Financial Statements
Flour Power City Limited

For the year ended 30 September 2016

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Company No. 04212102

Company information

Company registration number	04212102
Registered office	146-156 Sarehole Road Birmingham B28 8DT
Directors	P May
Independent Auditors	Grant Thornton UK LLP Chartered Accountants Grant Thornton House 202 Silbury Boulevard CENTRAL MILTON KEYNES MK9 1LW

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Report of the Directors

The director presents the report and the financial statements of the company for year ended 30 September 2016.

Principal activities

The principal activity of the company continued to be that of a bakery.

Directors of the company

The present membership of the Board is set out below.

P May

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 those financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy, at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the director is aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Report of the Directors

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

Small Companies Exemption

In preparing this report, the directors have taken advantage of the small companies exemption provided by part 15 of the Companies Act 2006.

ON BEHALF OF THE BOARD

P May
Director
28 November 2016

Strategic Report

Business review and future developments

The principal activity of the company is that of a wholesale bakery supplying markets and restaurants in the UK.

The profit for the year after taxation amounted to £430,275 (2015 - £506,750). No dividends were paid in the current or prior year.

Principal risks and uncertainties

The Board continually reviews the potential risks facing the company. Some of the key areas reviewed are the following:

Increased prices of key commodities and operating costs

The Company spends considerable time tracking the commodity prices of a number of products namely coffee, dairy, fruit, packaging, cocoa and wheat items, an increase in which could erode the Company's gross profit margin. We are beginning to see ingredient prices harden and with a weakening pound following Brexit managing increased prices is a key areas of risk to the Company. Where possible we enter into supply agreements for certain periods of time depending upon the market. We do not commit to volumes but lengths of agreement which guarantees prices. This way the Company is able to reduce the risk to inflationary pressure.

Economic environment

In common with other restaurant businesses, the Group relies on continuing levels of disposable income within the UK market place and a decline in the UK economy would have an impact on turnover. However, due to the nature of our product and market position as an upmarket patisserie, having this unique position helps to mitigate the economic market place. Our products are seen as affordable treats in times of uncertainty and also as a luxurious indulgence when celebrating and we saw little or no impact on sales from Brexit and experienced no impact on our workforce.

Competition

The company operates in a highly competitive market putting pressure on margin and turnover growth. However, the company has a quality product and also supplies to other group companies which helps safeguard in terms of margins and turnover.

Strategic Report

Financial risk management objectives and policies

The company uses various financial instruments, these include loans, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by overdraft facilities. The risks are managed by overdraft facilities and re-financing arrangements which have extended borrowing terms and allowance of a capital drawdown facility thus reducing exposure.

Interest rate risk

The company finances its operations through a mixture of retained profits, shareholder loans and bank borrowings. The group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. Business has benefitted from the stable interest rates the UK economy has had for a number of years. If this starts to become more volatile hedging will be considered. In addition the interest cover in the business is much lower than it used to be as a result of reduced gearing.

Credit risk

The company's principal financial assets are mainly cash with very limited trade debtors. The credit risk associated with cash is limited, the principal credit risk arises therefore from its trade debtors. However, very few customers are given accounts and these are reviewed regularly and collections are kept up to date.

Key performance indicators

The company is monitored in line with a number of key performance indicators. These are formulated at weekly and monthly Board meetings and are reviewed at both operating and Board level.

Turnover growth

The company is measured against sales growth. During the year the performance was considered acceptable by the Directors and in line with targets.

Margin

The company is measured against gross profit less staff costs with a target of 30% and achieved 34% in the year which is considered acceptable by the Directors.

Budget

The company is measured against targeted EBITDA which was on target for the year.

Strategic Report

Internal control
The Board is ultimately responsible for the company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key elements of the company's control system are as follows:

- a comprehensive budgeting system with an annual budget approved by the Board
- actual results are compared monthly with budgets and past results, as appropriate
- all significant capital expenditure and organisational changes are reviewed and approved by the Board
- the integrity and competence of personnel is ensured through high recruitment standards and subsequent training
- a clearly defined organisation structure.

ON BEHALF OF THE BOARD

P May
Director
28 November 2016

Grant Thornton

Independent Auditor's Report to the director of Flour Power City Limited

We have audited the financial statements of Flour Power City Limited for the year ended 30 September 2016 which comprise the balance sheet, the statement of comprehensive income, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Grant Thornton

Independent Auditor's Report to the director of Flour Power City Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Grant Thornton UK LLP

David Newstead
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

28 November 2016

Principal accounting policies

Company information

Flour Power City Limited (the Company) is incorporated and domiciled in England and Wales and trades as wholesale bakery operating entirely within the UK.

The Company is a wholly owned subsidiary of Patisserie Holdings plc which prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of Patisserie Holdings plc for the year ended 30 September 2016. These accounts are available from the registered office at 146 - 156 Sarehole Road, Birmingham, B28 8DT.

Basis of accounting

The financial statements of the Company have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements of the Company have been prepared under the historical cost convention and the financial information is presented in sterling.

Changes in accounting policies

This is the first year in which the financial statements have been prepared in accordance with FRS 101 having previously applied UK GAAP that was effective before periods commencing on or after 1 October 2015. The date of transition to FRS 101 was 1 October 2014. The Company has restated its comparatives for the year ended 30 September 2015 - There were no adjustments to either the Balance Sheet or the Profit and Loss account on transition to FRS101.

In applying FRS 101 for the first time the Company has applied early the amendment to FRS 101 which permits a first time adopter not to present an opening statement of financial position at the beginning of the earliest comparative period presented.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- A statement of cash flows and related notes
- the requirement to produce a balance sheet at the beginning of the earliest comparative period
- the requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group
- Presentation of comparative reconciliations for property, plant and equipment
- The effect of future accounting standards not adopted
- Certain share based payment disclosures
- Disclosures in relation to impairment of assets

Going Concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The

Principal accounting policies

Company therefore continues to adopt the going concern basis in preparing its financial statements.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax. Revenue is recognized when the significant risks and benefits of ownership have been transferred to the buyer, which is considered to be on delivery of goods.

Tangible assets

Tangible fixed assets are stated at historical cost, including expenditure that is directly attributable to the acquired item, less accumulated depreciation and impairment losses.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful live or, if held under a finance lease, over the lease term, whichever is the shorter.

Short leasehold	-	Over the term of the lease
Plant and machinery	-	15-25% on reducing balance
Fixtures and fittings	-	15-25% on reducing balance
Motor vehicles	-	15-25% on reducing balance
Computer equipment	-	15-25% on reducing balance

Stocks

Stocks are stated at the lower of cost and net realisable value after provisions are made in respect of obsolete and slow moving items.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using current rates, and any adjustments to the tax payable in respect of previous years.

Deferred taxation is provided on all temporary differences between the carrying amount of the assets and liabilities in the financial statements and the tax base. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are not discounted. Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date, and are expected to apply when the deferred tax liability is settled or the deferred tax asset is realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the company intends to settle its obligations on a net basis.

Leased assets

In accordance with IAS 17 Leases, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any. A corresponding

Principal accounting policies

amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and buildings are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is initially recognised.

Subsequent accounting for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the consolidated statement of comprehensive income over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred. Lease incentives received are recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Financial instruments

Financial instruments are assigned to their different categories by management on initial recognition, depending on the contractual arrangements.

Financial assets
The company's financial assets fall within the heading of 'Loans and receivables'. Loans and receivables comprise trade and certain other receivables as well as cash and cash equivalents.

Loan and receivables are recognised when the company becomes a party to the contractual provisions of the instrument and are recognised at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment, based on the receivable ageing, previous experience with the debtor and known market intelligence. Any change in their value is recognised in the consolidated statement of comprehensive income.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities
The company's financial liabilities comprise borrowings and trade and other payables.
Financial liabilities are initially recognised at fair value net of issue costs. After initial recognition borrowings are measured at amortised cost using the effective interest method. All interest-related charges are included in the consolidated statement of comprehensive income line item "finance expense". Financial liabilities are derecognised when the obligation to settle the amount is removed.

Equity

Equity comprises the following:

- Share capital: the nominal value of equity shares.
- Share premium: includes any premium received on the sale of shares. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any income tax benefits.
- Retained earnings: retained profits available for distribution.

Principal accounting policies

Accounting estimates and judgements

The preparation of financial statements under IFRS requires the Group to make estimates and judgements that effect the application of policies and reported amounts. Estimates and judgements are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.
The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below:

Estimations

- Useful lives of depreciable assets

  Management reviews the useful lives of depreciable assets at each reporting date. At the reporting date management assesses that the useful lives represent the expected utility of the assets to the company. Actual results, however, may vary due to unforeseen events.

Statement of Comprehensive Income

	Note	September 2016 £	September 2015 £
Turnover	1	**3,683,574**	**3,206,344**
Cost of sales		(1,335,949)	(852,119)
Gross profit		**2,347,625**	**2,354,225**
Administrative expenses		(1,812,472)	(1,719,491)
Profit from operations	1	**535,154**	**634,734**
Interest receivable and similar income		-	3,983
Interest payable and similar charges	2	(1,307)	(909)
Profit on ordinary activities before taxation		**533,846**	**637,808**
Tax charge on profit on ordinary activities	4	(103,571)	(131,058)
Profit after tax and total comprehensive income for the financial year		**430,275**	**506,750**

All activities of the Company are classed as continuing.

Balance Sheet

	Note	2016	2015
		£	£
Fixed assets			
Tangible assets	5	1,721,770	1,171,691
Current assets			
Stocks	6	87,296	101,039
Debtors	7	532,870	1,173,398
Cash at bank and in hand		944,730	450,737
		1,564,896	1,725,174
Creditors: amounts falling due within one year	8	(1,199,477)	(1,343,522)
Net current assets		365,419	381,652
Total assets less current liabilities		2,087,189	1,553,343
Provisions for liabilities	9	(311,264)	(207,693)
Net assets		1,775,925	1,345,650
Capital and reserves			
Called up share capital	10	168	168
Share premium		199,888	199,888
Capital redemption reserve		33	33
Profit and loss account		1,575,836	1,145,561
Shareholders' funds		1,775,925	1,345,650

These financial statements were approved by the board of directors and authorised for issue on 28 November 2016

P May
Director

Registration number 04212102

Statement of Changes in Equity

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total
	£	£	£	£	£
As at 1 October 2014	168	199,888	33	638,811	838,900
Result and total comprehensive income for the year	-	-	-	506,750	506,750
	168	199,888	33	1,145,561	1,345,650
Transactions with owners	-	-	-	-	-
As at 30 September 2015	168	199,888	33	1,145,561	1,345,650
Result and total comprehensive income for the year	-	-	-	430,275	430,275
	168	199,888	33	1,575,836	1,775,925
Transactions with owners	-	-	-	-	-
As at 30 September 2016	168	199,888	33	1,575,836	1,775,925

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation is attributable to the one activity as disclosed in the Report of the Directors.

The operating profit is stated after charging:

	2016 £	2015 £
Operating lease rentals – land and buildings	**87,476**	87,476
Depreciation – owned assets	**221,249**	90,558
Audit remuneration – statutory audit fees	**5,789**	5,789

2 Interest payable and similar charges

	2016 £	2015 £
On bank loans and overdrafts	**1,307**	909

3 Wages and salaries

During the year remuneration paid to directors was as follows:

	2016 £	2015 £
Directors' emoluments	**-**	-

During the year no director (2015: no director) participated in money purchase pension schemes.

Staff costs during the year were as follows:

	2016 £	2015 £
Wages and salaries	**1,292,656**	1,169,053
Social security costs	**95,036**	83,934
Pension costs	**6,496**	-
	1,394,188	1,252,987

The average number of employees of the company during the year were as follows:

	2016	2015
Directors	**1**	1
Production & other staff	**69**	71
Total	**70**	72

Notes to the financial statements

4 Taxation

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2016 £	2015 £
Current tax:		
UK corporation tax	-	8,509
Adjustments in respect of prior years	-	2,366
	-	10,875
Deferred tax:		
Origination and reversal of timing differences	**103,571**	120,184
Total tax charge	**103,571**	131,058

Factors affecting current tax charge

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 20.0% (2015 – 20.5%). The differences can be explained as follows:

	2016 £	2015 £
Profit on ordinary activities before tax	**533,846**	637,808
Profit on ordinary activities multiplied by the standard rate of tax	**106,769**	130,752
Effect of:		
Other	**3,198**	(2,060)
Total tax charge for the year	**103,571**	131,058

Factors affecting future tax charges:

The UK main rate of corporation tax will fall from 20% to 19% with effect from 1 April 2017 and then to 17% from 1 April 2020. These rates were substantively enacted at the balance sheet date and will effect current tax in future years.

Notes to the financial statements (continued)

5 Tangible fixed assets

	Leasehold Improvements	Plant and Equipment	Total
	£	£	£
Cost			
At 1 October 2015	252,643	1,691,891	1,944,534
Additions	-	771,328	771,328
At 30 September 2016	252,643	2,463,219	2,715,862
Depreciation			
At 1 October 2015	140,135	632,708	772,843
Charge for the year	17,781	203,468	221,249
At 30 September 2016	157,916	836,176	994,092
Net book amount at 30 September 2016	**94,727**	**1,627,043**	**1,721,770**
Net book amount at 30 September 2015	112,508	1,059,183	1,171,691

6 Stock

	2016	2015
	£	£
Raw materials	**87,296**	101,039
	87,296	101,039

There is no significant difference between the replacement cost of stock and its carrying amount. Stock recognised in cost of sales during the year as an expense was £1,335,949 (2015: £852,119). No provisions were recognised in the current or previous year in cost of sales against stock as the company does not have a history of slow-moving or obsolete stock.

Notes to the financial statements (continued)

7 Debtors: amounts falling due within one year

	2016	2015
	£	£
Trade debtors	**255,920**	649,890
Amounts due from group undertakings	**-**	344,126
Corporation tax	**58,760**	-
Other debtors	**218,190**	179,382
	532,870	1,173,398

There is an allowance account for impaired receivables of £5,500 (2015: £nil). As at 30 September 2016 there were £61,000 of receivables past due by up to 30 days (2015: £263,000), £40,000 past due by over 30 days but less than 60 days (2015: £42,000) and £64,000 past due by over 60 days (2015: £13,000). The remaining balances were not past due. There is no material difference between the fair value and the carrying value of these assets. The maximum credit risk exposure at the reporting date equated to the fair value of trade receivables. Standard payment terms are 30 days net. There are no concentrations of credit risk.

8 Creditors: amounts falling due within one year

	30 September 2016	30 September 2015
	£	£
Bank loans and overdrafts	**-**	1,178,749
Amounts due to group undertakings	**1,103,359**	76,665
Trade creditors	**88,371**	71,981
Social security and other taxes	**2,747**	13,627
Accruals	**5,000**	2,500
	1,199,477	1,343,522

9 Provisions for liabilities: deferred taxation

	30 September 2016
	£
At 1 October 2015	207,693
Provided during the year	103,571
At 30 September 2016	311,264

Deferred taxation is provided in respect of accelerated capital allowances.

Notes to the financial statements (continued)

10 Called up share capital

	30 September 2016 £	30 September 2015 £
Authorised		
16,750 Ordinary shares of £0.01 each	**168**	168
Allotted, called up and fully paid		
16,750 Ordinary shares of £0.01 each	**168**	168

The company has one class of ordinary shares which carry no right to fixed income.

11 Leasing commitments

At 30 September 2016, the company had total minimum commitments under non-cancellable operating leases as follows:

	30 September 2016 £	30 September 2015 £
Due within one year	**80,000**	80,000
Due between one and five years	**186,300**	226,300
Due after more than five years	**-**	-
	226,300	306,300

Leases relate to the rental of bakeries and warehouse units.

12 Contingent Liabilities

The company has a cross company guarantee with its connected companies, namely Patisserie Valerie Limited, Leonardo Limited, Patisserie Valerie Express Limited, Hewmark Limited, Spice Bakery Limited, Philpotts Limited, Stonebeach Limited, Patisserie Valerie Holdings Limited and Patisserie Acquisition Limited. This guarantees the Patisserie Holdings plc group bank loan of £3 million. If Group defaults on that loan the company will be required to make good. The directors believe the financial condition of the Group is such that this guarantee will not be called upon. There was £nil outstanding liability at the end of the current and prior year.

13 Controlling party

Patisserie Valerie Holdings Limited is the company's controlling related party by virtue of its shareholding. The ultimate controlling related party of the company is Patisserie Holdings plc as a result of its shareholding in Patisserie Valerie Holdings Limited.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Patisserie Holdings plc, incorporated in England and Wales. Copies of the group accounts can be obtained from Companies House.