders' equity £000
Balance at 29 December 2019	780	740	110,564	112,084
Profit	-	-	19,981	19,981
Own shares acquired	(75)	75	(6,375)	(6,375)
Dividends	-	-	(1,050)	(1,050)
Balance at 2 January 2021	705	815	123,120	124,640
	Called up Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total shareholders' equity £000
Balance at 3 January 2021	705	815	123,120	124,640
Profit	-	-	14,384	14,384
Own shares acquired	(75)	75	(6,375)	(6,375)
Dividends	-	-	(1,050)	(1,050)
Balance at 1 January 2022	630	890	130,079	131,599

The accompanying notes on pages 14 to 28 form an integral part of these financial statements.

Consolidated Cash Flow Statement for the 52 weeks ended 1 January 2022

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Profit for the financial period		14,622	20,068
Adjustments for:			
Depreciation, amortisation and impairment	10, 11	9,476	8,481
Interest receivable and similar income		(3)	(18)
Interest payable and similar charges		664	253
(Gain)/loss on sale of tangible fixed assets	3	(440)	129
Taxation	9	5,841	6,172
		<hr/> 30,160	<hr/> 35,085
(Increase)/decrease in trade and other debtors		(4,139)	895
Increase in stocks		(17,577)	(4,781)
Increase in trade and other creditors		2,946	257
		<hr/> 11,390	<hr/> 31,456
Tax paid		(5,320)	(5,729)
		<hr/> 6,070	<hr/> 25,727
Net cash inflow from operating activities			
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		1,044	200
Acquisition of tangible fixed assets		(31,588)	(24,819)
Acquisitions, net of cash acquired	13	22	-
		<hr/> (30,522)	<hr/> (24,619)
Net cash outflow from investing activities			
Cash flows from financing activities			
Repurchase of own shares		(6,375)	(6,375)
Net Interest paid		(554)	(244)
Proceeds from increase in borrowings		26,000	6,000
Repayment of borrowings		(2,234)	(1,734)
Proceeds from new finance leases		7,115	6,319
Repayment of finance leases		(3,710)	(2,226)
Dividends paid		(1,050)	(1,050)
		<hr/> 19,192	<hr/> 690
Net cash inflow from financing activities			
Net (decrease)/increase in cash and cash equivalents		(5,260)	1,798
Cash and cash equivalents at beginning of period		12,524	10,726
		<hr/> 7,264	<hr/> 12,524
Cash and cash equivalents at end of period	16		

The accompanying notes on pages 14 to 28 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Farmfoods Limited (the “Company”) is a company limited by shares and incorporated and domiciled and registered in Scotland in the UK. The registered number is SC30186 and the registered address is 7 Greens Road, Blairlinn, Cumbernauld, G67 2TU.

Basis of preparation

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (“FRS 102”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- The disclosures required by FRS 102.11 Basic Financial Instruments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

As an essential retailer, the Group was not negatively affected by Covid-19 restrictions and traded throughout the year and continues to trade ahead of budget.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Group and Company will have sufficient funds to meet its liabilities as they fall due for that period.

The directors have sensitised the base case cash flow forecasts for severe but plausible downside scenarios reflecting the fact that the impact of COVID-19 was limited. These scenarios include a reduction in revenue of approximately 10% from the base case forecast sales during the forecast period. Even in the severe but plausible downside scenario, the Group forecast to remain cash positive and compliant with bank covenants.

The directors monitor closely the Group’s overall financing requirements. The Group’s day to day working capital needs are typically funded from the Group’s own internally generated cash flows, whereas longer term financing needs are financed through a combination of internally generated cash flows, bank term loans with varying repayment dates, and finance leases. The Group have term loans for which scheduled capital repayments are being made, and a revolving credit facility which is due to mature 31 May 2023. The Group expects to generate operating cash inflows and have a positive cash balance in the forecast period. The directors consider the level of the Group’s financial gearing at the period end to be satisfactory and believe the Group will be able to continue to operate within its existing

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

facilities and comply with relevant bank covenants for at least the next 12 months from the date of approval of the financial statements.

Consequently, the directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 1 January 2022. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors / creditors are recognised initially at transaction price and subsequently at amortised cost. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6 Investments

Fixed asset investments are shown at cost less provision for impairment. Income from investments is included, together with the related tax credit, in the financial statements of the year in which it is receivable.

Notes (continued)

1 Accounting policies (continued)

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Freehold property 5 – 50 years
- Leasehold property 3 years – Period of lease
- Plant and equipment 1 - 15 years
- Motor vehicles 3 - 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.8 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated by reference to invoiced cost. Stock also includes consumables for use in day to day operations.

1.10 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the

Notes (continued)

1 Accounting policies (continued)

1.10 Impairment excluding stocks and deferred tax assets (continued)

difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.11 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.12 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.13 Turnover

Turnover represents all sales stated net of value added tax. All turnover is attributable to retail sales.

1.14 Expenses

Operating lease

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Interest receivable and interest payable

Interest payable and similar charges include interest payable and finance charges on finance leases recognised in profit or loss using the effective interest method.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account unless it relates to items recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Notes (continued)

1 Accounting policies (continued)

1.15 Taxation (continued)

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.16 Dividends

Dividends are recognised at the time they are received or paid in accordance with accounting standards. Dividends declared and paid are not presented in the profit and loss account but instead included in the notes to the accounts and the reconciliation of reserves.

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Turnover

	2021 £000	2020 £000
Sale of goods in the UK	872,469	892,498
Total turnover	<u>872,469</u>	<u>892,498</u>

3 Other operating income

	2021 £000	2020 £000
Net gain / (loss) on disposal of tangible fixed assets	440	(129)
	<u>440</u>	<u>(129)</u>

4 Expenses and auditor's remuneration

Included in profit is the following:

	2021 £000	2020 £000
Rents receivable	(616)	(686)

Auditor's remuneration:

	2021 £000	2020 £000
Audit of these financial statements	63	63
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	-	8

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Retail operations	4,692	4,366
Administration	147	143
	<u>4,839</u>	<u>4,509</u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	81,764	75,991
Social security costs	6,113	5,846
Contributions to defined contribution plans	1,521	1,405
	<u>89,398</u>	<u>83,242</u>

6 Directors' remuneration

	2021 £000	2020 £000
Directors' remuneration	2,053	2,255
Company contributions to defined contribution pension schemes	76	68
	<u></u>	<u></u>

The remuneration of the highest paid director was £355,000 (2020: £450,000), and company pension contributions of nil (2020: £nil) were made to a defined contribution scheme on their behalf.

	Number of directors	
	2021	2020
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	<u>6</u>	<u>6</u>

7 Other interest receivable and similar income

	2021 £000	2020 £000
Interest receivable on financial assets	1	13
Other interest receivable	2	5
	<u></u>	<u></u>
Total interest receivable and similar income	<u>3</u>	<u>18</u>

Notes (continued)

8 Interest payable and similar charges

	2021 £000	2020 £000
Interest payable on bank borrowings	490	165
Interest payable on hire purchase and finance leases	174	88
	<hr/>	<hr/>
Total other interest payable and similar charges	664	253
	<hr/>	<hr/>

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2021 £000	2020 £000
<i>Current tax</i>		
Current tax on income for the period	1,970	5,474
Adjustments in respect of prior periods	(253)	6
	<hr/>	<hr/>
Total current tax	1,717	5,480
<i>Deferred tax (see note 19)</i>		
Origination and reversal of timing differences	2,301	148
Adjustments in respect of prior years	128	(6)
Impact of change in tax rate	1,695	550
	<hr/>	<hr/>
Total deferred tax	4,124	692
	<hr/>	<hr/>
Total tax	5,841	6,172
	<hr/>	<hr/>

	Current tax £000	2021 Deferred tax £000	Total tax £000	Current tax £000	2020 Deferred tax £000	Total tax £000
Recognised in Profit and loss account	1,717	4,124	5,841	5,480	692	6,172
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax	1,717	4,124	5,841	5,480	692	6,172
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

9 Taxation (continued)

Reconciliation of effective tax rate

	2021 £000	2020 £000
Profit for the year	14,622	20,068
Total tax expense	5,841	6,172
	<hr/>	<hr/>
Profit excluding taxation	20,463	26,240
Tax using the UK corporation tax rate of 19% (2020: 19%)	3,888	4,986
Net (income)/expenses not deductible for tax purposes	(20)	127
Depreciation on assets not qualifying for capital allowances	432	530
(Gain)/loss on disposal of fixed assets	(62)	25
Other timing differences	33	(46)
Over provided in prior years	(125)	-
Increase in rate on deferred tax balances	1,695	550
	<hr/>	<hr/>
Total tax expense included in profit	5,841	6,172
	<hr/>	<hr/>

In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at 19%, rather than reduce to 17% from 1 April 2020 as previously enacted. This was substantively enacted on 17 March 2020 and the deferred tax liability as at 2nd January 2021 was calculated based on this rate. In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This was substantively enacted on 24 May 2021 and the deferred tax liability as at 1st January 2022 has been calculated based on this rate.

10 Intangible assets and goodwill

Group	Goodwill £000
Cost	
Balance at beginning of period	930
Additions (note 13)	(176)
	<hr/>
At end of period	754
	<hr/>
Amortisation and impairment	
Balance at beginning of period	930
Recognised in period	(176)
	<hr/>
At end of period	754
	<hr/>
Net book value	
At beginning and end of period	-
	<hr/>

Notes (continued)

11 Tangible fixed assets

<i>Group</i>	Freehold Property £000	Leasehold Property £000	Plant and Equipment £000	Motor Vehicles £000	Assets in course of construction £000	Total £000
Cost						
Balance at 2 January 2021	113,939	27,308	110,398	1,787	1,967	255,399
Acquired on purchase of subsidiary	-	140	21	1	-	162
Additions	4,157	5,312	14,120	495	7,098	31,182
Transfers	3,236	1,410	2,119	-	(6,765)	-
Disposals	(2,185)	(737)	(4,988)	(337)	-	(8,247)
Balance at 1 January 2022	119,147	33,433	121,670	1,946	2,300	278,496
Depreciation and impairment						
Balance at 2 January 2021	18,894	17,640	74,848	994	-	112,376
Depreciation charge for the year	1,604	1,149	6,502	397	-	9,652
Disposals	(1,701)	(709)	(4,872)	(291)	-	(7,573)
Balance at 1 January 2022	18,797	18,080	76,478	1,100	-	114,455
Net book value						
At 2 January 2021	95,045	9,668	35,550	793	1,967	143,023
At 1 January 2022	100,350	15,353	45,192	846	2,300	164,041

<i>Company</i>	Freehold Property £000	Leasehold Property £000	Plant and Equipment £000	Motor Vehicles £000	Assets in course of construction £000	Total £000
Cost						
Balance at 2 January 2021	113,939	27,308	110,341	1,787	1,967	255,342
Additions	4,157	5,312	14,120	495	7,098	31,182
Transfers	3,236	1,410	2,119	-	(6,765)	-
Disposals	(2,185)	(737)	(4,988)	(337)	-	(8,247)
Balance at 1 January 2022	119,147	33,293	121,592	1,945	2,300	278,277
Depreciation and impairment						
Balance at 2 January 2021	18,894	17,640	74,791	994	-	112,319
Depreciation charge for the year	1,604	1,138	6,498	396	-	9,636
Disposals	(1,701)	(709)	(4,872)	(291)	-	(7,573)
Balance at 1 January 2022	18,797	18,069	76,417	1,099	-	114,382
Net book value						
At 2 January 2021	95,045	9,668	35,550	793	1,967	143,023
At 1 January 2022	100,350	15,224	45,175	846	2,300	163,895

Notes (continued)

11 Tangible fixed assets (continued)

GROUP AND COMPANY

At 1 January 2022, the net book value of leasehold property includes £25,000 (2020: nil) and the net book value of plant and equipment includes £12,977,000 (2020: £8,646,000) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged in the period on these assets amounted to £2,056,000 (2020: £1,116,000).

Land and Buildings

The net book value of leasehold properties comprises:

	2021 £000	2020 £000
Long leasehold	3,034	2,987
Short leasehold	12,319	6,681
	<hr/> 15,353	<hr/> 9,668
	<hr/> <hr/>	<hr/> <hr/>

12 Fixed asset investments

Company	Shares in group undertakings £
<i>Cost</i>	
At beginning of period	5
Acquired in period	1
	<hr/>
At end of period	6
	<hr/> <hr/>

Details of the Company's investments are as follows:

	Shareholding	Country of incorporation	Principal activity
<i>Subsidiary undertakings</i>			
Farmfoods Distribution Limited	100%	Scotland	Distribution
Farmfoods Group Limited	100%	Scotland	Dormant
Farmfoods Freezer Centres Limited (Registered addresses as per Farmfoods Limited)	100%	Scotland	Dormant
Contact Sourcing Limited (Registered address: 1507 Coventry Road, Birmingham, B25 8LW)	100%	England & Wales	Restaurant
<i>Other investments</i>			
Central Park (Bristol) Management Company Limited (B Ordinary shares)	1.75%	England & Wales	Property Management

Notes (continued)

13 Acquisition of subsidiary undertaking

On 1 June 2021 the Company completed the acquisition of Contact Sourcing Limited. Details of the acquisition are as follows:

	£000
Net assets acquired	
Tangible fixed assets	162
Working capital	(8)
Cash at bank and in hand	22
	<hr/>
Net assets acquired	176
Goodwill (note 10)	(176)
	<hr/>
Satisfied by	
Cash	-
	<hr/> <hr/>

In line with the exemption offered by FRS 102 section 19.25A, the results since acquisition are not shown separately in the profit and loss account on the grounds of materiality.

Contact Sourcing Limited (registered number 07467859) has taken advantage of the permitted exception from the requirements of the Companies Act 2006 relating to the audit of accounts under Section 479A of the Companies Act 2006. As such, Farmfoods Limited has provided guarantee to this subsidiary under section 479C of the Companies Act 2006 in respect of the financial period ended 1 January 2022.

14 Stocks

	<u>Group</u>		<u>Company</u>	
	2021 £000	2020 £000	2021 £000	2020 £000
Goods for resale	88,220	70,951	88,220	70,951
Consumables	1,371	1,047	1,088	894
	<hr/>	<hr/>	<hr/>	<hr/>
	89,591	71,998	89,308	71,845
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The write-down of stocks to net realisable value amounted to £181,000 (2020: £378,000). The write-down is included in cost of sales.

15 Debtors

	<u>Group</u>		<u>Company</u>	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade debtors	3,550	3,430	3,543	3,421
Amounts owed by subsidiary undertakings	-	-	1	-
Corporation Tax	2,942	-	2,942	-
Other debtors	1,167	206	1,167	206
Prepayments and accrued income	7,593	4,450	7,449	4,345
	<hr/>	<hr/>	<hr/>	<hr/>
	15,252	8,086	15,102	7,972
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

16 Cash and cash equivalents

	2021	2020
	£000	£000
Cash at bank and in hand	7,264	12,524
Cash and cash equivalents per cash flow statements	7,264	12,524

17 Creditors: amounts falling due within one year

	2021	2020		2021	2020
	£000	£000		£000	£000
Bank loans and overdrafts (see note 18)	3,277	1,734	Bank loans and overdrafts (see note 18)	3,277	1,734
Obligations under finance leases and hire purchase contracts (see note 18)	4,016	2,659	Obligations under finance leases and hire purchase contracts (see note 18)	4,016	2,659
Trade creditors	63,961	62,779	Trade creditors	62,743	61,957
Amounts owed to subsidiary undertaking	-	-	Amounts owed to subsidiary undertaking	3,296	3,406
Corporation tax	13	673	Corporation tax	-	670
Other taxation and social security	3,370	3,369	Other taxation and social security	1,745	1,605
Accruals and deferred income	14,233	12,731	Accruals and deferred income	13,407	11,713
	88,870	83,945		88,484	83,744

18 Creditors: amounts falling after more than one year

	2021	2020		2021	2020
	£000	£000		£000	£000
Bank loans and overdrafts	38,562	16,339	Bank loans and overdrafts	38,562	16,339
Obligations under finance leases and hire purchase contracts	6,871	4,823	Obligations under finance leases and hire purchase contracts	6,871	4,823
	45,433	21,162		45,433	21,162

The maturity of the above amounts is as follows:

	2021	2020		2021	2020
	£000	£000		£000	£000
1 year	7,293	4,393	1 year	7,293	4,393
1-2 years	20,469	3,584	1-2 years	20,469	3,584
2-5 years	15,464	17,578	2-5 years	15,464	17,578
> 5 years	9,500	-	> 5 years	9,500	-
	52,726	25,555		52,726	25,555
Less amount in current liabilities	(7,293)	(4,393)	Less amount in current liabilities	(7,293)	(4,393)
	45,433	21,162		45,433	21,162

Notes (continued)

18 Creditors: amounts falling after more than one year (continued)

Bank borrowings are secured by a floating charge over the assets of the Company and by fixed charges over freehold properties and are fully repayable within ten years (2020 – three years). These loans bear interest at normal commercial rates and are repayable in instalments over the life of the loans.

Balance due on finance lease and hire purchase agreements are secured upon the assets to which they relate.

19 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Fixed asset timing differences	(41)	(38)	3,506	895	3,465	857
Short term timing differences	(102)	(147)	-	-	(102)	(147)
Capital Gains held over	-	-	6,128	4,657	6,128	4,657
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Tax (assets) / liabilities	(143)	(185)	9,634	5,552	9,491	5,367
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Company	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Fixed asset timing differences	-	-	3,506	895	3,506	895
Short term timing differences	(89)	(138)	-	-	(89)	(138)
Capital Gains held over	-	-	6,128	4,657	6,128	4,657
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Tax (assets) / liabilities	(89)	(138)	9,634	5,552	9,545	5,414
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

20 Employee benefits

Defined contribution plans

Group

The Group operates a number of defined contribution pension schemes.

The total expense relating to these schemes in the current year was £1,521,000 (2020: £1,405,000).

Notes (continued)

21 Capital and reserves

Share capital

	Ordinary shares	
In thousands of shares	2021	2020
On issue at 2 January 2021	705	
Cancelled	(75)	
	<hr/>	
On issue at 1 January 2022 – fully paid	630	
	<hr/>	
	2021	2020
	£000	£000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each classified in shareholders funds	630	705
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

	2021	2020
	£000	£000
Ordinary – Interim paid	1,050	1,050
	<hr/>	<hr/>

An element of the interim dividends for 2021 and 2020 was waived by shareholders.

Reserves

The capital redemption reserve represents amounts retained as fixed capital following redemptions of share capital under company legislation.

The profit and loss account reserve represents accumulative comprehensive income for the year and prior periods less dividends paid and premia on share redemptions.

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Less than one year	15,815	14,096	15,767	14,096
Between one and five years	58,458	52,021	58,266	52,021
More than five years	103,400	101,449	103,325	101,449
	<hr/>	<hr/>	<hr/>	<hr/>
	177,673	167,566	177,358	167,566
	<hr/>	<hr/>	<hr/>	<hr/>

During the year £16,784,000 was recognised as an expense in the profit and loss account in respect of operating leases (2020: £14,453,000).

Notes (continued)

23 Commitments

Capital commitments

GROUP AND COMPANY

Contractual commitments to purchase tangible fixed assets at the year-end were £1,200,000 (2020: £3,627,000).

24 Related parties

Group

Identity of related parties with which the Group (and Company) has transacted

GSC Properties Limited was a related party by virtue of E F G Herd and G A Herd being Directors of GSC Properties Limited. Total rents and related service charges payable to GSC Properties Limited in the period were £1,939,000 (2020 - £2,000,000), and the net balance outstanding at 1 January 2022 due by the Company to GSC Properties Limited was nil (2020 - nil).

EGH Property Investments Limited was a related party by virtue of E F G Herd and G A Herd being shareholders and Directors of EGH Property Investments Limited. Total rents and related service charges payable to EGH Property Investments Limited in the period were £953,000 (2020 - £942,000), and the net balance outstanding at 1 January 2022 due by the Company to EGH Property Investments Limited was nil (2020 - nil).

Preah Building Services Limited was a related party by virtue of the majority shareholder being a close family member of G C Savage. Total charges payable to Preah Building Services Limited in the period were £6,000 (2020 - £252,000) and the net balance outstanding at 1 January 2022 due by the Group to Preah Building Services Limited was nil (2020 - nil).

CJM Electrical WM Limited was a related party by virtue of the only shareholder being a close family member of C S McGregor. Total charges payable to CJM Electrical WM Limited in the period were £43,000 (2020 - £11,000) and the net balance outstanding at 1 January 2022 due by the Group to CJM Electrical WM Limited was £2,000 (2020 - £2,000).

Prior to acquisition on 1 June 2021, Contact Sourcing Limited was owned by E F G Herd. Recharged costs, net of sales, payable to Contact Sourcing Limited in the period to this date were £27,000 (2020 - £181,000).

Transactions with key management personnel

Total compensation of key management personnel in the year is disclosed in note 6.

25 Accounting estimates and judgements

Key sources of estimated uncertainty

The preparation of the consolidated Group financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The directors do not believe there to be any significant areas of uncertainty in relation to material balances.