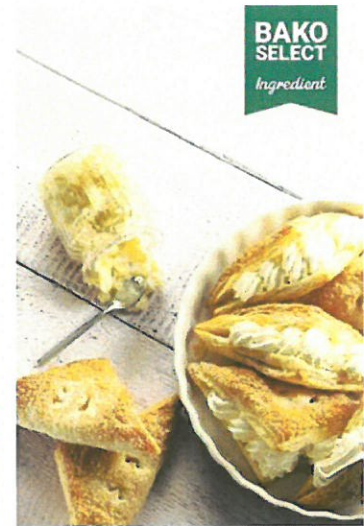


BAKO North Western (Group) Limited



Annual Report & Financial Statements For the year ended 31 March 2018

COMPANY INFORMATION

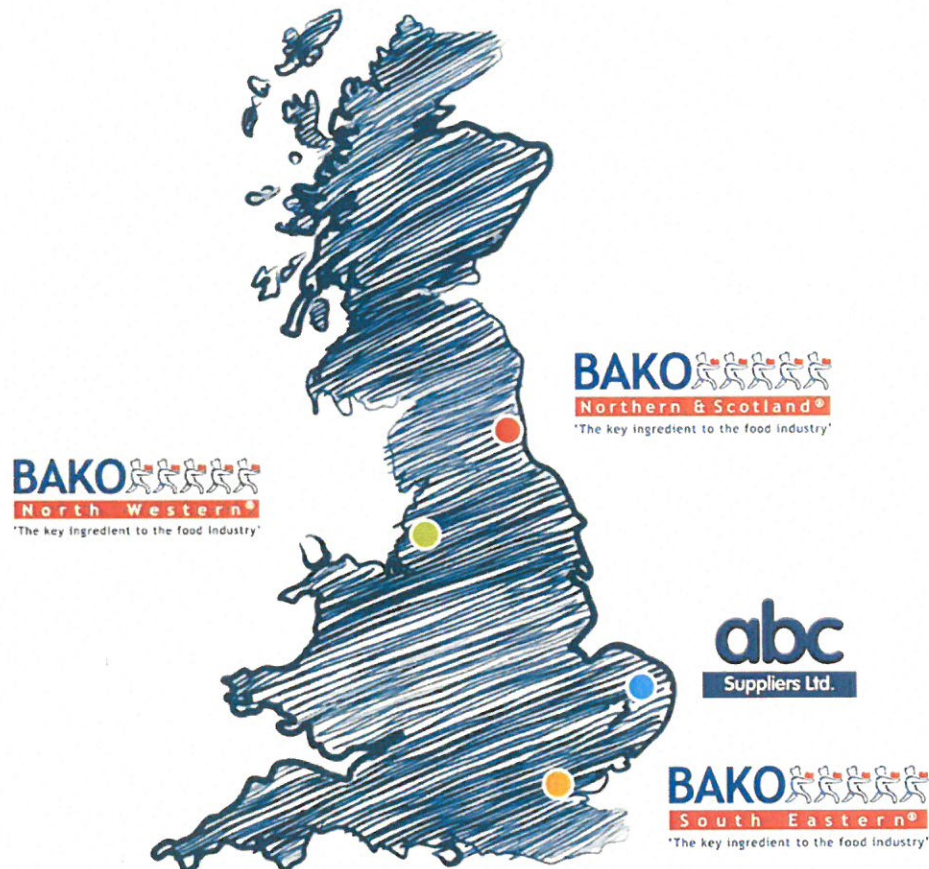
Directors	J Hall J Hill P Marshall A Moore D Walker (Appointed 12 December 2017) M Taylor (Appointed 12 December 2017) D Hindley (Appointed 31 October 2017) D Yates (Appointed 23 January 2018)
Company number	08802727
Registered office	74 Roman Way Industrial Estate Longridge Road Preston Lancashire PR2 5BE
Auditor	RSM UK Audit LLP Chartered Accountants One City Place Queens Road Chester Cheshire CH1 3BQ
Bank	HSBC UK Bank Plc 1 Forest Green Caxton Road Preston PR2 9LJ

STRATEGIC REPORT

Group overview

BAKO North Western (Group) Limited operates nationwide, with four regional depots in Durham, Preston, Wimbleton and Norwich. Each depot represents an individual business unit supported by a Group head office function. The Group functions of Executive Management, Finance, IT, Human Resources and Commercial Services provide support to the business units and ensure that the Group works in a coordinated approach towards its strategic goals.

The Group takes pride in being owned 'by bakers for bakers' and delivers a service and product range which is valued by its customers.



STRATEGIC REPORT (CONTINUED)

Financial highlights

Revenue

£121.7m

2017: £131.3m

Gross Profit

£23.2m

2017: £26.1m

EBITDA

£1.0m

2017: £2.2m

Shareholder Funds

£6.5m

2017: £6.5m

Profit Before Tax

£0.1m

2017: £0.6m

Operational highlights

- New Executive Management Team appointed in October 2017
- Group restructured to reduce future overhead costs by approximately £2.8 million per annum
- Focus on cash margins
- Acceleration of the turnaround of the South Eastern Business Unit
- Launch of a new monthly publication 'In the Mix'
- Significant improvements in capacity utilisation



STRATEGIC REPORT (CONTINUED)

Review of the business



In the year to 31 March 2018 the Group implemented substantial changes in its management team and operations, with increased focus on cost control and customer service. Michael Tully (Chief Executive Officer) and Kirti Hirani (Chief Financial Officer) were appointed to the Executive Management Team in October 2017, shortly after which a **recalibration of the Group's cost base** was implemented resulting in an estimated future annualised reduction in overhead costs of £2.8 million. Middle management posts have been rationalised to streamline the decision-making process and make the business more dynamic and efficient. Customer service levels received renewed attention with a combined drive to address efficient use of our capacity and logistics.

At the AGM in November 2017, the Company's members voted in favour of a share restructure to ring fence £9.2 million of the Group's value for existing shareholders by creating a new class of shares. At the same time,

an Executive Incentive Scheme was approved to align remuneration for the Executive Management Team to shareholder value.

Turnover for the year was £121.7 million (2017: £131.3 million) and gross profit was £23.2 million (19.1% of sales) (2017: £26.1 million – 19.9% of sales) reflecting strategic exits from certain low margin contracts with high storage and distribution costs, and the stabilising of the market following the demise of a major competitor in 2016.

The Group reported an operating loss of £0.2 million for the year (2017: profit of £1.0 million), however this includes one-off costs of £0.4 million incurred as part of the Group restructure. Excluding these costs, the Group achieved an underlying operating profit of £0.2 million. The restructuring costs arose from compensation agreements, legal costs to restructure the Group's share capital, and legal and HR consultancy.

The Group's profit before tax for the year of £0.1 million (2017: £0.6 million) includes a £0.6 million one-off gain on the revaluation of investment property. Group Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) were £1.0 million (2017: £2.2 million). During the year the Group delivered 89,297 (2017: 98,488) tonnes of products to its customers.

The Group's largest operating division, BAKO North Western, achieved turnover of £62.4 million (2017: £63.8 million), a small

decrease on the prior year. Gross margin reduced from 19.9% in 2017 to 18.0%, reflecting the impact of reduced rebates from suppliers as the business did not achieve comparable year-on-year sales volumes following large one-off volumes in the prior year. Profit before tax for the year was £1.2 million (2017: £1.1 million).

It was another difficult year for BAKO South Eastern which reported turnover of £21.8 million (2017: £27.7 million) and a loss before tax of £1.2 million (2017: £1.3 million). The fall in turnover **reflects the Group's decision to exit certain high volume, low margin contracts**. The business suffered from a lack of on-site management presence and direction, which has now been addressed with the appointment of an experienced business unit Managing Director in January 2018. The results for the current financial year are encouraging and management are confident that the business unit will return to profitability in the near future.

BAKO Northern & Scotland generated turnover of £34.3 million (2017: £36.3 million) and a profit before tax of £1.1 million (2017: £1.3 million). The business continues to generate a steady contribution since its acquisition in 2015.



STRATEGIC REPORT (CONTINUED)

ABC, based in Norwich, is the smallest division in the Group with turnover for the year of £3.2 million (2017: £3.5 million) and a loss before tax of £17,000 (2017: £134,000). The reduction in the loss is encouraging and management are looking at various strategic options to improve the East Anglia region's contribution to the Group.

Net cash generated by operating activities was £4.0 million (2017 cash consumed: £1.7 million) with the improvement in cash generation over the prior year being driven by more efficient management of working capital. Cash required for investing activities was limited as no major capital expenditure was undertaken. Financing activities consumed net cash of £4.1 million (2017 cash generated: £4.7 million), which includes a £3.1 million reduction in the balance outstanding on the Group's invoice discounting facility.

The Group's cash and cash equivalents as at 31 March 2018 were £2.4 million (2017: £2.5 million) and external debt was significantly reduced from £13.2 million at 31 March 2017 to £9.3 million. As at 31 March 2018 the Group's net assets were £6.5 million (2017: £6.5 million).

Future Developments

In the short-term, the executive management will focus on turning BAKO South Eastern into a profitable business unit whilst at the same time improving the profitability of BAKO North Western and BAKO Northern & Scotland. The full year impact of



the Group's reduced cost base will be reflected in the financial statements for the year ending 31 March 2019.

Following this period of change and the appointment of a new Executive Management Team, the business units are focusing on generating cash margin whilst minimising overhead costs and maximising shareholder value.

The business has implemented a targeted KPI scheme for each department which will focus attention on profitability, working capital and customer service, and promote a shift towards a results-driven culture. The Group's hierarchy has been streamlined and regional Managing Directors have been appointed for each business unit, bringing with it a sense of ownership, accountability and responsibility.

The Group's headcount was reduced from a peak full time equivalent headcount of 389 employees in September 2017 to 330 in March 2018.

The Group continues to measure efficiencies against challenging targets within our ISO and BRC approved quality systems, so providing the best possible service levels to our shareholders and customers. BAKO North Western, BAKO South Eastern and BAKO Northern & Scotland all hold the BRC accreditation.

Shareholder spend

The revenue generated by shareholders continues to contribute a significant proportion of the Group's overall revenues. For the year ended 31 March 2018, shareholders placed over 40,000 orders and contributed £26.8 million to Group revenues, representing 22% of total Group revenue. A resolution for the Company to purchase the shares held by customers who have not traded with the Company for the financial year will be proposed at the Company's Annual General Meeting. Shareholders are required to maintain a minimum level of trade with the Company in order to retain their shares. This level will be reviewed at the Company's Annual General Meeting.

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties

We recognise that effective risk management is fundamental to helping the Group to achieve its strategic objectives. The principal risks facing the Group are:

Strategic

The Group's business strategy continues to be aligned with that of its stakeholders with a view to maximise shareholder return. Effective communication is key in disseminating strategic information to the individual business units.

Competitive

Customer retention and competitive purchasing remain critical to the Group's success. Focus remains on ensuring prices are at the best commercial rates, with a quality service to ensure high levels of customer retention. Recent changes in competition present the Group with an opportunity to grow sales.

Market

Foreign exchange risks are significant for key products acquired from outside the UK. To combat changes in exchange rate and commodity pricing, forward exchange contracts are utilised where appropriate.

The impact of Brexit remains uncertain and is considered an obvious risk. The Group continues to sell exclusively to customers within the United Kingdom, however a significant proportion of products are purchased from Europe.

Operational

Logistical risks and the impact to the supply chain from an inbound and outbound perspective are key risks. A business continuity plan and risk register have been developed and adopted for all business units to combat potential threats to the business in servicing customer requirements.

IT

Data security and integrity of all aspects of the IT platform comes under ever increasing threats from cyber-attacks. There is an ongoing review and implementation of systems designed to combat such threats, with an IT business continuity programme, penetration testing, skilled IT professionals and utilising cloud-based technology for key business processes.

Pricing

The selling price of products is key to the success of the business and achieving an appropriate gross margin on sales is vital. The Group mitigates this risk by passing on price increases to its customers in a timely and transparent manner and by hedging customer forward contracts with supply side forward contracts.

STRATEGIC REPORT (CONTINUED)

Corporate governance

There is no formal requirement for the group to operate within the UK Corporate Governance Code. However, the Group undertakes regular corporate governance reviews and from a corporate governance perspective, the following matters are considered relevant to BAKO North Western (Group) Limited and the Directors implement the following committees in order to formalise the governance of the Group:

Audit committee

The role of the Audit Committee is to review the significant financial reporting issues and judgements made in connection with the Group's financial statements and reports, and to review the scope and effectiveness of the Group's internal controls, including financial, operational and compliance controls including systems established by management to identify, assess, manage and monitor key risks, both financial and operational, taking account of the key objectives of the Group.

Risk committee

The Risk Committee is responsible for overseeing the risk management framework for the Group. The Risk Committee maintains risk registers for the Group and is responsible for managing the risks to which the Group is exposed.

Remuneration committee

The role of the Remuneration Committee is to assist the Board to fulfil its responsibility to shareholders to ensure the remuneration policy and practice of the Group rewards fairly and responsibly, with a clear link to corporate and individual performance, while having regard to statutory and regulatory requirements. The Committee is also responsible for ensuring the Group's overall reward philosophy is consistent with achievement of the Group's strategic objectives and values. It is responsible for considering and making recommendations to the Board in respect of the remuneration policy for the Chairman, Directors and Executive Management. The Committee also has an oversight of the remuneration arrangements for the direct reports to the executives.

Nominations committee

The role of the Committee is to make recommendations to the Board on suitable candidates for appointment as Directors or as members of the Executive Management Team, ensuring an appropriate balance of expertise and ability. In addition, it is responsible for reviewing the succession plan for Directors and Executive Managers.

The Committee ensures there is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. The Committee assists the Board in ensuring its composition is regularly reviewed and refreshed so that it is effective and able to operate in the best interests of shareholders; and in doing so the Committee shall work and liaise with other Board committees as appropriate.

Non-Executive Directors

The Board regularly reviews the independence of its non-executive directors to determine whether there are any circumstances that might affect their independence. For the year under review the Board concluded that its non-executive directors were independent in character and judgement.

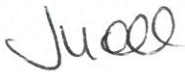
STRATEGIC REPORT (CONTINUED)

Members of Committees

The current members of the Committees is as follows:

Audit Committee	Dianne Walker – Chair Duncan Hindley Alan Moore
Risk Committee	Janet Hill – Chair Dianne Walker Duncan Hindley
Remuneration Committee	Philip Marshall – Chair Martyn Taylor David Yates
Nominations Committee	Alan Moore – Chair David Yates

On behalf of the Board



J Hall

Director

25 September 2018

DIRECTORS' REPORT

The Directors present their annual report and financial statements for the year ended 31 March 2018.

Principal activities

The principal activity of the Group continued to be that of the purchase and resale of food and ancillary products and services to the bakery industry. The Company continues to act as the holding company for the Group's trading companies.

Directors

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

J Hall	
J Hill	
P Marshall	
A Moore	
D Hindley	(Appointed 31 October 2017)
D Yates	(Appointed 23 January 2018)
D Robinson	(Resigned 22 January 2018)
D Walker (independent non-executive director)	(Appointed 12 December 2017)
M Taylor (independent non-executive director)	(Appointed 12 December 2017)

Results and dividends

The profit after taxation for the year amounted to £9,000 (2017: £0.4 million). The results for the year are set out on page 16. No ordinary dividends were paid. The Directors do not recommend payment of a dividend.

Financial instruments

Liquidity risk

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The Group is exposed to interest rate risk on floating rate deposits, bank overdrafts and loans. The Group manages the risk by minimising borrowing.

Foreign currency risk

The Group's principal foreign currency exposures arise from purchasing commodities denominated in Euros. Group policy permits but does not demand that these exposures may be hedged in order to fix the cost in Sterling. This hedging activity involves the use of foreign exchange forward contracts.

Credit risk

Investments of surplus cash, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board. All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary. The Group insures a majority of its trade debtors using credit insurance, thereby mitigating a majority of the risk of customer default.

DIRECTORS' REPORT (CONTINUED)

Disabled persons

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

Employee involvement

The Group's policy is to consult and discuss with employees, staff councils and at meetings, matters likely to affect employees' interests.

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

Future developments

The Group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Group's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of a review of the business and future developments.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Directors of the Company and Group is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the Company and Group is aware of that information.

On behalf of the Board



J Hall

Director

25 September 2018

DIRECTORS' RESPONSIBILITES STATEMENT

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 Group and Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKO NORTH WESTERN (GROUP) LIMITED

Opinion

We have audited the financial statements of BAKO North Western (Group) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2018 and of the group's 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKO NORTH WESTERN (GROUP) LIMITED (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKO NORTH WESTERN (GROUP) LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors 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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Michael Fairhurst FCA (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
One City Place, Queens Road, Chester, Cheshire, CH1 3BQ

25 September 2018

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Turnover	3	121,727	131,258
Cost of sales		(98,564)	(105,156)
Gross profit		<u>23,163</u>	<u>26,102</u>
Administrative expenses - excluding restructuring costs		(22,931)	(25,063)
Restructuring costs		(405)	-
Administrative expenses		<u>(23,336)</u>	<u>(25,063)</u>
Operating (loss)/profit	4	(173)	1,039
Interest payable and similar expenses	8	(298)	(270)
Fair value gains and losses on investment properties	12	596	-
Fair value gains and losses on foreign exchange contracts		-	(130)
Profit before taxation		<u>125</u>	<u>639</u>
Taxation	9	(116)	(269)
Profit for the financial year	26	<u>9</u>	<u>370</u>

Profit for the financial year is all attributable to the owners of the parent company.

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

The profit and loss account has been prepared on the basis that all operations are continuing operations.

GROUP BALANCE SHEET

As at 31 March 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Goodwill	10		6,095		6,438
Other intangible assets	10		237		379
			<hr/>		<hr/>
Total intangible assets			6,332		6,817
Tangible assets	11		6,732		7,471
Investment properties	12		950		-
			<hr/>		<hr/>
			14,014		14,288
Current assets					
Stocks	16	5,500		5,902	
Debtors - deferred tax	23	69		40	
Debtors - other	17	12,934		14,522	
Cash at bank and in hand		2,408		2,489	
			<hr/>	<hr/>	
			20,911		22,953
Creditors: amounts falling due within one year	18	(24,990)		(26,701)	
			<hr/>	<hr/>	
Net current liabilities			(4,079)		(3,748)
			<hr/>		<hr/>
Total assets less current liabilities			9,935		10,540
Creditors: amounts falling due after more than one year	19		(2,662)		(3,350)
			<hr/>		<hr/>
Provisions for liabilities	22		(765)		(691)
			<hr/>		<hr/>
Net assets			6,508		6,499
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	25		23		25
Revaluation reserve	26		1,073		1,148
Merger reserve	26		50		50
Capital redemption reserve	26		5		3
Profit and loss reserves	26		5,357		5,273
			<hr/>		<hr/>
Total equity			6,508		6,499
			<hr/>		<hr/>

The financial statements were approved by the board of directors and authorised for issue on 25 September 2018 and are signed on its behalf by:



J Hall
Director
Company Registration no. 08802727

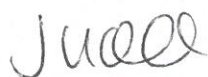
COMPANY BALANCE SHEET

As at 31 March 2018

	Notes	2018		2017	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	13		12,408		12,311
Current assets					
Debtors	17	161		26	
Cash at bank and in hand		2		24	
		<u>163</u>		<u>50</u>	
Creditors: amounts falling due within one year	18	<u>(10,776)</u>		<u>(9,142)</u>	
Net current liabilities			<u>(10,613)</u>		<u>(9,092)</u>
Total assets less current liabilities			1,795		3,219
Creditors: amounts falling due after more than one year	19		(2,500)		(3,300)
Net liabilities			<u>(705)</u>		<u>(81)</u>
Capital and reserves					
Called up share capital	25		23		25
Capital redemption reserve	26		5		3
Profit and loss reserves	26		<u>(733)</u>		<u>(109)</u>
Total equity			<u>(705)</u>		<u>(81)</u>

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was £624,000 (2017: £87,000).

The financial statements were approved by the Board of Directors and authorised for issue on 25 September 2018 and are signed on its behalf by:



J Hall
Director
Company Registration No. 08802727

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital	Revaluation reserves	Capital redemption reserves	Merger reserves	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2016	25	1,223	3	50	4,828	6,129
Period ended 31 March 2017:						
Profit and total comprehensive income for the period	-	-	-	-	370	370
Transfers	-	(75)	-	-	75	-
Balance at 31 March 2017	25	1,148	3	50	5,273	6,499
Period ended 31 March 2018:						
Profit and total comprehensive income for the period	-	-	-	-	9	9
Redemption of shares (note 25)	(2)	-	2	-	-	-
Transfers	-	(75)	-	-	75	-
Balance at 31 March 2018	23	1,073	5	50	5,357	6,508

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital £'000	Capital redemption reserves £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 April 2016	25	3	(22)	6
Period ended 31 March 2017:				
Loss and total comprehensive income for the period	-	-	(87)	(87)
Balance at 31 March 2017	25	3	(109)	(81)
Period ended 31 March 2018:				
Loss and total comprehensive income for the period	-	-	(624)	(624)
Redemption of shares	(2)	2	-	-
Balance at 31 March 2018	23	5	(733)	(705)

GROUP STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 £'000	£'000	2017 £'000	£'000
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	29		4,281		(1,129)
Interest paid			(266)		(270)
Income taxes paid			(38)		(257)
			<u> </u>		<u> </u>
Net cash inflow/(outflow) from operating activities			3,977		(1,656)
Investing activities					
Purchase of intangible assets		(111)		(313)	
Purchase of tangible fixed assets		72		(726)	
Proceeds on disposal of tangible fixed assets		62		24	
		<u> </u>		<u> </u>	
Net cash generated from/(used in) investing activities			23		(1,015)
Financing activities					
Net movement in other borrowings		(3,693)		5,033	
Net movement in bank loans		(200)		(325)	
Payment of finance leases obligations		(188)		(12)	
Net cash (used in)/generated from financing activities			(4,081)		4,696
			<u> </u>		<u> </u>
Net (decrease)/increase in cash and cash equivalents			(81)		2,025
Cash and cash equivalents at beginning of year			2,489		466
Cash and cash equivalents at end of year			<u>2,408</u>		<u>2,489</u>
Relating to:					
Cash at bank and in hand			<u>2,408</u>		<u>2,489</u>
Cash and cash equivalents at end of year			<u>2,408</u>		<u>2,489</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

1 Accounting policies

Company information

BAKO North Western (Group) Limited ("the Company") is a private company limited by shares domiciled and incorporated in England and Wales. The registered office is 74 Roman Way Industrial Estate, Longridge Road, Preston, Lancashire, PR2 5BE.

The Group consists of BAKO North Western (Group) Limited and all of its subsidiaries.

1.1 Accounting convention

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

The financial statements are prepared in Sterling, which is the functional currency of the Group and Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The Company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this Company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The Company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

1 Accounting policies (continued)

The consolidated financial statements incorporate those of BAKO North Western (Group) Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

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

Entities other than subsidiary undertakings or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence, are treated as associates. In the Group financial statements, associates are accounted for using the equity method.

Entities in which the Group holds an interest and which are jointly controlled by the Group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the equity method.

1.3 Going concern

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

1.4 Turnover

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

1 Accounting policies (continued)

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life. Purchased goodwill in respect of a customer list acquired in 2013 is amortised on a straight line basis over five years. The goodwill arising on acquisition of a business in 2013 is being amortised on a straight line basis over ten years.

On 24 August 2015 the BAKO North Western (Group) Limited acquired 100% of the issued share capital of Sandco 1187 Limited. Goodwill arising on this acquisition is amortised on a straight line basis over twenty years.

Amortisation charges for goodwill are recognised in profit and loss wholly within administrative expenses.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

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

Software	25% straight line
----------	-------------------

Amortisation charges for other intangible assets are recognised in profit and loss wholly within administrative expenses.

1.7 Tangible fixed assets

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

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

Freehold land & buildings	2% straight line
Plant & machinery	7% - 25% straight line
Fixtures & fittings	10% - 20% straight line
Motor vehicles	25% straight line or over seven years

Freehold land and capital in progress are not depreciated.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

1 Accounting policies (continued)

1.8 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.9 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.10 Impairment of fixed assets

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

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

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

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

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

1 Accounting policies (continued)

1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials.

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

1.12 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.13 Financial instruments

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

Financial instruments are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

1 Accounting policies (continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, and loans from fellow group companies that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Group's contractual obligations expire or are discharged or cancelled.

1.14 Equity instruments

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

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

1 Accounting policies (continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.16 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

1.17 Employee benefits

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

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.18 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.19 Leases

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

1 Accounting policies (continued)

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

1.20 Foreign exchange

Transactions in currencies other than pounds Sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

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

Categorisation of leases

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Group as lessee.

Key sources of estimation uncertainty

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill has been allocated. The value in use calculation requires the estimation of future cash flows expected to arise and a suitable discount rate in order to calculate present value. A change in these estimates would lead to a change in any impairment charged to the profit or loss for the period.

Useful life of fixed assets

In making decisions regarding the depreciation of tangible fixed assets, management must estimate the useful life of said assets to the business. A change in estimate would result in a change in the depreciation charged to the profit or loss for the period.

Dilapidations provision

Determining the value of the dilapidations provision requires an estimation of the value of repairs to be carried out at a future point in time on termination of a property lease. A change in the provision would result in a change in the amount charged to the profit and loss in the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

3 Turnover and other revenue

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

	2018 £'000	2017 £'000
Turnover		
Sale of food and ancillary products and services	121,727	131,258
	<hr/>	<hr/>
Other significant revenue		
Fair value gains on investment property	596	-
	<hr/>	<hr/>

4 Operating (loss)/profit

	2018 £'000	2017 £'000
Operating (loss)/profit for the period is stated after charging/(crediting):		
Exchange gains	(27)	(65)
Depreciation of owned tangible fixed assets	577	607
Depreciation of tangible fixed assets held under finance leases	60	69
Loss/(profit) on disposal of tangible fixed assets	2	(13)
Amortisation of intangible assets	573	595
Cost of stocks recognised as an expense	98,564	105,156
Restructuring costs	405	-
Operating lease charges	2,756	2,520
	<hr/>	<hr/>

5 Auditor's remuneration

	2018 £'000	2017 £'000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Group and Company	4	4
Audit of the financial statements of the Company's subsidiaries	44	49
	<hr/>	<hr/>
	48	53
	<hr/>	<hr/>
For other services		
Taxation compliance services	14	11
Other taxation services	-	7
Internal audit services	8	-
All other non-audit services	-	7
	<hr/>	<hr/>
	22	25
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

6 Employees

The average monthly number of persons (including directors) employed by the Group and Company during the year was:

	2018 Number	Group 2017 Number	2018 Number	Company 2017 Number
Selling	70	86	-	-
Distribution	116	117	-	-
Warehousing	103	108	-	-
Office and management	78	87	-	-
	<u>367</u>	<u>398</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	2018 £'000	Group 2017 £'000	2018 £'000	Company 2017 £'000
Wages and salaries	10,836	11,221	147	-
Social security costs	1,119	1,119	12	-
Pension costs	530	533	-	-
	<u>12,485</u>	<u>12,873</u>	<u>159</u>	<u>-</u>

7 Directors' remuneration

	2018 £'000	2017 £'000
Remuneration for qualifying services	<u>147</u>	<u>84</u>

8 Interest payable and similar expenses

	2018 £'000	2017 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	79	58
Interest on finance leases and hire purchase contracts	5	6
Interest on invoice finance arrangements	132	130
Interest on other loans	82	76
	<u>298</u>	<u>270</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

9 Taxation

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on profits for the current period	57	276
Adjustments in respect of prior periods	(15)	(38)
	<u>42</u>	<u>238</u>
Deferred tax		
Origination and reversal of timing differences	79	41
Changes in tax rates	-	(10)
Adjustment in respect of prior periods	(5)	-
	<u>74</u>	<u>31</u>
Total tax charge	<u>116</u>	<u>269</u>

During the year the main rate of UK corporation tax was 19%. A reduction in the corporation tax rate to 17% from 1 April 2020 has been substantively enacted at the balance sheet date. This will reduce the Company's future tax charge accordingly and the deferred tax balance as at 31 March 2018 has been calculated at 17%.

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2018 £'000	2017 £'000
Profit before taxation	<u>125</u>	<u>639</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	24	128
Tax effect of expenses that are not deductible in determining taxable profit	7	32
Tax effect of income not taxable in determining taxable profit	(50)	-
Change in unrecognised deferred tax assets	15	(16)
Adjustments in respect of prior years	(15)	(39)
Effect of change in corporation tax rate	(2)	3
Depreciation on assets not qualifying for tax allowances	61	66
Amortisation on assets not qualifying for tax allowances	81	95
Deferred tax adjustments in respect of prior years	(5)	-
	<u>116</u>	<u>269</u>
Taxation charge for the period	<u>116</u>	<u>269</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

10 Intangible fixed assets

Group	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 April 2017	8,589	556	9,145
Additions	97	14	111
Reclassification	-	(27)	(27)
At 31 March 2018	8,686	543	9,228
Amortisation and impairment			
At 1 April 2017	2,151	177	2,328
Amortisation charged for the year	440	133	573
Reclassification	-	(4)	(4)
At 31 March 2018	2,591	306	2,897
Carrying amount			
At 31 March 2018	6,095	237	6,332
At 31 March 2017	6,438	379	6,817

The Company had no intangible fixed assets at 31 March 2018 or 31 March 2017.

Goodwill associated with the acquisition of the Sandco 1187 Limited group in August 2015 has a cost bought forward of £6,672,527, accumulated amortisation brought forward of £538,892 and an amortisation charge in the year of £332,222. The carrying amount of the goodwill associated with this acquisition is £5,801,413 (2017: £6,133,635).

The addition to goodwill of £97,000 in the year has arisen from an adjustment to the deferred consideration payable on the acquisition of the Sandco 1187 Limited group in August 2015. This amount was settled in cash during the year.

Goodwill associated with the acquisition of the BAKO South Eastern Limited business has a cost of £1,515,818, accumulated amortisation brought forward of £1,226,733 and an amortisation charge in the year of £98,124. The carrying amount of the goodwill is £190,961 (2017: £279,085).

Purchased goodwill has a cost of £400,000, accumulated amortisation brought forward of £386,233 and an amortisation charge in the year of £10,000. The carrying amount of the goodwill is £3,767 (2017: £23,767).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

11 Tangible fixed assets

Group	Freehold land & buildings £'000	Capital in progress £'000	Plant & machinery £'000	Fixtures & fittings £'000	Motor Vehicles £'000	Total £'000
Cost						
At 1 April 2017	5,652	431	4,594	184	1,319	12,180
Additions	53	-	147	77	16	293
Disposals	-	(431)	(255)	(8)	(1,055)	(1,749)
Reclassification	-	-	599	-	163	762
Transfer to investment property	(354)	-	-	-	-	(354)
At 31 March 2018	<u>5,351</u>	<u>-</u>	<u>5,085</u>	<u>253</u>	<u>443</u>	<u>11,132</u>
Depreciation and impairment						
At 1 April 2017	265	431	2,964	41	1,008	4,709
Depreciation charged in the year	137	-	403	17	80	637
Eliminated in respect of disposals	-	(431)	(255)	(8)	(991)	(1,685)
Reclassification	-	-	576	-	163	739
At 31 March 2018	<u>402</u>	<u>-</u>	<u>3,688</u>	<u>50</u>	<u>260</u>	<u>4,400</u>
Carrying amount						
At 31 March 2018	<u>4,949</u>	<u>-</u>	<u>1,397</u>	<u>203</u>	<u>183</u>	<u>6,732</u>
At 31 March 2017	<u>5,387</u>	<u>-</u>	<u>1,630</u>	<u>143</u>	<u>311</u>	<u>7,471</u>

The Company had no tangible fixed assets at 31 March 2018 or 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

11 Tangible fixed assets (continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Plant & machinery	262	20	-	-
Motor vehicles	-	136	-	-
Computers	44	58	-	-
	<u>306</u>	<u>214</u>	<u>-</u>	<u>-</u>
Depreciation charge for the year in respect of leased assets	60	69	-	-
	<u>60</u>	<u>69</u>	<u>-</u>	<u>-</u>

The re-classification balances are in respect of certain adjustments between cost and depreciation balances, and between tangible and intangible assets.

12 Investment property

	Group 2018 £'000	Company 2018 £'000
Fair value		
At 1 April 2017	-	-
Transfers from owner-occupied property	354	-
Net gains or losses through fair value adjustments	596	-
	<u>950</u>	<u>-</u>
At 31 March 2018	950	-

Investment property comprises freehold land. The fair value of the investment property has been arrived at on the basis of an offer received to purchase the land. This offer was accepted and the sale is expected to be completed after the date of signing of these financial statements.

13 Fixed asset investments

		Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Investments in subsidiaries	14	-	-	12,408	12,311
		<u>-</u>	<u>-</u>	<u>12,408</u>	<u>12,311</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

13 Fixed asset investments (continued)

Movements in fixed asset investments Company	Shares in group undertakings £'000
Cost or valuation	
At 1 April 2017	12,311
Additions	97
At 31 March 2018	<u>12,408</u>
Carrying amount	
At 31 March 2018	<u>12,408</u>
At 31 March 2017	<u>12,311</u>

The addition to shares in group undertakings of £97,000 in the year has arisen from an adjustment to the deferred consideration payable on the acquisition of the Sandco 1187 Limited group in August 2015. This amount was settled in cash during the year.

14 Subsidiaries

Details of the Company's subsidiaries, all of whom are registered in England and Wales, at 31 March 2018 are as follows:

Name of undertaking	Nature of business	% of Ordinary Shares Held	
		Direct	Indirect
BAKO North Western Limited	Wholesaler of bakery products	100	
BAKO South Eastern Limited	Wholesaler of bakery products	100	
Anglian Bakery and Catering Suppliers Limited	Wholesaler of bakery products	100	
Sandco 1187 Limited	Holding company	100	
BAKO Northern (Holdings) Limited	Property rental		100
Bakers (Area 1) Limited	Wholesaler of bakery products		100
LBBA Limited	Dormant	100	
BAKO Scotland Limited	Dormant		100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

15 Financial instruments

	2018 £'000	Group 2017 £'000	2018 £'000	Company 2017 £'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	10,948	12,619	11	-
Carrying amount of financial liabilities				
Measured at amortised cost	27,014	29,390	13,276	12,442

16 Stocks

	2018 £'000	Group 2017 £'000	2018 £'000	Company 2017 £'000
Raw materials and consumables	36	19	-	-
Finished goods and goods for resale	5,464	5,883	-	-
	5,500	5,902	-	-

17 Debtors

	2018 £'000	Group 2017 £'000	2018 £'000	Company 2017 £'000
Amounts falling due within one year:				
Trade debtors	10,891	12,335	-	-
Corporation tax recoverable	329	288	146	22
Amounts due from group undertakings	-	-	11	-
Other debtors	130	395	-	-
Prepayments and accrued income	1,584	1,504	-	-
	12,934	14,522	157	22
Deferred tax asset (note 23)	69	40	4	4
	13,003	14,562	161	26

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

18 Creditors: amounts falling due within one year

	Notes	2018 £'000	Group 2017 £'000	2018 £'000	Company 2017 £'000
Bank loans and overdrafts	20	200	200	200	200
Loan notes	20	600	600	600	600
Obligations under finance leases	21	161	96	-	-
Invoice discounting	20	6,015	9,108	-	-
Trade creditors		16,110	14,743	-	-
Amounts due to group undertakings		-	-	9,941	8,339
Corporation tax payable		383	337	-	-
Other taxation and social security		255	324	-	-
Other creditors		38	34	35	3
Accruals and deferred income		1,228	1,259	-	-
		<u>24,990</u>	<u>26,701</u>	<u>10,776</u>	<u>9,142</u>

19 Creditors: amounts falling due after more than one year

	Notes	2018 £'000	Group 2017 £'000	2018 £'000	Company 2017 £'000
Bank loans	20	1,300	1,500	1,300	1,500
Loan notes	20	1,200	1,800	1,200	1,800
Obligations under finance leases	21	162	50	-	-
		<u>2,662</u>	<u>3,350</u>	<u>2,500</u>	<u>3,300</u>

20 Loans and overdrafts

	2018 £'000	Group 2017 £'000	2018 £'000	Company 2017 £'000
Bank loans	1,500	1,700	1,500	1,700
Loan notes	1,800	2,400	1,800	2,400
Invoice finance	6,015	9,108	-	-
	<u>9,315</u>	<u>13,208</u>	<u>3,300</u>	<u>4,100</u>
Payable within one year	6,815	9,908	800	800
Payable after one year	2,500	3,300	2,500	3,300

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

20 Loans and overdrafts (continued)

A loan from HSBC Bank Plc of £2,000,000 commenced in 2015 and is repayable in quarterly instalments until 2019. Interest is charged as 1.6% over bank base rate. It is secured by fixed and floating charges over the assets of the Company together with a Composite Company Unlimited Multilateral Guarantee given by all the companies in the BAKO North Western (Group) Limited group. The balance outstanding at 31 March 2018 was £1,500,000 (2017: £1,700,000).

The invoice finance arrangement is with HSBC Bank Plc and is secured against the trade debtors of the Group.

Loan notes amounting to £3,000,000 were issued in August 2015 and are repayable in equal annual instalments over five years. Interest is charged at the lower of 2% over bank base rate or 4%. The balance outstanding at 31 March 2018 was £1,800,000 (2017: £2,400,000) of which £290,160 (2017: £386,880) are secured by a debenture.

21 Finance lease obligations

	2018 £'000	Group 2017 £'000	2018 £'000	Company 2017 £'000
Future minimum lease payments due under finance leases:				
Within one year	183	109	-	-
In two to five years	170	41	-	-
	<u>353</u>	<u>150</u>	<u>-</u>	<u>-</u>
Less: future finance charges	(30)	(4)	-	-
	<u>323</u>	<u>146</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the Company or Group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under hire purchase contracts are secured by the lessor's charge over the leased asset.

22 Provisions for liabilities

	2018 £'000	Group 2017 £'000	2018 £'000	Company 2017 £'000
Dilapidations	363	391	-	-
Deferred tax liabilities	402	300	-	-
	<u>765</u>	<u>691</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

22 Provisions for liabilities (continued)

Movements on provisions apart from deferred tax liabilities:

Group	£'000
At 1 April 2017	391
Utilisation of provision	(28)
	<hr/>
At 31 March 2018	363
	<hr/>

The dilapidations provision relates to the Group's Wimbledon site. The provision may not be utilised by the end of the next financial year as the amount and timing are uncertain.

23 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Group and Company, and movements thereon:

Group	Liabilities 2018 £'000	Liabilities 2017 £'000	Assets 2018 £'000	Assets 2017 £'000
Short term timing differences	344	342	33	-
Tax losses	-	(33)	4	4
Investment property	65	-	-	-
Assets measured at fair value	-	-	-	36
Other timing differences	(7)	(9)	32	-
	<hr/>	<hr/>	<hr/>	<hr/>
	402	300	69	40
	<hr/>	<hr/>	<hr/>	<hr/>
Company	Liabilities 2018 £'000	Liabilities 2017 £'000	Assets 2018 £'000	Assets 2017 £'000
Tax losses	-	-	4	4
	<hr/>	<hr/>	<hr/>	<hr/>
Movements in the year:			Group 2018 £'000	Company 2018 £'000
Liability/(asset) at 1 April 2017			260	(4)
Charge to profit or loss			73	-
			<hr/>	<hr/>
Liability/(asset) at 31 March 2018			333	(4)
			<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

23 Deferred taxation (continued)

A deferred tax asset of £343,000 (2017: £343,000) for tax losses carried forward at 31 March 2018 has not been provided for because the Directors do not expect that those losses will be able to be utilised against future trading profits.

24 Retirement benefit schemes

	2018	2017
	£'000	£'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	530	533
	<u> </u>	<u> </u>

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

25 Share capital

	Company	
	2018	2017
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
18,600 Ordinary shares of £1 each	18	25
465 A Ordinary shares of £10 each	5	-
	<u> </u>	<u> </u>
	23	25
	<u> </u>	<u> </u>

The Company's Ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

The Company's A Ordinary shares do not carry any voting or income rights, but have priority rights to capital on a sale or winding-up of the business. The A Ordinary shares were issued during the year at nominal value by way of a share-for-share exchange of 10 Ordinary shares for 1 A Ordinary share. The exchange was approved at the Company's Annual General Meeting on 22 November 2017 and took effect on that date.

After the date of these financial statements, 30 B Ordinary shares with a nominal value of £1 each were issued to members of the Executive Management Team under the terms of the Executive Incentive Scheme.

26 Reserves

Revaluation reserve

The cumulative revaluation gains and losses in respect of land and buildings, except revaluation gains and losses recognised in the profit or loss.

Capital redemption reserve

The nominal value of shares repurchased and still held at the end of the reporting period.

Merger reserve

On 14 May 2014 Ordinary shares of £1 each were issued in respect of 100% of the Ordinary shares in BAKO North Western Limited. This was accounted for by the merger method of accounting under Statutory Instrument 2008 No 410 Schedule 6(10) and falls to be treated as a group reconstruction under Section 611 of the Companies Act 2006. The fair value of the shares issued at 14 May 2014 was £50,100 which is held as a merger reserve in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

26 Reserves (continued)

Profit and loss reserves

Cumulative profit and loss net of distributions to shareholders.

27 Operating lease commitments

Lessee

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

	2018	Group	2018	Company
	£'000	£'000	£'000	£'000
Within one year	2,217	2,319	-	-
Between two and five years	5,790	5,728	-	-
In over five years	634	795	-	-
	<u>8,641</u>	<u>8,842</u>	<u>-</u>	<u>-</u>

28 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018	2017
	£'000	£'000
Aggregate compensation	<u>682</u>	<u>713</u>

Transactions with related parties

During the year the Group made sales of goods to businesses run by the directors of the BAKO North Western (Group) Limited. These were made under normal trading terms. The value of sales for the year ended 31 March 2018 was £503,675 (2017: £363,094) and the balance owed to the Group at 31 March 2018 was £63,469 (2017: £27,007).

During the year the Board retained the services of consultants who were later appointed as directors. The value of services provided by these consultants for the year ended 31 March 2018, up to the date of their appointment as directors, was £35,364. There was no balance outstanding in respect of this amount at the year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2018

29 Cash generated from group operations

	2018 £'000	2017 £'000
Profit for the year after tax	9	370
Adjustments for:		
Taxation charged	116	269
Finance costs	298	270
Loss/(gain) on disposal of tangible fixed assets	2	(13)
Fair value gains and losses on foreign exchange contracts and investment properties	(596)	130
Amortisation and impairment of intangible assets	573	595
Depreciation and impairment of tangible fixed assets	637	676
Decrease in provisions	(28)	-
Movements in working capital:		
Decrease/(increase) in stocks	402	(581)
Decrease/(increase) in debtors	1,591	(3,240)
Increase in creditors	1,277	395
	<hr/>	<hr/>
Cash generated from/(absorbed by) operations	4,281	(1,129)
	<hr/>	<hr/>

